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 accuracy of certain representations of the School Board, the existing statutes, regulations 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

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 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 2010 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 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 of Certificates" herein for 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 of $5,000 in excess of $5,000. 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.


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 KnaussSenton, 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.

BofA Merrill Lynch
Morgan Stanley
J.P. Morgan
Wells Fargo Securities

Dated: June 15, 2011

RBC Capital Markets
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**

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

**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).
# TABLE OF CONTENTS

INTRODUCTION................................................. 1  
PURPOSE OF THE SERIES 2011A  
CERTIFICATES............................................... 6  
PLAN OF REFUNDING...................................... 6  
THE SERIES 2011A CERTIFICATES...................... 6  
  General .................................................. 6  
  Prepayment ............................................. 7  
  Purchase of Series 2011A Certificates............ 10  
  Undelivered Series 2011A Certificates; Tender Price .................................................. 11  
  Remarking Upon Mandatory Tender of Series 2011A Certificates .................. 12  
  Inadequate Funds for Purchase ..................... 12  
  Failed Remarking of Tendered Series 2011A Certificates .......................... 12  
  Special Provisions Relating to Delayed Remarking Certificates ................. 12  
BOOK-ENTRY ONLY SYSTEM.............................. 13  
SECURITY FOR THE SERIES 2011A  
CERTIFICATES............................................. 16  
  General .................................................. 16  
  Lease Payments ....................................... 17  
  Limited Obligation of the School Board ...... 17  
  Additional Leases ...................................... 18  
  Additional Certificates; Outstanding Certificates ............................ 18  
  Optional Prepayment Price ......................... 19  
  Non-Appropriation Risk .................. 19  
  No Reserve Account for Series 2011A Certificates .................................................. 20  
  Interest Rate Exchange Agreements .............. 20  
THE MASTER LEASE FACILITIES....................... 23  
THE SERIES 2007B FACILITIES ......................... 23  
  Substitution of Series 2007B Facilities .......... 24  
THE PRIOR FACILITIES .................................. 25  
ESTIMATED SOURCES AND USES OF FUNDS ............... 30  
CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES .............. 31  
CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES .......... 32  
COMBINED CERTIFICATE PAYMENT SCHEDULE .............. 33  
THE MASTER LEASE PROGRAM........................... 34  
THE SERIES 2007B LEASE............................... 34  
  Authority ............................................. 34  
  Lease Term ........................................... 34  
  Lease Payments .................................... 35  
  Assignment of Lease to Trustee .................. 36  
  Lease Covenants ..................................... 36  
  Budget and Appropriation ....................... 37  
  Termination of Lease Term .................... 38  
  Effect of Termination for Non-Appropriation or Default ....................... 38  
THE CORPORATION ......................................... 39  
THE DISTRICT.............................................. 39  
  General .............................................. 39  
  Certain Statistical Information .................. 40  
  FTE Growth ......................................... 41  
  The School Board .................................. 41  
  The Superintendent of Schools .................. 42  
  Biographical Information for Certain Administrators ...................... 42  
  Full Time School Personnel ...................... 43  
  Employee Relations ................................ 43  
  Accreditation ....................................... 44  
  Budget Process ..................................... 44  
  Capital Improvement Program ................... 44  
FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT ....................... 44  
  Financial Results .................................. 44  
  General Fund Revenue Sources .................. 45  
  General Fund Operations ......................... 46  
  Liabilities .......................................... 49  
OPERATING REVENUES OF THE DISTRICT ............. 53  
  State Sources ...................................... 54  
  Local Sources ..................................... 55  
  Federal Sources ................................... 56  
  Constitutional Amendments Related to Class Size Reduction and Pre-K Programs .................................................. 57  
AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS ...................... 58  
  State Sources ...................................... 58  
  Local Sources ..................................... 59  
AD VALOREM TAXATION................................. 62  
  Property Assessment ............................ 62  
  Property Tax Reform ............................ 63  
  Millage Rates ..................................... 63  
  Procedures for Tax Collection and Distribution .................................................. 64  
  Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes .................. 68  
  Proposals Affecting Ad Valorem Taxation and District Finances .............. 70  
RISK FACTORS ............................................. 71  
  Annual Right of the School Board to Terminate the Series 2007B Lease .... 71  
  Limitation Upon Disposition; Ability to Sell or Relet ...................... 72  
  Tax Effect Upon Termination of Series 2007B Lease ............................. 72  
  Applicability of Securities Laws .................. 72  
  Capital Outlay Millage Revenue .................. 72  
  State Revenues ..................................... 72  
  Additional Leases .................................. 73  
  Additional Indebtedness .......................... 73  
  Legislative Changes ............................... 74
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.
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.

<table>
<thead>
<tr>
<th>Lease</th>
<th>Related Facilities</th>
<th>Final Renewal</th>
<th>Related Series of Certificates</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2000A</td>
<td>Series 2000A</td>
<td>June 30, 2025</td>
<td>Series 2001B</td>
<td>3,850,000</td>
</tr>
<tr>
<td>Series 2001A(1)</td>
<td>Series 2001A</td>
<td>June 30, 2026</td>
<td>Series 2001A</td>
<td>495,000</td>
</tr>
<tr>
<td>Series 2002A(2)</td>
<td>Series 2002A</td>
<td>August 1, 2018</td>
<td>Series 2002A</td>
<td>37,045,000</td>
</tr>
<tr>
<td>Series 2002B</td>
<td>Series 2002B</td>
<td>August 1, 2027</td>
<td>Series 2002B</td>
<td>115,350,000</td>
</tr>
<tr>
<td>Series 2002C</td>
<td>Series 2002C</td>
<td>July 31, 2027</td>
<td>Series 2002C</td>
<td>7,835,000</td>
</tr>
<tr>
<td>Series 2002D</td>
<td>Series 2002D</td>
<td>August 1, 2028</td>
<td>Series 2002D</td>
<td>145,850,000</td>
</tr>
<tr>
<td>Series 2003A</td>
<td>Series 2003A</td>
<td>August 1, 2029</td>
<td>Series 2003A</td>
<td>124,295,000</td>
</tr>
<tr>
<td>Series 2004A(3)</td>
<td>Series 2004A-1 and Series 2004A-2</td>
<td>August 1, 2029</td>
<td>Series 2004A</td>
<td>87,300,000</td>
</tr>
<tr>
<td>Series 2007B</td>
<td>Series 2007B</td>
<td>August 1, 2032</td>
<td>Series 2011A</td>
<td>112,425,000</td>
</tr>
<tr>
<td>Series 2010A(7)</td>
<td>Series 2010A</td>
<td>August 1, 2032</td>
<td>Series 2010A</td>
<td>67,665,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>$1,821,842,240</strong></td>
</tr>
</tbody>
</table>

(2) Includes the Series 2002A-1 Lease and the Series 2002A-2 Lease.
(7) Includes the Series 2010A-1 Lease and the Series 2010A-2 Lease.
(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.
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
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

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.

[Remainder of page intentionally left blank]
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): 2,762.01

Total Sources of Funds: $120,104,421.26

Estimated Uses:

- Deposit to Escrow Fund (2): $119,130,625.00
- Series 2011A Costs of Issuance (3): 312,284.60
- Underwriters' Discount: 661,511.66

Total Uses of Funds: $120,104,421.26

(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.

[Remainder of page intentionally left blank]
CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2011(4)</td>
<td>$516,037.50</td>
<td>$8,994,666.26</td>
<td>$8,849,181.26</td>
<td>$5,145,155.98</td>
<td>$4,173,181.26</td>
<td>$11,406,275.00</td>
<td>$13,047,975.02</td>
<td>$4,993,391.26</td>
<td>$5,667,852.00</td>
<td>$7,190,492.50</td>
</tr>
<tr>
<td>2012</td>
<td>881,420.00</td>
<td>8,858,981.26</td>
<td>5,145,025.69</td>
<td>4,159,575.98</td>
<td>4,159,575.98</td>
<td>11,423,980.00</td>
<td>13,051,450.02</td>
<td>4,997,495.00</td>
<td>5,660,045.39</td>
<td>7,191,018.76</td>
</tr>
<tr>
<td>2013</td>
<td>4,867,368.76</td>
<td>5,145,025.69</td>
<td>4,159,575.98</td>
<td>4,159,575.98</td>
<td>4,159,575.98</td>
<td>11,423,980.00</td>
<td>13,051,450.02</td>
<td>4,997,495.00</td>
<td>5,660,045.39</td>
<td>7,191,018.76</td>
</tr>
<tr>
<td>2014</td>
<td>431,493.76</td>
<td>5,145,025.69</td>
<td>4,159,575.98</td>
<td>4,159,575.98</td>
<td>4,159,575.98</td>
<td>11,423,980.00</td>
<td>13,051,450.02</td>
<td>4,997,495.00</td>
<td>5,660,045.39</td>
<td>7,191,018.76</td>
</tr>
<tr>
<td>2015</td>
<td>1,555,537.50</td>
<td>8,190,155.98</td>
<td>5,145,025.69</td>
<td>4,159,575.98</td>
<td>4,159,575.98</td>
<td>11,423,980.00</td>
<td>13,051,450.02</td>
<td>4,997,495.00</td>
<td>5,660,045.39</td>
<td>7,191,018.76</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$516,037.50</td>
<td>$12,517,906.26</td>
<td>$42,823,725.06</td>
<td>$183,213,704.14</td>
<td>$8,332,756.26</td>
<td>$248,736,015.00</td>
<td>$67,817,443.82</td>
<td>$51,780,405.02</td>
<td>$223,724,736.91</td>
<td>$136,633,636.36</td>
</tr>
</tbody>
</table>

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

(2) 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.

(3) 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
2011B and the Series 2007B Certificates are as follows:
Certificate
Year
Ending
August 1
2011(5)
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032

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

$8,841,162.50
9,350,962.50
13,534,962.50
13,620,462.50
8,949,212.50
9,067,412.50
8,554,412.50
8,725,212.50
9,798,212.50
23,547,012.50
13,840,512.50
13,908,112.50
24,736,362.50
24,792,862.50
24,914,762.50
46,067,337.50
46,392,775.00

$5,246,250.00
5,250,750.00
5,249,750.00
5,248,000.00
5,250,000.00

$11,066,650.00
11,063,450.00
11,064,750.00
11,064,900.00
11,063,350.00
11,063,180.00
11,062,580.00
11,066,805.00
11,066,775.00
11,062,645.00
11,066,470.00
11,063,220.00
11,064,720.00
11,064,970.00
11,063,220.00
11,063,720.00
11,065,470.00
11,062,470.00
11,063,970.00
11,063,720.00
11,065,720.00
11,063,720.00

$308,641,750

$26,244,750

$243,416,475

$6,372,520.00
6,376,020.00
6,373,880.00
6,371,140.00
24,123,000.00
26,204,000.00
26,081,000.00
21,731,750.00
20,555,250.00
6,811,000.00
10,468,000.00
10,463,250.00

$15,818,217.50
15,435,905.00
15,434,105.00
15,435,905.00
15,430,920.00
15,433,645.00
15,433,282.50
15,431,732.50
15,431,252.50
15,432,577.50
15,434,952.50
15,431,532.50
15,433,152.50
15,431,527.50
15,435,095.00
15,431,432.50
15,434,825.00
15,435,362.50
15,435,687.50
15,434,275.00
15,434,625.00

$322,604.03
322,604.03
322,604.03
322,604.03
322,604.03
322,604.03
254,746.88
254,746.88
254,746.88
254,746.88
107,628.36

$22,166,137.50
22,167,787.50
22,170,475.00
22,166,787.50
22,166,212.50
22,169,362.50
22,166,162.50
22,169,212.50
6,872,362.50
6,872,362.50
6,872,362.50
6,872,362.50
6,872,362.50
6,872,362.50
8,302,362.50
26,946,587.50
26,944,337.50
26,943,750.00
26,945,000.00
26,945,750.00
26,943,250.00

$5,811,250.00

$171,930,810.00
Total
_____________________

$324,490,010

$3,062,240.06

$388,547,350

$5,811,250.00

(1)
(2)

(3)

(4)

(5)

Series 2010A
Certificates(3)
$101,046.40
142,096.50
142,096.50
142,096.50
142,096.50
142,096.50
142,096.50
142,096.50
9,808,525.07
9,808,525.07
9,808,525.07
9,808,525.07
9,808,525.07
9,808,525.07
9,808,525.08

$69,755,397.40

Series 2011B
Certificates(4)

$9,605,424.50
8,927,025.00
8,776,891.56
8,923,926.56
19,292,731.00
21,875,092.00
21,810,188.00
21,734,707.00
21,572,321.56
21,580,686.56
21,498,916.56
21,404,401.00
21,320,547.00
21,209,434.00

$249,532,292.30

Includes the Series 2002 QZAB Certificates, the Series 2004 QZAB Certificates and the Series 2005 QZAB Certificates.
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.
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.
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.
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.

32


COMBINED CERTIFICATE PAYMENT SCHEDULE

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

<table>
<thead>
<tr>
<th>Certificate Year Ending August 1</th>
<th>Series 2011A Certificates</th>
<th>Outstanding Certificates and Series 2007B Certificates</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Component</td>
<td>Interest Component(1)</td>
<td>Subtotal</td>
</tr>
<tr>
<td>2011</td>
<td>$5,729,239.69</td>
<td>$5,729,239.69</td>
<td>141,077,499.37</td>
</tr>
<tr>
<td>2012</td>
<td>5,456,418.76</td>
<td>5,456,418.76</td>
<td>140,394,981.09</td>
</tr>
<tr>
<td>2013</td>
<td>5,456,418.76</td>
<td>5,456,418.76</td>
<td>140,247,127.42</td>
</tr>
<tr>
<td>2014</td>
<td>5,456,418.76</td>
<td>5,456,418.76</td>
<td>140,380,113.85</td>
</tr>
<tr>
<td>2015</td>
<td>5,456,418.76</td>
<td>5,456,418.76</td>
<td>140,535,503.35</td>
</tr>
<tr>
<td>2016</td>
<td>5,456,418.76</td>
<td>5,456,418.76</td>
<td>140,453,839.67</td>
</tr>
<tr>
<td>2017</td>
<td>5,456,418.76</td>
<td>5,456,418.76</td>
<td>140,386,943.12</td>
</tr>
<tr>
<td>2018</td>
<td>5,456,418.76</td>
<td>5,456,418.76</td>
<td>140,386,943.12</td>
</tr>
<tr>
<td>2019</td>
<td>$5,630,000.00</td>
<td>11,086,418.76</td>
<td>134,685,782.55</td>
</tr>
<tr>
<td>2020</td>
<td>5,190,568.76</td>
<td>11,085,568.76</td>
<td>134,525,853.08</td>
</tr>
<tr>
<td>2021</td>
<td>4,902,018.76</td>
<td>11,237,018.76</td>
<td>134,375,561.44</td>
</tr>
<tr>
<td>2022</td>
<td>4,607,068.76</td>
<td>11,357,068.76</td>
<td>134,174,729.29</td>
</tr>
<tr>
<td>2023</td>
<td>4,269,568.76</td>
<td>11,074,568.76</td>
<td>134,363,942.57</td>
</tr>
<tr>
<td>2024</td>
<td>3,987,112.50</td>
<td>11,082,112.50</td>
<td>134,271,211.90</td>
</tr>
<tr>
<td>2025</td>
<td>3,670,575.00</td>
<td>9,680,575.00</td>
<td>135,563,637.14</td>
</tr>
<tr>
<td>2026</td>
<td>3,395,250.00</td>
<td>3,395,250.00</td>
<td>144,291,199.83</td>
</tr>
<tr>
<td>2027</td>
<td>3,395,250.00</td>
<td>3,395,250.00</td>
<td>144,530,725.75</td>
</tr>
<tr>
<td>2028</td>
<td>3,395,250.00</td>
<td>3,395,250.00</td>
<td>144,820,835.79</td>
</tr>
<tr>
<td>2029</td>
<td>3,395,250.00</td>
<td>3,395,250.00</td>
<td>144,768,097.91</td>
</tr>
<tr>
<td>2030</td>
<td>27,035,000.00</td>
<td>30,430,250.00</td>
<td>53,443,745.00</td>
</tr>
<tr>
<td>2031</td>
<td>9,385,000.00</td>
<td>11,428,500.00</td>
<td>53,443,595.00</td>
</tr>
<tr>
<td>2032</td>
<td>31,485,000.00</td>
<td>33,059,250.00</td>
<td>144,216,085.79</td>
</tr>
<tr>
<td>Total</td>
<td>$112,425,000.00</td>
<td>$91,145,083.55</td>
<td>$203,570,083.55</td>
</tr>
</tbody>
</table>

(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."

[Remainder of page intentionally left blank]
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
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

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

<sup>(1)</sup> Unweighted, includes adults.

<sup>(2)</sup> Excludes outgoing transfers. Includes adults.

<sup>(3)</sup> Budgeted figure.

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

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

---

(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:

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

**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:

<table>
<thead>
<tr>
<th>Group</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instructional</td>
<td>13,975</td>
</tr>
<tr>
<td>School and District Administrators</td>
<td>824</td>
</tr>
<tr>
<td>Clerical, Police, Secretarial, Professional Staff</td>
<td>2,290</td>
</tr>
<tr>
<td>Bus, Custodial, Maintenance and Mechanics</td>
<td>3,781</td>
</tr>
<tr>
<td>Total</td>
<td>20,870</td>
</tr>
</tbody>
</table>

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.

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

(1) Rounded.
(2) Includes direct federal funds and federal funds received through the State.
Source: The School District of Palm Beach County, Florida.

[Remainder of page intentionally left blank]
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)

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

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

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

(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

<table>
<thead>
<tr>
<th>DIRECT DEBT</th>
<th>General Obligation</th>
<th>Non-Self Supporting Revenue Debt(1)(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Florida</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2002-A</td>
<td>$2,185</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2002-B</td>
<td>3,480</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2003-A</td>
<td>5,035</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2005-A</td>
<td>14,945</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2005-B</td>
<td>2,405</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2009-A</td>
<td>1,505</td>
<td></td>
</tr>
<tr>
<td>TOTAL DIRECT DEBT</td>
<td>$               0</td>
<td>$29,555</td>
</tr>
</tbody>
</table>

(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.

[Remainder of page intentionally left blank]
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)

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Business-Type Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>General Obligation</td>
<td>Non-Ad Valorem Revenue Bonds</td>
</tr>
<tr>
<td>OVERLAPPING DEBT (COUNTRY)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total General Obligations Bonds</td>
<td>$250,470</td>
<td></td>
</tr>
<tr>
<td>Total Non-Ad Valorem Revenue Bonds</td>
<td></td>
<td>$877,633</td>
</tr>
<tr>
<td>Total Revenue Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL COUNTY DIRECT DEBT</td>
<td>$250,470</td>
<td>$877,633</td>
</tr>
<tr>
<td>TOTAL DISTRICT DEBT</td>
<td>0</td>
<td>29,555</td>
</tr>
<tr>
<td>TOTAL DIRECT AND OVERLAPPING DEBT</td>
<td>$250,470</td>
<td>$907,188</td>
</tr>
</tbody>
</table>

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).

[Remainder of page intentionally left blank]
### Palm Beach County, Florida
### Comparative Ratios of Bonded Debt
### To Taxable Assessed Valuation and
### Per Capita Indebtedness
### (Rounded)

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

---

**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:

<table>
<thead>
<tr>
<th>Operating Millage</th>
<th>District Levy</th>
<th>Description</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Local Effort</td>
<td>5.656 mills</td>
<td>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</td>
<td>5.656</td>
</tr>
<tr>
<td>Current Operating Discretionary Millage</td>
<td>0.678 mills</td>
<td>Non-voted; not to exceed amount established annually by the Legislature</td>
<td>0.748</td>
</tr>
<tr>
<td>Critical Operating Needs Millage</td>
<td>0.250 mills</td>
<td>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.</td>
<td>0.250</td>
</tr>
</tbody>
</table>

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
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:

<table>
<thead>
<tr>
<th>Capital Outlay Millage</th>
<th>District Levy</th>
<th>Description</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Option Millage</td>
<td>1.500(^{(1)}) mills</td>
<td>Non-voted millage for capital outlay and maintenance purposes.</td>
<td>1.500</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>0.070 mills</td>
<td>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)</td>
<td></td>
</tr>
</tbody>
</table>

\(^{(1)}\) 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%.
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

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Taxable Assessed Valuation (2010 tax year)</td>
<td>$134,698,183,829(1)</td>
</tr>
<tr>
<td>Funds Generated from Local Option Capital Outlay Millage (1.57 mills) which are Available to Make Lease Payments</td>
<td>$152,916,113(2)</td>
</tr>
</tbody>
</table>

**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)

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

(1) Assessed value equals 100% of estimated value.
(2) Prior to adjustments on appeals from taxpayers.


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

<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year Ended June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007</td>
</tr>
<tr>
<td>General Fund</td>
<td></td>
</tr>
<tr>
<td>Required Local Effort</td>
<td>5.089</td>
</tr>
<tr>
<td>Discretionary</td>
<td>0.623</td>
</tr>
<tr>
<td>Subtotal</td>
<td>5.712</td>
</tr>
<tr>
<td>Debt Service</td>
<td>0.160</td>
</tr>
<tr>
<td>Capital Improvement</td>
<td>2.000</td>
</tr>
<tr>
<td>Total Millage Levy</td>
<td>7.872</td>
</tr>
</tbody>
</table>

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.

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


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)

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Property Taxes Levied</th>
<th>Current Tax Collections</th>
<th>Total Tax Collections</th>
<th>Percent of Current Tax Collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$886,852</td>
<td>$816,247(^2)</td>
<td>$816,247(^3)</td>
<td>92.04%(^2)</td>
</tr>
<tr>
<td>2010</td>
<td>908,715</td>
<td>843,098</td>
<td>848,798</td>
<td>92.78</td>
</tr>
<tr>
<td>2009</td>
<td>922,611</td>
<td>846,495</td>
<td>848,999</td>
<td>91.76</td>
</tr>
<tr>
<td>2008</td>
<td>912,729</td>
<td>835,511</td>
<td>836,012</td>
<td>91.54</td>
</tr>
<tr>
<td>2007</td>
<td>921,630</td>
<td>853,088</td>
<td>853,632</td>
<td>92.56</td>
</tr>
<tr>
<td>2006</td>
<td>768,215</td>
<td>721,060</td>
<td>721,979</td>
<td>93.86</td>
</tr>
<tr>
<td>2005</td>
<td>686,554</td>
<td>648,455</td>
<td>649,530</td>
<td>94.45</td>
</tr>
</tbody>
</table>

\(^{(1)}\) 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.

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

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


### 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.

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 and 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. Wells 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


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
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 semitropical 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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Palm Beach County</th>
<th>Florida</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dollars</td>
<td>% of Florida</td>
<td>% of U.S.</td>
</tr>
<tr>
<td>2001</td>
<td>$43,964</td>
<td>150.1%</td>
<td>143.7%</td>
</tr>
<tr>
<td>2002</td>
<td>44,195</td>
<td>148.4%</td>
<td>143.2%</td>
</tr>
<tr>
<td>2003</td>
<td>43,974</td>
<td>144.7%</td>
<td>139.3%</td>
</tr>
<tr>
<td>2004</td>
<td>48,422</td>
<td>148.0%</td>
<td>145.8%</td>
</tr>
<tr>
<td>2005</td>
<td>51,374</td>
<td>148.0%</td>
<td>148.1%</td>
</tr>
<tr>
<td>2006</td>
<td>55,812</td>
<td>151.0%</td>
<td>151.0%</td>
</tr>
<tr>
<td>2007</td>
<td>59,147</td>
<td>154.0%</td>
<td>154.0%</td>
</tr>
<tr>
<td>2008</td>
<td>58,358</td>
<td>149.6%</td>
<td>149.6%</td>
</tr>
<tr>
<td>2009</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2010</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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

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

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

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

Note: Percentages may not equal due to rounding.
Palm Beach County
Annual Average Labor Force and Unemployment Estimates
2001-2010

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


Largest Employers

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

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

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:

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

Banking

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

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

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.

November 16, 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.

  o 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.

  o 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.

  o 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.

  o 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.

  o 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 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.
Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustor 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

<table>
<thead>
<tr>
<th>Major Features of Government-Wide and Fund Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government-wide Statements</strong></td>
</tr>
<tr>
<td><strong>Scope</strong></td>
</tr>
<tr>
<td>Entire district (except fiduciary funds)</td>
</tr>
<tr>
<td><strong>Required financial statements</strong></td>
</tr>
<tr>
<td>• Statement of net assets</td>
</tr>
<tr>
<td>• Statement of activities</td>
</tr>
<tr>
<td><strong>Accounting basis and measurement focus</strong></td>
</tr>
<tr>
<td>Accrual accounting and economic resources focus</td>
</tr>
</tbody>
</table>

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 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.
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 | Restated (in thousands) | 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: $1,152,072 | $1,752,405 | $90,673 | 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.
Restated Increase Percentage

June 30, 2010 June 30, 2009 (Decrease) 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 1,902,874 1,892,607 10,267 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 1,824,268 1,881,286 (57,018) (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 $2,104,274 $2,025,668 $78,606 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 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.

**Total Government Wide Expenses by Function**

- **Instruction** 50.2%
- **Instructional support** 10.3%
- **Central services** 0.8%
- **Fiscal services** 0.3%
- **Fiscal services** 0.3%
- **Facilities acq & const** 2.4%
- **School administration** 5.3%
- **General administration** 0.7%
- **Pupil transportation** 2.5%
- **Food services** 3.5%
- **Operation & maint of plant** 10.7%
- **Community services** 1.6%
- **Admin technology** 0.6%
- **Interest on long-term debt** 4.6%
- **Unallocated deprec/amort** 6.2%
- **Board** 0.3%

**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 to cover the shortfall of the state funding in the General Fund; as a result it is
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 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**

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

### 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**

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2010</th>
<th>June 30, 2009</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay bond issues</td>
<td>$29,555</td>
<td>$32,835</td>
<td>(3,280)</td>
</tr>
<tr>
<td>Certificates of participation</td>
<td>1,886,293</td>
<td>1,944,288</td>
<td>(57,995)</td>
</tr>
<tr>
<td>Borrowing-Swap Upfront Payment</td>
<td>8,145</td>
<td>7,809</td>
<td>336</td>
</tr>
<tr>
<td>Derivative Instruments - Hedging</td>
<td>38,599</td>
<td>25,220</td>
<td>13,379</td>
</tr>
<tr>
<td>Plus: issuance premiums</td>
<td>35,967</td>
<td>45,009</td>
<td>(9,042)</td>
</tr>
<tr>
<td>Less: deferred amounts</td>
<td>(22,516)</td>
<td>(24,202)</td>
<td>1,686</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,976,043</td>
<td>$2,030,959</td>
<td>(54,916)</td>
</tr>
</tbody>
</table>
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 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.

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.
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), shouled 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
# Statement of Net Assets

**JUNE 30, 2010**  
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Primary Government</th>
<th></th>
<th>Component</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governmental Activities</td>
<td></td>
<td></td>
<td>Component Units</td>
</tr>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$699,076</td>
<td></td>
<td>$10,975</td>
<td></td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>38,332</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts and interest receivable</td>
<td>1,040</td>
<td></td>
<td>495</td>
<td></td>
</tr>
<tr>
<td>Due from other agencies</td>
<td>44,192</td>
<td></td>
<td>406</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>16,252</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted assets (cash with fiscal agent)</td>
<td>2,384</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>18,840</td>
<td></td>
<td>2,722</td>
<td></td>
</tr>
<tr>
<td>Deferred outflow of resources</td>
<td>38,599</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>341,260</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>226,219</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>39,395</td>
<td></td>
<td>2,788</td>
<td></td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>3,795,120</td>
<td></td>
<td>8,710</td>
<td></td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>165,181</td>
<td></td>
<td>5,086</td>
<td></td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>99,931</td>
<td></td>
<td>369</td>
<td></td>
</tr>
<tr>
<td>Audio/video materials and software</td>
<td>55,479</td>
<td></td>
<td>1,089</td>
<td></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(970,534)</td>
<td></td>
<td>(5,110)</td>
<td></td>
</tr>
<tr>
<td>Total capital assets, net of depreciation</td>
<td>3,752,051</td>
<td></td>
<td>12,932</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS AND DEFERRED OUTFLOWS</strong></td>
<td>4,610,766</td>
<td></td>
<td>27,530</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Primary Government</th>
<th></th>
<th>Component</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Governmental Activities</td>
<td></td>
<td></td>
<td>Component Units</td>
</tr>
<tr>
<td>Accounts and contracts payable</td>
<td>36,710</td>
<td></td>
<td>3,221</td>
<td></td>
</tr>
<tr>
<td>Accrued payroll and payroll deductions</td>
<td>84,981</td>
<td></td>
<td>1,303</td>
<td></td>
</tr>
<tr>
<td>Retainage payable on contracts</td>
<td>7,490</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue and tax anticipation notes payable</td>
<td>56,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits payable</td>
<td>401</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest payable</td>
<td>41,746</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>699</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portion due or payable within one year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td>-</td>
<td></td>
<td>351</td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>3,405</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability for compensated absences</td>
<td>11,813</td>
<td></td>
<td>320</td>
<td></td>
</tr>
<tr>
<td>Certificates of participation payable</td>
<td>60,205</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated claims</td>
<td>24,940</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portion due or payable after one year:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td>-</td>
<td></td>
<td>9,375</td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>26,727</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liability for compensated absences</td>
<td>168,365</td>
<td></td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>Certificates of participation payable</td>
<td>1,838,962</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowing-swap upfront payment</td>
<td>8,145</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging derivative instruments</td>
<td>38,599</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated claims</td>
<td>34,814</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other post-employment benefits obligation</td>
<td>62,490</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>2,506,492</td>
<td></td>
<td>14,627</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets</th>
<th>Primary Government</th>
<th></th>
<th>Component</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>1,851,072</td>
<td></td>
<td>6,192</td>
<td></td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Categorical carryover programs</td>
<td>1,466</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>67,151</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital projects</td>
<td>276,266</td>
<td></td>
<td>450</td>
<td></td>
</tr>
<tr>
<td>School food service</td>
<td>21,184</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other purposes</td>
<td>1,750</td>
<td></td>
<td>96</td>
<td></td>
</tr>
<tr>
<td>Unrestricted (deficit)</td>
<td>(114,615)</td>
<td></td>
<td>6,165</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NET ASSETS</strong></td>
<td>$2,104,274</td>
<td></td>
<td>$12,903</td>
<td></td>
</tr>
</tbody>
</table>

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)

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

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.
<table>
<thead>
<tr>
<th>Net (Expense) Revenue and Changes in Net Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary</strong></td>
</tr>
<tr>
<td><strong>Governmental Activities</strong></td>
</tr>
<tr>
<td><strong>Component Units</strong></td>
</tr>
<tr>
<td>$ (721,508)</td>
</tr>
<tr>
<td>(187,977)</td>
</tr>
<tr>
<td>(5,634)</td>
</tr>
<tr>
<td>(13,061)</td>
</tr>
<tr>
<td>(95,817)</td>
</tr>
<tr>
<td>(33,664)</td>
</tr>
<tr>
<td>(6,285)</td>
</tr>
<tr>
<td>1,395</td>
</tr>
<tr>
<td>(14,793)</td>
</tr>
<tr>
<td>(17,181)</td>
</tr>
<tr>
<td>(133,055)</td>
</tr>
<tr>
<td>(62,677)</td>
</tr>
<tr>
<td>(10,450)</td>
</tr>
<tr>
<td>(3,975)</td>
</tr>
<tr>
<td>(78,657)</td>
</tr>
<tr>
<td>(110,820)</td>
</tr>
<tr>
<td>(1,552)</td>
</tr>
<tr>
<td>(1,495,711)</td>
</tr>
</tbody>
</table>

- (56,067)

873,359  -
263,239  -
99,284   -
279,840  56,267
23,066   112
35,529   637
1,574,317 57,016

78,606  949
2,042,740 12,288
(17,072)  -
-        (334)

2,025,668 11,954

$ 2,104,274 $ 12,903
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2010

(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>GENERAL FUND</th>
<th>COPS DEBT SERVICE</th>
<th>CAPITAL IMPROVEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$141,272</td>
<td>$108,951</td>
<td>$170,064</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>29,459</td>
<td></td>
<td>8,873</td>
</tr>
<tr>
<td>Accounts and interest receivable</td>
<td>937</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>Due from other agencies</td>
<td>5,131</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>15,000</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>14,814</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>206,613</td>
<td>108,954</td>
<td>178,937</td>
</tr>
</tbody>
</table>

**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
- Reserved for inventories: 14,814
- Reserved for categorical carryover programs: 1,466
- Reserved for debt service: - 108,954
- Reserved for school food service: -
- Fund balances (deficits) unreserved:
  - General Fund - designated for board contingency: 44,369
  - Capital Project Funds - designated for capital projects: -
  - Undesignated (deficits), reported in:
    - General Fund: 33,567
    - Special Revenue Funds: -

**TOTAL FUND BALANCES (DEFICITS)**

|                |              |                   |                     |
| **TOTAL LIABILITIES AND FUND BALANCES** | $206,613 | $108,954 | $178,937 |

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>COPS</th>
<th>OTHER NON-MAJOR GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$181,284</td>
<td>$67,214</td>
<td>$668,785</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>38,332</td>
</tr>
<tr>
<td></td>
<td>- 100</td>
<td>1,040</td>
</tr>
<tr>
<td></td>
<td>- 39,061</td>
<td>44,192</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td>- 1,438</td>
<td>16,252</td>
</tr>
<tr>
<td></td>
<td>- 88</td>
<td>88</td>
</tr>
<tr>
<td>181,284</td>
<td>107,901</td>
<td>783,689</td>
</tr>
</tbody>
</table>

|            | 8,753                              | 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                    |
| 70,310     | 26,622                             | 215,900                  |

|            | 32,195                             | 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)                    |
| 110,974    | 81,279                             | 567,789                  |

| $181,284   | $107,901                           | $783,689                 |
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.

<table>
<thead>
<tr>
<th>Cost of the assets</th>
<th>Accumulated depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,722,585</td>
<td>(970,534)</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities</th>
<th>Net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>31,918</td>
<td>20,163</td>
<td>11,755</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Bonds payable</th>
<th>Certificates of participation payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>30,132</td>
<td>1,899,167</td>
</tr>
<tr>
<td>Borrowing-swap upfront payment</td>
<td>8,145</td>
</tr>
<tr>
<td>Hedging derivative instruments</td>
<td>38,599</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>165,245</td>
</tr>
<tr>
<td>Long-term claims payable</td>
<td>46,354</td>
</tr>
<tr>
<td>Other post employment benefits</td>
<td>61,071</td>
</tr>
<tr>
<td>Accrued interest on long-term debt</td>
<td>41,487</td>
</tr>
</tbody>
</table>

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)

### REVENUES:

<table>
<thead>
<tr>
<th>Source</th>
<th>GENERAL FUND</th>
<th>COPS DEBT SERVICE</th>
<th>CAPITAL IMPROVEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Local sources:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad valorem taxes</td>
<td>$ 873,359</td>
<td>$</td>
<td>$ 263,239</td>
</tr>
<tr>
<td>Sales tax</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact fees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income and other</td>
<td>1,509</td>
<td>96</td>
<td>1,467</td>
</tr>
<tr>
<td>School age child care fees</td>
<td>22,705</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food service sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local grants and other</td>
<td>31,941</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total local sources</strong></td>
<td>929,514</td>
<td>96</td>
<td>264,706</td>
</tr>
<tr>
<td><strong>State sources:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florida education finance program</td>
<td>62,127</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital outlay and debt service</td>
<td>99</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food service</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public education capital outlay</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Class size reduction</td>
<td>194,661</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State grants and entitlements</td>
<td>28,032</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total state sources</strong></td>
<td>284,919</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Federal sources:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal grants and entitlements</td>
<td>5,935</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National school lunch act</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total federal sources</strong></td>
<td>5,935</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>1,220,368</td>
<td>96</td>
<td>264,706</td>
</tr>
</tbody>
</table>

### EXPENDITURES:

<table>
<thead>
<tr>
<th>Category</th>
<th>EXPENDITURES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td>1,297,491</td>
</tr>
<tr>
<td>Instruction</td>
<td>845,920</td>
</tr>
<tr>
<td>Instructional support services</td>
<td>88,912</td>
</tr>
<tr>
<td>Board</td>
<td>5,579</td>
</tr>
<tr>
<td>General administration</td>
<td>7,364</td>
</tr>
<tr>
<td>School administration</td>
<td>93,238</td>
</tr>
<tr>
<td>Facilities acquisition and construction</td>
<td>999</td>
</tr>
<tr>
<td>Fiscal services</td>
<td>6,192</td>
</tr>
<tr>
<td>Food services</td>
<td></td>
</tr>
<tr>
<td>Central services</td>
<td>14,220</td>
</tr>
<tr>
<td>Pupil transportation services</td>
<td>39,332</td>
</tr>
<tr>
<td>Operation of plant</td>
<td>97,615</td>
</tr>
<tr>
<td>Maintenance of plant</td>
<td>60,702</td>
</tr>
<tr>
<td>Administrative technology services</td>
<td>9,533</td>
</tr>
<tr>
<td>Community services</td>
<td>27,885</td>
</tr>
<tr>
<td><strong>Total Current Expenditures</strong></td>
<td>1,297,491</td>
</tr>
</tbody>
</table>

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

(Continued)
### General Fund

<table>
<thead>
<tr>
<th></th>
<th>Expenditures</th>
<th>Debt Service</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay</td>
<td>1,537</td>
<td>-</td>
<td>73,140</td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement of principal</td>
<td>-</td>
<td>57,995</td>
<td>-</td>
</tr>
<tr>
<td>Interest</td>
<td>486</td>
<td>89,250</td>
<td>-</td>
</tr>
<tr>
<td>Fiscal charges</td>
<td>-</td>
<td>433</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>1,299,514</strong></td>
<td><strong>147,678</strong></td>
<td><strong>73,140</strong></td>
</tr>
</tbody>
</table>

**Excess (Deficiency) of Revenues Over (Under) Expenditures**

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>COPS Debt Service</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>(79,146)</td>
<td>(147,582)</td>
<td>191,566</td>
<td></td>
</tr>
</tbody>
</table>

**Other Financing Sources (Uses):**

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>COPS Debt Service</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td>79,693</td>
<td>149,002</td>
<td>-</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>-</td>
<td>(223,256)</td>
</tr>
<tr>
<td>Issuance of long-term and refunded debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net premium (discount) from issuance of long-term and refunded debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments to refunded debt escrow agent</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds of loss recoveries</td>
<td>4,073</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sale of capital assets and other</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td><strong>83,766</strong></td>
<td><strong>149,002</strong></td>
<td><strong>(223,256)</strong></td>
</tr>
</tbody>
</table>

**Net Change in Fund Balances**

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>COPS Debt Service</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,620</td>
<td>1,420</td>
<td>(31,690)</td>
<td></td>
</tr>
</tbody>
</table>

**Fund Balances, July 1, 2009**

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>COPS Debt Service</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>$92,412</td>
<td>107,534</td>
<td>201,240</td>
<td></td>
</tr>
</tbody>
</table>

**Fund Balances, June 30, 2010**

<table>
<thead>
<tr>
<th></th>
<th>General Fund</th>
<th>COPS Debt Service</th>
<th>Improvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>$97,032 $108,954 $169,550</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>COPS</th>
<th>OTHER NON-MAJOR GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>111,626</td>
<td>40,273</td>
<td>226,576</td>
</tr>
<tr>
<td>-</td>
<td>3,190</td>
<td>61,185</td>
</tr>
<tr>
<td>428</td>
<td>1,807</td>
<td>91,971</td>
</tr>
<tr>
<td>64</td>
<td>49</td>
<td>546</td>
</tr>
<tr>
<td>112,118</td>
<td>316,771</td>
<td>1,949,221</td>
</tr>
<tr>
<td>(110,297)</td>
<td>81,559</td>
<td>(63,900)</td>
</tr>
</tbody>
</table>

| 48,960 | - | 277,655 |
| - | (54,399) | (277,655) |
| - | 1,655 | 1,655 |
| - | 166 | 166 |
| - | (1,806) | (1,806) |
| - | 428 | 4,501 |
| - | 367 | 367 |
| 48,960 | (53,589) | 4,883 |

| (61,337) | 27,970 | (59,017) |
| 172,311 | 53,309 | 626,806 |

| $ 110,974 | $ 81,279 | $ 567,789 |

(Concluded)
Total net change in fund balances - governmental funds

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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance Cost Amortization</td>
<td>(1,552)</td>
</tr>
<tr>
<td>Issuance Cost on Current Year Refunding</td>
<td>15</td>
</tr>
<tr>
<td>Premium/Discount and Deferred Refunding Amortization</td>
<td>7,461</td>
</tr>
<tr>
<td>Premium on Current Year Issuance</td>
<td>(166)</td>
</tr>
<tr>
<td></td>
<td>5,758</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid insurance</td>
<td>(70)</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>3,470</td>
</tr>
<tr>
<td>Long-term claims payable</td>
<td>953</td>
</tr>
<tr>
<td>Other post employment benefits</td>
<td>(18,056)</td>
</tr>
<tr>
<td>Liability for arbitrage rebate</td>
<td>1,103</td>
</tr>
<tr>
<td>Imputed interest on borrowing</td>
<td>(336)</td>
</tr>
<tr>
<td>Accrued interest on long-term debt</td>
<td>870</td>
</tr>
<tr>
<td></td>
<td>(12,066)</td>
</tr>
</tbody>
</table>

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.
### 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)

<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Actual (Budgetary Basis)</th>
<th>Variances - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>Original</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local sources</td>
<td>$ 926,658</td>
<td>$ 929,514</td>
<td>$ 929,514</td>
</tr>
<tr>
<td>State sources</td>
<td>274,100</td>
<td>284,919</td>
<td>284,919</td>
</tr>
<tr>
<td>Federal sources</td>
<td>4,399</td>
<td>5,935</td>
<td>5,935</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>1,205,157</td>
<td>1,220,368</td>
<td>1,220,368</td>
</tr>
</tbody>
</table>

|                           |          |          |          |           |          |           |
| **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)  |           |
| Debt service              | 2,133    | 486      | 486      | 1,647     | -        |           |
| **TOTAL EXPENDITURES**    | 1,332,557| 1,352,177| 1,302,330| (19,620)  | 49,847   |           |

|                           |          |          |          |           |          |           |
| **DEFICIENCY OF REVENUES UNDER EXPENDITURES** | (127,400) | (131,809) | (81,962) | (4,409) | 49,847 |

|                           |          |          |          |           |          |           |
| **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** | 79,357 | 83,766 | 83,766 | 4,073 | - |

|                           |          |          |          |           |          |           |
| **NET CHANGE IN FUND BALANCE** | $ (48,043) | $ (48,043) | $ 1,804 | $ - | $ 49,847 |

|                           |          |          |          |           |          |           |
| **FUND BALANCE, JULY 1, 2009 (GAAP BASIS)** |          |          |          |           |          | 92,412 |

|                           |          |          |          |           |          |           |
| **FUND BALANCE, JUNE 30, 2010 (BUDGETARY BASIS)** |          |          |          |           |          | 94,216 |

Adjustment To Conform With GAAP:

Elimination of encumbrances | 2,816 |

|                           |          |          |          |           |          |           |
| **FUND BALANCE, JUNE 30, 2010 (GAAP BASIS)** |          |          |          |           |          | $ 97,032 |

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)

## ASSETS

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Internal Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$ 31,918</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 31,918</td>
</tr>
</tbody>
</table>

## 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 | $ 20,163 |

## NET ASSETS

- Unrestricted | $ 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 Revenues, Expenses and Changes in Fund Net Assets
### Proprietary Funds
### For the Year Ended June 30, 2010
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Internal Service Funds</th>
</tr>
</thead>
</table>

### 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

<table>
<thead>
<tr>
<th></th>
<th>Internal Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES:</td>
<td></td>
</tr>
<tr>
<td>Cash receipts from customers and interfund services provided</td>
<td>$184,564</td>
</tr>
<tr>
<td>Cash payments to suppliers for goods and services</td>
<td>$(158,467)</td>
</tr>
<tr>
<td>Cash payments for salaries, benefits, and other expenses</td>
<td>$(27,855)</td>
</tr>
<tr>
<td>Other receipts</td>
<td>4,572</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>2,814</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES:</td>
<td></td>
</tr>
<tr>
<td>Interest earnings on investments</td>
<td>86</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>86</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>2,900</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>29,018</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>31,918</td>
</tr>
</tbody>
</table>

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 | 1,561

Net cash used in operating activities | $2,814

The notes to the financial statements are an integral part of this statement.
### Statement of Fiduciary Net Assets

#### Fiduciary Funds

**June 30, 2010**

(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Private-Purpose Trust Fund</th>
<th>Agency Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Florida Future Educators of America</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>494</td>
<td>16,141</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>306</td>
<td>15,835</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>494</td>
<td></td>
</tr>
</tbody>
</table>

- **Assets**
  - Cash, cash equivalents and investments: $494, $15,163
  - Accounts receivable: - $978

- **Liabilities**
  - Accounts payable: - $306
  - Due to student organizations: - $15,835

- **Net Assets**
  - Held in trust for scholarships: 494

The notes to the financial statements are an integral part of this statement.
# Statement of Changes in Fiduciary Net Assets

## Fiduciary Funds

For the year ended June 30, 2010

(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Private-Purpose Trust Fund</th>
<th>Florida Future Educators of America</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS</strong></td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td>$60</td>
</tr>
<tr>
<td>Interest</td>
<td>8</td>
</tr>
<tr>
<td><strong>TOTAL ADDITIONS</strong></td>
<td>68</td>
</tr>
<tr>
<td><strong>DEDUCTIONS</strong></td>
<td></td>
</tr>
<tr>
<td>Scholarship disbursements</td>
<td>90</td>
</tr>
<tr>
<td><strong>TOTAL DEDUCTIONS</strong></td>
<td>90</td>
</tr>
<tr>
<td><strong>CHANGE IN NET ASSETS</strong></td>
<td>(22)</td>
</tr>
<tr>
<td><strong>NET ASSETS - Beginning of year</strong></td>
<td>516</td>
</tr>
<tr>
<td><strong>NET ASSETS - End of year</strong></td>
<td>$494</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
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 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 Categoricals 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
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
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 
Rivera 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):

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

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.
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.
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.
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.
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.
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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimated Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture, Fixtures and Equipment</td>
<td>3 – 15 years</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>5 – 10 years</td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>3 – 5 years</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>15 – 50 years</td>
</tr>
<tr>
<td>Improvements Other Than Buildings</td>
<td>15 years</td>
</tr>
<tr>
<td>Intangibles</td>
<td>5 years</td>
</tr>
</tbody>
</table>
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.
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)):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets, previously reported</td>
<td>$2,042,740</td>
</tr>
<tr>
<td>Adjustments of Assets and Deferred Outflows:</td>
<td></td>
</tr>
<tr>
<td>Deferred Outflow of Resources</td>
<td>25,220</td>
</tr>
<tr>
<td>Derivative Instrument - Investment</td>
<td>(16,540)</td>
</tr>
<tr>
<td>Adjustments of Liabilities:</td>
<td></td>
</tr>
<tr>
<td>Interest Payable</td>
<td>(3,583)</td>
</tr>
<tr>
<td>Non-current Liabilities:</td>
<td></td>
</tr>
<tr>
<td>Certificates of Participation Payable*</td>
<td>10,860</td>
</tr>
<tr>
<td>Borrowing-swap Upfront Payment</td>
<td>(7,809)</td>
</tr>
<tr>
<td>Hedging Derivative Instruments</td>
<td>(25,220)</td>
</tr>
<tr>
<td>Net Assets, as restated</td>
<td>$2,025,668</td>
</tr>
</tbody>
</table>

* relates to premiums
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 addresses 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.
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.


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

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

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

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

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.
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):

<table>
<thead>
<tr>
<th>Interfund Receivables</th>
<th>Interfund Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$ 15,000</td>
</tr>
<tr>
<td>Other Non-Major Governmental Funds</td>
<td>-</td>
</tr>
<tr>
<td>Total Interfund</td>
<td>$ 15,000</td>
</tr>
</tbody>
</table>

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):

<table>
<thead>
<tr>
<th>Transfer from:</th>
<th>COPS Debt</th>
<th>General Fund</th>
<th>Service Fund</th>
<th>COPS</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Improvement Fund</td>
<td>$ 74,254</td>
<td>$ 149,002</td>
<td>$ -</td>
<td>-</td>
<td>223,256</td>
</tr>
<tr>
<td>Other Non-Major Governmental Funds</td>
<td>5,439</td>
<td></td>
<td></td>
<td>48,960</td>
<td>54,399</td>
</tr>
<tr>
<td>Total</td>
<td>$ 79,693</td>
<td>$ 149,002</td>
<td>$ 48,960</td>
<td></td>
<td>277,655</td>
</tr>
</tbody>
</table>

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.
6. CAPITAL ASSETS

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

### Primary Government

<table>
<thead>
<tr>
<th>Non-Depreciable Assets:</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Retirements and Transfers</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$340,454</td>
<td>$836</td>
<td>$30</td>
<td>$341,260</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>335,025</td>
<td>155,891</td>
<td>264,697</td>
<td>226,219</td>
</tr>
<tr>
<td>Total Non-Depreciable Assets</td>
<td>675,479</td>
<td>156,727</td>
<td>264,727</td>
<td>567,479</td>
</tr>
</tbody>
</table>

### Depreciable Assets:

<table>
<thead>
<tr>
<th>Improvements Other Than Buildings</th>
<th>35,897</th>
<th>3,498</th>
<th>-</th>
<th>39,395</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and Improvements</td>
<td>3,549,877</td>
<td>265,967</td>
<td>20,724</td>
<td>3,795,120</td>
</tr>
<tr>
<td>Furniture, Fixtures &amp; Equipment</td>
<td>158,545</td>
<td>11,689</td>
<td>5,053</td>
<td>165,181</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>96,409</td>
<td>6,417</td>
<td>2,895</td>
<td>99,931</td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>55,138</td>
<td>532</td>
<td>191</td>
<td>55,479</td>
</tr>
<tr>
<td>Total Depreciable Assets</td>
<td>3,895,866</td>
<td>288,103</td>
<td>28,863</td>
<td>4,155,106</td>
</tr>
</tbody>
</table>

### Less Depreciation For:

<table>
<thead>
<tr>
<th>Improvements Other Than Buildings</th>
<th>(7,499)</th>
<th>(2,551)</th>
<th>-</th>
<th>(10,050)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and Improvements</td>
<td>(668,427)</td>
<td>(77,655)</td>
<td>(12,161)</td>
<td>(733,921)</td>
</tr>
<tr>
<td>Furniture, Fixtures &amp; Equipment</td>
<td>(111,718)</td>
<td>(13,788)</td>
<td>(4,787)</td>
<td>(120,719)</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>(54,423)</td>
<td>(7,980)</td>
<td>(2,639)</td>
<td>(59,764)</td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>(37,415)</td>
<td>(8,846)</td>
<td>(181)</td>
<td>(46,080)</td>
</tr>
<tr>
<td><strong>Total Accumulated Depreciation</strong></td>
<td>(879,482)</td>
<td>(110,820)</td>
<td>(19,768)</td>
<td>(970,534)</td>
</tr>
</tbody>
</table>

**Capital Assets, Net**

| Capital Assets, Net | $3,691,863 | $334,010 | $273,822 | $3,752,051 |

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.
Discretely presented component units

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

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):

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

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

8. SHORT-TERM DEBT

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

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Issued</th>
<th>Redeemed</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax anticipation notes</td>
<td>$85,000</td>
<td>$85,000</td>
<td>$(170,000)</td>
<td>$-</td>
</tr>
<tr>
<td>Revenue anticipation notes</td>
<td>72,135</td>
<td>56,000</td>
<td>(72,135)</td>
<td>56,000</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>150,000</td>
<td>-</td>
<td>(150,000)</td>
<td>-</td>
</tr>
<tr>
<td>Total short-term debt</td>
<td>$307,135</td>
<td>$141,000</td>
<td>$(392,135)</td>
<td>$56,000</td>
</tr>
</tbody>
</table>

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.
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):

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

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

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

(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):

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

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.
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.

### Notes to the Financial Statements

For the Year Ended June 30, 2010

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

<table>
<thead>
<tr>
<th>Certificates</th>
<th>Date of Issue</th>
<th>Amount Issued</th>
<th>Remaining Interest Rates (Percent)</th>
<th>Final Maturity Date</th>
<th>Debt Outstanding June 30, 2009</th>
<th>Debt Matured FY 09-10</th>
<th>Debt Outstanding June 30, 2010</th>
<th>Ground Lease Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 1994A (1)</td>
<td>11/1/1994</td>
<td>$62,095</td>
<td>-</td>
<td>-</td>
<td>$6,000</td>
<td>-</td>
<td>$6,000</td>
<td>6/30/2020</td>
</tr>
<tr>
<td>Series 1995A (2)</td>
<td>6/1/1995</td>
<td>133,600</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6/30/2020</td>
</tr>
<tr>
<td>Series 1996A (3)</td>
<td>5/1/1996</td>
<td>32,155</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8/1/2021</td>
</tr>
<tr>
<td>Series 2001A (5)</td>
<td>4/1/2001</td>
<td>135,500</td>
<td>4.25% to 5.50%</td>
<td>8/1/2011</td>
<td>1,670</td>
<td>450</td>
<td>1,220</td>
<td>8/1/2031</td>
</tr>
<tr>
<td>Series 2002A (7)</td>
<td>2/1/2002</td>
<td>115,250</td>
<td>4.00% to 5.375%</td>
<td>8/1/2018</td>
<td>50,535</td>
<td>6,620</td>
<td>43,915</td>
<td>8/1/2023</td>
</tr>
<tr>
<td>Series 2002C (8)</td>
<td>5/15/2002</td>
<td>161,090</td>
<td>4.125% to 5.50%</td>
<td>8/1/2012</td>
<td>14,825</td>
<td>3,555</td>
<td>11,270</td>
<td>8/1/2032</td>
</tr>
<tr>
<td>QZAB Series 2002</td>
<td>6/11/2002</td>
<td>950</td>
<td>-</td>
<td>6/1/2016</td>
<td>950</td>
<td>-</td>
<td>950</td>
<td>n/a</td>
</tr>
<tr>
<td>Series 2002D (9)</td>
<td>12/1/2002</td>
<td>191,215</td>
<td>3.70% to 5.25%</td>
<td>8/1/2028</td>
<td>153,680</td>
<td>3,850</td>
<td>149,830</td>
<td>8/1/2033</td>
</tr>
<tr>
<td>Series 2002E (10)</td>
<td>9/1/2002</td>
<td>93,350</td>
<td>4.00% to 5.375%</td>
<td>8/1/2016</td>
<td>76,540</td>
<td>9,045</td>
<td>67,495</td>
<td>n/a</td>
</tr>
<tr>
<td>Series 2003A</td>
<td>6/26/2003</td>
<td>60,865</td>
<td>2.75% to 5.00%</td>
<td>8/1/2021</td>
<td>46,805</td>
<td>3,130</td>
<td>43,657</td>
<td>8/1/2026</td>
</tr>
<tr>
<td>Series 2003B (11)</td>
<td>6/26/2003</td>
<td>124,295</td>
<td>Variable Est. 3.91% **</td>
<td>8/1/2029</td>
<td>124,295</td>
<td>-</td>
<td>124,295</td>
<td>8/1/2034</td>
</tr>
<tr>
<td>Series 2004A</td>
<td>5/4/2004</td>
<td>103,575</td>
<td>3.10% to 5.00%</td>
<td>8/1/2029</td>
<td>92,965</td>
<td>2,795</td>
<td>90,170</td>
<td>8/1/2034</td>
</tr>
<tr>
<td>QZAB Series 2004</td>
<td>4/30/2004</td>
<td>2,923</td>
<td>-</td>
<td>4/30/2020</td>
<td>2,923</td>
<td>-</td>
<td>2,923</td>
<td>n/a</td>
</tr>
<tr>
<td>Series 2005A (12)</td>
<td>3/22/2005</td>
<td>124,630</td>
<td>3.25% to 5.00%</td>
<td>8/1/2022</td>
<td>124,090</td>
<td>190</td>
<td>123,900</td>
<td>n/a</td>
</tr>
<tr>
<td>Series 2005B</td>
<td>6/7/2005</td>
<td>38,505</td>
<td>3.125% to 5.00%</td>
<td>8/1/2010</td>
<td>16,340</td>
<td>8,020</td>
<td>8,320</td>
<td>8/1/2015</td>
</tr>
<tr>
<td>QZAB Series 2005</td>
<td>12/15/2005</td>
<td>2,150</td>
<td>-</td>
<td>12/15/2020</td>
<td>2,150</td>
<td>-</td>
<td>2,150</td>
<td>n/a</td>
</tr>
<tr>
<td>Series 2006A</td>
<td>5/25/2006</td>
<td>222,015</td>
<td>3.75% to 5.00%</td>
<td>8/1/2031</td>
<td>211,335</td>
<td>5,765</td>
<td>205,570</td>
<td>8/1/2036</td>
</tr>
<tr>
<td>Series 2007A</td>
<td>2/28/2007</td>
<td>268,545</td>
<td>3.75% to 5.30%</td>
<td>8/1/2031</td>
<td>259,010</td>
<td>9,885</td>
<td>249,125</td>
<td>8/1/2036</td>
</tr>
<tr>
<td>Series 2007C (14)</td>
<td>3/22/2007</td>
<td>192,310</td>
<td>4.00% to 5.00%</td>
<td>8/1/2027</td>
<td>191,085</td>
<td>235</td>
<td>190,850</td>
<td>n/a</td>
</tr>
<tr>
<td>Series 2007E</td>
<td>10/31/2007</td>
<td>147,390</td>
<td>3.625% to 5.00%</td>
<td>8/1/2032</td>
<td>147,390</td>
<td>-</td>
<td>147,390</td>
<td>8/1/2037</td>
</tr>
</tbody>
</table>

$2,647,088

$1,944,288 $57,955 $1,886,293

* 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.
(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 maturity on or after August 1, 2005. **
(6) Issued to advance refund and defease the Series 2000A Certificates of Participation. **
(7) Refunded and partially defeased by Series 2005A 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 maturity on or after August 1, 2007. **
(11) On March 20, 2008 the District converted and remarketed the 2003B resulting in no change to principal.
(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.
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):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>725</td>
<td>675</td>
<td>6,870</td>
<td>-</td>
<td>3,435</td>
<td>3,980</td>
<td>9,495</td>
<td>3,195</td>
<td>-</td>
<td>2,870</td>
</tr>
<tr>
<td>2012</td>
<td>495</td>
<td>705</td>
<td>7,130</td>
<td>-</td>
<td>3,845</td>
<td>4,115</td>
<td>9,990</td>
<td>3,280</td>
<td>-</td>
<td>2,955</td>
</tr>
<tr>
<td>2013</td>
<td>-</td>
<td>735</td>
<td>7,425</td>
<td>-</td>
<td>3,990</td>
<td>4,325</td>
<td>10,515</td>
<td>3,365</td>
<td>-</td>
<td>3,050</td>
</tr>
<tr>
<td>2014</td>
<td>-</td>
<td>765</td>
<td>7,710</td>
<td>-</td>
<td>-</td>
<td>4,505</td>
<td>11,070</td>
<td>3,465</td>
<td>-</td>
<td>3,185</td>
</tr>
<tr>
<td>2015</td>
<td>-</td>
<td>805</td>
<td>8,025</td>
<td>-</td>
<td>-</td>
<td>4,650</td>
<td>11,665</td>
<td>3,570</td>
<td>-</td>
<td>3,335</td>
</tr>
<tr>
<td>2016-2020</td>
<td>-</td>
<td>54,070</td>
<td>6,755</td>
<td>13,465</td>
<td>-</td>
<td>10,335</td>
<td>14,760</td>
<td>20,325</td>
<td>-</td>
<td>19,205</td>
</tr>
<tr>
<td>2021-2025</td>
<td>-</td>
<td>87,115</td>
<td>-</td>
<td>59,435</td>
<td>-</td>
<td>25,690</td>
<td>-</td>
<td>6,475</td>
<td>19,150</td>
<td>24,425</td>
</tr>
<tr>
<td>2031-2032</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1,220</td>
<td>164,990</td>
<td>43,915</td>
<td>115,350</td>
<td>11,270</td>
<td>149,830</td>
<td>67,495</td>
<td>43,675</td>
<td>124,295</td>
<td>90,170</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>195</td>
<td>8,320</td>
<td>9,975</td>
<td>10,270</td>
<td>-</td>
<td>245</td>
<td>3,935</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2012</td>
<td>200</td>
<td>-</td>
<td>6,195</td>
<td>10,680</td>
<td>-</td>
<td>255</td>
<td>4,110</td>
<td>4,080</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2013</td>
<td>210</td>
<td>-</td>
<td>6,045</td>
<td>11,155</td>
<td>-</td>
<td>775</td>
<td>4,320</td>
<td>4,240</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2014</td>
<td>215</td>
<td>-</td>
<td>6,330</td>
<td>11,660</td>
<td>-</td>
<td>4,990</td>
<td>4,535</td>
<td>4,395</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>220</td>
<td>-</td>
<td>6,585</td>
<td>12,205</td>
<td>-</td>
<td>5,925</td>
<td>4,760</td>
<td>4,585</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2016-2020</td>
<td>97,840</td>
<td>-</td>
<td>37,580</td>
<td>54,675</td>
<td>14,900</td>
<td>5,305</td>
<td>5,000</td>
<td>26,115</td>
<td>950</td>
<td>2,923</td>
</tr>
<tr>
<td>2021-2025</td>
<td>25,020</td>
<td>-</td>
<td>47,535</td>
<td>83,915</td>
<td>67,170</td>
<td>-</td>
<td>32,445</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2026-2030</td>
<td>-</td>
<td>-</td>
<td>60,625</td>
<td>88,160</td>
<td>17,410</td>
<td>106,785</td>
<td>-</td>
<td>41,390</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2031-2032</td>
<td>-</td>
<td>-</td>
<td>28,700</td>
<td>50,120</td>
<td>-</td>
<td>-</td>
<td>30,140</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>123,900</td>
<td>-</td>
<td>8,320</td>
<td>285,790</td>
<td>249,125</td>
<td>118,225</td>
<td>190,850</td>
<td>26,115</td>
<td>950</td>
<td>2,923</td>
</tr>
</tbody>
</table>

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):

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

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

$ 239,645 $ 25,060 $ 144,456 $ 409,161
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):

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

<table>
<thead>
<tr>
<th>Classification</th>
<th>Amount</th>
<th>Classification</th>
<th>Amount</th>
<th>Notional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging Derivatives:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002B Pay-fixed Interest Rate Swap</td>
<td>Deferred outflow of resources</td>
<td>$(5,662) Liability</td>
<td>$(25,022)</td>
<td>$115,350</td>
</tr>
<tr>
<td>2003B Pay-fixed Interest Rate Swap</td>
<td>Deferred outflow of resources</td>
<td>$(7,717) Liability</td>
<td>$(13,577)</td>
<td>124,295</td>
</tr>
<tr>
<td>Total Hedging Derivative Instruments</td>
<td></td>
<td></td>
<td></td>
<td>$38,599</td>
</tr>
<tr>
<td>Investment Derivatives:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002D-Basis Swap</td>
<td>Investment earnings</td>
<td>860</td>
<td>Investment</td>
<td>$(1,431)</td>
</tr>
<tr>
<td>2002D-Basis Swap (CMS)</td>
<td>Investment earnings</td>
<td>2,560</td>
<td>Investment</td>
<td>5,817</td>
</tr>
<tr>
<td>2002D-Swaption</td>
<td>Investment earnings</td>
<td>4,215</td>
<td>Investment</td>
<td>(1,652)</td>
</tr>
<tr>
<td>2001B-Swaption</td>
<td>Investment earnings</td>
<td>5,843</td>
<td>Investment</td>
<td>(605)</td>
</tr>
<tr>
<td>2003B-Barrier Option at 7%</td>
<td>Investment earnings</td>
<td>3,819</td>
<td>Investment</td>
<td>(1,372)</td>
</tr>
<tr>
<td>Total Investment Derivative Instruments</td>
<td></td>
<td></td>
<td></td>
<td>$757</td>
</tr>
</tbody>
</table>

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.
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):

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

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.
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.
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):

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2008</th>
<th>June 30, 2009</th>
<th>June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Retirement System</td>
<td>$ 94,615</td>
<td>$ 94,977</td>
<td>$ 93,208</td>
</tr>
<tr>
<td>Teachers’ Retirement System</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan E: Employer</td>
<td>$ 70</td>
<td>$ 61</td>
<td>$ 33</td>
</tr>
</tbody>
</table>

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:
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):

<table>
<thead>
<tr>
<th>Number of Participants</th>
<th>Beginning Balance July 1, 2009</th>
<th>Total Paid FY 2010</th>
<th>Ending Balance June 30, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>RIP 99</td>
<td>113</td>
<td>297</td>
<td>297</td>
</tr>
</tbody>
</table>

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.
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):

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Required Contribution</td>
<td>$22,346</td>
</tr>
<tr>
<td>Interest on Net OPEB Obligation</td>
<td>$1,310</td>
</tr>
<tr>
<td>Adjustment to Annual Required Contribution</td>
<td>$(1,561)</td>
</tr>
<tr>
<td>Annual OPEB Cost (Expense)</td>
<td>$22,095</td>
</tr>
<tr>
<td>Contribution Towards OPEB Cost</td>
<td>$(3,284)</td>
</tr>
<tr>
<td>Increase in Net OPEB Obligation</td>
<td>$18,811</td>
</tr>
<tr>
<td>Net OPEB Obligation - Beginning of Year</td>
<td>$43,679</td>
</tr>
<tr>
<td>Net OPEB Obligation - End of Year</td>
<td>$62,490</td>
</tr>
</tbody>
</table>

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):

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2010</td>
<td>$22,095</td>
<td>34%</td>
<td>$62,490</td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>$21,760</td>
<td>27%</td>
<td>$43,679</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>$31,300</td>
<td>11%</td>
<td>$27,800</td>
</tr>
</tbody>
</table>

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
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 heath 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.
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.
<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) (b)</th>
<th>Unfunded AAL (UAAL) (b-a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (in thousands) (c)</th>
<th>UAAL as a percentage of Covered Payroll ((b-a)/c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2009</td>
<td>$218,964</td>
<td>$218,964</td>
<td>0.0% $922,938</td>
<td>23.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>July 1, 2008</td>
<td>$216,013</td>
<td>$216,013</td>
<td>0.0% $926,287</td>
<td>23.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>$239,500</td>
<td>$239,500</td>
<td>0.0% $930,821</td>
<td>25.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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
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
[THIS PAGE INTENTIONALLY LEFT BLANK]
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
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 Schedule substantially in the form of Exhibit A hereto (individually, a "Schedule"); 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 lease 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 Lease 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 to hold the proceeds 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, capital, 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 235.016(13), 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:

ARTICLE I.
DEFINITIONS AND EXCEPTS

SECTION 1.01. Definitions. The terms used herein in this Section shall have the meanings assigned to them for all purposes of this Master Lease unless the context clearly indicates some other meaning, or unless otherwise defined in a particular Schedule. Terms used herein and not otherwise defined shall have the meanings given to them in the Trust Agreement.

"Acquisition Amount" shall mean any Acquisition established pursuant to Section 601 of the Trust Agreement and in any Supplemental Trust Agreement.

"Adjusted Lease Payments" 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 in 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 rights, titles 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 Trustees signed on behalf of the Corporation by the Chairperson of the Board of Directors containing the 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 Trustees signed on behalf of the School Board by the Chairperson containing the 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.

"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 acquired 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 be a Series designated to identify such Series of Certificates to a particular Schedule to this Master Lease.

"Certificate holder" or "Holder of Certificate" 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.


"Commencement Date" shall mean the date set forth in each Schedule hereof 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 enter into a contract for the work with respect to any Facilities described by the School Board in the Schedule, including such contractor, its successors and assigns.

"Cost" shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, without limitation, lease payments to be made by the Corporation under the receipt of a Ground Lease until the unearned acceptance of the Facilities related thereto as described herein, (i) costs and expenses incurred for labor and materials and payments to contrac-
unconditionally guaranteed by the full faith and credit of the United States of America, including bonds or other evidences of Congress as an agency or instrumentality of the United States; (ix) amounts in which case as provided in the Code, (i) amounts received by or Basic Lease Payments represented by such Certificates; (iv) amounts treated and 236.25 (2) (e) mean the Instructions to Bidders and the General Conditions of the security for payment of Basic Lease Payments under the Master Lease from time to time, pursuant to which the School Board and the Corporation, as amended and supplemented by the School Board as in effect from time to time. Board, that has actuarial personnel experienced in the area of construction and installation of the Facilities, (iii) the cost of surety bonds and insurance of all kinds, including insurance for which the School Board is to be self-insured. independent insurance company or broker, selected by the School Board, for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations thereof, and for supervision of construction and installation of the Facilities; (v) costs and expenses required for the acquisition and installation of equipment necessary for the use and occupancy of Facilities, including standby, walkthrough, walkout or other tests and equipment, (vi) any sums required to reimburse the School Board for advances made by it or any of the above shown or for work done by it in connection with Facilities; (vii) Depreciation and Accretion established pursuant to Section 609 of the Trust Agreement and any Supplemented Trust Agreement and any recurring amounts payable to a provider of a Reserve Account Letter of Credit/Insurance Policy, (a) expenses and liabilities of the School Board, if any, incurred in connection with the acquisition, construction and installation of Facilities; (b) Costs of insurance, and (c) interest earned 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 and charges for execution, delivery, transportation and safekeeping of Certificates, premiums, costs and expenses of any escrow agent or other come, charges and fees, including those of the Corporation, in connection with the foregoing.

"Costs of Issuance Subaccount" shall mean a Costs of Issuance Subaccount established pursuant to Section 401 of the Trust Agreement and in any Supplemented 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, guarantee, surety bond or other irrevocable security device, if any, support-
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 6.2 of the Trust Agreement by virtue of the provisions of the Master Leases. "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 Leases, any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right or interest therein if payment is not yet due under the lease or lien in question or if such lien is being contested in accordance with the provisions of the Master Leases.

(vi) (a) rights reserved 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 in accordance with the provisions of the Master Leases; (c) easements, rights-of-way, servitudes, restrictions, covenants and conditions, private or public easements or rights or interests in 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 all rights reserved 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 Council materially affect the use of such property 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 use of such Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement, or enable liens and encumbrances to be given as provided in Article III of the Trust Agreement.

"Payment Date" shall mean the 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 Prepayment" shall mean in respect of such Certificates Outstanding to be made pursuant to the Trust Agreement and any Supplemental Trust Agreement.

"Prepayment Account" shall mean any Prepayment Account established pursuant to Section 401 of the Trust Agreement and any Supplemental Trust Agreement.

"Prepayment Date" shall mean the date on which optional prepayment, extraordinary prepayment or mandatory sinking fund payments of Basic Lease Payments are made by a Series of Certificates Outstanding shall be made pursuant to the Trust Agreement and any Supplemental Trust Agreement.

"Project" shall mean the lease-purchase financing and construction or refinancing of the Related 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, the price for such 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 amount of the Purchase Option Price. "Purchase Option Price" shall not include the principal amount of such Lease together with the amount so designated and set forth on the Schedule for such Facility as the remaining principal amount of the Purchase Option Price. "Purchase Option Price" shall mean, if applicable, upon an optional prepayment, payable upon prepayment pursuant to such Certificate and the Trust Agreement or any Supplemental Trust Agreement, together with accrued interest thereon.

"Project Funds Letter of Credit/Insurance Policy" shall mean, with respect to each Series of Certificates, a letter of credit or insurance policy in such form and amount as the County, as the case may be, shall require in its discretion and as prescribed by the Bank Agreement or the Supplemental Trust Agreement.

"Qualifying 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 company or any other corporation (i) whose unsecured obligations or unencumbered 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, guarantee, or other instrument in support of debt obligations which have been so rated; or (ii) which collaborates in determining the rating to which such obligations are assigned; or (iii) which, in the opinion of the Rating Agency, has a track record of corporate performance adequate to support the creditworthiness of the Obligor with respect to obligations which have been so rated; or (iv) which collaborates in determining and disclosing the rating to which such obligations are assigned; or (v) which, in the opinion of the Rating Agency, has a track record of corporate performance adequate to support the creditworthiness of the Obligor with respect to obligations which have been so rated; or (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 in accordance with the provisions of the Master Leases; (c) easements, rights-of-way, servitudes, restrictions, covenants and conditions, private or public easements or rights or interests in 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 all rights reserved 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 Council materially affect the use of such property 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

"Reserve Account" shall mean any Reserve Account established pursuant to Section 404 of the Trust Agreement and any Supplemental Trust Agreement.

"Reserve Account Letter of Credit/Insurance Policy" shall mean a letter of credit or insurance policy in such form and amount as the County, as the case may be, shall require in its discretion and as prescribed by the Bank Agreement or the Supplemental Trust Agreement.

"Reserve Account Requirement" shall mean, in respect to a Reserve Account outstanding for any Fiscal Year, except as set forth on the Schedule for such Facility as the remaining principal amount of the Purchase Option Price, the maximum amount of the Reserve Account Requirement is payable to Certificate holders pursuant to the terms of such Certificates.

"Reserve Account Requirement" shall mean a letter of credit or insurance policy in such form and amount as the County, as the case may be, shall require in its discretion and as prescribed by the Bank Agreement or the Supplemental Trust Agreement.

"Reserve Account Requirement" shall mean the reserve account requirement applicable to such Certificate and the Trust Agreement; and

(v) 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 use of such Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement, or enable liens and encumbrances to be given as provided in Article III of the Trust Agreement.
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 lease, and the School Board hereby agrees to 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 and shall be held subject to the lien of a security interest in favor of the Trustee until paid to the Trustee for disposition in accordance with this Master Lease. The Corporation further agrees to deliver a Certificate of Acceptance in the form attached hereto as Exhibit B in order for the Trustee to make the final advances thereunder in accordance with the provisions of the Trust Agreement. The School Board agrees that it will deliver a Certificate of Acceptance in the form attached hereto as Exhibit B in order for the Trustee to make the final advances thereunder in accordance with the provisions of this Master Lease.

**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 date set forth on any Schedule hereto unless sooner terminated in accordance with the provisions hereof, including in particular Sections 4.1 and 4.2 hereof. Upon expiration or termination of the Lease Term, other than pursuant to Section 4.1(a) or (c) hereof, the Trustee, the School Board and the Corporation, at the option of the School Board, shall execute and deliver such documents as will evidence the termination of the lease. The School Board further agrees that it 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 Corporation and the terms of the following contracts for the acquisition, construction and installation of the Facilities and for supervising the acquisition, construction and installation of the Facilities.

**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 indemnify and hold harmless the Corporation, its successors and assigns, from and against all losses, claims, demands, suits, actions, costs, expenses, and judgments or liabilities, whether by contract, tort, or otherwise, arising out of the use, occupancy, or enjoyment of the Facilities by the Corporation, its successors and assigns, or any third parties.

**SECTION 2.5. Possession and Enjoyment.** From and after the Acquisition Date, the School Board shall have the right, title and interest in and to the Facilities until the expiration or termination of the Lease Term, and 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 possess and quietly and peacefully have and hold and enjoy such Facilities, without any obstruction, annoyance, or molestation from the Corporation, except as expressly set forth herein. At the request of the School Board and at the School Board’s expense, the Corporation shall not interfere with the quiet possession and enjoyment by the School Board of the Facilities.

**SECTION 2.6. Trustee Access to Facilities.** During the Lease Term of each Lease, the Trustee, to the extent permitted by 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 possess and quietly and peacefully have and hold and enjoy such Facilities, without any obstruction, annoyance, or molestation from the Corporation, except as expressly set forth herein. At the request of the School Board and at the School Board’s expense, the Corporation shall not interfere with the quiet possession and enjoyment by the School Board of the Facilities.

**SECTION 2.7. Disclaimers of Warranties.** The Corporation and the School Board hereby disclaim any warranties or representations, whether express, implied or statutory, as to the condition or quality of the Facilities, including but not limited to, the condition, suitability, merchantability or fitness for any particular purpose or any failure to meet any condition, standard, or specification. The Corporation and the School Board disclaim any warranties or representations, whether express, implied or statutory, as to the condition or quality of the Facilities, including but not limited to, the condition, suitability, merchantability or fitness for any particular purpose or any failure to meet any condition, standard, or specification. The Corporation and the School Board disclaim any warranties or representations, whether express, implied or statutory, as to the condition or quality of the Facilities, including but not limited to, the condition, suitability, merchantability or fitness for any particular purpose or any failure to meet any condition, standard, or specification.
OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER.

SECTION 2.8. Warranties of the Facilities. The Corporation hereby apprises the School District of its assumption of the risk during the Lease Term to point from time to time whatever claims or conditions, including warranties, 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 V, Section 2(a) of the Florida Constitution (1968) and Chapter 232, 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 non-recourse 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 any schedule hereto or the consummation of the transactions contemplated hereby nor the fulfillment of any condition or covenant hereto and conditions hereof and thereof conflicts with or results in a breach of the terms, conditions, or provisions of any restriction or agreement or instrument to which the School Board is now a party or which the School Board is bound or constitutes a default under any of the foregoing or results in a violation of any provision of law governing the School Board and no representation, covenant and warranty 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, department, agency or body, whether federal or state, or any arbitrator or any public or private body, to which the School Board is a party or in which any certificate holder may compel the levy of any ad valorem taxes for all leases or none of them.

SECTION 3.1. Payment of Lease Payments. Subject to the condition stated herein, the School Board agrees to pay the Basic Lease Payments stated on each particular Schedule hereto and agrees to make such additional lease payments under any Master Lease as are specified on each such Schedule and on each such Schedule, together with interest on any amount overdue, provided herein. The Basic Lease Payments shall be made from current or other funds authorized by law and appropriated for such purpose by the School Board.

On or before the 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 amount with the Trustee on such Lease Payment Date in order to assure that sufficient monies 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.

The Trustee shall notify the School Board on the Business Day following the day payment was required in accordance with the Trust Agreement, of the amount of such payment, which amount shall be deemed to have been received by the Trustee. The Trustee shall notify the School Board if the amount of such payment is not sufficient to pay the Basic Lease Payments on such Lease Payment Date, and the School Board shall make such additional payments as are necessary to pay the Basic Lease Payments on such Lease Payment Date.

In addition, the School Board shall also pay, to the extent not paid by the Trustee, any other sums due hereunder from any source of funds authorized by law and appropriated for such purpose by the School Board.
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 premium, Trustee fees and expenses, Corporation expenses, Corporation payment, Credit Facility Issuer fees and expenses, if any, and all other amounts due the Trustee under the Trust Agreement and a Credit Facility. None of such Lease Payments, however, shall apply to the performance by the School Board of its obligations under this Master Lease and each Schedule hereto, unless otherwise provided by the Schedule relating thereto, (ii) to deposit in each Reserve Account any funds reasonably from the collections of the Series of Certificates relating thereto, or in lieu thereof, or in substitution for the full amounts then on deposit thereon or in an amount equal to the difference between the amounts 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 Requirements 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 thereof on Reserve Account Letters of Credit/Insurance Policy on deposit in a Reserve Account: (a) to recoup any and all amounts required to be paid under Sections 5.6, 5.10 and 6.2 hereof; (b) to deposit in each Reserve Account the amount of any cash, the value of any Investment Securities and the stated amount of any Letter of Credit/Insurance Policy in a Reserve Account shall be less than the Reserve Account Requirement provided under this Section; and (c) to hold as Trustee from moneys budgeted and appropriated as Basic Lease Payments during the current Fiscal Year, a sum sufficient to pay any and all amounts required to be applied to the payment of Basic Lease Payments represented by a Series of Certificates, the School Board shall cause the amounts due upon such Basic Lease Payments to be paid as required under Section 3.5. Non-Appropriation. Notwithstanding anything in the Master Lease or any Schedule hereto and the Trust Agreement, amounts in excess of the Reserve Account Requirement transferred to the Lease Payment Account pursuant to Section 4.5(b) of the Trust Agreement, and any such amounts as otherwise provided therein.

SECTION 3.2. Credits to Leases 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 Series of Certificates, amounts in excess of the Reserve Account Requirement transferred to the Lease Payment Account pursuant to Section 4.5(b) of the Trust Agreement, and any such amounts as otherwise provided therein.

(b) Unless otherwise provided in the Schedule relating thereto, 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 in Basic Lease Payment attributable to 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 Payment attributable to a particular lease for any Fiscal Year under such lease, the entire remaining amount shall be transferred to the related Reserve Account in accordance with Section 7.2(b) hereof.

(c) There shall be deposited in the Lease Payment Account the amount of the Reserve Account for a Series of Certificates, as may be required by the Trustee, if in the opinion of the Trustee, the credit, financial condition or solvency of the School Board or available for use by the School Board, whether as a result of the failure of consideration or otherwise, this Master Lease shall be doomed and construed to be a "lost lease."
C-9
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 to 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 in written form, and shall be evidenced by a certificate of insurance issued by the Company soliciting such insurance and making such coverage available to the Corporation and the School Board. If the Corporation shall notify the School Board that the amount of such insurance is insufficient to pay in full the amounts payable under the related Lease, then the School Board shall cause the same to be increased to such amount as the Corporation shall require.

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 to 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 in written form, and shall be evidenced by a certificate of insurance issued by the Company soliciting such insurance and making such coverage available to the Corporation and the School Board. If the Corporation shall notify the School Board that the amount of such insurance is insufficient to pay in full the amounts payable under the related Lease, then the School Board shall cause the same to be increased to such amount as the Corporation shall require.

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 to 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 in written form, and shall be evidenced by a certificate of insurance issued by the Company soliciting such insurance and making such coverage available to the Corporation and the School Board. If the Corporation shall notify the School Board that the amount of such insurance is insufficient to pay in full the amounts payable under the related Lease, then the School Board shall cause the same to be increased to such amount as the Corporation shall require.

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 to 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 in written form, and shall be evidenced by a certificate of insurance issued by the Company soliciting such insurance and making such coverage available to the Corporation and the School Board. If the Corporation shall notify the School Board that the amount of such insurance is insufficient to pay in full the amounts payable under the related Lease, then the School Board shall cause the same to be increased to such amount as the Corporation shall require.

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 to 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 in written form, and shall be evidenced by a certificate of insurance issued by the Company soliciting such insurance and making such coverage available to the Corporation and the School Board. If the Corporation shall notify the School Board that the amount of such insurance is insufficient to pay in full the amounts payable under the related Lease, then the School Board shall cause the same to be increased to such amount as the Corporation shall require.

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 to 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 in written form, and shall be evidenced by a certificate of insurance issued by the Company soliciting such insurance and making such coverage available to the Corporation and the School Board. If the Corporation shall notify the School Board that the amount of such insurance is insufficient to pay in full the amounts payable under the related Lease, then the School Board shall cause the same to be increased to such amount as the Corporation shall require.

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 to 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 in written form, and shall be evidenced by a certificate of insurance issued by the Company soliciting such insurance and making such coverage available to the Corporation and the School Board. If the Corporation shall notify the School Board that the amount of such insurance is insufficient to pay in full the amounts payable under the related Lease, then the School Board shall cause the same to be increased to such amount as the Corporation shall require.
...
settled; provided in the related Schedule), subject to Permitted Encumbrances. Until the earlier of the date on which Option Price of one or more Facilities financed under such Lease, a Lease as provided in Section 6.3 hereof, title to such Facilities shall remain vested in the Corporation under this Master Lease, or (ii) any 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 6.1. Title to Facility Sites and Facilities. Throughout the term of each Lease, ownership of 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 Option Price of one of more Facilities financed under such Lease, or (ii) any 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.

ARTICLE VI. TITLE

SECTION 6.1. Title to Facility Sites and Facilities. Throughout the term of each Lease, ownership of 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 Option Price of one or more Facilities financed under such Lease, as provided in Sections 7.2 or 7.3 hereof, title to such Facilities shall remain vested in the Corporation under this Master Lease, or (ii) any 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.

SECTION 6.2. Liens. Except as provided under this Master Lease, during the Leases Term each of the Corporation and the School Board shall provide one or more policies of title insurance insuring the Corporation, and the Trustee as insures, or the Trustees, as their interests may appear, to amount 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 nonperformance hereunder. In case any default in title, and second, in accordance with the priorities set forth in Section 11.4 of the Trust Agreement. The execution of such Ground Leases and each amendment thereof either or modifying a Facility Site shall be subject to the approval of the related Credit Facility Issuer for approval shall be required to add a description of each such Facility or Facility Site to the effect that there are no liens of encumbrances created therein by a Ground Lease or this Master Lease, and that there shall be no merger of the fee estate of the School Board in the Facility Sites with the leasehold estate created therein by a Ground Lease or this Master Lease, notwithstanding the fact that the same person may hold one or more leaseholds estates and such fee estate.

SECTION 6.3. Liens. Except as permitted under this Master Lease, during the Lease Term each of the Corporation and the School Board shall provide one or more policies of title insurance insuring the Corporation, and the Trustee as insures, or the Trustees, as their interests may appear, to amount 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 nonperformance hereunder. In case any default in title, and second, in accordance with the priorities set forth in Section 11.4 of the Trust Agreement. The execution of such Ground Leases and each amendment thereof either or modifying a Facility Site shall be subject to the approval of the related Credit Facility Issuer for approval shall be required to add a description of each such Facility or Facility Site to the effect that there are no liens of encumbrances created therein by a Ground Lease or this Master Lease, and that there shall be no merger of the fee estate of the School Board in the Facility Sites with the leasehold estate created therein by a Ground Lease or this Master Lease, notwithstanding the fact that the same person may hold one or more leaseholds estates and such fee estate.
Board shall have a reasonable period of time to discharge or remove any security interest, pledge, lien, charge, encumbrance or claim. In the event that the Corporation nor the Trustee is under any obligation to discharge or remove such security interest, pledge, lien, charge, encumbrance or claim, provided, however, that unless the Corporation or the Trustee as assignee of the Corporation or the Trustee under this Master Lease, 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) to reflect such substitution.

SECTION 6.3. Use of the Facilities and Facility Sites. The School Board will not, without the prior written consent or approval of the Corporation, use the Facilities or Facility Sites improperly, carelessly, in violation of any applicable law or regulation or otherwise in violation of the provisions of this Lease, nor shall any successors or assignees of the Corporation use or maintain the Facilities or Facility Sites.

SECTION 7.1. Assignment; Subleasing.

(a) It is understood that substantially all right, title and interest in and to the Facilities and Facility Sites, and to any predecessor in interest in all easements, rights of way, and other interests in, relating to, or in connection with the Facilities and Facility Sites, are hereby assigned and conveyed to the Corporation, and that such assignment and related representation shall be deemed to be made in consideration of any cash paid by the School Board to the Corporation pursuant to such Leases, notwithstanding any claim, defense, offset or counterclaim whatsoever (whether arising from a breach of the Lease or otherwise) that the School Board may have against the Corporation or any person or entity associated or affiliated therewith.

(b) This Master Lease and such Sublease hereunder 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 Corporation or the School Board, and the Corporation shall have the same rights and powers with respect to such Facilities as it has with respect to the Lease relating to such Facilities, and shall be entitled to all Basic Lease Payments payable thereunder, and all rights, powers, and remedies of the School Board under the Lease relating to such Facilities, and shall be entitled to all Basic Lease Payments payable thereunder, and all rights, powers, and remedies of the School Board under the Lease relating to such Facilities;

(ii) If the Master Lease and such Sublease are assigned to any other entity, the assignee shall be deemed to be an entity of the Corporation or the School Board, or of an entity approved by the Corporation or the School Board, or of the Corporation or the School Board, and shall be entitled to all Basic Lease Payments payable thereunder, and all rights, powers, and remedies of the School Board under the Lease relating to such Facilities;

(iii) The School Board shall furnish or cause to be furnished to the assignee a copy of any Sublease agreement.

ENCUMBRANCES, and the Facilities to be substituted shall likewise be incorporated in the appropriate Lease and Ground Lease modifications. The related Schedule shall be appropriate, and the related Ground Lease shall be amended 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, and the Credit Facility Issuer, if any, and to the Credit Facility Issuer, if any, and to the Corporation or 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 inclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments relating to the related Certificates of the holders who are holders of such Certificates and encumbrances.

For purpose hereof, "fair market value" shall be determined on the basis of an MAA appraisal performed by an appraiser jointly selected by the School Board and the Trustee.
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 related to such Lease 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 holder of 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 the Series relating to each such facilities, 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 as the School Board’s expenses 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 at any time pay over to the Trustee or the related Credit Facility Issuer, if any, any funds credited to the related Reserve Account and/or any Additional Lease Payments under such Lease from the deposit of such monies and Net Proceeds to the Trustee, as appropriate, shall execute and deliver to the Trustee or the related Credit Facility Issuer, if any, an escrow deposit agreement in such amount as set forth in Section 8.61 of the Trust Agreement. Upon the deposit as aforesaid, the Trustee 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 due and become due, the principal and interest portions of the Basic Lease Payments and any Additional Lease Payments, amounts as set forth in Section 8.61 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:

(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 in such Lease; and

(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 in such Lease; and

(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 otherwise provided in Section 4.1(d) hereof; or

(d) Failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, resulting from a failure by the School Board to appropriate monies as contemplated by Sections 8.1 and 9.1 hereof, shall not constitute an event of default under this Master Lease.

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 at the earliest date practical, and take possession of the Property 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 Corporation, the Trustee or the related Credit Facility Issuer, as applicable; provided, however, that in the event of default under any Note, the Corporation, the Trustee or the related Credit Facility Issuer, as applicable, may extend the period of time for cure of such default by written notice to the School Board, as provided in the applicable Note or Notes, or if no such period is specified, 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 Corporation, the Trustee or the related Credit Facility Issuer, as applicable.

(2) Take whatever action at law or in equity as may appear necessary or desirable to collect all Lease Payments and/or Additional Lease Payments therefor, and to enforce the rights of the Corporation, the Trustee or the related Credit Facility Issuer, as applicable, to the fullest extent permitted by law, including (i) seeking specific performance, (ii) seeking a decree of mandatory specific performance, (iii) seeking an injunction or writ of mandamus to compel observance of any covenants, condition or agreement hereunder, (iv) seeking a decree of specific performance or a writ of attachment, (v) seeking an order or judgment for the dissolution of any association, trust or corporation of which the School Board is a member, or any other remedy that may be available at law or in equity, subject to any limitations set forth in Section 1.6 hereof.
ARTICLE II.

MISCELLANEOUS

SECTION 9.1. Notices. All notices, certificates, reports or other communications (other than payments by the School Board hereunder) shall be in writing and shall be sufficiently given if and shall be deemed given when delivered or thereafter 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, 12th 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 Substitute 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 Trustees pursuant to the Assignment Agreement. The Corporation hereby agrees not to amend or modify the Trust Agreement in any manner except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustees, 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 Issuers 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 9.3. Severability. In the event any provision of this Master Lease is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate any other provision hereof.

SECTION 9.4. Amendments. The terms of this Master Lease and any Lease Schedule shall not be amended, altered, modified, supplemented or changed 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 Trustees, 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 Issuers 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. Rescission in Counterparts. This Master Lease may be rescinded 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 herein).

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 hereunder, 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.

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 duly authorized members and officials on the date set forth below their respective signatures and all as of the day and year first written above.

By: C. Monica Uhlhorn Secretary

Date: November 16, 1994

By: Jody Glaison Vice President

Date: November 16, 1994

By: C. Monica Uhlhorn Secretary

Date: November 16, 1994

By: Jody Glaison Vice Chairman

Date: November 16, 1994

[8847] PALM BEACH SCHOOL BOARD LEASING CORP.

C. Monica Uhlhorn

Secretary

Date: November 16, 1994

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

C. Monica Uhlhorn

Secretary

Date: November 16, 1994

C-15
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 non-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and acknowledged that they, being thereto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as a 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
SEAL OF OFFICE:

NOTE: The following appears 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 16th day of November, 1994.

Carmen M. Zopf
NOTARY PUBLIC, STATE OF FLORIDA
SEAL OF OFFICE:

EXHIBIT A
FORM OF SCHEDULE TO MASTER LEASE PURCHASE AGREEMENT

SCHEDULE NO. __________________

Lease 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 the certain Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), pursuant to which the Corporation has agreed to lease-purchase from the School Board the Series Facilities described in the Schedule No. dated _______________.

SECTION 1. General Description of the Series Facilities. The Series Facilities to be leased purchased under the Series Leases are expected to be approximately _______ years consisting of an "Original Term" of approximately _______ months from __________ through and including June 30, 20__ 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, 20__, and ending on June 30, 20__. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.

SECTION 2. Series Facilities to be Leased Purchased. The Series Facilities to be leased purchased under the Series Leases are described as follows:

A. General Description of the Series Facilities

B. Estimated Costs of the Series Facilities

C. Site Planning Construction

D. Project Cost

A - 1
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:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>L</td>
<td>Series Acquisition Account</td>
</tr>
<tr>
<td>L</td>
<td>Series Cash of Issuance Subaccount</td>
</tr>
<tr>
<td>L</td>
<td>Series Reserve Account</td>
</tr>
<tr>
<td>L</td>
<td>Series Lease Payment Account</td>
</tr>
</tbody>
</table>

*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 in different from the amount set forth herein calculating, 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.

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


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 A

SCHOOL BOARD’S CERTIFICATE

I, the undersigned Chairperson of the Palm Beach County, Florida, 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 "Leases"), 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 thereto, and have been acquired to the School Board's satisfaction. The Corporation certifies the acceptance Certificate for such Series Facilities required by Section 3.1 of the Master Lease and Section 4.5 of the Master Trust Agreement dated as of November 1, 1994 between the Corporation and Palm Beach County, 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 defined in such terms in the Master Lease and Schedule No. _______ thereto.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: Name: Chairperson Date:

Palm Beach School Board Leasing Corp.

By: Name: President Date:
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.
sinking fund prepayment dates as maturities for such purposes) as the School Board may direct, plus the Series 2011A Interest accured with respect to such prepaid Series 2011A Principal to the Prepayment Date:

<table>
<thead>
<tr>
<th>Years from Conversion Date until end of Long-Term Rate Period</th>
<th>First Day of Prepayment Period</th>
<th>Prepayment Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than fifteen</td>
<td>Tenth anniversary of Conversion Date</td>
<td>100% declining by 1% on the next anniversary after the tenth anniversary of the Conversion Date and thereafter at 100%</td>
</tr>
<tr>
<td>More than ten but not more than fifteen</td>
<td>Seventh anniversary of Conversion Date</td>
<td>100% declining by 1% on the next anniversary after the seventh anniversary of the Conversion Date and thereafter at 100%</td>
</tr>
<tr>
<td>More than seven but not more than ten</td>
<td>Fifth anniversary of Conversion Date</td>
<td>100% declining by 1% on the next anniversary after the fifth anniversary of the Conversion Date and thereafter at 100%</td>
</tr>
<tr>
<td>More than four but not more than seven</td>
<td>Third anniversary of Conversion Date</td>
<td>100% declining by 1% on the next anniversary after the third anniversary of the Conversion Date and thereafter at 100%</td>
</tr>
<tr>
<td>Four or fewer</td>
<td>Not Callable.</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

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 Remarking 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) **Juction 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 Remarking.** During any period in which Series 2011A Principal is calculated at the applicable interest rate for Delayed Remarking 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.

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 or injunctive relief. 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 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 coming due in the immediately following Fiscal Year under such Lease, then such Net Proceeds may, at the option of the School Board, (b) 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 (c) be paid 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.

**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:

(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, that knowledge there are no delays in the School Board's execution of this Schedule 2007B under any Lease, Ground Lease or the Trust Agreement.

(iii) **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 delays in the School Board's execution of this Schedule 2007B under any Lease, Ground Lease or the Trust Agreement.**

(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, that knowledge there are no delays in the School Board's execution of this Schedule 2007B under any Lease, Ground Lease or the Trust Agreement.

**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 Lease.
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.
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)
Section 1. Lease of Series 2007B Facility Sites ................................................................. 3
Section 2. Ground Lease Term; Option toRenew ............................................................... 3
Section 3. Rent ........................................................................................................... 5
Section 4. Title to Series 2007B Facility Sites; Pecuniary .................................................. 6
Section 5. Use of Series 2007B Facility Sites; Assignments and Subleases ......................... 7
Section 6. Right of Entry ...................................................................................................... 8
Section 7. Default .................................................................................................................. 8
Section 8. Quit Claim .................................................................................................... 8
Section 9. Lens ...................................................................................................................... 9
Section 10. Condemnation .................................................................................................. 9
Section 11. Escrow Certificates .......................................................................................... 9
Section 12. Amortization ..................................................................................................... 11
Section 13. Hurdle Effort .................................................................................................... 11
Section 14. No Merger of Leasehold Estates .................................................................... 11
Section 15. Notices .............................................................................................................. 10
Section 16. Severability .................................................................................................... 10
Section 17. Applicability Law ............................................................................................ 10
Section 18. Location in Counterparts ............................................................................... 11
Section 19. Memorandum of Lease .................................................................................. 11
Section 20. No Personal Liability ....................................................................................... 11
Section 21. Third Party Beneficiary .................................................................................. 11
Section 22. Radiance ......................................................................................................... 11
EXHIBIT A: SERIES 2007B FACILITY SITES

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, (b) placing the Series 2007B Features into a series of trust funds, and (c) directing the Trustee to hold the proceeds of sale of the Series 2007B Certificates as evidence of undivided proportionate interests of the Owners thereof in the Series 2007B Leases, and (d) 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 Series 2007B Leases, and (e) directing the Trustee to hold the proceeds of sale of the Series 2007B Certificates in substantially final form was available for inspection at 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.

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 and enjoy the Series 2007B Facility Sites for the purpose of constructing educational facilities and sites (individually and collectively, the "Series 2007B Facilities"); and

WHEREAS, the Corporation desires to acquire the Series 2007B Facility Sites, and the School Board is willing to grant to the Corporation, the right to utilize and enjoy the Series 2007B Facility Sites for the purpose of constructing educational facilities and sites (individually and collectively, the "Series 2007B Facilities"); 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 and enjoy the Series 2007B Facility Sites for the purpose of constructing educational facilities and sites (individually and collectively, the "Series 2007B Facilities"); 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 and enjoy the Series 2007B Facility Sites for the purpose of constructing educational facilities and sites (individually and collectively, the "Series 2007B Facilities"); and

WHEREAS, the School Board desires to lease purchase certain educational facilities and sites to be located on the Series 2007B Facility Sites, and desires to lease-purchase certain educational facilities and sites to be located on the Series 2007B Facility Sites, in substantially final form was available for inspection and review by the public.

NOW, THEREFORE, the School Board and the Corporation agree as follows:

1. Lease of Series 2007B Facility Sites, Subject to Preambles Encompasses (as described in Exhibit A, attached herein and made a part hereof), the School Board hereby desires and leases the Series 2007B Facility Sites, subject to the terms provided therein, as the same may be amended from time to time pursuant to any or more amendments thereto, as the Corporation and the School Board desire and shall desire to make and enter into from time to time, in accordance with the terms provided therein, and the Corporation hereby desires and leases the Series 2007B Facility Sites from the School Board, for the terms, at the rates and on the conditions herein set forth.

2. The School Board hereby desires to lease purchase certain educational facilities and sites to be located on the Series 2007B Facility Sites, and desires to lease-purchase certain educational facilities and sites to be located on the Series 2007B Facility Sites, subject to the terms provided therein, as the same may be amended from time to time pursuant to any or more amendments thereto, as the Corporation and the School Board desire and shall desire to make and enter into from time to time, in accordance with the terms provided therein.
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 1. Ground Lease Term: Option to Renew. The initial ground lease term for the Series 2007B Lease shall commence on the commencement date of the Series 2007B Lease (the "Commencement Date") and shall run until August 1, 2039. Upon the termination of the Lease Term as a result of non-termination or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation may, at the option of the Corporation or the Trustee as the assignee of the Corporation, decline to exercise the option to renew the Series 2007B Lease in accordance with Section 7.2 of the Master Lease. The option to renew shall be exercised, at the option of the Corporation, by written notice to the School Board, given no later than the date that is thirty (30) days prior to the expiration of the current Lease Term, specifying the renewal for a period not exceeding 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 sixty (60) days prior to the end of the initial term or any renewal term thereof, which date of termination (the "Fifteenth Day") shall be understood to mean the fifteenth day of the month on which the Lease Term shall expire, or extension thereof. The fifteenth day shall be determined in accordance with the Federal Law of 1980. In the event of such a termination, the Corporation shall not be liable for any damages in connection with such termination.

Section 2. Assignment. As a condition precedent to the assignment of this Series 2007B Ground Lease, the Corporation shall have the right to assign this Series 2007B Ground Lease to any Permitted Transferee, subject to the provisions of this Section 2.

(i) The Series 2007B Ground Lease is assigned to any Person which shall remain on the Series 2007B Facility Sites after expiration or earlier termination of the Series 2007B Ground Lease, 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 shall deem necessary or convenient for the efficient operation of the School Board or the Series 2007B Ground Lease.

(ii) Any such assignment made hereunder shall be evidenced by a deed evidencing such assignment and shall deliver to the School Board all books, records, construction plans, specifications and other documents relating to, and necessary or convenient for, the operation of the Series 2007B Ground Lease in the possession of the Corporation or any Permitted Transferee.

(iii) The Corporation shall be entitled to a rent from the assignee of this Series 2007B Ground Lease as and for the Series 2007B Ground Lease Facilities, as and for the Series 2007B Ground Lease Term, at the same rate and payment thereof as provided in this Section 2.

(iv) The assignment of this Series 2007B Ground Lease to any Permitted Transferee shall be evidenced by a deed evidencing such assignment and shall deliver to the School Board all books, records, construction plans, specifications and other documents relating to, and necessary or convenient for, the operation of the Series 2007B Ground Lease in the possession of the Corporation or any Permitted Transferee.

(v) The Corporation shall be entitled to a rent from the assignee of this Series 2007B Ground Lease as and for the Series 2007B Ground Lease Term, at the same rate and payment thereof as provided in this Section 2.

Section 3. Rent. (a) So long as the Lease Term has not been terminated as a result of non-termination or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay to the School Board, 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, the sum of $1.00 per annum, which sum shall be due in advance on the Commencement Date (one year in advance of the first year of the Renewal Lease Term) and every year thereafter on the first day of each Renewal Lease Term. At the option of the School Board as the assignee of the Corporation, the Corporation may prepay all or a portion of the Ground Rent payable hereunder for the entire initial lease term before the commencement of the Rent Term. In such case, the prepayment shall be credited to the ground rent for the initial lease term.

(b) Rent and the amount paid in any year shall be paid in accordance with the provisions of this Section 3 and shall remain due and payable in the manner set forth in Section 3 of the Master Lease.

(c) 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 Series 2007B Ground Lease shall be removed, shall be the property of the School Board and the same may be disposed of, without accountability, in such manner as the School Board shall deem necessary or convenient for the efficient operation of the School Board.

Section 4. Term of this Series 2007B Lease: Assignment of Lease. The Corporation shall prima facie be entitled to a term of the Series 2007B Ground Lease Term 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 shall deem necessary or convenient for the efficient operation of the School Board.

Section 5. Use of Series 2007B Facility Sites: Assignment and Sublease. The Corporation may use the Series 2007B Facility Sites for any lawful purpose, provided that the public interest shall not be impaired thereby. The Series 2007B Facility Sites shall be used for the purpose of constructing, maintaining and operating the Series 2007B Facility Sites and for no other purpose as shall be reasonable and consistent with the use set forth in this Section 5.

(a) 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 Series 2007B Ground Lease, shall be removed, shall be the property of the School Board and the same may be disposed of, without accountability, in such manner as the School Board shall deem necessary or convenient for the efficient operation of the School Board.

(b) The Corporation shall be entitled to a term of the Series 2007B Ground Lease Term 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 shall deem necessary or convenient for the efficient operation of the School Board.

Section 6. Title to Series 2007B Facility Sites: Preamble. (a) Upon the Commencement Date and throughout the term of this Series 2007B Lease, the title to the Series 2007B Facility Sites shall be in the name of the Corporation, subject to Permitted Encumbrances.

(b) The Corporation shall not be responsible for any encumbrances, charge or lien created prior to the Commencement Date, including, but not limited to, liens incurred in the construction of the Series 2007B Facility Sites, and shall not be responsible for any liens or encumbrances which may be created or imposed by the holder of a lien or encumbrance prior to the Commencement Date.

(c) The Corporation shall not bear any risk for any damage or loss to the Series 2007B Facility Sites unless such damage or loss is caused by the Corporation or any Permitted Transferee.

(d) The Corporation shall not be liable for any liability or expense in connection with the Series 2007B Facility Sites, including, but not limited to, any liability or expense resulting from the failure to comply with any law, regulation or order.

(e) The Corporation shall not be liable for any liability or expense in connection with the Series 2007B Facility Sites, including, but not limited to, any liability or expense resulting from the failure to comply with any law, regulation or order.

(f) The Corporation shall not be liable for any liability or expense in connection with the Series 2007B Facility Sites, including, but not limited to, any liability or expense resulting from the failure to comply with any law, regulation or order.

(g) The Corporation shall not be liable for any liability or expense in connection with the Series 2007B Facility Sites, including, but not limited to, any liability or expense resulting from the failure to comply with any law, regulation or order.

(h) The Corporation shall not be liable for any liability or expense in connection with the Series 2007B Facility Sites, including, but not limited to, any liability or expense resulting from the failure to comply with any law, regulation or order.

(i) The Corporation shall not be liable for any liability or expense in connection with the Series 2007B Facility Sites, including, but not limited to, any liability or expense resulting from the failure to comply with any law, regulation or order.

(j) The Corporation shall not be liable for any liability or expense in connection with the Series 2007B Facility Sites, including, but not limited to, any liability or expense resulting from the failure to comply with any law, regulation or order.

(k) The Corporation shall not be liable for any liability or expense in connection with the Series 2007B Facility Sites, including, but not limited to, any liability or expense resulting from the failure to comply with any law, regulation or order.

(l) The Corporation shall not be liable for any liability or expense in connection with the Series 2007B Facility Sites, including, but not limited to, any liability or expense resulting from the failure to comply with any law, regulation or order.
shall be in writing and shall be sufficiently given and shall be deemed given when delivered or mailed by or on behalf of the parties hereto in accordance with the provisions hereof, and no provision of this Series 2007B Lease by reason of the fact that the School Board has 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 as 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 Corporation for any damages, expenses, fees, charges or claims with respect to the failure of any obligations hereunder to be performed.

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 has been terminated as a result of a non-payment or default pursuant to Section 7 hereof or in Section 4 (ii) of the Master Lease, the School Board shall have the right to record any lien or other encumbrance against the Corporation 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 Corporation shall have requested with respect to the Series 2007B Ground Lease, 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 10. 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 removing any series, subordinate series, or modified series of any designated Series 2007B Credit Facility Site, together with any amendments hereto, to the extent necessary to comply with any Rating Agency's written requirements for any designated Series 2007B Credit Facility Site. Copies of all amendments hereunto shall be provided to each Rating Agency (as defined in the Trust Agreement), without effect on the terms hereof.

Section 11. Applicable Law. This Series 2007B Ground Lease shall be governed and construed in accordance with the laws of the State of Florida.

Section 12. 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 shall constitute but one and the same instrument.

Section 13. Memorandum of Lease. Simultaneously with the execution of this Series 2007B Ground Lease, the School Board and the Corporation shall execute and deliver a Memorandum of Lease with respect to this Series 2007B Ground Lease. Said Memorandum of Lease shall not be in any circumstances 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 6 hereof, the Memorandum of Lease shall be appropriately amended.

Section 14. No Merger of Leasehold Estates. There shall be no merger of this Series 2007B Ground Lease or of the leasehold estate hereby created with the 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 therein or in the lease estate in the Series 2007B Facility Sites or any interest therein or in such estate. There shall be no merger of this Series 2007B Ground Lease or leasehold estate hereby created or any interest therein or in such estate. There shall be no merger of the School Board with any other Person or with respect to such Series 2007B To Sits, other than Permitted Encumbrances. The School Board shall have the right to modify this Series 2007B Ground Lease, to enter into new leases, to modify or terminate this Series 2007B Ground Lease, to modify the terms of this Series 2007B Ground Lease 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 15. Access to Premises. The Corporation, the Trustee, any successor thereto, in an individual capacity, and neither any Person nor any officer, employee, agent of the School Board shall be personally liable or accountable by reason of the execution or delivery hereof.

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.
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 heretofore 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]

Attest:

By: 

Dr. Art Johnson

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

[SEAL]

By: 

William Graham

PALM BEACH SCHOOL BOARD LEASING CORP.

[SEAL]

By: 

William Graham

12

STATE OF FLORIDA )
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, appearing before me this day in person and severally acknowledged that they, being thereto fully authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 30th day of March, 2007.

OTARIO PUBLIC, STATE OF FLORIDA

Notary Seal

NAME OF NOTARY PUBLIC, PRINT OR TYPE AS COMMISSIONED

Personally known to me, or

Produced Identification

(436x348)EXHIBIT A

SERIES 2007B FACILITY SITES

A. DESCRIPTION OF REAL ESTATE

CARVER MIDDLE ADDITION

A portion of the Southeast one-quarter (SE 1/4) 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 1/4) 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 S45°30'00"W for 104.00 feet;

Thence N45°30'00"E for 201.33 feet;

Thence N44°30'00"W for 201.33 feet;

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, 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 78, Thence North 00°23'06" West, along the East line of said Tract 88, a distance of 52.50 feet;
Thence North a distance of 68.67 feet;
Thence West a distance of 190.45 feet to the Point of Beginning of the following described parcel;
Thence South a distance of 15.33 feet;
Thence North a distance of 592.30 feet;
Thence North 00°23'06" West, a distance of 956.01 feet;
Thence North 89°37'01" East, a distance of 215.33 feet;
Thence West a distance of 10.00 feet;
Thence South a distance of 42.00 feet;
Thence South a distance of 47.00 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 SW 1/4 of the South Half of the Southwest Quarter (S.W. 1/4) of Section 16, Township 44 South, Range 43 East, and the North line of said North 266 feet of the South 820 feet of the South Half of the Southwest Quarter (S.W. 1/4) of Section 16, Township 44 South, Range 43 East, being more particularly described as follows:
Thence Northwesterly, a distance of 696.74 feet, more or less, to a point in a line parallel to and 110 feet westerly from, measured at right angles to, the southerly 40 feet of the Florida East Coast Railway;
Thence southeasterly, along said parallel line, a distance of 705.18 feet;
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 50 feet thereof and an easement for drainage purposes over a strip of land 12 feet in width between parallel lines, the boundary line of said assignment being parallel to said 50 feet from (measured at right angles to) the westerly right of way line of the Florida East Coast Railway.

And Lem be it known that the following described parcel described in Right of Way Deed recorded in Official Record Book 109, Page 578:
A parcel of land lying in Section 7, Township 44 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 South line of said South 840 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 westerly, along said parallel line, a distance of 705.18 feet;

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 said Tract 24; thence North 00°23'24" West, a distance of 1,161.60 feet; a distance of 619.27 feet;
Thence South 01°02'47" West, a distance of 619.27 feet;
Thence North 00°23'24" West, along a line parallel to and 130.23 feet east of (as measured at right angles) and parallel with the south line of said Tracts 12 and 21, a distance of 635.38 feet; a distance of 1,139.77 feet;
Thence South 00°23'24" West, 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 592.50 feet; a distance of 81°09'37", a distance of 395.21 feet, to a point of cusp (a line to the center point of last described point bears N40°38'25"W), said curve being concave to the north and having a radius of 279.00 feet;
Thence southeasterly, along a line parallel to and 110 feet westerly from the westerly right of way line of the Florida East Coast Railway;
Thence northwesterly, along said parallel line, a distance of 705.18 feet;
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 S54°34'36"E, a distance of 44.59 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.

B. PERMITTED ENCUMBRANCES

CARVER MIDDLE ADDITION
1. Reservations in favor of the Lake Worth Drainage District recorded in Deed Book 169, 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.

HAGEN ROAD ELEMENTARY MODERNIZATION
1. Boundary lines as shown on Plat in Plat Book 2, Page 43.
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 16.
5. Easement to Florida Power & Light recorded in Official Record Book 3460, Page 1749.
7. Right of Way from small lateral ditches in favor of other tracts as shown in Official Record Book 2854, Page 1504.

LAKE WORTH MIDDLE ADDITION
1. Reservations contained in Deed Book 835, Page 332.
2. Easement Recorded in Official Record Book 6679, Page 703.

PALM BEACH GARDENS ELEMENTARY MODERNIZATION
1. Easement in favor of FPL recorded in Official Record Book 12235, Page 111.
2. Easement in favor of FPL recorded in Official Record Book 20287, Page 113.
3. Easement in favor of FPL recorded in Official Record Book 20690, Page 163.
4. Covenants as shown in deed recorded in Official Record Book 4776, Page 292.

WELLINGTON HIGH AUDITORIUM
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.
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 March 1, 2009 (the “First Amendment”), to the Series 2007B Grand Lease dated as of March 1, 2007 (the “Original Series 2007B Grand Lease”) is entered into upon the terms and conditions set forth herein, by and among the School Board for Palm Beach County, Florida (the “School Board”), as Lessor, the Corporation of Palm Beach County, Florida (the “Lessor”), as Lessee, and THE BANK OF NEW YORK TRUST COMPANY, N.A., as successor to NationsBank of Florida, N.A., as Trustee and Payee (hereinafter referred to as “Trustee”), as Payee, and THE KAMMON GROUP, LLC (the “Assignee”), as Assignee, all as parties of the first part, and the School Board, as parties of the second part. The parties hereto are each referred to individually as a “Party” and collectively as the “Parties.”

WHEREAS, the Parties have entered into the Original Series 2007B Grand Lease as of March 1, 2007, which grants the Lessor the right to lease certain real property located in the County of Palm Beach, Florida (the “Leased Property”), to the Lessor under the terms and conditions set forth therein;

WHEREAS, the Parties desire to amend the Original Series 2007B Grand Lease to, among other things, (i) increase the amount of principal amount of the Series 2007B Grand Lease, (ii) modify the terms of the Series 2007B Grand Lease, and (iii) modify the terms of the Original Series 2007B Grand Lease; and

WHEREAS, the Parties have entered into this First Amendment to the Original Series 2007B Grand Lease in consideration of the mutual covenants, agreements, and mutual promises contained herein and for value received.

NOW, THEREFORE, the Parties do hereby agree as follows:

1. Exhbit A. SERIES 2007B FACILITY SITE: Subject A. DESCRIPTION OF REAL ESTATE, is hereby amended by deleting and replacing the real estate described in EXHIBIT A, hereto, with the following:

   "The real property described in EXHIBIT A, hereto, is located in the County of Palm Beach, Florida, and contains approximately 5 acres of land, more or less, and is known as School Board Site B, Site B-1, located in the School District of Palm Beach County, Florida, as more specifically described in the preliminary plat thereof, recorded in Volume 1841, Page 117, Palm Beach County, Florida.

   The real property described in EXHIBIT A, hereto, is subject to all existing easements, restrictions, and encumbrances.

   The real property described in EXHIBIT A, hereto, is owned by the School Board, as Lessor, and the Lessor reserves to itself, its successors and assigns, the right to enter into any agreements or contracts for the sale, lease, or otherwise dispose of the real property described in EXHIBIT A, hereto, without the consent of the Lessee, provided, however, that the Lessee shall have the right to consent to any such agreements or contracts if the Lessee so requests in writing.

   The Lessee acknowledges that the Lessor has the right to enter into any agreements or contracts for the sale, lease, or otherwise dispose of the real property described in EXHIBIT A, hereto, without the consent of the Lessee.

   The Lessee agrees to indemnify and hold harmless the Lessor from and against any and all claims, losses, damages, costs, and expenses arising out of or resulting from any dispute between the Lessor and the Lessee regarding the real property described in EXHIBIT A, hereto.

   The Lessee agrees to comply with all applicable laws, rules, and regulations regarding the use and occupancy of the real property described in EXHIBIT A, hereto.

   The Lessee agrees to use the real property described in EXHIBIT A, hereto, for the purpose of constructing and operating a new school, and to comply with all applicable laws, rules, and regulations regarding the construction and operation of the new school.

   The Lessee agrees to reimburse the Lessor for any and all costs and expenses incurred by the Lessor in connection with the construction and operation of the new school.

   The Lessee agrees to indemnify and hold harmless the Lessor from and against any and all claims, losses, damages, costs, and expenses arising out of or resulting from any dispute between the Lessor and the Lessee regarding the use and occupancy of the real property described in EXHIBIT A, hereto, and any agreement or contract entered into by the Lessor relating thereto.

   The Lessee agrees to comply with all applicable laws, rules, and regulations governing the use and occupancy of the real property described in EXHIBIT A, hereto.

   The Lessee agrees to use the real property described in EXHIBIT A, hereto, for the purpose of constructing and operating a new school, and to comply with all applicable laws, rules, and regulations governing the construction and operation of the new school.

   The Lessee agrees to reimburse the Lessor for any and all costs and expenses incurred by the Lessor in connection with the construction and operation of the new school.

   The Lessee agrees to indemnify and hold harmless the Lessor from and against any and all claims, losses, damages, costs, and expenses arising out of or resulting from any dispute between the Lessor and the Lessee regarding the use and occupancy of the real property described in EXHIBIT A, hereto, and any agreement or contract entered into by the Lessor relating thereto.

   The Lessee agrees to comply with all applicable laws, rules, and regulations governing the use and occupancy of the real property described in EXHIBIT A, hereto.

2. The Parties agree that the Original Series 2007B Grand Lease shall remain in full force and effect, and that the provisions of the Original Series 2007B Grand Lease shall apply to this First Amendment, subject to the amendments, modifications, and covenants set forth herein.

3. The Parties agree that this First Amendment shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

IN WITNESS WHEREOF, the Parties have executed this First Amendment this 1st day of March, 2009.

William Graham Chairman

[Signature]

THE SCHOOL BOARD FOR PALM BEACH COUNTY, FLORIDA

[Signature]

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

[Signature]

Vice President
EXHIBIT A

LEGAL DESCRIPTION OF PORTION 207A FACILITY SITE RELEASED

HAGEN ROAD ELEMENTARY MODERNIZATION

Being a portion of Tracts 73, 74, 75, and 76, Block 15, Palm Beach Farms Company Plat No. 3, as recorded in Plat Book 2, Pages 45 through 54, Public Records of Palm Beach County, Florida, being more particularly described as follows:

Commencing at the Southeast corner of said Tract 81; Thence North 02°16'05" West, along the East line of said Tract 81, a distance of 52.25 feet;

Thence South 89°35'16" West, a distance of 21.01 feet to a point on the west right of way line of Hagen Ranch Road as described in Deed Book 11155, Page 92, said Public Records, and for Point of Beginning of the herein described parcel;

Thence South 89°35'16" West, a distance of 209.50 feet;

Thence North 02°16'05" East, a distance of 95.56 feet;

Thence North 02°16'05" East, along said west right of way line, a distance of 935.90 feet to the Point of Beginning.

A-1

EXHIBIT B

LEGAL DESCRIPTION OF PORTION 207B FACILITY SITE ADDED

HAGEN ROAD ELEMENTARY MODERNIZATION

Being a portion of Tracts 73, 74, 75, and 76, Block 15, 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:

Commencing at the Southeast corner of said Tract 81, Thence North 02°16'05" West, along the East line of said Tract 81, a distance of 21.01 feet, Thence South 89°35'16" West, a distance of 209.50 feet to a point on the west right of way line of Hagen Ranch Road as described in Deed Book 11155, Page 92, said Public Records, and the Point of Beginning of the herein described parcel;

Thence South 89°35'16" West, a distance of 593.80 feet, Thence North 02°16'05" East, a distance of 192.28 feet to a point on said west right of way line of Hagen Ranch Road;

Thence South 02°16'05" East, along said west right of way line, a distance of 935.90 feet to the Point of Beginning.

B-1

[CET PAGE INTENTIONALLY LEFT BLANK]
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 Tenant, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (in its capacity as National Bank 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 School Board desires to amend the Series 2007B Ground Lease in order to extend the Ground Lease Term to August 1, 2017 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 2011 A; and

NOW, THEREFORE, the parties hereto mutually agree to the following amendments to the Series 2007B Ground Lease, as previously amended:

1. Section 2 of the Series 2007B Ground Lease is hereby amended to extend the Ground Lease Term thereof to August 1, 2017.

2. 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 individual proportionate interest in a portion of the Basic Lease Payments 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.

Executed 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.

STATE OF FLORIDA
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. Barbour, Jr., Esq. and William McLane, 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 thenceon 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, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)
☐ Personally known to me, or
☐ Produced identification

(Type of Identification Production)

C-33
MASTER TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

NATIONS BANK OF FLORIDA, N.A.,
as Trustee

Dated as of November 1, 1994
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 rights, title and interest described therein and its right to receive Lease Payments under the Master Lease, its right to hold title to the facilities under Section 6.1 of the Master Lease, its right to receive notices under the Master Lease (including the rights to assign all of its right, title and interest in and to a particular Schedule or Schedules and apply and disburse same in accordance herewith; and

WHEREAS, the Corporation has requested the Trustee to lease from time to time a series of Certificates representing substantially all of the Corporation's right, title and interest in and to a particular Schedule or Schedules and apply and disburse same in accordance herewith; and

WHEREAS, the Corporation agrees to cause the Master Lease to be executed and delivered to the Trustee, each such Certificate of a particular Schedule or Schedules and certain rights of the Corporation under such Lease to be issued to the Trustee including the rights to receive Basic Lease Payments (as herein defined) due under such Lease; 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 to 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 time to time and to correspond the execution of the corresponding Assignment Agreement by the Corporation hereunder.

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the parties hereto agree as follows:

"Board of Directors" shall mean the Board of Directors of the Corporation.

"Business Day" shall mean a day other than a Saturday, Sunday or Federal holiday 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 501 hereof and in any Supplemental Trust Agreement.

"Certificate or Certificates" shall mean any Certificates of Acceptance or any other Certificates of the Corporation, including any Special Certificates of Acceptance, or any other Certificates issued pursuant to this Trust Agreement and any Supplemental Trust Agreement, and any written certificate delivered to the Trustee on behalf of the Corporation containing the signatures of each person authorized to act on behalf of the Corporation by a written instrument in form and substance satisfactory to the Trustee.

"Certificate holders" or "Holder of Certificates" shall mean the registered owner of any Certificate of Acceptance.

"Certificate of Acceptance" shall mean the certificate of the Corporation signed on behalf of the Corporation by the Chairperson of the Board of Directors containing the specimen signature of each person authorized to act on behalf of the Corporation by a written instrument in form and substance satisfactory to the Trustee and any Credit Facility Issuer or any provider of a Reserve Account Letter of Credit/Insurance Policy, or a written certificate delivered to the Trustee signed on behalf of the Corporation by the Chairperson containing the specimen signature of each person authorized to act on behalf of the Corporation by a written instrument in form and substance satisfactory to the Trustee.

"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.


"Contractor" shall mean the person, firm, corporation or joint venture authorized to do business in Florida with whom a contract has been entered into with the Corporation related to the performance of the work with respect to any facilities described by the Instructions to Awards 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 facilities, which is not paid by a contractor or otherwise provided for, but not limited to, (i) costs and expenses of the acquisition of the site and, where applicable, the immediately surrounding land, including leasehold interests, easements, light- and air rights, and licenses, including, without limitation, easements and licenses granted to the Corporation under the terms of a ground lease until the expected acceptance of the facilities described herein, (ii) cost and expenses incurred for labor, insurance and materials and payments to contractors, builders, suppliers and vendors for the acquisition, construction and installation of facilities, including leasehold interests, easements, light- and air rights and licenses, railroads, walkways, water, sewer, electric, fire alarms and other utilities, (iii) 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, (iv) costs of insurance established pursuant to Section 401 of this Trust Agreement and in any Supplemental Trust Agreement and any recurring amounts payable to a provider of a Reserve Account Letter of Credit/Insurance Policy, (v) fees, taxes and expenses of the School Board, if any, incurred in connection with the acquisition, construction and installation of facilities, (vi) costs of issuance and (vii) certain other costs and expenses, including those of the Corporation, in connection with the foregoing.

"Costs of Issuance" shall mean the items of expense incurred in connection with the acquisition, sale and delivery of a Series of Certificates, which items of expense include, but are not limited to, document printing and reproduction costs, cataloging and accounting 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 and specific underwriting and other offering expenses, including fees, expenses and liabilities of the School Board, if any, incurred in connection with the acquisition, construction and installation of facilities, and all other costs, charges and fees, including those of the Corporation, in connection with the foregoing.

"Credit Facility" shall mean, with respect to each Series of Certificates, the letter of credit, insurance policy, guaranty, security bond or other financial guarantee provided for or required hereunder, including any certificate of the Corporation authorizing the obligations of the School Board to make Basic Lease Payments relating to such 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.

"Defereence 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 Payment" shall mean one or more of the events as designated in Section 7.2 of the Master Lease.

"Excess Earnings" shall mean the excess of the Gross Proceeds of such Certificates over the amount received with respect to obligations acquired with Gross Proceeds, as such yield is determined in accordance with the Code and amounts earned on the investment of such Gross Proceeds.

"Facility" or "Facilities" shall mean "educational facilities" as defined in Section 255.01(1), 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 therein 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 lying to the title land by reason of ownership of such land, and all fixtures, additions or replacements located on, or used in connection with, or attached to such land) to which (i) was owned by the School Board at the time of the issuance of a Series of Certificates described in (i) and (ii) was acquired by the School Board subsequent thereto and is not sold for out of the proceeds of the Series of Certificates, upon a Facility 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 is 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 and securities and undivided interests in obligations and securities, 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, or any 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, as such proceeds were invested at a yield as described in (i); (ii) amounts treated as transferred proceeds of such Certificates in accordance with the Code, as such yield is determined as proceeds pursuant to the provisions of the Code relating to invested interest and acquisitions of obligations pledged, as such yield is determined in accordance with the Code and amounts earned on the investment of such Gross Proceeds.

"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 funds entered into by the Trustee with a Qualified Financial Institution whereby such agreement is in the form of an indenture, providing that upon the approval of the Credit Facility Issuer insuring the Series of Certificates relating to the money invested, such Credit Facility Issuer insuring the Series of Certificates, unless inconsistent with the provisions of the Code, if so on behalf of the Corporation from the sale of such Certificates; (ii) any other investment agreed to in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the money invested (supported by appropriate opinions of counsel) and in any Supplemental Trust Agreement.

"Lease" shall mean each separate Schedule to the Master Lease including Basic Lease Payments and Additional Lease Payments.

"Lease Payment Account" shall mean any Lease Payment Account established pursuant to Section 46 thereof and in any Supplemental Trust Agreement.

"Lease Payment Data" shall mean, with respect to each Lease, each date not forth on the corresponding Schedule designated as a Lease Payment Data for such Lease.

"Lease Payments" shall mean, with respect to each Lease, all amounts payable by the School Board to the Trustee in accordance with the lease agreements.
"Institution in favor of the Trustee which is to be deposited into Agency which is not lower than M/Aa, or which has issued a letter represented by Certificates of the Series secured by such Reserve System under the Bank Holding Company Act of 1956 or the Federal National Mortgage Association or any insurance company or other AA/Aa.

"Net Proceeds" mean, with respect to one or more facilities financed under a lease, the aggregate of all amounts received for condemnation, performance bond, Federal or State flood disaster assistance or other similar financial guaranty, including any letter of credit or other Facility Issuer paid with respect to such Facility, remaining after payment thereto of all expenses, including attorneys' fees, incurred in the collection thereof, and, with respect to insurances, to the extent that the School Board accepts self-insure under Section 5.2, the trusty pays such amounts from any proceeds made by the School Board in connection with such self-insurance.

"Notice by Mail" shall mean a written notice mailed to the Certificate holders, to the address 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 as of any date, Certificates (or portions of Certificates) are to be prepaid, and are to be paid, in accordance with such prepayment or prepayment, either to the date of insolvency or Prepayment Date, provided that if such Certificates (or portions of Certificates) are to be prepaid, not notice of such prepayment shall have been given as provided in Article III of this Trust Agreement.

"Qualified Financial Institutions" shall mean a bank, trust company, national banking association, or other 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 association (in whose subsidiaries outstanding obligations, including any letter of credit or other Facility Issuer, are for long-term debt obligations have been assigned a rating by a Rating Agency which is not lower than M/Aa, or which has issued a letter of credit, guarantee of or security bond in support of debt obligations which have been collateralized for its obligations at all times at levels in compliance with the requirements of the Rating Agencys for ratings not lower than M/Aa.

"Rating Agency" shall mean each of Standard & Poor's Ratings Group, Moody's Investors Service and any other nationally recognized standing in matters pertaining to the matters of the particular matter (who may be counsel to the School Board or special tax counsel) selected by the School Board.

"Reimbursement Agreement" shall mean, with respect to any facility financed under a lease, as of any Lease Payment Date, the aggregate amount designated and set forth in the Schedule for such facility as the remaining principal portion of the scheduled Basic Lease Payments, plus any amount payable under an insurance or any other financial guaranty (other than a Credit Facility Issuer) paid with respect to such facility, remaining after payment thereto of all expenses, including attorneys' fees, incurred in the collection thereof, and, with respect to insurances, to the extent that the School Board accepts self-insure under Section 5.2, the trusty pays such amounts.

"Project" shall mean the lease-purchase financing and construction or refinancing of the Facilities set forth in a particular schedule and, if so, in a portion of such Facilities shall be comprised of real property, the ground leasing of the related facility sites 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 pursuant to the Trust Agreement and any Supplemental Trust Agreement.

"Project Option Price" shall mean, with respect to any Facility financed under a Lease, as of any Lease Payment Date, the aggregate amount designated and set forth in the Schedule for such Facility as the remaining principal portion of the scheduled Basic Lease Payments, plus any amount payable under an insurance or any other financial guaranty (other than a Credit Facility Issuer) paid with respect to such facility, remaining after payment thereto of all expenses, including attorneys' fees, incurred in the collection thereof, and, with respect to insurances, to the extent that the School Board accepts self-insure under Section 5.2, the trusty pays such amounts.

"Project Schedule" shall mean the schedule to the Master Lease to be executed and delivered by the Corporation for each Project, substantially in the form of Exhibit A to the Master Lease.

"Reserve Account Letter of Credit/Insurance Policy" shall mean (i) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered payment to Article III hereof; and (ii) Certificates deemed to have been paid as provided in subsection (i) of Section 6 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 clauses 4 and 5 in any Supplemental Trust Agreement.

"Prepayment Date" shall mean the date on which optional prepayment or extraordinary prepayment is mandatory under any insurance or any other financial guaranty (other than a Credit Facility Issuer) paid with respect to such facilities, remaining after payment thereto of all expenses, including attorneys' fees, incurred in the collection thereof, and, with respect to insurances, to the extent that the School Board accepts self-insure under Section 5.2, the trusty pays such amounts.

"Prepayment Price" shall mean, with respect to any Certificate, the principal amount thereof (together with the premium, if any, applicable upon an optional prepayment), or payable upon prepayment or to such Certificate, or to this Trust Agreement or any Supplemental Trust Agreement, together with accrued interest expressed by such Certificate and the Prepayment Date.

"Trustee" shall mean NationsBank, Fort Lauderdale, Florida, or any successor thereto.

"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 proceeds of the Trust and any other property relating thereto; (b) any and all amounts received by the Trustee or any other person in connection with the provisions hereof and not required to be deposited to the Trust Estate pursuant to the provisions hereof; and (c) any and all amounts received by the Trustee or any other person in connection with the provisions hereof and not required to be deposited to the Trust Estate pursuant to the provisions hereof.

"Trustee" shall mean NationsBank of Florida, N.A., Fort Lauderdale, Florida, and its successors or assigns which may at any time be substitute for the current trustee to the provisions hereof.

"Waiver" shall mean, in the context stated otherwise indicate words importing the singular number shall include
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", "herewith", "hereunder" and any similar terms, as used in this Trust Agreement, refer to this Trust Agreement.

201. Assignment Agreements. The Corporation shall assign and transfer to the Trustee the rights under each Ground Lease and each other agreement pursuant to the terms and severally described in the corresponding Assignment Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustees shall execute and deliver each Series of Certificates, evidencing an undivided proportionate interest of the Certificate holders, as more particularly set forth in Section 305 hereof.

202. Declaration of Trust by Trustee. The Trustees hereby declare that it holds and will hold the Trust estate created on it by the Corporation hereunder upon the trusts and apply the revenues 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 agreed for the Corporation pursuant to the terms of the Master Lease 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 total costs of the 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 been performed in due time, form and manner as required by law, and the parties hereto represent with respect to each other that it is now duly empowered to execute and deliver this Trust Agreement.
shall be payable from and secured by the Trust Estate to the extent available for distribution to such Agreement shall be paid only from the portion of the Trust Estate to the extent available for distribution to such Certificate holders of all Series in accordance with the ratio that Payment Date.

b) The Trustee shall have actually received sufficient income or proceeds derived from Basic Lease Payments made pursuant to the Schedule. The Trustee shall execute and deliver one or more 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 Certificate holder with respect to such Certificate holder.

d) The Certificate evidence undivided proportionate interests in the Basic Lease Payments to be received by the School Board pursuant to the corresponding Lease and (ii) the interest of the Certificate holder in such lease payments represented by 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.

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 based on such Series of Certificates' respective principal balances due on such Payment Date. The Trustee shall execute and deliver Certificates in accordance with the procedures authorized by this Trust Agreement.

(b) Except as otherwise expressly provided in the Immediate preceding paragraph and notwithstanding anything to the contrary, no Trustee shall, upon request of the School Board, furnish such information or copies thereof for any purpose.

c) The person in whose name any Certificate shall be registered and all such notices and other communications shall be given to the Certificate holder as hereby determined to have agreed, except as otherwise expressly provided herein, to look solely to the funds of and the proceeds from each portion of the Trust Estate to the extent available for distribution to such Certificate holder and such Credit Facility Trustee as herein provided and that the Trustee is not personally liable to any Certificate holder or any such Credit Facility Trustee for any amounts payable under this Trust Agreement or subject to any liability under such Trust Agreement except liability under this Trust Agreement as a result of negligence or willful misconduct by the Trustee.

d) 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 and only to the extent that the Trustee shall have actually received sufficient income or proceeds 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 derived from Basic Lease Payments made pursuant to the Schedule corresponding to such Series.

e) A written order to the Trustee by an Authorized Corporate Representative to execute and deliver the Series of Certificates to the person or persons named or described as payable under such order.

20. Trustee.

(a) The Trustee shall maintain, at its designated corporate trust office, a record of the name and address of each Certificate holder of each Series of Certificates and the amount represented by such Certificate holder.

(b) Except as otherwise expressly provided in the Immediate preceding paragraph and notwithstanding anything to the contrary, no Trustee shall, upon request of the School Board, furnish such information or copies thereof for any purpose.

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 Certificate holder with respect to such Certificate holder.

d) The Certificate evidence undivided proportionate interests in the Basic Lease Payments to be received by the School Board pursuant to the corresponding Lease and (ii) the interest of the Certificate holder in such lease payments represented by 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.

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 based on such Series of Certificates' respective principal balances due on such Payment Date. The Trustee shall execute and deliver Certificates in accordance with the procedures authorized by this Trust Agreement.

(b) Except as otherwise expressly provided in the Immediate preceding paragraph and notwithstanding anything to the contrary, no Trustee shall, upon request of the School Board, furnish such information or copies thereof for any purpose.

c) The person in whose name any Certificate shall be registered and all such notices and other communications shall be given to the Certificate holder as hereby determined to have agreed, except as otherwise expressly provided herein, to look solely to the funds of and the proceeds from each portion of the Trust Estate to the extent available for distribution to such Certificate holder and such Credit Facility Trustee as herein provided and that the Trustee is not personally liable to any Certificate holder or any such Credit Facility Trustee for any amounts payable under this Trust Agreement or subject to any liability under such Trust Agreement except liability under this Trust Agreement as a result of negligence or willful misconduct by the Trustee.

d) 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 and only to the extent that the Trustee shall have actually received sufficient income or proceeds 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 derived from Basic Lease Payments made pursuant to the Schedule corresponding to such Series.

e) A written order to the Trustee by an Authorized Corporate Representative to execute and deliver the Series of Certificates to the person or persons named or described as payable under such order.

20. Trustee.

(a) The Trustee shall maintain, at its designated corporate trust office, a record of the name and address of each Certificate holder of each Series of Certificates and the amount represented by such Certificate holder.

(b) Except as otherwise expressly provided in the Immediate preceding paragraph and notwithstanding anything to the contrary, no Trustee shall, upon request of the School Board, furnish such information or copies thereof for any purpose.

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 Certificate holder with respect to such Certificate holder.

d) The Certificate evidence undivided proportionate interests in the Basic Lease Payments to be received by the School Board pursuant to the corresponding Lease and (ii) the interest of the Certificate holder in such lease payments represented by 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.

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 based on such Series of Certificates' respective principal balances due on such Payment Date. The Trustee shall execute and deliver Certificates in accordance with the procedures authorized by this Trust Agreement.

(b) Except as otherwise expressly provided in the Immediate preceding paragraph and notwithstanding anything to the contrary, no Trustee shall, upon request of the School Board, furnish such information or copies thereof for any purpose.

c) The person in whose name any Certificate shall be registered and all such notices and other communications shall be given to the Certificate holder as hereby determined to have agreed, except as otherwise expressly provided herein, to look solely to the funds of and the proceeds from each portion of the Trust Estate to the extent available for distribution to such Certificate holder and such Credit Facility Trustee as herein provided and that the Trustee is not personally liable to any Certificate holder or any such Credit Facility Trustee for any amounts payable under this Trust Agreement or subject to any liability under such Trust Agreement except liability under this Trust Agreement as a result of negligence or willful misconduct by the Trustee.

d) 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 and only to the extent that the Trustee shall have actually received sufficient income or proceeds 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 derived from Basic Lease Payments made pursuant to the Schedule corresponding to such Series.

e) A written order to the Trustee by an Authorized Corporate Representative to execute and deliver the Series of Certificates to the person or persons named or described as payable under such order.

20. Trustee.

(a) The Trustee shall maintain, at its designated corporate trust office, a record of the name and address of each Certificate holder of each Series of Certificates and the amount represented by such Certificate holder.

(b) Except as otherwise expressly provided in the Immediate preceding paragraph and notwithstanding anything to the contrary, no Trustee shall, upon request of the School Board, furnish such information or copies thereof for any purpose.

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 Certificate holder with respect to such Certificate holder.

d) The Certificate evidence undivided proportionate interests in the Basic Lease Payments to be received by the School Board pursuant to the corresponding Lease and (ii) the interest of the Certificate holder in such lease payments represented by 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.
of transfer of Certificates, whether temporary or definitive, the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or reclassification of transfer. The Trustee shall not be required to register the transfer of or exchange any 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 notice of prepayment to be given until such notice of prepayment is given; 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, at the request and expense of the owner of such Certificates or of any person entitled to receive the same under applicable law, shall execute and deliver in lieu thereof a new Certificate or Certificates, free from such defects, to be registered in substantially similar form without expense to the Trustee, and with such cancellation, insertions and variations as may be appropriate for temporary Certificates, as the Trustee, in its discretion, may direct. Subject to section 319 hereof, the Trustee shall not be required (a) to register the transfer of or exchange any Certificates, whether temporary or definitive, or (b) to register the transfer of or exchange any temporary Certificate or Certificates or portions thereof of any like maturity to be prepaid, unless and until such payment or prepayment is made, and such moneys shall not be so available on the Prepayment Date, the principal amount of the Certificates or portions thereof of such maturity so called for prepayment 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 or portions thereof of such maturity so called for prepayment are to be prepaid, the Trustee shall give notice that the Certificates are subject to optional prepayment resulting from damage, destruction or condemnation of the Collateral or the Trust Property. In the event of any such event, the Trustee shall give notice that the Certificates are subject to optional prepayment resulting from damage, destruction or condemnation of the Collateral or the Trust Property, and that from and after such date interest thereon shall cease 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, mandatory sinking fund prepayment or prepayment upon the wishes of the Trustee, to each Holder of each Certificate or Certificate holder's bailee. The Trustee shall, at the request of any Holder of any Certificate called for prepayment, execute and deliver, without expense to the Trustee, a new Certificate or Certificates, free from such defects, to be registered in substantially similar form as the Certificate of such Holder or Certificate holder's bailee, and with such cancellation, insertions and variations as may be appropriate for temporary Certificates, as the Trustee, in its discretion, may direct.

311. Privilege of Prepayment and Prepayment 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 Prepayment Price (payable only in cash) as the Trustee shall set and give notice of the Prepayment Price to the Holders of the Certificates on or before the Prepayment Date. The Prepayment Price shall be in all respects equal to the sum of (a) the outstanding principal amount of the Certificates to be prepaid plus accrued interest thereon to the Prepayment Date, (b) accrued interest and premium, if any, on such Certificates to the date established for such prepayment. Notice of such prepayment shall be given to any depositary not less than two days prior to mailing of such notice, to the extent available. Upon the cancellation and destruction 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 and shall mail such certificate of cancellation to the Holders of each Certificate so cancelled, to the Temporary Trustee, to the Depositary Trust Company of New York and to such other persons as shall be designated by the School Board and the Corporation and the other executed counterpart certificate of cancellation shall be delivered to the Temporary Trustee, to the Depositary Trust Company of New York and to such other persons as shall be designated by the School Board and the Corporation.

312. Prepayment. Whenever by the terms of this Trust Agreement the Certificates are required to be prepaid, the Trustee shall give notice of the Prepayment Price and pay the Prepayment Price to the Holders of the Certificates on or before 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 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 a Series 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 to the Trustee and complying with such other reasonable regulations as the Trustee may prescribe as the Trustee may deem fair and appropriate. The portion of any Certificate of a Series so called for prepayment resulting from damage, destruction or condemnation of the Collateral or the Trust Property, and that from and after such date interest thereon shall cease 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, mandatory sinking fund prepayment or prepayment upon the wishes of the Trustee, to each Holder of each Certificate or Certificate holder's bailee. The Trustee shall, at the request of any Holder of any Certificate called for prepayment, execute and deliver, without expense to the Trustee, a new Certificate or Certificates, free from such defects, to be registered in substantially similar form as the Certificate of such Holder or Certificate holder's bailee, and with such cancellation, insertions and variations as may be appropriate for temporary Certificates, as the Trustee, in its discretion, may direct.

314. Notice of Prepayment. When prepayment of Certificates is required pursuant to a Supplemental Trust Agreement, the Trustee shall give notice of the prepayment of such Certificates, which notice shall specify the maturity or maturities of the Certificates or portions thereof of such maturity so called for prepayment resulting from damage, destruction or condemnation of the Collateral or the Trust Property, and that from and after such date interest thereon shall cease 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, mandatory sinking fund prepayment or prepayment upon the wishes of the Trustee, to each Holder of each Certificate or Certificate holder's bailee. The Trustee shall, at the request of any Holder of any Certificate called for prepayment, execute and deliver, without expense to the Trustee, a new Certificate or Certificates, free from such defects, to be registered in substantially similar form as the Certificate of such Holder or Certificate holder's bailee, and with such cancellation, insertions and variations as may be appropriate for temporary Certificates, as the Trustee, in its discretion, may direct.

315. Payment of Prepaid Certificates. Notices 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 as 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 so called for prepayment 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 or portions thereof of any like maturity to be prepaid, the principal portion represented by such Certificates or portions thereof shall be considered to bear interest from 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 maturity or prior to maturity, shall be delivered to the Trustee when such payment or prepayment is made, and such Certificates shall thereupon be promptly cancelled and destroyed.
ARTICLE IV

ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND ACCOUNTS; PREPAYMENT OF CERTIFICATES

411. Establishment of Project Fund. There is hereby estab-
lished 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, subaccounts for each series of Certificates: (a) an Acquisition Account, 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; (e) a Payment Account, more particularly described in Section 406 hereof; and (f) a Prepayment Account, more particularly described in Section 407 hereof.

412. Acquisition Account.

(a) There shall be paid into such Acquisition Account the proceeds of the real estate additions to the Facilities comprising such Project, the proceeds of such additions to be deposited in accordance with the Supplemental Trust Agreement.

(b) The Trustee shall keep the Project Fund separated and apart from all other funds and moneys held by it, and within the Project Fund, the Trustee shall establish pursuant to each Supplemental Trust Agreement, subaccounts for each series of Certificates: (a) an Acquisition Account, 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; (e) a Payment Account, more particularly described in Section 406 hereof; and (f) a Prepayment Account, more particularly described in Section 407 hereof.

(c) Lease Payment Account.

(d) The Trustee shall keep the Project Fund separate and apart from all other funds and moneys held by it, and within the Project Fund, the Trustee shall establish pursuant to each Supplemental Trust Agreement, subaccounts for each series of Certificates: (a) an Acquisition Account, 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; (e) a Payment Account, more particularly described in Section 406 hereof; and (f) a Prepayment Account, more particularly described in Section 407 hereof.

413. Reserve Accounts.

(a) Reserve Accounts shall be established by the Trustee pursuant to the Supplemental Trust Agreement, and shall consist of such funds as the Trustee may determine to be necessary to pay 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 Reserve Account relates.

414. Acquisition Accounts.

(a) There shall be paid into such Acquisition Account the proceeds of the real estate additions to the Facilities comprising such Project, the proceeds of such additions to be deposited in accordance with the Supplemental Trust Agreement.

(b) The Trustee shall keep the Project Fund separated and apart from all other funds and moneys held by it, and within the Project Fund, the Trustee shall establish pursuant to each Supplemental Trust Agreement, subaccounts for each series of Certificates: (a) an Acquisition Account, 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; (e) a Payment Account, more particularly described in Section 406 hereof; and (f) a Prepayment Account, more particularly described in Section 407 hereof.

(c) Lease Payment Account.

(d) The Trustee shall keep the Project Fund separate and apart from all other funds and moneys held by it, and within the Project Fund, the Trustee shall establish pursuant to each Supplemental Trust Agreement, subaccounts for each series of Certificates: (a) an Acquisition Account, 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; (e) a Payment Account, more particularly described in Section 406 hereof; and (f) a Prepayment Account, more particularly described in Section 407 hereof.

415. Payments shall be made by the Trustee for costs of land in accordance with the following:

(a) Receipts by the Trustee and the related Credit Facility Issuer of a title insurance policy, if required by such related Credit Facility Issuer in accordance with Section 4.1 of the Master Lease (the Trustee shall be notified in writing of such requirement);

(b) Receipt by the Trustee and the related Credit Facility Issuer of an Opinion of Counsel described in Section 6.1 of the Master Lease;

(c) An executed Schedule or Amendment to the related Schedule describing the land and the cost thereof;

(d) 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;

(e) A copy of the recent survey plat of the land in question, signed, sealed and acknowledged by the School Board and the Trustee by a licensed Florida Surveyor, in form satisfactory to the School Board;

(f) A report on soil conditions and an engineer's certification in form and substance acceptable to the

416. Capitalized Interest Accounts.

(a) Funds in each Capitalized Interest Account shall be transferred to the related Lease Payment Account in an amount sufficient to pay the Basic Lease Payments coming due in the Year under such Lease. Transfers shall be made by the Trustee not later than the Business Day before each Payment Date.

(b) The Trustee shall transfer all amounts remaining in such Capitalized Interest Account to the related Prepayment Account at the time of prepayment of such Certificates pursuant to Section 3.15 hereof.

417. Lease Payment Accounts.

(a) In addition to the amounts required to be deposited in a Lease Payment Account pursuant to Sections 4.2, 4.3 and 4.6 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 receipt. The Trustee shall pay out of such Lease Payment Account, (i) on such Lease Payment Date, the amount required for the interest portion of the Basic Lease Payments 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 Lease Payment Account to be applied to the repayment of the related Certificate holders in accordance with Section 2.15 hereof.

418. Reserve Accounts.

(a) Pursuant to the Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established
and maintain 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. Such each 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 Letter of Credit/Insurance Policy and such Reserve Account shall be in the form of a Lease Payment Account, Reserve Account or any other form as provided in Section 4.06 hereof. Any amounts on deposit in such Reserve Account shall be transferred to the related Prepayment Account in accordance with the procedures described in Section 4.06 hereof. Any amounts on deposit in such Reserve Account shall be transferred to the related Payment Account in accordance with the procedures described in Section 4.06 hereof. Any amounts on deposit in such Reserve Account shall be transferred to the related Payment Account in accordance with the procedures described in Section 4.06 hereof. Any amounts on deposit in such Reserve Account shall be transferred to the related Payment Account in accordance with the procedures described in Section 4.06 hereof. Any amounts on deposit in such Reserve Account shall be transferred to the related Payment Account in accordance with the procedures described in Section 4.06 hereof.

(b) If any amounts on deposit in such Reserve Account, following any prepayment of a principal amount of the related Series of Certificates, are not sufficient to pay the interest portion due or past due represented by the related Series of Certificates, or any other amounts due or past due represented by the related Series of Certificates, the Trustee shall, on or before the Payment Date to which such amounts relate, provide written notice to the School Board of the amount and date of such principal amount of the related Series of Certificates, and the amounts due or past due represented by the related Series of Certificates, and upon receipt of such notice, the School Board shall make such Basic Lease Payments prepaid or to the principal portion of the Series of Certificates corresponding to the principal amount of the related Series of Certificates, sufficient to pay the Prepayment Price of such principal amount of the related Series of Certificates, and the amounts due or past due represented by the related Series of Certificates.

(c) All moneys deposited with the Trustee shall be set aside by it for the payment of the principal portion of any Series of Certificates, and shall be applied on or after the Prepayment Date to the payment of such principal amount of the related Series of Certificates, as described in Section 4.05 hereof. If any of such moneys are insufficient to pay such principal amount of the related Series of Certificates, then the Trustee shall be entitled to withdraw from the Reserve Account Letter of Credit/Insurance Policy any amounts on deposit therein sufficient to make good such deficiency.

(d) Any amounts on deposit in such Reserve Account shall be transferred to the related Payment Account in accordance with the procedures described in Section 4.06 hereof. Any amounts on deposit in such Reserve Account shall be transferred to the related Payment Account in accordance with the procedures described in Section 4.06 hereof. Any amounts on deposit in such Reserve Account shall be transferred to the related Payment Account in accordance with the procedures described in Section 4.06 hereof. Any amounts on deposit in such Reserve Account shall be transferred to the related Payment Account in accordance with the procedures described in Section 4.06 hereof. Any amounts on deposit in such Reserve Account shall be transferred to the related Payment Account in accordance with the procedures described in Section 4.06 hereof.
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 Account.

(b) Subject to the first sentence of Section 405, Interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investments and net of interest (net of that which represents a return of accrued interest amounts deemed Excess Earnings) earned on any moneys or investments in such Lease Payment Account shall be either (i) at the direction of the Authorized School Board representative the related Lease Payment Account, until delivery of a Certificate of Acceptance (ii) automatically transferred to the related Account without need for any requisition or other direction and, together with interest, charges on investments in such Lease Payment Account, to be credited to, and any loss resulting from the liquidation of such investment shall be charged to, the Certificate holders and the Trustee may rely conclusively on such notice for purposes of determining the excess earnings amount hereunder.

(c) Setting 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 to, the Certificate holders in accordance with the provisions of this Section and if all amounts due on the Certificate or other wise hereunder have been fully paid or provided for payment thereof has been made, such amounts shall be paid to the School Board shall have no responsibility for

ARTICLE V

PREPAYMENTS, DEFAULT AND REMEDIES ON DEFAULT

501. Trustee to Perform each Lease. The Trustee covenants and agrees with the Certificate holders and each Credit Facility Issuer, if any, to perform all obligations and duties imposed on it as custodian of the Corporation under Section 6.2 of the Master Lease and to enforce each Lease against the School Board.

502. Exercise of Rights. 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 default in the payment when due of Supplemental 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 Supplemental Lease Payments have not been received.

503. Events of Default. Each of the following events is hereby declared to be an event of default:

(a) Payment of any installment of interest represented by any Certificate shall not be made when the same shall become due and payable:

(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:

(c) An "Event of Default" shall occur and be continuing under Section 7.4 of the Master Lease.

504. Remedies on Default or Non-Appropriation. Upon the occurrence of any event of default by the School Board with respect to any Lease under Section 5.1 of the Master Lease, it shall be a default under Section 1.3 of the Master Lease of all Leases as a result of non-appropriation, the Trustee, with the consent of each Credit Facility Issuer, if any, and the Certificate holders, may preserve such remedies as are provided in the Master Lease, and upon receipt of such remedies, the Trustee shall be entitled to enforce the rights and exercise the remedies provided in the Master Lease and shall pursue one or more of such remedies at the direction of the Holders of a majority in amount of the Certificates of each Series Outstanding which is affected by such remedies. In addition, the Trustee may act under the provisions of Section 707 heretofore.

505. Remedies on Default or Non-Appropriation. Upon the occurrence of any event of default by the School Board with respect to any Lease under Section 5.1 of the Master Lease, it shall be a default under Section 1.3 of the Master Lease of all Leases as a result of non-appropriation, the Trustee, with the consent of each Credit Facility Issuer, if any, and the Certificate holders, may preserve such remedies as are provided in the Master Lease, and upon receipt of such remedies, the Trustee shall be entitled to enforce the rights and exercise the remedies provided in the Master Lease and shall pursue one or more of such remedies at the direction of the Holders of a majority in amount of the Certificates of each Series Outstanding which is affected by such remedies, subject to the provisions of Section 707 heretofore.

506. Remedies on Default or Non-Appropriation. Upon the occurrence of any event of default by the School Board with respect to any Lease under Section 5.1 of the Master Lease, it shall be a default under Section 1.3 of the Master Lease of all Leases as a result of non-appropriation, the Trustee, with the consent of each Credit Facility Issuer, if any, and the Certificate holders, may preserve such remedies as are provided in the Master Lease, and upon receipt of such remedies, the Trustee shall be entitled to enforce the rights and exercise the remedies provided in the Master Lease and shall pursue one or more of such remedies at the direction of the Holders of a majority in amount of the Certificates of each Series Outstanding which is affected by such remedies, subject to the provisions of Section 707 heretofore.

507. Remedies on Default or Non-Appropriation. Upon the occurrence of any event of default by the School Board with respect to any Lease under Section 5.1 of the Master Lease, it shall be a default under Section 1.3 of the Master Lease of all Leases as a result of non-appropriation, the Trustee, with the consent of each Credit Facility Issuer, if any, and the Certificate holders, may preserve such remedies as are provided in the Master Lease, and upon receipt of such remedies, the Trustee shall be entitled to enforce the rights and exercise the remedies provided in the Master Lease and shall pursue one or more of such remedies at the direction of the Holders of a majority in amount of the Certificates of each Series Outstanding which is affected by such remedies, subject to the provisions of Section 707 heretofore.

508. Remedies on Default or Non-Appropriation. Upon the occurrence of any event of default by the School Board with respect to any Lease under Section 5.1 of the Master Lease, it shall be a default under Section 1.3 of the Master Lease of all Leases as a result of non-appropriation, the Trustee, with the consent of each Credit Facility Issuer, if any, and the Certificate holders, may preserve such remedies as are provided in the Master Lease, and upon receipt of such remedies, the Trustee shall be entitled to enforce the rights and exercise the remedies provided in the Master Lease and shall pursue one or more of such remedies at the direction of the Holders of a majority in amount of the Certificates of each Series Outstanding which is affected by such remedies, subject to the provisions of Section 707 heretofore.
of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its discretion shall deem advisable, 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 Monday or Tuesday unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amount 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 date of such act.

345. 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.

346. 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 for the correctness of the Corporation or the School Board or of any of its employees or agents to make any collections, deposits or to perform any act or service that has been required of the Corporation or the School Board or because of the amount of any money arising through the acts of the Corporation or the School Board or on the account or default or omission of any depository. The Trustee shall not be responsible for the application of any such moneys, to the payment of any item or the other moneys deposited with it and paid out, withdrawn or transferred hereunder. In all such applications, payments, withdrawals or transfers shall be made in accordance with the provisions of this Trust Agreement. The indemnities and exemptive from liability of the Trustee hereunder shall extend to its nominees, officers, employees and agents.

350. 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 Agreement, the Corporation shall possess and enjoy the same.

ARTICLE VI
CONCERNING THE TRUSTEE

601. Employment of Trustee. In consideration of the recitals hereinafore set forth and in consideration, relied upon, the Trustee hereby agrees to receive, hold, invest and disburse the Trust Estate and other moneys received pursuant to the express terms and conditions of, this Trust Agreement and to perform to the express terms and conditions of, this Trust Agreement, all as expressly provided in and subject to the express terms and conditions of, this Trust Agreement.

(c) The Trustee shall not be required to give bond or other security hereunder, including any liability in connection with any hazardous waste or other reasonable disbursements, and against all liability, including any liability in connection with any hazardous waste on any Facility Site.

603. Evidence on Which Trustee May Act.
(a) The Trustee shall not be liable for any errors 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.

(b) The recitals, statements and representations in this Trust Agreement or in the Certificate, save only the Trustee's opinion of the Corporation, the Master Lease, 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.

(c) Except as to the acceptance of the trusts created hereunder, the Trustee shall have no responsibility in respect of the execution or acknowledgment of this Trust Agreement, or the Corporation, the validity or sufficiency of this Trust Agreement, or the validity of the Certificates or the Issuance thereof.

605. 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, in acting hereunder, may rely on any 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) Notwithstanding the provisions of this Article, the Trustee shall have the power, authority and discretion to take any action at any time, or to take any steps in the execution or performance of any of the trusts hereby created or in the enforcement of any rights and powers hereunder, including any liability in connection with any hazardous waste or other reasonable disbursements, and against all liability, including any liability in connection with any hazardous waste on any Facility Site.
by a certificate of an Authorized School Board Representative, and such certificate shall be full warranty for any action taken or omitted in good faith in the prosecution of this Trust Agreement upon the faith thereof. But in the discretion the Trustee may in any case, shown to be entitled thereto, waive or release any such further or additional evidence as it may deem reasonable.

e. Design to otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision herein by the School Board or the Trustee shall be the request, order, notice or other direction for the Appointee of the School Board by an Authorized School Board Representative.

f. The Trustee shall not be deemed to have notice of any Event of Default by reason of any payment of Lease Payments, unless the Trustee shall have actual knowledge thereof or specifically notified thereof in writing.

(g) The Trustee may buy, sell, 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 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 depositary, trustee, or agent for any committee or body of Certificate holders or other obligations of the School Board as fairly as it could notTrustee heretofore.

(h) The Trustee shall not be answerable or accountable except for the performance of its duties and obligations as specifically set forth in this Trust Agreement and except for its own willful misconduct or negligence. The prejudicial right of the Trustee to do things contemplated in this Trust Agreement shall not be construed as a duty.

(i) No provision of this Trust Agreement shall be construed to relieve the Trustee of any responsibility; notwithstanding or for any acts or omissions by the School Board or the Corporation shall absolve the Trustee in any manner from being answerable for any act or omission of the School Board or Corporation or any act or omission by any Person acting on behalf of or in the name of the School Board or Corporation.

(j) Any person who succeeds to the duties and obligations of the Trustee shall accept any such further or additional evidence as the Trustee may deem reasonable.

(k) Any Provision of this Trust Agreement shall be construed to include any supplemental or concurrent agreements executed, adopted and delivered for the purpose of eliminating or reducing any one or more provisions hereof.

(l) Any other provision of this Trust Agreement may be amended or supplemented by the Trustee and the Corporation, from time to time, provided that the same shall be in written form and signed by the Trustee and the Corporation.

(m) Any person who succeeds to the duties and obligations of the Trustee shall accept any such further or additional evidence as the Trustee may deem reasonable.
Obligations and receipts of Indebtedness shall intervene, on behalf of Certificate holders or the related Credit Facility Issuer in any legal or equitable 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 rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

6.14. 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 Issuer is in effect and the Credit Facility Issuer is properly bound by the agreements hereof, shall be entitled to the obligations of the Trustee hereunder of the School Board and the Trustee to the Credit Facility Issuer under the Master Lease.

ARTICLE VII
AMENDMENTS

7.01. Modification of Trust Agreement. No amendment or modification of this Trust Agreement shall be effective unless and until (i) there shall have been filed with the Trustee a copy of the proposed supplement to this Trust Agreement, (ii) the proposed supplement has been consented to by 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 modification or amendment, or (iii) to issue one or more Series of Certificates pursuant to Article III hereof, or (3) 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 as provided in Section 703 hereof except that no modification or amendment of this Trust Agreement shall be effective unless and until (i) there shall have been filed with the Trustee a copy of the proposed supplement to this Trust Agreement, (ii) the proposed supplement has been consented to by 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 Master Lease is in effect and no default shall have occurred thereunder, or (3) 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.

7.02. Power to Perfect. After the execution of this Trust Agreement, the Corporation shall have power to perfect, whether or not in accordance with the foregoing powers of amendment, the rights and obligations of the Corporation and of the Trustee and of the School Board to the Credit Facility Issuer under the Master Lease.

7.03. Consent of Certificate Holders. The Trustee and the Corporation (a) the Agreement when consented to as provided in this Section), such consent or take any other action shall be effective as provided in this Section 703, may be given to the Trustee, or the Holders of such Certificate or certificates then, in any manner that 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 703 hereof. A copy of such Supplemental Trust Agreement (or brief summary thereof) if any omission, or cure or correct any defect or inconsistency in the provisions of this Trust Agreement applicable to a Series of Certificates, shall be binding upon the Holders of such Certificate or certificates thereupon to 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). Each such Supplemental Trust Agreement shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the Supplemental Trust Agreement as theretofore in effect, or (3) to issue one or more Series of Certificates pursuant to Article III hereof, or (3) 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.

7.04. Notice of modification. Any notice or other provision 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 registered address as appearing upon the records of the Trustee, (ii) to the Credit Facility Issuer with respect to such Series of Certificates and (iii) to the Trustee.

7.05. Execution of Certificate holders. Certificate holders or the related Credit Facility Issuer is in effect and the Credit Facility Issuer is properly bound by the agreements hereof, shall be entitled to the obligations of the Trustee hereunder of the School Board and the Trustee to the Credit Facility Issuer under the Master Lease.

ARTICLE VIII
EXECUTION OF CERTIFICATES

8.01. Execution of Outstandin. The records and provisions of this Trust Agreement applicable to a Series of Certificates shall be executed and authenticated by the Trustee and the Corporation and of the Holders of the Certificates of such Series and filed with the school Board, the Trustee and the Corporation in accordance with Section 4.01 of the Master Lease and the Corporation shall have the power to issue such certificates or Book-Entry Certificates of the Trustee. Such records and provisions of this Trust Agreement applicable to a Series of Certificates are subject to the approval of a court of competent jurisdiction.

8.02. Modification of Trust Agreement. No amendment or modification of this Trust Agreement shall be effective unless and until (i) there shall have been filed with the Trustee a copy of the proposed supplement to this Trust Agreement, (ii) the proposed supplement has been consented to by 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 Master Lease is in effect and no default shall have occurred thereunder, or (3) 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.

8.03. Consent of Certificate Holders. The Trustee and the Corporation (a) the Agreement when consented to as provided in this Section), such consent or take any other action shall be effective as provided in this Section 703, may be given to the Trustee, or the Holders of such Certificate or certificates then, in any manner that 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 703 hereof. A copy of such Supplemental Trust Agreement (or brief summary thereof) if any omission, or cure or correct any defect or inconsistency in the provisions of this Trust Agreement applicable to a Series of Certificates, shall be binding upon the Holders of such Certificate or certificates thereupon to 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). Each such Supplemental Trust Agreement shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the Supplemental Trust Agreement as theretofore in effect, or (3) to issue one or more Series of Certificates pursuant to Article III hereof, or (3) 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.

8.04. Notice of modification. Any notice or other provision 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 registered address as appearing upon the records of the Trustee, (ii) to the Credit Facility Issuer with respect to such Series of Certificates and (iii) to the Trustee.
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 thereafter prior to the Prepayment Date or maturity date thereof, as the case may be, and applicable to such Certificates, if applicable, is paid in accordance with this Section 801, which are to be prepaid on any date prior to their maturity date or maturity date thereof, as the case may be, and any cash received from such principal or interest payments on such Certificates or otherwise existing under this Trust Agreement shall be deposited with the Trustee as escrow holder for such cash received from such principal or interest payments on such Certificates or otherwise existing under this Trust Agreement, the School Board and the Trustee shall, if so requested by the School Board, enter into an agreement with the Trustee to deposit in the Trustee's account with any bank satisfactory to the Trustee the amount of such principal or interest payments, if applicable, and to cause such cash to be applied in accordance with this Section 801 to the payment of such Certificates or otherwise existing under this Trust Agreement.

(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 due or to be prepaid on any date prior to their maturity date or maturity date thereof, as the case may be, and applicable to such Certificates, if applicable, shall be deemed paid in accordance with this Section 801 upon their delivery to the Trustee and the Trustee shall be entitled to the entire amount of such moneys after any deduction which may be made pursuant to this Section 801 or any agreement to which the School Board may be a party or any other agreement or arrangement between the School Board and the Trustee in respect of such Certificates or otherwise existing under this Trust Agreement.

(c) In the event said Certificates are not by their terms subject to defeasance, the School Board shall have the option to purchase or otherwise acquire any such Certificates and for the full amount of the principal portion or Prepayment Price, if applicable, and the interest portion due or to become due thereafter prior to the Prepayment Date or maturity date thereof, as the case may be, and any cash received from such principal or interest payments on such Certificates or otherwise existing under this Trust Agreement, in addition to any cash received from such principal or interest payments on such Certificates or otherwise existing under this Trust Agreement, the School Board and the Trustee shall, if so directed by the School Board, enter into an agreement with the Trustee to deposit in the Trustee's account with any bank satisfactory to the Trustee the amount of such principal or interest payments, if applicable, and to cause such cash to be applied in accordance with this Section 801 to the payment of such Certificates or otherwise existing under this Trust Agreement.

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 thereafter prior to the Prepayment Date or maturity date thereof, as the case may be, and applicable to such Certificates, if applicable, is paid in accordance with this Section 801, which are to be prepaid on any date prior to their maturity date or maturity date thereof, as the case may be, and any cash received from such principal or interest payments on such Certificates or otherwise existing under this Trust Agreement, the School Board and the Trustee shall, if so requested by the School Board, enter into an agreement with the Trustee to deposit in the Trustee's account with any bank satisfactory to the Trustee the amount of such principal or interest payments, if applicable, and to cause such cash to be applied in accordance with this Section 801 to the payment of such Certificates or otherwise existing under this Trust Agreement.

(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 due or to become due thereafter prior to their maturity date or maturity date thereof, as the case may be, and applicable to such Certificates, if applicable, shall be deemed paid in accordance with this Section 801 upon their delivery to the Trustee and the Trustee shall be entitled to the entire amount of such moneys after any deduction which may be made pursuant to this Section 801 or any agreement to which the School Board may be a party or any other agreement or arrangement between the School Board and the Trustee in respect of such Certificates or otherwise existing under this Trust Agreement.

(c) In the event said Certificates are not by their terms subject to defeasance, the School Board shall have the option to purchase or otherwise acquire any such Certificates and for the full amount of the principal portion or Prepayment Price, if applicable, and the interest portion due or to become due thereafter prior to the Prepayment Date or maturity date thereof, as the case may be, and any cash received from such principal or interest payments on such Certificates or otherwise existing under this Trust Agreement, in addition to any cash received from such principal or interest payments on such Certificates or otherwise existing under this Trust Agreement, the School Board and the Trustee shall, if so directed by the School Board, enter into an agreement with the Trustee to deposit in the Trustee's account with any bank satisfactory to the Trustee the amount of such principal or interest payments, if applicable, and to cause such cash to be applied in accordance with this Section 801 to the payment of such Certificates or otherwise existing under this Trust Agreement.
such Certificate holders in person or by their attorneys appointed for such purpose, if such moneys were held by the Trustee at such date, deposited with the Trustee after the said date when such Certificates become due and payable, shall, at the written request of the School Board be paid by the Trustee to the School Board, as its absolute property and 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 once, 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 specified 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.

803. Evidence of Signatures of Certificate Holders and Ownership of Certificates.

(a) Except as otherwise provided in Section 767 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 for such purpose.

(b) The execution of any such instrument, or of any 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: (I) the date and date of the execution by any Certificate holder or his/her attorney of such instruments may be proved by a certification of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgment of such instrument or (ii) any signature guarantee, certificate of ownership or affidavit shall also constitute sufficient proof of his/her authority.

(c) 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.

804. Notice. Unless otherwise specified herein, all notices, requests, consents or other communications (other than payments by the School Board) to be given to 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 orfacsimile, when delivered to the wire company, (iv) if delivered by telephone, when communicated to the person or to the holder of the certificate specified as the person or beneficial owner to whom attention communications are to be addressed, addressed to them or sent to such other address as shall be designated by written notice to the other party.

Corporation:
Palm Beach School Board Leasing Corp.
3450 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board:
The School Board of Palm Beach County, Florida
3450 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

Trustee:
NationsBank of Florida, N.A.
One Financial Place, 11th Floor
Fort Lauderdale, Florida 33394
Attention: Corporate Trust Department

Rating Agencies:
Moody's Investor Service, Inc.
99 Church Street
New York, New York 10007
Attention: Public Finance Department

Standard & Poor's Ratings Group
25 Broadway
New York, New York 10004
Attention: Municipal Department

Credit Facility Issuers:
As set forth on the schedule applicable to the Series of Certificates.

Certificates issued in exchange therefore or in lieu thereof in respect of any sums due or deferred to be done by the School Board, the Corporation or the Trustee in accordance therefor.

805. Moneys Due to Particular Certificate. Subject to Section 801(c) hereof, any moneys held by the Trustee at any date with respect to a particular Certificate shall, on and after such date and paying such payment, be set aside in its books and held in trust by it for the holders of the Certificates entitled thereto.

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 found to be invalid, illegal or unenforceable, then such covenant or covenants or agreements shall be deemed separable from the remaining covenants and agreements and shall also be deemed severable from the remaining covenants and agreements provided in 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.

809. Applicable Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State of Florida.

810. Making 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 recording of any right, as provided in this Trust Agreement, is a non-Business Day, such payment may be made or such act performed or such right exercised on the next succeeding Business Day with the same force and effect as if done on the normal 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.
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.

STATE OF FLORIDA
COUNTY OF PALM BEACH

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 poses therein set forth.

Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Assistant 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 30th day of November, 1994.

C. Monica Uhlhorn
Vice President

GIVEN under my hand and notarial seal this 30th day of November, 1994.

Jody Gleason
Secretary

C. Monica Uhlhorn
Assistant Vice President
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 principal sum specified above, representing the portion of the basic lease payments designated as principal and interest thereon.

Said amounts are payable in lawful money of the United States of America. The principal portion and the interest portion of the basic lease payments and the Prepayment Price shall be payable at the designated corporate trust office of the Trustee and the amounts representing interest thereon shall be payable by check or draft of the Trustee as of the date of receipt, whichever is earlier, the interest portion of such basic lease payments due hereunder, subject to the terms of the Trust Agreement.

The Trustee has no obligation or liability to make payments with respect to this Certificate except from funds appropriated for the purpose of acquiring leasehold interests, the Series Lease and the Trust Agreement (hereinafter defined), on the maturity date specified above, representing the portion of the basic lease payments due hereunder, subject to the terms of the Trust Agreement.

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 monies 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 CERTIFICATE, THE TRUST AGREEMENT, AND THE TERMS OF THE SERIES LEASE. AND THE DISTRICT IS NOT PLEASED FOR PAYMENT OF SUCH SUMS UNDER THE CERTIFICATE, THE TRUST AGREEMENT, AND THE TERMS OF THE SERIES LEASE. AND 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 IN THE REFERENCE HEREBY. 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 IN THE REFERENCE HEREBY.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, events, 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 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 officer of the Trustee, not in its individual capacity, but solely as Trustee under the Trust Agreement.

NATIONAL BANK OF FLORIDA, N.A., as Trustee.

By: ____________________________

A-2

Bank 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 to the Trustee as of the maturity date of the Series Lease (the "Maturity Date"). All amounts not due and payable at the Maturity Date but prior thereto as provided herein, the principal sum specified above, representing the portion of the basic lease payments due hereunder, subject to the terms of the Trust Agreement.

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 monies for this purpose.


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 IN THE REFERENCE HEREBY.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, events, 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 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 officer of the Trustee, not in its individual capacity, but solely as Trustee under the Trust Agreement.

NATIONAL BANK OF FLORIDA, N.A., as Trustee.

By: ____________________________

A-3

A-4

A-5

References are hereby made to the Trust Agreement, and any and all supplements, modifications and amendments thereto 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 Certificate with respect thereto, the terms and conditions upon which the holders of such 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 terminate, cease and become void and be discharged and satisfied, all agreements, obligations and covenants 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 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"); in book-entry only form and shall be registered in the name of Cede & Co. as nominee for 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 individual participants in the Trust Estate ("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 and 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 any other person. The Corporation is not responsible for the payment of principal or interest or any other payment due hereunder or for the performance of any obligation of the Trustee hereunder.

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 Corporation shall not issue this Certificate in bearer form or by such Certificate Holder's attorney duly authorized in writing, upon surrender
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 Certificates. 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 thereof and shall be entitled to receive and apply all payments in respect thereof to the trust estate in accordance with the provisions of the Trust Agreement. Subject to the priority of the Certificate Holders' rights, the Trustee will at all times preserve the Trust Agreement, the Trust, and the property held thereunder and will account for the proceeds therefrom. The Certificates shall be delivered in registered form in denominations of $5,000 or any integral multiple of $5,000. The Certificates, upon surrender at the designated corporate trust office of the Trustee with a written instruction to the Trustee, duly executed by the Certificate Holder or such Certificate Holder's attorney duly authorized in writing, as the option of the Certificate Holder may make, may be prepaid in whole or in part at a Prepayment Price of $5,000 and in the case of any payment of the principal amount of registered Certificates of the same maturity of the same class, the principal amount of such Certificates shall be valid and effectual to satisfy and discharge the liability provided in the Trust Agreement, be exchanged for an equal aggregate of other authorized denominations.

Optional Prepayment. Certificates maturing on or before August 1, 1983, shall not be subject to prepayment at the option of the School Board.

Certificates maturing after August 1, 1983, shall be subject to prepayment on or after August 1, 1983, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series 1983A Lease in whole at any time, or in part on any interest payment date, and in part, in such order of maturity of Certificates corresponding to the order of maturity of the Basic Lease Payments payable under the Series 1983A Lease as may be designated by the School Board. In selecting portions of such Certificates for prepayment, the Trustee shall treat such Certificate as representing that number of Certificates in $5,000 denominations which is obtained by dividing the principal amount of such Certificate by $5,000, and the interest thereon paid by Certificates as prepaid shall be paid from the amount then available to pay such 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 principal 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 lot within a maturity in such notice as the Trustee may determine, at the Prepayment Price expressed as a percentage of the principal of Basic Lease Payments represented by the Certificates or portions thereof to be prepaid and set forth opposite such period in the following table, plus the interest accrued to the prepayment date:

<table>
<thead>
<tr>
<th>Prepayment Period</th>
<th>Prepayment Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1, 1983, through July 31,</td>
<td>100%</td>
</tr>
<tr>
<td>August 1, 1983, through July 31,</td>
<td>100%</td>
</tr>
<tr>
<td>August 1, 1983, and thereafter</td>
<td>100%</td>
</tr>
</tbody>
</table>

NOTE: The signature on this Assignment must correspond with the name as written on the face of the within-mentioned Certificate and hereby irrevocably constitutes and appoints the signature register of the Trustee to act as custodian of the Certificates subject to the provisions of the trust agreement.

The following abbreviations, when used in the inscription on the face of the within Certificate, shall be construed as though they were written in full according to applicable laws or regulations:

- **COM** - exact original name as written on the face of the certificate
- **CUST** - custodian

**Additional abbreviations may be used though not in the above list.**

**APPENDIX**

- **APPROPRIATION BY THE SCHOOL BOARD**
- **AUDIT**
- **IMPLEMENTATION**
- **CONSTRUCTION**
- **CONSTRUCTION**
- **INCOME**
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.

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:

Name & Address of Payee

Purpose of Payment

Amount

B-1

The undersigned hereby certifies that (a) each obligation, item of cost or expense herein has been properly incurred, (b) such 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 money is available therefor.

Dated:__________

Authorized School Board Representative

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.

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 Series Acquisition Account as follows:

Name & Address of Payee

Purpose of Payment

Amount

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

[This page intentionally left blank]
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
TABLE OF CONTENTS

Table of Contents

ARTICLE I
DEFINITIONS
Section 101. DEFINITIONS ......................................................... 3

ARTICLE II
THE SERIES 2011A CERTIFICATES
Section 201. AUTHORIZATION, PURPOSE, TERMS OF SERIES 2011A CERTIFICATES ................................................. 22
Section 202. INTEREST RATE PROVISIONS .......................................... 26
Section 203. CONVERSION OF INTEREST RATE PERIODS .................. 40
Section 204. ARS INTEREST RATE PROVISIONS ............................. 42
Section 205. PROVISIONS RELATING TO AUCTIONS ....................... 47
Section 206. AGREEMENT OF HOLDERS ........................................... 47
Section 207. ISSUANCE OF SERIES 2011A CERTIFICATES ................ 47

ARTICLE III
PREPAYMENTS; TENDERS
Section 301. EXTRAORDINARY PREPAYMENT OF SERIES 2011A CERTIFICATES ................................................. 48
Section 302. MANDATORY SINKING FUND PREPAYMENT .................... 48
Section 303. OPTIONAL PREPAYMENT OF SERIES 2011A CERTIFICATES .................................................. 49
Section 304. PURCHASE IN LIEU OF PREPAYMENT ........................................... 52
Section 305. SELECTION OF SERIES 2011A CERTIFICATES TO BE PREPAID OR PURCHASED ............................................. 52
Section 306. OPTIONAL TENDER OF DAILY RATE CERTIFICATES AND WEEKLY RATE CERTIFICATES ...................................... 53
Section 307. MANDATORY TENDER OF SERIES 2011A CERTIFICATES ................................................. 55
Section 308. UNDELCIVERED SERIES 2011A CERTIFICATES ................ 58
Section 309. NOTICE OF SERIES 2011A CERTIFICATES DELIVERED FOR PURCHASE; PURCHASE OF SERIES 2011A CERTIFICATES; DEPOSIT OF TENDER PRICE ............................................. 58
Section 310. REMARKETING OF SERIES 2011A CERTIFICATES; NOTICE OF INTEREST RATES ................................................. 59
Section 311. DELIVERY OF SERIES 2011A CERTIFICATES ................. 60
Section 312. DELIVERY OF PROCEEDS OF SALE ................................... 61
Section 313. TENDER MECHANICS .................................................. 61

ARTICLE IV
ESTABLISHMENT OF ACCOUNTS; APPLICATION OF SERIES 2011A CERTIFICATE PROCEEDS; DISBURSEMENTS
Section 401. ESTABLISHMENT OF ACCOUNTS ............................... 63
Section 402. APPLICATION OF PROCEEDS OF SERIES 2011A CERTIFICATES ................................................. 64

ARTICLE V
LIQUIDITY FACILITY; REMARKETING AGENT; TENDER AGENT; CALCULATION AGENT
Section 501. LIQUIDITY FACILITY .................................................. 64
Section 502. ALTERNATE LIQUIDITY FACILITIES ..................................... 66
Section 503. REMARKETING AGENT .................................................. 68
Section 504. QUALIFICATIONS OF REMARKETING AGENT; RESIGNATION AND REMOVAL ................................................. 68
Section 505. TENDER AGENT .................................................. 69
Section 506. QUALIFICATIONS OF TENDER AGENT; RESIGNATION AND REMOVAL ................................................. 69
Section 507. QUALIFICATIONS OF CALCULATION AGENT; RESIGNATION AND REMOVAL ................................................. 69

ARTICLE VI
AUCTION AGENT; BROKER-DEALERS
Section 601. AUCTION AGENT .................................................. 70
Section 602. BROKER-DEALERS .................................................. 71

ARTICLE VII
SERIES 2011A CREDIT FACILITY
Section 701. SERIES 2011A CREDIT FACILITY ..................................... 71
Section 702. RESERVED .................................................. 72
Section 703. RESERVED .................................................. 72
Section 704. PROVISIONS RELATED TO A LETTER OF CREDIT ............ 72

ARTICLE VIII
AMENDMENT OF TRUST AGREEMENT; MISCELLANEOUS PROVISIONS
Section 801. CONTINUING DISCLOSURE ............................................. 75
Section 802. AMENDMENT OF MASTER TRUST AGREEMENT .................. 76
Section 803. PROVISIONS OF TRUST AGREEMENT NOT OTHERWISE MODIFIED ................................................. 76
Section 804. AMENDMENT OF SERIES 2011A SUPPLEMENTAL TRUST AGREEMENT ................................................. 77

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 NationalBank 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 Lease”), dated as of March 1, 2007, as amended, the “Series 2007B Lease” and the “Series 2007B Ground Lease” are referred to herein as the “Ground Lease”;

WHEREAS, the Corporation has, with the consent of the Trustee, entered into a Series 2011A Supplemental Lease Agreement, dated as of March 1, 2011, as amended (the “Series 2011A Supplemental Lease Agreement”), the “Series 2011A Supplemental Lease Agreement”, and the Trustee has consented to the execution of this Series 2011A Supplemental Trust Agreement as of the date hereof.

NOW, THEREFORE, the parties hereto agree as follows:

EXHIBIT A FORM OF SERIES 2011A CERTIFICATES
EXHIBIT B FORM OF NOTICE OF CURE OF ARS PAYMENT DEFAULT
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 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 (a) 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 (e) 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.

“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(c)(ii), 202(c)(iii), 202(d)(ii), 202(d)(iii), 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 Remarking Certificates” means Long-Term Rate Certificates and Index Floating Rate Certificates that have not been remarkeled on a mandatory Tender Date.

“Delayed Remarking Period” means, with respect to Delayed Remarking 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 remarkelement by the Remarking Agent.

“Disclosure Agreement” means that certain Disclosure Dissemination Agreement (Series 2011A Certificates), dated the Closing Date, executed and delivered by the School Board and Disclosure 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 Issuer Credit Rating of at least “A-“/or, if no such rating, a long-term debt rating of “BBB+” ; or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.18(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity. In the event a clearing account is required to be an “Eligible Account” no longer comply with the requirement, the Tender Agent or the School Board, as the case may be, the calculation agent, and in any case Liquidity Trust 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 or

(b) any period of 365 days or less which is divisible by the number of days in the flexible period 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 or
(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)(5) 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.

"Hedge Agreement" shall mean an agreement for the investment of moneys entered into by the Trustee with a provider rated at S&P AA- 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, in 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 A- by S & P or A3 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 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 100% 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 “AA” by S & P and “Aa1” 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 issuing 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 “A1” or “A+” 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, “A1” or “A+” 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 “AAM 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
(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 or 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 (c) hereof may not be used as Investment Securities without prior written approval of the Rating Agency.

(i) An Investment Agreement;

(ii) 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-1” or “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:

(B) Obligations described in paragraph (b) above.

(C) 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.

(l) 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 105% 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 105% 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-1” or “A3” by S&P and Moody’s, respectively, the agreement shall terminate.

(i) Forward delivery agreements with providers rated at least “A-1” and “A3” by S&P and Moody’s, respectively, provided that, in the event of a provider downgrade below either “A-1” 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.

(j) Collateralized investment agreements with providers rated at least “A-1” and “A3” by S&P and Moody’s, respectively, provided that (c) collateral consisting of direct obligations of the United States Treasury be posted that has a value equal to at least 100% of the principal plus accrued interest of collateral consisting of “AAA” rated debt obligations and/or debentures described in paragraph (c) or (d) above that 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-1” or “A3” by S&P and Moody’s, respectively, the agreement shall terminate.

(2) 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.

“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 confirmed letter of credit and any amendment to the letter of credit, which letter of credit is issued by a bank or other financial institution which is in 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 Agent and acceptable to the Insurer.

“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 in 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 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 ratings 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 Curs 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 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)(ii) 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.

“Price” means any price or quotation, including any expression of price or quotation, at which any Security is or might be bought or sold, whether expressed in money or in kind, including any price or quotation published or distributed by any recognized market maker or dealer in such Security for the purpose of price discovery or other market activity.

“Premium” means an amount or charge in excess of the price or purchase price paid by the Trustee or a third party for a Security, including all charges or fees payable in connection with such purchase or acquisition.
“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 Bond 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 graduation 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, or (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, 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.

“Remarking Agent” means each account with that name established within the Certificate Exchange Fund pursuant to Section 401 of this Series 2011A Supplemental Trust Agreement.

“Remarking Agent Account” means an account between the School Board and a Remarking Agent whereby the Remarking Agent undertakes to perform the duties of the Remarking Agent with respect to Series 2011A Certificates.

“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.

“RPS” means Rate 15c-2(d)(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 rating agency designated by the Bond 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).

“Selld 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 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 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 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 series 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.
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 dow 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 a 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. Disbursement 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 registered 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, and to 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.

<table>
<thead>
<tr>
<th>Maturity Date (August 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$1,561,000</td>
<td>4.00%</td>
</tr>
<tr>
<td>2019</td>
<td>4,061,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2020</td>
<td>620,000</td>
<td>4.00%</td>
</tr>
<tr>
<td>2020</td>
<td>5,275,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2021</td>
<td>2,180,000</td>
<td>4.00%</td>
</tr>
<tr>
<td>2021</td>
<td>4,155,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2022</td>
<td>6,750,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2023</td>
<td>6,603,000</td>
<td>4.125</td>
</tr>
<tr>
<td>2023</td>
<td>200,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2024</td>
<td>5,091,000</td>
<td>4.250</td>
</tr>
<tr>
<td>2024</td>
<td>2,000,000</td>
<td>5.00%</td>
</tr>
<tr>
<td>2025</td>
<td>5,031,000</td>
<td>4.50%</td>
</tr>
<tr>
<td>2025</td>
<td>975,000</td>
<td>5.00%</td>
</tr>
</tbody>
</table>

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 either through DTC on the terms of the following events (subject, however, to operation of the two sentences following clause (3) below):

(i) DTC determines not to continue to act as securities depository for the Series 2011A Certificates;

(ii) the School Board has advised DTC of its determination that DTC is incapable of discharging its duties;

(iii) 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

C-61
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 Series 2011A Interest represented by the Series 2011A Certificates maturing on August 1, 2022, 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 204 hereof, 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 Accrued. 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 Payment 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 daily 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 such Series 2011A Interest was first 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 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.

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 Rating Agency based on an examination of tax exempt obligations comparable in the judgment of the Rating Agency, to the Series 2011A Certificates and known by the Rating Agency to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if applied to Series 2011A Certificates subject to the corresponding Weekly Rate Period and the conversion factors applicable to such Weekly Rate Period, would result in the Weekly Rate Certificate on the effective date of such Weekly Rate Period. Such notice shall state (A) the calculation of the interest rate on the Series 2011A Interest represented by 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) a description of the conversion subject to mandatory tender for purchase on the proposed Conversion Date and setting forth the Tender Price and the place and time of delivery for purchase of such Series 2011A Certificates; and (D) the information set forth in Section 507(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 Rating Agency on each Business Day for an initial Daily Rate Period after a Conversion to a Weekly Rate shall be determined prior to the Conversion provided in Section 202(h). 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.

(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 Rating Agency (if any), the Auction Agent (if any) and the Bunker-Drivers (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 to a Long-Term Rate Period, 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 305(h) hereof on such Conversion, (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(i)(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 notice to be mailed to the holders of Series 2011A Certificates subject to such Conversion by the Trustee as

(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 and including 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 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 Rating 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 Rating Agency shall be conclusive and binding upon the School Board, the Trustee, the Tender Agent, the Rating Agency, 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 Rating Agency by 5:00 p.m., New York City time on any Wednesday, 30 days prior to the first day of the applicable Weekly Rate Period, and shall be applied to the period commencing on the first day of such Weekly Rate Period and ending on and including 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 Business Day. The Daily Rate for an initial Weekly Rate Period after a Conversion to a Weekly Rate shall be determined prior to the Conversion provided in Section 202(h). 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.

The Date of the Series 2011A Certificate shall be the date of interest per annum determined by the Rating Agency based on an examination of tax exempt obligations comparable in the judgment of the Rating Agency, to the Series 2011A Certificates and known by the Rating Agency to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if applied to all of the Daily Rate Certificates, would enable the Rating Agency 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 Rating Agency, 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 a new Daily Rate is determined by the Rating Agency, (B) the date on which the Rating Agency determines that a new Daily Rate is required, or (C) the date on which the Rating Agency determines that a new Daily Rate is required by law or court for the immediately preceding Business Day.

The Daily Rate shall be the rate of interest per annum determined by the Rating Agency based on an examination of tax exempt obligations comparable in the judgment of the Rating Agency, to the Series 2011A Certificates and known by the Rating Agency to have been priced or traded under then prevailing market conditions) or on before 10:00 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 Rating Agency 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.
Day for each day which is not a Business Day until such Daily Rate is again validly determined by such Remarking 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 Tenant Agent (if any), the Liquidity Provider (if any), the Remarking Agent (if any), the Auction Agent (if any) and the Broker-Dealers (if any), elect to change the term of a portion of the Series 2011A Rate 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 the second Business Day following the last day of the Short-Term Rate Period; or (2) in the case of a Conversion from a Weekly Rate Period, any Business Day, (3) in the conversion of a Rate from any Long-Term Rate Period, the date on which the Long-Term Rate Certificate would otherwise be subject to optional prepayment pursuant to Section 302(d) of 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 50 days prior to the proposed effective date of such Daily Rate Period. Such notice shall state (A) that the interest 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(c).

(d) Short-Term Rate and Long-Term Rate Periods.

(i) Determination of Long-Term Rate. During each Long-Term Rate Period, the Series 2011A Certificate 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 in accordance with the Remarking 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 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 deemed by the Remarking Agent (based on an examination of tax exempt obligations comparable to the investment of the Remarking Agent) to have been paid or traded under prevailing market conditions) to be the minimum interest rate which, if applied to all of the Long-Term Rate Certificates, would enable the Remarking 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 at least 100.0% of face value, provided that in connection with a Conversion to or continuation of a Long-Term Rate Period to Section 202(c)(ii) hereof, the Long-Term Rate may be the minimum interest rate which, if applied to the Series 2011A Interest Rate Period as calculated at a Long-Term Rate, would enable the Remarking 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 conversion of the School Board and delivery of a Favorable Opinion.

(B) In the event that for any reason the Remarking 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 or and a Liquidity Facility meeting the requirements hereof with respect to Weekly Rate Periods in 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 remarshaled, the Series 2011A Interest represented thereby shall be determined as provided in Section 202(c)(ii) hereof.

(ii) Conversion to or continuation of Long-Term Rate. (A) Subject to Section 203, at any time, in the School Board’s discretion, by written direction to the Trustee, the Tenant Agent, the Liquidity Provider (if any), the Remarking Agent (if any), the Auction Agent (if any) and the Broker-Dealers (if any), may elect that all a portion of Series 2011A Interest shall be converted, 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 the 30th day following the last day of the Series 2011A Rate Period determined in accordance with Section 202(e)(iv), (2) in the case of a Conversion from a Short-Term Rate Period, 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 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, and (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 the Tender Date on or after such date as determined in accordance with (a); (3) a Certificates subject to such Conversion are required to deliver their Series 2011A Certificates to be purchased; (4) shall specify the amount of Series 2011A Principal to be purchased, (5) shall specify the rate at which Series 2011A Certificates shall be purchased, (6) shall specify the manner in which will be converted to calculation at a Long-Term Rate, and (7) subject to the requirement of a Favorable Opinion as provided in Section 203(c) hereof, may specify Prepayment Prices and periodic and, if the last day of the Series 2011A Rate Period is not a Business Day, 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 redemption in accordance with 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 Tenant Agent, the Liquidity Provider (if any) and the Remarking 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)(i)(A) shall be accompanied by a form of 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.

(ii) Determination of Short-Term Rate. The School Board shall notify the Trustee, the Tenant Agent (if any), the Liquidity Provider (if any) and the Remarking 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, the Remarking Agent Interest Rates, the Applicable ARS Rate, an Index Floating Rate and/or a new Long-Term Rate, as specified in such notice. 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 and/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 election is made prior to the Maturity Date. 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).

(c) Certificate Interest Rate Periods and Short-Term Rate Periods.

(i) Determination of Certificate Interest Terms and Certificate Interest Rate Periods. 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 Rate Term for that Short-Term Rate Certificate. The Certificate Interest Term and the Certificate Interest Rate Term 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 Rate Term shall be determined by the Remarking Agent no later than 9:00 a.m., New York City time, on 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
The Delayed Remarking Certificates are subject to payment in accordance with Section 303(b) hereof. The Trustee shall be notified of any payment to the Delayed Remarking Certificate holders at least five (5) Business Days prior to the Payment Date and otherwise in accordance with Section 314 of the Master Trust Agreement.

(ii) During the Delayed Remarking Period, the Series 2011A Interest represented by Delayed Remarking Certificates shall be paid to the Holders thereof (A) on each Payment Date applicable to the prior Interest Rate Period occurring during the Delayed Remarking Period and (B) on the last day of the Delayed Remarking Period. In the case of clause (A), payment of the Series 2011A Interest represented by Delayed Remarking Certificates shall be made by the Trustee from the Series 2011A Lease Payment Account pursuant to the Series 2011A Trust Agreement (B), payment of the Series 2011A Interest represented by Delayed Remarking Certificates shall be payable solely from the proceeds of remarking 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 Series 2011A Interest represented thereby shall be determined as provided in Section 202(g)(ii) hereof.

(v) In the event that any Index Floating Rate Certificate is not remeasured, 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, 2025, may be converted from an Interest Rate Period to one or more other Interest Rate Periods as provided in Section 202(d)(ii), 202(d)(ii), 202(d)(ii), 202(d)(ii), 202(d)(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(d)(ii), 202(d)(ii), 202(d)(ii), 202(d)(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 Remarking 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 telecopy 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 Rate Terms, 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(d)(ii), 202(d)(ii), 202(d)(ii), 202(d)(ii) or 204(k), 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 Remarking Agent (if any), the Tender Agent (if any), the Liquidity Provider (if any), the Auction Agent (if any) and the Broker-Dealers (if any) prior to 5:00 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 reserves its right to rescind any such Conversion. If the School Board reserves 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 be 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(k) and the School Board rescinds its election to make such Conversion, then the Series 2011A Certificates shall 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:

be subject to mandatory tender for purchase on the effective date of the new Interest Rate Period, in accordance with Section 307(b).

(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 remaining 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 price payable therefor not including any premium.

(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, 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, (iv) 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, and (v) if 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 available Long-Term Rate Period Floating Rate and/or Certificate Interest Rate Terms, as the case may be, as in effect immediately
prior to such proposed Conversion, and the Series 2011A Certificates subject to such Conversion will continue to be subject to mandatory tender purchase for payment on the date which would have been the Conversion Date as provided in Section 307(b). In the event of a failed remarking 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(a) 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 ARS shall not be subject to mandatory tender purchase for payment 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 (a), (c) and (d) 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,

(c) 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

(d) if an ARS Payment Default shall have occurred, the Applicable ARS Rate for the ARS Interest Period commencing on or immediately preceding the date on which such ARS Payment Default occurred shall be the ARS Maximum Rate for each ARS Interest Period thereafter, and to including the ARS Interest Period, if any, during which, or commencing less than fifteen Business Days after such ARS Payment Default occurred, 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

(e) for any Auction Period 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 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 day, and other necessary action, including the publication of a Notice of ARS Payment Default in a daily newspaper of general circulation in the city of New York and in a Broker-Dealer to telecopy 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 telecopy 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 such 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 10 days prior to the date of the proposed payment of ARS Defaulted Interest. The Trustee shall publish the Special Record Date and at the School Board’s expense mail to each ARS Beneficial Owner of which it has knowledge, notice of said 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 Period. 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 on the Business Day immediately preceding each ARS Interest Payment Date after the delivery of certificates representing such ARS pursuant to Section 201(d).

(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 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 by written consent of the School Board, and the Trustee may add or modify ARS provisions in any manner and at any time in the Trustee's discretion and at the Trustee’s expense, provided, however, that such amendment or modification shall not be materially adverse to the rights of the ARS Beneficial Owners or (ii) by obtaining the consent of a majority of the ARS Beneficial Owners of such ARS, as the case may be, new or amended ARS provisions 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(d) and without duplication of 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 provisions of Basic Lease Payments represented by any of the ARS from gross income for federal income tax purposes. Written notice of each change of the ARS 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 change time 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 Period 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.

(j) 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 auctions before the date on which the notice of the proposed change was given and the Auction immediately preceding the proposed change.

(k) The change in the 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 and in all Orders with respect to all of its ARS if the change is to a shorter Auction Period and a Hold Order if the change is a to a longer 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.

(l) 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
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 305(b) if 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, 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 of the Applicable ARS Rate, and

(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(b). 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.

(f) 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 206. 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 Offer 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 no Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

SECTION 207. AGREEMENT OF HOLDERS. By purchasing ARS, whether in an Auction or otherwise, each proponent of purchase 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 accorded 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 holder 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 Period (while 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 time, and in the amounts, of such prepayment.

(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 to the Trustee, or on a business day in such amount 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 last day of any Certificate Interest Period. 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. The

<table>
<thead>
<tr>
<th>Date (August 1)</th>
<th>Principal Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$27,035,000</td>
</tr>
<tr>
<td>2031</td>
<td>9,385,000</td>
</tr>
<tr>
<td>2021*</td>
<td>31,485,000</td>
</tr>
</tbody>
</table>

* 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 and the auctioning of such 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 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. No excess over such obligation shall be credited against applicable future sinking fund prepayment obligations, or deposits with respect to
(i) Series 2011A Principal determined at a Long-Term Rate and represented by Series 2011A Certificates maturing on August 1, 2012, 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, 2012, is subject to optional prepayment 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.

(ii) 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 purposes) 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**

<table>
<thead>
<tr>
<th>Prepayment Price</th>
<th>Tenth anniversary of Conversion Date</th>
<th>Seventh anniversary of Conversion Date</th>
<th>Nineteenth anniversary of Conversion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% declining by 1% on the next anniversary after the tenth anniversary of the Conversion Date and thereafter at 100%</td>
<td>10% declining by 1% on the next anniversary after the seventeenth anniversary of the Conversion Date</td>
<td>10% declining by 1% on the next anniversary after the hundred and nineteenth anniversary of the Conversion Date</td>
<td></td>
</tr>
</tbody>
</table>

- (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 Remarking Certificates**
  Delayed Remarking 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 purposes) 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 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 Remarking Agent, if any, the Liquidation Provider, if any, and the Paying Agent, 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 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 prepaid by the Trustee by the random selection of such Certificates at the option of the Trustee.

(b) 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 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 prepaid by the Trustee by the random selection of such Certificates at the option of the Trustee.
(f) Inadequate Funds for Purchase. If insufficient 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 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 262(g) hereof, until all such Series 2011A Certificates are purchased as required in accordance with this Series 2011 A Supplemental Trust Agreement. Notwithstanding any other provisions of this Series 2011 A 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. UNDELEVERED 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 determined in this Series 2011 A Supplemental Trust Agreement. If any holder of a Series 2011A Certificate who has given notice of tender of purchase pursuant to Section 302 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, as 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 to Tender Agent. Notice of Tender. For purposes of Section 306 and 307 hereof, the Tender Agent shall determine the time of tender, and the time and place of delivery of Series 2011A Certificates pursuant to this Series 2011A Supplemental Trust Agreement and the proper endorsement of Series 2011A Certificates delivered in accordance with this Section 309 shall determine the time of tender, and the time and place of delivery of Series 2011A Certificates pursuant to this Series 2011A Supplemental Trust Agreement. The time of tender may, at the discretion of the Trustee, be specified as a time during each Interest 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 be furnished 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, 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 Rate so determined by telephone or telecopy, 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.

(b) Notice of Rates and Terms. The Remarketing Agent shall determine the interest rate at which Series 2011A Interest may be ascertained 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, 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 Rate so determined by telephone or telecopy, 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 telecopy, 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)(ii) specifying the principal portion represented by each 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 at the place of payment.

(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 reciprocant thereof.

(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 remarshaled 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, as the case may be.

(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, sufficient funds from 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 not use the funds held in the Tender Price Reserve Account in the fund for the benefit of the holder of such Series 2011A Certificate, who shall, except as provided in the preceding sentence of this paragraph, nevertheless be reconstituted 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 purchased as provided in this Section 309 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.

(d) When any Provider Certificates are remarked, the Tender Agent shall not release Series 2011A Certificates so remarked 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 renotated.

SECTION 312. DELIVERY OF PROCEEDS OF SALE.

The proceeds of the sale by the Remarketing Agent of any of 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) 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 telecopy, 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(b) of the names of the registered owners thereof and the date on which such Series 2011A Certificates are to be purchased in accordance therewith.

(b) 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 telecopy, 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(b), specifying the principal amount of Series 2011A Certificates for which it has received a notice pursuant to Section 306(b), 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 hereof shall be hereinafter referred to as a "Purchase Date."
ESTABLISHMENT OF ACCOUNTS AND PROCEDURE OF DEMONETIZATION

ARTICLE IV

SECTION 41

ESTABLISHMENT OF ACCOUNTS AND PROCEDURE OF DEMONETIZATION

(1) Establishment of Accounts in the Reserve Bank of India

(a) The Reserve Bank of India shall establish an account with the banks in the Reserve Bank of India for the purpose of demonetization.

(b) The Reserve Bank of India shall pay into the account the amounts and in the manner determined by the Reserve Bank of India.

(2) Procedure for Demobilization

(a) The Reserve Bank of India shall, in accordance with the provisions of Sections 40 and 41 of the Reserve Bank of India Act, 1934, proceed to demobilize the demonetized currency notes.

(b) The Reserve Bank of India shall, in addition, (i) deposit into the Reserve Bank of India Account any amounts received in such manner as may be prescribed by the Reserve Bank of India; and (ii) pay into the Reserve Bank of India Account any amounts received in such manner as may be prescribed by the Reserve Bank of India.

(3) Transfer of Accounts

(a) The Reserve Bank of India shall, on the order of the Reserve Bank of India, transfer the accounts from one Reserve Bank of India to another Reserve Bank of India.

(b) The Reserve Bank of India shall, in addition, (i) transfer the accounts from one Reserve Bank of India to another Reserve Bank of India; and (ii) transfer the accounts from one Reserve Bank of India to another Reserve Bank of India.

(4) Final Accounting

(a) The Reserve Bank of India shall, in accordance with the provisions of Sections 40 and 41 of the Reserve Bank of India Act, 1934, proceed to final accounting.

(b) The Reserve Bank of India shall, in addition, (i) set down the final accounting; and (ii) set down the final accounting.

(5) Return of Monies

(a) The Reserve Bank of India shall, on the order of the Reserve Bank of India, return any monies to the magnificent donors.

(b) The Reserve Bank of India shall, in addition, (i) return any monies to the magnificent donors; and (ii) return any monies to the magnificent donors.
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 Liquidator for cancellation in accordance with the terms of that Liquidity Facility. The Tender Agent shall comply with the procedures set forth in such 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 Rating Agent and the Tender Agent promptly upon the appointment of a successor to the title of the Liquidity Provider, the Rating Agent or the Tender Agent.

(ii) Notices from Trustees 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 Rating 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 Rating 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 50(f).

(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 repudiation of all amounts owed to such Liquidity Provider pursuant to the credit or reimbursement agreement pursuant to which such Liquidity Facility was issued or its counterpart is given, (ii) if 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 uncollected 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 pursuant to this Section 502(a) 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 certification that such Alternate Liquidity Facility is in full force and effect and that the Alternate Liquidity Facility is in full compliance with all of the terms and conditions set forth herein. The 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 of Counsel set forth in clause (x) above, there may be delivered an opinion of Counsel reasonably satisfactory to the Tender Agent, the Rating Agent and the Issuer to the effect that such Alternate Liquidity Facility is valid and enforceable under the laws of the United States of America or any state where the Trust Agreement is registered 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 (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 (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 by Alternate Liquidity Facility or Opinion 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 in a domestic commercial bank, an opinion of Counsel satisfactory to the Tender Agent, the Rating Agent and the Issuer to the effect that such Alternate Liquidity Facility is valid and enforceable under the laws of the United States of America or any state where the Trust Agreement is registered 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 (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 (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).

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 Rating Agent. 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, 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 be effective only on the day after the receipt by the Trust Agreement of notice of resignation. A Remarketing Agent must resign on 15 prior written notice, by an instrument signed by the School Board and the Series 2011A Credit Facility 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 this Series 2011A Trust and the Trustee hereby agrees to carry out its responsibilities as the 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 excess of, the benefit of the respective holders of 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, 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;

(c) 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

(d) 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 and any 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 or trust department of a national bank, organized under the laws of the United States of America and any state where the Trust Agreement is registered under the Trust Indenture Act, having a combined capital, 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. Such resignation or removal shall take effect on the 45th day after the receipt by the School Board of the notice of resignation. A resignation or removal shall take effect on the 45th day after the receipt by the School Board of the notice of resignation. A resignation or removal shall take effect on the 45th day after the receipt by the School Board of the notice of resignation. A resignation or removal shall take effect on the 45th day after the receipt by the School Board of the notice of resignation. A resignation or removal shall take
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-Dealer 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 66⅔% of the aggregate principal amount 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 foregoing 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 it in accordance with the terms of the Auction Agent Agreement, the Insurer or 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 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.

SECTION 602. RESERVED

SECTION 603. 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 shall provide for payment in immediate 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 definition of Section 5.03 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 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 Sections 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 207B7 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 Drawings under the Letter of Credit (other than Drawings 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 in an account and shall be credited 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.
(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 due is made for 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.

c. (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 terms 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(d)) or expiration of such Letter of Credit 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 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(d)) in accordance with its terms, or (ii) in the case of an event referred to in Section 706(f), 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 706(f)(ii), as soon as reasonably possible after the date of such Wrongful Discharge 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 on the fifth Business Day preceding such termination or expiration (but in the case of a mandatory tender pursuant to Section 704(d), 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 Discharge. The Series 2011A Certificates shall be subject to mandatory tender for purchase upon the occurrence of a Wrongful Discharge 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 Discharge or repudiation.

ARTICLE VIII

AMENDMENT OF TRUST AGREEMENT; MISCELLANEOUS PROVISIONS

SECTION 801. CONTINUING DISCLOSURE. Pursuant to the Series 2007B Lease, the School Board shall be responsible for continuing any 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 this 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, at the request of any related Participating Underwriters 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 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 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 Certificate 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 cash Liquidity Facility, provides 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 payable, if the amount any is not in 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 803 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 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 2010A SUPPLEMENTAL TRUST AGREEMENT. Notwithstanding anything to the contrary in the Trust Agreement, this Series 2010A Supplemental Trust Agreement may be modified or amended without the consent of, notice to, the Series 2011A Certificate holders for one or more of the following purposes:

(a) To make any change to this Series 2010A Supplemental Trust Agreement when all Series 2010A Certificates have been tendered pursuant to the terms of this Series 2010A Supplemental Trust Agreement but have not yet been remarked following such tender;

(b) Effective upon any Conversion Date to a new interest rate determination method, to make any amendment affecting only the Series 2010A Certificates being so converted;

(c) To make any change necessary to secure from a nationally recognized securities rating agency a rating on a Series 2010A Certificate 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 2010A Supplemental Trust Agreement or the Series 2010A Certificates if at least 30 days’ notice of such modification is provided to the Series 2010A Certificate holders, and (A) Series 2010A Certificate holders have the right to optionally tender their Series 2010A Certificates at any time during such notice period or (B) Series 2010A Certificates are subject to mandatory tender at any time during such notice period;

(e) To modify any provisions of this Series 2010A 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 2010A Certificates;

(f) To modify the provisions of this Series 2011A Supplemental Trust Agreement relating to ARS in accordance with any amendment.

SECTION 805. TRUSTEE’S CLAIMS; NO INDEMNIFICATION.

(a) The Trustee shall have no lien or claim for payment of its compensation, expenses, indemnities, 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.
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)(ii) 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 replaced by a new Tender Agent or (iii) the Remarking Agent resigns or is removed or a new Remarking 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 rate 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, Remarking 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.

[Remainder of Page Intentionally Left Blank]

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: _____________________________________________________________
By: William F. Malone, Secretary

Frank A. Barbieri, Jr., Esq., President

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: _______________________
Janader 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 )
COUNTY OF PALM BEACH ) SS:

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, State of Florida

STATE OF FLORIDA )
COUNTY OF DUVAL ) SS:

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Janader 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 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, State of Florida

C-75
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: __________________________

[CUSTODIAN INFORMATION]

A-1

B-1

[CUSTODIAN INFORMATION]
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
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 entered into a Series 2007B Ground Lease (the "Series 2007B Ground Lease"), a Memorandum of which was recorded as Official Record Book ___, Page ___, or any of the Public Records of Palm Beach County, Florida, dated as of March 1, 2007, which grant, lease together with each schedule thereto, payments due under the Master Lease (the "Series 2007B Lease") and all interest thereon, and the proceeds thereof, and the Series 2007B Facility (a "School Board Sale") to the extent not theretofore acquired and for the benefit of the holders of the Series 2007B Certificates to be issued under the Trust Agreement.

1.02 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 authorizing the Trustee to act as lessor under the Series 2007B Ground Lease.

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 authorizing the Trustee to act as lessor under the Series 2007B Lease.

Section 2. Assignment.

2.01 The Corporation hereby absolutely and unconditionally sells, assigns and transfers to the Trustee, without recourse, for the benefit of all of the Series 2007B Certificate holders, all of its right, title and interest herein assigned, or any part thereof, or the interest or profits and other proceeds thereof. This Agreement is made for the purpose of enabling the Trustee to act as lessor under the Series 2007B Ground Lease.

2.02 Except as otherwise set forth in Section 2.01, from and after the date of delivery to the Trustee of the Series 2007B Lease, the Series 2007B Lease and all rights, title and interest herein assigned, or any part thereof, or the interest or profits and other proceeds thereof, shall be and remain vested in the Trustee.

2.03 The Corporation hereby absolutely and unconditionally sells, assigns and transfers to the Trustee, without recourse, for the benefit of all of the Series 2007B Certificate holders, all of its right, title and interest herein assigned, or any part thereof, or the interest or profits and other proceeds thereof. This Agreement is made for the purpose of enabling the Trustee to act as lessor under the Series 2007B Lease.

Section 3. Representations and Warranties.

3.01 The Corporation represents, warrants and covenants to and with the Trustee, without recourse, for the benefit of all of the Series 2007B Certificate holders, all of its right, title and interest herein assigned, or any part thereof, or the interest or profits and other proceeds thereof. This Agreement is made for the purpose of enabling the Trustee to act as lessor under the Series 2007B Lease.
Trades 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 re-appointment, to collect and sue on behalf of the Corporation in the name of the Corporation or assignee in any court or courts of any State, the Series 2007B Lease Payments or other amounts due under the Series 2007B Lease, or any part thereof, to withdraw or settle any claims, suits or proceeding pertaining to or arising out of the Series 2007B Lease, on any terms, all without the consent of the Corporation, and, further, to take possession of and to vend, sell, transfer, assign, exchange, dispose of or otherwise deal with any or all of the Corporation's rights hereunder with respect thereto or to become due under the Series 2007B Lease.

2.06 The Corporation agrees that it will undertake 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 with the Trustee in collecting and in the Trustee's capacity to collect and sue on behalf of the Corporation on the Series 2007B Lease Payments or other amounts due under the Series 2007B Lease Payments or any part thereof, by means of any legal process or otherwise.

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 that fact in writing no later than five Business Days after such receipt provided, however, that failure to provide such notice shall not render any liability arising out of the Corporation.

Section 3. Administrative Provisions.

3.01 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

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.
STATE OF FLORIDA

COUNTY OF PALM BEACH

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 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 thereunto 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 16th day of March, 2007.

[Signature]

NOTARY PUBLIC

[Seal]

NAME: [Name of Notary Public, Print, Stamp or Type as Commissioned]

PERSONAL IDENTIFICATION PRODUCED [ ]

[ ] PROFESSIONAL IDENTIFICATION PRODUCED

[This Page Intentionally Left Blank]

[This Page Intentionally Left Blank]
APPENDIX D

FORM OF CO-SPECIAL TAX COUNSEL OPINION
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 TRAURIG, P.A.
EDWARDS & ASSOCIATES, P.A.
APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE
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.

E-1
“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

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.

[Remainder of Page Intentionally Left Blank]
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: __________________________