In the opinion of Greenberg Traurig, P.A. and Edwards & Associates, P.A., Co-Special Tax Counsel, assuming continuing compliance with certain tax covenants and the accuracy of certain representations of the School Board, under existing statutes, regulations, rulings and court decisions, the portion of the Basic Lease Payments designated and paid as interest to the Series 2012C 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 2012C 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 payments received with respect to the Series 2012C 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 Series 2012C Certificates are being issued as fully registered Certificates pursuant to the provisions of a Master Trust Agreement, dated as of November 1, 1994, as amended and supplemented by a Series 2012C Supplemental Trust Agreement, dated as of September 1, 2012, each 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 2012C Certificates is payable on February 1 and August 1 of each year, commencing February 1, 2013 (each a "Payment Date") by check or draft of the Trustee mailed to the Series 2012C 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 2012C Certificates are being issued in denominations of $5,000 or any integral multiples thereof and will 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 2012C Certificates (the “Beneficial Owners”) will not receive physical delivery of the Series 2012C Certificates. Ownership by the Beneficial Owners of the Series 2012C 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 2012C 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 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 NOT obligated to pay, except from School Board appropriated funds, any sums due under the Series 2004A Leases from any source of tax, and the full faith and credit of the School Board, the District, the State of Florida or any political subdivision or agency thereof is not pledged for payment of such sums due thereunder, and such sums do not constitute an indebtedness of the School Board, the District, the State of Florida or any political subdivision or agency thereof within the meaning of any constitutional or statutory provisions or limitations. None of the Corporation, the Trustee or any Certificate holder may compel the levy of any ad valorem taxes by the School Board, the District, the State of Florida, or any political subdivision or agency thereof to pay any sums, including the Basic Lease Payments, due under the Series 2004A Leases.

SEE "RISK FACTORS" HEREIN.

SEE THE INSIDE COVER FOR CERTAIN ADDITIONAL INFORMATION RELATING TO THE SERIES 2004A LEASES AND THE SERIES 2012C 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 2012C 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 D. Seaton and Associates, 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 2012C Certificates will be available for delivery in New York, New York through the offices of DTC on or about September 13, 2012.

BofA Merrill Lynch J.P. Morgan Morgan Stanley

Dated: August 10, 2012
ADDITIONAL INFORMATION

The Series 2012C Certificates are being issued to provide funds for the purposes of refunding, on an advanced basis, a portion of the School Board's outstanding Certificates of Participation, Series 2004A and paying certain costs of issuance with respect to the Series 2012C Certificates.

The initial term of the Series 2004A-1 Lease commenced on May 1, 2004 and continued through and including June 30, 2004, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2029, unless sooner terminated as described herein. The initial term of the Series 2004A-2 Lease commenced on May 1, 2004 and continued through and including June 30, 2004, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2016, unless sooner terminated as described herein. In addition to the Series 2004A Leases, the School Board (i) has heretofore entered into the Current Leases (as described herein) under the Master Lease, 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 2004A Leases. 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. Co-Special Tax Counsel will express no opinion as to tax exemption or the effect of securities laws with respect to the Series 2012C 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 2012C Certificates may be subject to compliance with the registration provisions of state and federal securities laws following nonappropriation 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).

Maturities, Principal Amounts, Interest Rates, Yields, Prices and Initial CUSIP Numbers:

$67,145,000 Serial Series 2012C 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>2016</td>
<td>$3,500,000</td>
<td>5.00%</td>
<td>1.06%</td>
<td>114.949</td>
<td>696550XN7</td>
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<tr>
<td>2017</td>
<td>3,680,000</td>
<td>4.00</td>
<td>1.30</td>
<td>112.733</td>
<td>696550XP2</td>
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<td>2018</td>
<td>3,825,000</td>
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<td>1.64</td>
<td>118.769</td>
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<td>2019</td>
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<td>113.143</td>
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<td>120.001</td>
<td>696550XS6</td>
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<td>2021</td>
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<td>2.50</td>
<td>111.880</td>
<td>696550XT4</td>
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<td>2022</td>
<td>4,565,000</td>
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<td>2.63</td>
<td>120.505</td>
<td>696550UX1</td>
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<td>2.77*</td>
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<td>696550XW7</td>
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<td>5,280,000</td>
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<td>2.96*</td>
<td>117.366</td>
<td>696550XX5</td>
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<td>2026</td>
<td>5,545,000</td>
<td>5.00</td>
<td>3.05*</td>
<td>116.527</td>
<td>696550XY3</td>
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<td>2027</td>
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<td>5.00</td>
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<td>696550XZ0</td>
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<tr>
<td>2028</td>
<td>6,115,000</td>
<td>5.00</td>
<td>3.19*</td>
<td>115.236</td>
<td>696550YA4</td>
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<td>2029</td>
<td>6,415,000</td>
<td>5.00</td>
<td>3.26*</td>
<td>114.597</td>
<td>696550YB2</td>
</tr>
</tbody>
</table>

* Price and yield calculated to first optional prepayment date of August 1, 2022.

** 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 Underwriters and their agents take no responsibility for the accuracy of such data.
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
E. Wayne Gent

CHIEF OPERATING OFFICER
Michael J. Burke

TREASURER
Leanne Evans, CTP

CHIEF OF FACILITIES MANAGEMENT
Joseph Sanches

COUNSEL TO THE SCHOOL BOARD
Office of General 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.

The Underwriters have provided the following sentence for inclusion in this Offering Statement. The Underwriters have reviewed the information in this Offering Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

UPON ISSUANCE, THE SERIES 2012C 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 2012C CERTIFICATES FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFERING STATEMENT DOES NOTconstitute a contract between the School Board or the District and any one or more of the owners of the Series 2012C 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 2012C Certificates are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.
VERIFICATION OF MATHEMATICAL COMPUTATIONS ............................................ 71
CERTAIN LEGAL MATTERS ............................................................ 71
UNDERWRITING ................................................................. 71
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APPENDIX A INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

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, 2011

APPENDIX C CERTAIN LEGAL DOCUMENTS
   The Master Lease
   Form of Schedule 2004A-1
   Form of Schedule 2004A-2
   The Series 2004A-1 Ground Lease
   The Master Trust Agreement
   Form of Series 2012C Supplemental Trust Agreement
   The Series 2004A Assignment

APPENDIX D FORM OF CO-SPECIAL TAX COUNSEL OPINION

APPENDIX E FORM OF CONTINUING DISCLOSURE CERTIFICATE
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 $67,145,000 aggregate principal amount of Certificates of Participation, Series 2012C (the "Series 2012C Certificates"). The Series 2012C Certificates evidence undivided proportionate interests of the owners thereof in a portion of the 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 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 to be in effect following delivery of the Series 2012C Certificates, 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 Term Ending Date</th>
<th>Related Series of Certificates</th>
<th>Principal Amount Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 1996A</td>
<td>Series 1996A</td>
<td>June 30, 2016</td>
<td>Series 2002E</td>
<td>9,130,000(^{(7)(9)})</td>
</tr>
<tr>
<td>Series 2001A(^{(1)})</td>
<td>Series 2001A</td>
<td>June 30, 2026</td>
<td>Series 2005A</td>
<td>49,755,000(^{(10)})</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Series 2007C</td>
<td>77,080,000(^{(11)})</td>
</tr>
<tr>
<td>Series 2002A(^{(2)})</td>
<td>Series 2002A</td>
<td>August 1, 2018</td>
<td>Series 2002A</td>
<td>7,710,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Series 2005A</td>
<td>27,385,000(^{(10)})</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Series 2011C</td>
<td>15,155,000</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 2005A</td>
<td>25,070,000(^{(10)})</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Series 2007C</td>
<td>112,495,000(^{(11)})</td>
</tr>
<tr>
<td>Series 2002D(^{(3)})</td>
<td>Series 2002D</td>
<td>August 1, 2028</td>
<td>Series 2012B</td>
<td>116,555,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Series 2005A</td>
<td>21,085,000(^{(10)})</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Series 2012A</td>
<td>20,085,000</td>
</tr>
<tr>
<td>Series 2003A</td>
<td>Series 2003A</td>
<td>August 1, 2021</td>
<td>Series 2003A</td>
<td>10,715,000</td>
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<td></td>
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<td></td>
<td>Series 2011D</td>
<td>24,845,000</td>
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<tr>
<td>Series 2003B</td>
<td>Series 2003B</td>
<td>August 1, 2029</td>
<td>Series 2003B</td>
<td>124,295,000</td>
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<tr>
<td>Series 2004A(^{(4)})</td>
<td>Series 2004A-1 and Series 2004A-2</td>
<td>August 1, 2029</td>
<td>Series 2004A</td>
<td>10,015,000(^{(12)})</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Series 2012C</td>
<td>67,145,000(^{(12)})</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Series 2007A</td>
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<tr>
<td>Series 2007B</td>
<td>Series 2007B</td>
<td>August 1, 2032</td>
<td>Series 2007E</td>
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<td>Series 2010A(^{(8)})</td>
<td>Series 2010A</td>
<td>August 1, 2032</td>
<td>Series 2010A</td>
<td>67,665,000</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>Total</strong></td>
<td><strong>$1,767,727,032</strong></td>
</tr>
</tbody>
</table>

\(^{(1)}\) Includes the Series 2001A-1 Lease and the Series 2001A-2 Lease.
\(^{(3)}\) Includes the Series 2002D-1 Lease and the Series 2002D-2 Lease.
\(^{(4)}\) Includes the Series 2004A-1 Lease and the Series 2004A-2 Lease.
\(^{(5)}\) Includes the Series 2006A-1 Lease and the Series 2006A-2 Lease.
\(^{(7)}\) Includes the Series 2007E-1 Lease and the Series 2007E-2 Lease.
\(^{(8)}\) The School Board designated the Series 2010A Lease as a "qualified school construction bond" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 6431 of the Code, the School Board made an election to qualify to receive federal subsidy payments from the United States Treasury pursuant to Section 6431(f) of the Code (the "Interest Subsidy") on each interest payment date for the Series 2010A Certificates. The expected Interest Subsidy will be in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates on such date or the amount of interest which would have been payable with respect to the Series 2010A Certificates if the interest were determined at the applicable tax credit rate for the Series 2010A Certificates pursuant to Section 54A(b)(3) of the Code.
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 listed principal amounts represent the approximate principal portion of the Series 2007C Certificates allocated to each of the Series 2001A Lease and Series 2002C Lease.


The Series 2002A Certificates, the Series 2002 B Certificates, the Series 2002 QZAB Certificates, the Series 2002E Certificates, the Series 2003A Certificates, the Series 2003B Certificates, the Unrefunded 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, the Series 2011A Certificates, the Series 2011B Certificates, the Series 2011C Certificates, the Series 2011D Certificates, the Series 2012A Certificates and the Series 2012B 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 Leases, the Series 2002-QZAB Lease, the Series 2003A Lease, the Series 2003B Lease, the Series 2004-QZAB Lease, the Series 2005-QZAB Lease, the Series 2006A Leases, the Series 2007A Leases, the Series 2007B Lease, the Series 2007E Leases and the Series 2010A Lease, are collectively referred to herein as the "Current Leases." In addition to the Current Leases and the Series 2004A 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 herein under the caption "THE PRIOR FACILITIES" and the Series 2004A Facilities leased under the Series 2004A Leases, described herein under the caption "THE SERIES 2004A 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 2004A FACILITIES" and "THE PRIOR FACILITIES."

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 March 7, 2012, authorized the execution and delivery of (i) Schedule 2004A-1, as amended and restated as of September 1, 2012 (together with the Master Lease, the "Series 2004A-1 Lease") and (ii) Schedule 2004A-2, as amended and restated as of September 1, 2012 (together with the Master Lease, the "Series 2004A-2 Lease" and collectively with the Series 2004A-1 Lease, the "Series 2004A Leases"), each providing for the lease purchase financing and refinancing of certain educational facilities by the School Board, as described herein.

The initial term of the Series 2004A-1 Lease commenced on May 1, 2004 and continued through and including June 30, 2004, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2029, unless sooner terminated as described herein. The initial term of the Series 2004A-2 Lease commenced on May 1, 2004 and continued through and including June 30, 2004, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2016, unless sooner terminated as described
herein. Subject to the Board's right to substitute facilities, the Facilities being lease purchased under the Series 2004A-1 Lease includes additions to two new elementary schools and the modernization/replacement of three elementary schools (the "Series 2004A-1 Facilities"). Subject to the Board's right to substitute facilities, the Facilities being lease purchased under the Series 2004A-2 Lease include replacement HVAC systems at two elementary schools, site acquisition and the replacement of portable/modular classrooms (the "Series 2004A-2 Facilities," and together with the Series 2004A-1 Facilities, the "Series 2004A Facilities").

The School Board currently holds title to all of the sites on which the Series 2004A-1 Facilities are located (the "Series 2004A-1 Facility Sites"). Pursuant to the Series 2004A-1 Ground Lease dated as of May 1, 2004, as amended (the "Series 2004A-1 Ground Lease"), the School Board is leasing the Series 2004A-1 Facility Sites to the Corporation for an initial term which commenced on May 1, 2004 and ends on August 1, 2034, subject to Permitted Encumbrances (as defined in the Series 2004A-1 Ground Lease), and subject to earlier termination or extension as set forth therein. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Series 2004A-1 Ground Lease."

Pursuant to the Series 2004A Assignment Agreement dated as of May 1, 2004 (the "Series 2004A Assignment"), between the Corporation and the Trustee, the Corporation has irrevocably assigned to the Trustee for the benefit of the owners of the Series 2012C Certificates, the Unrefunded Series 2004A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2004A Leases (e.g., a Series of Certificates issued to refund the Series 2012C Certificates or the Unrefunded Series 2004A Certificates) substantially all of its right, title and interest in and to the Series 2004A-1 Ground Lease and the Series 2004A Leases including the right to receive the Basic Lease Payments and all other amounts due under the Series 2004A Leases, as herein described. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Series 2004A Assignment."

Brief descriptions of the District, the School Board, the Corporation and the Series 2004A Facilities are included in this Offering Statement together with summaries of certain provisions of the Series 2012C Certificates, the Master Lease, the Series 2004A Leases, the Series 2004A-1 Ground Lease, the Trust Agreement and the Series 2004A Assignment. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Master Lease, the Series 2004A Leases, the Trust Agreement, the Series 2004A-1 Ground Lease and the Series 2004A 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 - CERTAIN LEGAL DOCUMENTS."
PURPOSE OF THE SERIES 2012C CERTIFICATES

The Series 2012C Certificates are being issued for the principal purpose of providing funds sufficient to prepay the Series 2004A Certificates maturing on August 1 in the years 2016 through 2024, inclusive and 2029 (collectively, the "Refunded Certificates") on August 1, 2014 and thereby refinance a portion of the costs of the Series 2004A Facilities and pay costs associated with the issuance of the Series 2012C Certificates.

The Series 2004A Certificates maturing on August 1 in the years 2013 through 2015, inclusive will not be refunded with proceeds of the Series 2012C Certificates and are referred to herein as the "Unrefunded Series 2004A Certificates." See "PLAN OF REFUNDING," "THE SERIES 2004A FACILITIES" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

PLAN OF REFUNDING

The Series 2012C Certificates are being issued in order to provide the funds necessary to refund, on an advanced basis, the Refunded Certificates and thereby refinance a portion of the Series 2004A Facilities. The Refunded Certificates are subject to optional prepayment on August 1, 2014, 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 2012C Certificates, a portion of the proceeds of the Series 2012C 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 2004A Leases 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 The Arbitrage Group, Inc., Buhl, Alabama, independent certified public accountants described herein under the heading "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

THE SERIES 2012C CERTIFICATES

General

The Series 2012C Certificates will be dated the date of delivery, will mature in the years and principal amounts and accrue interest at the fixed interest rates set forth on the inside cover page of this Offering Statement. The Series 2012C Certificates will initially be issued exclusively in "book-entry" form and ownership of one fully registered Series 2012C 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 2012C Certificates are payable in the manner set forth under "THE SERIES 2012C CERTIFICATES - Book-Entry Only System" herein. Individual purchases of the Series 2012C Certificates will be made in increments of $5,000 or integral multiples thereof.

The principal portion of Basic Lease Payments represented by the Series 2012C 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 2004A Leases, equally and ratably with the Unrefunded Series 2004A Certificates. The interest component of Basic Lease Payments represented by the Series 2012C 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, 2013 (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 2012C Certificates, equally and ratably with the Unrefunded Series 2004A Certificates. The interest portion of the Basic Lease Payments represented by the Series 2012C 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 2012C 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 2012C Certificates, the interest portion of the Basic Lease Payments represented by the Series 2012C 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 2012C 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.

Prepayment

Optional Prepayment. The Series 2012C Certificates maturing on or before August 1, 2022 are not subject to optional prepayment. The Series 2012C Certificates maturing on or after August 1, 2023 are subject to prepayment on or after August 1, 2022, if the School Board elects to prepay the principal portion of the Basic Lease Payments due under either of the Series 2004A Leases in whole or in part at any time, and if in part, in such order of maturity of Series 2012C 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 2012C Certificates or portions thereof to be prepaid, plus interest accrued to the Prepayment Date.

Extraordinary Prepayment. The principal portion of Basic Lease Payments due under the Series 2004A Leases represented by the Series 2012C Certificates shall be subject to prepayment in the event either of the Series 2004A Leases terminate prior to payment in full of all of the Basic Lease Payments due thereunder to the extent the Trustee has moneys available
for such purposes pursuant to the Series 2012C Trust Agreement and the Series 2004A Leases, as applicable, to the extent and subject to the limitations provided in the Master Lease.

**No Extraordinary Prepayment in the Event of Damage, Destruction or Condemnation of the Series 2004A Facilities.** The Series 2012C Certificates are not subject to extraordinary prepayment prior to maturity in the event of damage, destruction or condemnation of the Series 2004A Facilities. See "THE SERIES 2004A LEASES - Lease Payments" for information regarding the required use of any insurance or condemnation proceeds related to the Series 2004A Facilities allocated to the Series 2012C Certificates in the event of damage, destruction or condemnation of such Facilities.

**Selection of Series 2012C Certificates for Prepayment.** If less than all of the Series 2012C Certificates are called for prepayment, the particular Series 2012C Certificates, or portions thereof to be prepaid will be in multiples of $5,000 and, except as otherwise provided in the Trust Agreement, the maturity of the Series 2012C Certificates to be prepaid will be determined by the Trustee. If less than all of the Series 2012C Certificates of like maturity are called for prepayment, the particular Series 2012C 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. The portion of any Series 2012C Certificate of a denomination of more than $5,000 to be prepaid will be in the principal amount of $5,000 or an integral multiple thereof, and, in selecting portions of such Series 2012C Certificates for prepayment, the Trustee will treat each such Series 2012C Certificate as representing that number of Series 2012C Certificates in $5,000 denominations which is obtained by dividing the principal amount of such Series 2012C Certificate to be prepaid in part by $5,000.

**DTC Procedures.** Investors should note that while DTC is the registered owner of the Series 2012C Certificates, partial prepayments of the Series 2012C 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 2012C Certificates be made in accordance with the method of selection of Series 2012C Certificates for a partial prepayment described above. However, the selection of the Series 2012C 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 2012C Certificates for a partial prepayment described above.

**Notice of Prepayment.** So long as the Series 2012C 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 2012C Certificates. See "THE SERIES 2012C CERTIFICATES – Book-Entry-Only System" herein.
Prior to notice being given to the Owners of affected Series 2012C Certificates of any optional prepayment of Series 2012C 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 2012C 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 2012C 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 2012C 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 2012C 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.

**BOOK-ENTRY ONLY SYSTEM**

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CORPORATION AND THE SCHOOL BOARD BELIEVE TO BE RELIABLE, BUT NEITHER THE CORPORATION NOR THE SCHOOL BOARD TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC") will act as securities depository for the Series 2012C Certificates. The Series 2012C 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 2012C Certificates, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. 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
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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 a Standard and Poor's rating of "AA+.” 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 2012C Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2012C Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2012C 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 2012C 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 2012C Certificates, except in the event that use of the book-entry system for the Series 2012C Certificates is discontinued.

To facilitate subsequent transfers, all Series 2012C 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 2012C 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 2012C Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012C 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 2012C Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012C Certificates, such as prepayments, defaults, and proposed amendments to the Series 2010A documents. For example, Beneficial Owners of Series 2012C Certificates may wish to ascertain that the nominee holding the Series 2012C 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 notices shall be sent to DTC. If less than all of the Series 2012C 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 2012C 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 2012C Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds and other payments on the Series 2012C 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 2012C 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 2012C Certificates paid to DTC or its nominee, or any prepayment 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 2012C 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.

DTC may discontinue providing its services as securities depository with respect to the Series 2012C 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 2012C 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 2012C Certificates will be printed and delivered to DTC.
SECURITY FOR THE SERIES 2012C CERTIFICATES

General

The Series 2012C Certificates evidence undivided proportionate interests in the principal portion and interest portion of Basic Lease Payments made by the School Board under the Series 2004A Leases, equally and ratably with the Unrefunded Series 2004A Certificates. The Series 2012C Certificates are secured by and payable from the Trust Estate established for the Series 2012C 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 portion of Basic Lease Payments under the Series 2004A Leases allocable to the Series 2012C Certificates, 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 allocable to the Series 2012C Certificates received by the Trustee pursuant to the Series 2004A Leases 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 2004A Facilities to the Trustee. Upon termination of the Series 2004A Leases upon the occurrence of an event of non-appropriation or in the case of certain events of default, however, the Series 2004A Leases provide that the School Board must surrender possession of the Series 2004A-1 Facilities (but not the Series 2004A-2 Facilities) to the Trustee as assignee of the Corporation for disposition by sale or re-letting of its interest in such Series 2004A Facilities as provided in the Trust Agreement. Any proceeds of any such disposition of the Series 2004A-1 Facilities will be applied to the payment of the Series 2012C Certificates, equally and ratably with the Unrefunded Series 2004A Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2004A Leases. The School Board may not be dispossessed of the Series 2004A-2 Facilities or any personal property financed or refinanced, in whole or in part, with proceeds of Certificates. See "THE SERIES 2004A FACILITIES" herein for a description of the Series 2004A Facilities against which the Trustee may exercise rights on behalf of the Owners of the Series 2012C Certificates. See also "THE SERIES 2004A LEASES - 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 2004A Leases 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 2004A 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 Series 2004A Trust Agreement provides for the establishment and maintenance of a Series 2004A Lease Payment Account for deposit of Basic Lease Payments appropriated and
paid under the Series 2004A Leases. 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


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 2004A Leases 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 2004A Leases. Upon any such termination of the Lease Term of all Leases, the School Board must surrender all Facilities (except for certain designated Facilities such as the Series 2004A-2 Facilities), including the
Series 2004A-1 Facilities to the Trustee for sale or re-letting of the Trustee's interest. The proceeds of any such disposition of the Series 2004A-1 Facilities will be applied to the payment of the Series 2012C Certificates, equally and ratably with the Unrefunded Series 2004A Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2004A Leases. The School Board may not be dispossessed of the Series 2004A-2 Facilities or any personal property financed, in whole or in part, with proceeds of Certificates. Except as herein provided, in no event will owners of the Series 2012C Certificates have any interest in or right to the proceeds of the disposition of Facilities financed or refinanced 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 2004A Facilities against which the Trustee has rights will produce sufficient amounts to pay the outstanding Series 2012C 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 2004A LEASES - 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 2012C 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 2012C Certificates and in connection therewith remove all or a portion of the Series 2004A Facilities from the related Series 2004A Lease and from the lien of the Series 2004A-1 Ground Lease, if applicable, by paying the Purchase Option Price for the specific Series 2004A Facilities being purchased or, to the extent permitted by law, by substituting other Facilities for the Series 2004A Facilities to be released. No such partial prepayment of the Series 2012C Certificates which is accomplished by the deposit in escrow of the prepayment price and the removal of Facilities from the related Series 2004A Lease and from the lien of the Series 2004A-1 Ground Lease, if applicable, 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 applicable Series 2004A Lease; (ii) minus any credits pursuant to the provisions of the applicable Series 2004A Lease; (iii) plus an amount equal to the interest to accrue with respect to the Series 2012C Certificates and any other Certificates representing an interest in the applicable Series 2004A Lease to be prepaid from such Lease Payment Date to the next available date for prepaying the Series 2012C Certificates; (iv) plus an amount equal to any other amounts then due and owing under the applicable Series 2004A Lease including any prepayment premiums payable on the Series 2012C Certificates and any other Certificates representing an interest in the applicable Series 2004A 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 2004A LEASES - 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 2012C Certificates

There is no Reserve Account for the Series 2012C 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 notes 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2011, attached hereto as Appendix B.

2002D Interest Rate Exchange Agreement (2005). In connection with the Series 2002D Certificates, the School Board entered into an ISDA Master Agreement with Citibank, N.A. ("Citibank") dated January 10, 2003 (together with all schedules thereto and the confirmation dated August 10, 2005, the "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 was exercised by Citibank for a swap which commenced on August 1, 2012. Accordingly, the District issued the Certificates of Participation, Series 2012B (the "Series 2012B Certificates") on June 29, 2012 in an aggregate principal amount equal to the notional amount of the swap in order to refund a portion of the Series 2002D Certificates. 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, 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2011, 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, 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2011, 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, confirmations and amendments 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 was exercised by Citibank effective on August 1, 2011. Accordingly, the District issued 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 4.48% and for payment by Citibank to the School Board of interest at a variable rate based on a percentage of the LIBOR Index until August 1, 2014. After August 1, 2014, 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. The refunding of the Refunded Series 2001B Certificates, when combined with the fixed payer swap, resulted in a slight increase in the amount of the Lease Payments on the Refunded Series 2001B Certificates, but such increase was 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. For additional information on the 2001B Interest Rate Exchange Agreement, see notes 3, 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2011, 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 2004A Leases.

THE MASTER LEASE FACILITIES

The Series 2004A 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 or refinanced 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 2004A 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. 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 (other than certain designated Facilities such as the Series 2004A-2 Facilities), but including certain of the Series 2004A-1 Facilities, to the Trustee for the benefit of the Owners of the Certificates which financed or refinanced such Facilities.

THE SERIES 2004A FACILITIES

Series 2004A-1 Facilities

The Series 2004A Project consists of the lease purchase financing and refinancing of the acquisition and construction of the Series 2004A-1 Facilities, the lease of the Series 2004A-1 Facility Sites by the School Board to the Corporation pursuant to the Series 2004A-1 Ground Lease and the sublease of the Series 2004A-1 Facility Sites back to the School Board. All of the Series 2004A-1 Facilities are located within the District. The School Board holds title to all of the Series 2004A-1 Facility Sites. Set forth below is a brief, general description of the Series 2004A-1 Facilities. See also, "- Substitution of Series 2004A Facilities" below.

Coral Sunset Elementary School Addition. This school, located in the southern part of Palm Beach County, had an addition of approximately 33,951 gross square feet and 374 student stations added to it for an overall total of 964 student stations. To address class size reduction and plan for special program needs, the addition had 3 kindergarten classrooms, 7 primary
Hammock Pointe Elementary School Addition. This school, located in the southern part of Palm Beach County, had an addition of approximately 46,375 gross square feet and 395 student stations for an overall total of 964 student stations. To address class size reduction and plan for special program needs, the addition had 4 kindergarten classrooms, 8 primary classrooms, 6 intermediate classrooms, 2 skills development labs, 1 resource room, 5 ESE classrooms, administration, student services, food services, library media center, multipurpose, physical education, stage, teacher planning and custodial space. This addition opened in 2006.

JC Mitchell Elementary School Modernization. This school, located in the City of Boca Raton, had a modernization of approximately 127,887 gross square feet and 1,122 student stations. To address class size reduction and plan for special program needs, the modernization had 8 kindergarten classrooms, 22 primary classrooms, 16 intermediate classrooms, 3 skills development labs, 3 resource rooms, 17 ESE classrooms, administration, student services, art, food services, library media center, multipurpose, music, physical education, stage, teacher planning and custodial space. This school opened in 2005.

Meadow Park Elementary School Modernization. This school, located in the central part of Palm Beach County, had a modernization of approximately 114,231 gross square feet and 878 student stations. To address class size reduction and plan for special program needs, the modernization had 5 kindergarten classrooms, 16 primary classrooms, 7 intermediate classrooms, 2 skills development labs, 5 resource rooms, 19 ESE classrooms, administration, student services, art, food services, library media center, multipurpose, music, physical education, stage, teacher planning and custodial space. This school opened in 2005.

SD Spady Elementary School Modernization. This school, located in the City of Boca Raton, had a modernization of approximately 188,807 gross square feet and 697 student stations. To address class size reduction and plan for special program needs, the modernization had 13 kindergarten classrooms, 14 primary classrooms, 6 intermediate classrooms, 2 skills development labs, 4 resource rooms, 4 ESE classrooms, administration, student services, art, food services, library media center, multipurpose, music, physical education, stage, teacher planning and custodial space. This modernized school opened in 2005.

Series 2004A-2 Facilities

The Series 2004A-2 Facilities consist of the lease purchase financing, acquisition and construction of relocatable classrooms, HVAC replacements at two elementary schools and the purchase of land to be used as the site for future educational facilities. All of the Series 2004A-2 Facilities are located within the District.

Substitution of Series 2004A Facilities

To the extent permitted by law, on or after the Completion Date, the School Board may substitute for any portion of the Series 2004A 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 2004A 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 2004A 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 2004A 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 2004A Facilities for which a Certificate of Acceptance has not been delivered, the Cost of the acquisition, construction and installation of the Series 2004A Facilities plus (y) with respect to Series 2004A Facilities for which a Certificate of Acceptance has been delivered, the fair market value of the Series 2004A Facilities (based on an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee), financed under the applicable Series 2004A Lease is greater than or equal to the remaining principal portion of Basic Lease Payments due thereunder. In order to effect such substitution, Series 2004A Facilities and the applicable Facility Site will be released from the encumbrance of the applicable Series 2004A Lease and the Series 2004A-1 Ground Lease, if applicable, and the Facilities to be substituted shall be incorporated into the applicable Series 2004A Lease and Series 2004A-1 Ground Lease, if applicable. The related Lease Schedule will be appropriately amended and the Series 2004A-1 Ground Lease, if applicable, 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-1 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
Palm Springs Elementary School Modernization
Roosevelt Elementary School Modernization
Tradewinds Middle School (98-II)

**Series 2002D-2 Facilities**
Site Acquisition
Portable replacement program

**Series 2002-QZAB Facilities**
Furniture and equipment for designated Qualified Zone Academies

**Series 2003A Facilities**
William T. Dwyer Addition
Seminole Ride High School (02-NNN)

**Series 2003B Facilities**
Furniture and equipment for designated Qualified Zone Academies
Atlantic High School replacement
Bak Middle School of the Arts modernization
L.C. Swain Middle School (03-KK)
Portable/Modular Replacement Program
Series 2004-QZAB Facilities*
Equipment for designated Qualified Zone Academies

Series 2005-QZAB Facilities*
Technology upgrades for designated Qualified Zone Academies

Series 2005B-1 Facilities
Turning Points Academy
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 2007B Facilities
Carver Middle School Addition
Hagen Road Elementary School Modernization
Lake Worth Middle School Addition
Palm Beach Gardens Elementary School Modernization
Wellington High School Auditorium
Sunset Palms Elementary School
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
Site Acquisition

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.
ESTIMATED SOURCES AND USES OF FUNDS

It is estimated that proceeds received from the sale and delivery of the Series 2012C Certificates, together with other legally available funds, are expected to be used as follows:

Estimated Sources:

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<th>Description</th>
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<tr>
<td>Par Amount of Series 2012C Certificates</td>
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<td>Plus: Bond Premium</td>
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<td>Other Legally Available Funds(1)</td>
<td>410,646.98</td>
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<td><strong>Total Sources of Funds</strong></td>
<td>$78,545,690.73</td>
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Estimated Uses:

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<td>Series 2012C Costs of Issuance(3)</td>
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<td>Underwriters' Discount</td>
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<td><strong>Total Uses of Funds</strong></td>
<td>$78,545,690.73</td>
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(1) Represents funds on deposit in certain accounts for the benefit of the Refunded Certificates.
(2) To be applied to the refunding of the Refunded Certificates. See "PLAN OF REFUNDING" herein.
(3) Includes counsel fees, financial advisor fees and other costs of issuance.

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### CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES


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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$8,115,918.76</td>
<td>$178,645,800.00</td>
<td>$41,720,968.78</td>
<td>$11,586,875.00</td>
<td>$212,381,226.30</td>
<td>$11,425,765.74</td>
<td>$159,182,270.00</td>
<td>$293,235,887.50</td>
</tr>
</tbody>
</table>

\(^{(1)}\) In July 2011, the School Board elected to convert the Series 2002B Certificates, which were originally issued as variable rate Certificates, into a private placement floating rate note with J.P. Morgan Chase Bank, National Association. Commencing with the conversion of the Series 2002B Certificates, the interest rate is set based on the SIFMA Index plus a spread of 70 basis points (based on an interest rate swap executed in connection with the delivery of the Series 2002B Certificates). See "SECURITY FOR THE SERIES 2012C CERTIFICATES – Interest Rate Exchange Agreements – 2002B Interest Rate Exchange Agreement" herein.

\(^{(2)}\) In March, 2008, the School Board elected to convert the Series 2003B Certificates, which were originally issued as variable rate demand obligations, into a private placement floating rate note with Dexia. Commencing August 1, 2008, the interest rates were set monthly as one month LIBOR plus a spread of 65 bps. See "SECURITY FOR THE SERIES 2012C CERTIFICATES – Interest Rate Exchange Agreements – 2003B Interest Rate Exchange Agreement" herein.

\(^{(3)}\) Reflects the refunding of the Refunded Certificates with proceeds of the Series 2012C Certificates. See "PURPOSE OF THE SERIES 2012C CERTIFICATES" and "PLAN OF REFUNDING" herein.
CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES
2012A and 2012B Certificates are as follows:
Certificate
Year
Ending
August 1

QZAB
Certificates(1)

Series
2007A
Certificates

Series
2007C
Certificates

Series
2007D
Certificates

Series
2007E
Certificates

2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032

$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

$22,170,475.00
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

$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

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

$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

Total

$2,417,032.00

$344,213,425.00

$290,449,625.00

$15,747,750.00

$221,286,375.00

Series 2010A
Certificates(2)
$142,096.50
142,096.50
142,096.50
142,096.50
142,096.50
142,096.50
6,549,525.07
9,532,530.75
9,116,157.88
8,699,785.02
8,283,412.15
7,867,039.28
7,222,727.34

$58,123,756.49

Series 2011A
Certificates

Series 2011B
Certificates(3)

$5,456,418.76
5,456,418.76
5,456,418.76
5,456,418.76
5,456,418.76
5,456,418.76
11,086,418.76
11,085,568.76
11,237,018.76
11,357,068.76
11,074,568.76
11,082,112.50
9,680,575.00
3,395,250.00
3,395,250.00
3,395,250.00
3,395,250.00
30,430,250.00
11,428,500.00
33,059,250.00

$9,728,769.18
9,595,072.04
9,736,287.05
19,255,910.01
21,818,691.41
21,768,943.97
21,697,816.03
21,547,829.09
21,546,427.58
21,476,427.58
21,387,088.04
21,311,599.13
21,201,927.32

$198,290,843.86

$242,072,712.84

Series
2011C
Certificates
$553,697.00
8,583,651.00
483,796.00
4,692,358.00
257,579.00
1,378,577.00

$15,949,658.00

Series 2011D
Certificates
$975,908.00
977,460.00
978,748.00
4,834,772.00
4,843,760.00
4,839,580.00
4,842,496.00
4,837,244.00
1,708,956.00

$28,838,924.00

Series 2012A
Certificates
$1,004,250.00
1,004,250.00
1,004,250.00
1,004,250.00
1,004,250.00
1,004,250.00
1,004,250.00
1,004,250.00
1,004,250.00
2,799,250.00
914,500.00
914,500.00
914,500.00
914,500.00
914,500.00
19,204,500.00

$35,614,500.00

Series 2012B
Certificates(4)
$10,963,903.00
10,757,743.00
5,944,126.00
5,959,485.00
10,978,752.00
10,948,654.00
5,344,906.00
5,271,084.00
11,386,084.00
8,697,205.00
11,321,909.00
11,242,095.00
11,011,993.00
11,003,974.00
10,890,480.00
53,911,152.00

$195,633,545.00

_____________________
(1)
(2)

(3)
(4)

Includes the Series 2002 QZAB Certificates, the Series 2004 QZAB Certificates and the Series 2005 QZAB Certificates.
Based on a principal amount of $67,665,000 which will be due on the maturity date; includes sinking fund payments and assumes investments earnings thereon at a rate of 4.262% based on a
Forward Delivery Agreement entered into by the School Board on March 31, 2011, which together are expected to equal the Principal Component due on the Series 2010A 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
2010A Certificates is calculated at 5.40%, the stated interest rate on the Series 2010A Certificates, less 5.19%, representing the Interest Subsidy.
Payment requirements assume a true interest cost of 5.31% (based on the 2001B Interest Rate Exchange Agreement) and reflects an estimated 0.80% interest rate spread for privately placed
Payment requirements assume an interest rate of 4.71% (based on the 2002D Interest Rate Exchange Agreement (2005)) and reflects an estimated 0.75% interest rate spread from privately
placed floating rate Series 2012B Certificates. See "SECURITY FOR THE SERIES 2012C CERTIFICATES - Interest Rate Exchange Agreements - 2002D Interest Rate Exchange Agreement
(2005)" herein.

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### COMBINED CERTIFICATE PAYMENT SCHEDULE

The estimated combined payment requirements on the Series 2012C Certificates and the Outstanding Certificates are as follows:

<table>
<thead>
<tr>
<th>Certificate Year Ending August 1</th>
<th>Series 2012C Certificates</th>
<th>Outstanding Certificates (1)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Component</td>
<td>Interest Component</td>
<td>Subtotal</td>
</tr>
<tr>
<td>2013</td>
<td>$2,858,864.17</td>
<td>$2,858,864.17</td>
<td>$143,425,156.38</td>
</tr>
<tr>
<td>2014</td>
<td>3,236,450.00</td>
<td>3,236,450.00</td>
<td>142,675,362.33</td>
</tr>
<tr>
<td>2015</td>
<td>3,236,450.00</td>
<td>3,236,450.00</td>
<td>142,979,899.60</td>
</tr>
<tr>
<td>2016</td>
<td>$3,500,000.00</td>
<td>3,236,450.00</td>
<td>139,519,972.91</td>
</tr>
<tr>
<td>2017</td>
<td>3,680,000.00</td>
<td>3,061,450.00</td>
<td>139,388,997.44</td>
</tr>
<tr>
<td>2018</td>
<td>3,825,000.00</td>
<td>2,914,250.00</td>
<td>139,306,051.61</td>
</tr>
<tr>
<td>2019</td>
<td>4,015,000.00</td>
<td>2,723,000.00</td>
<td>136,117,269.24</td>
</tr>
<tr>
<td>2020</td>
<td>4,180,000.00</td>
<td>2,562,400.00</td>
<td>138,757,251.59</td>
</tr>
<tr>
<td>2021</td>
<td>4,385,000.00</td>
<td>2,353,400.00</td>
<td>138,429,755.47</td>
</tr>
<tr>
<td>2022</td>
<td>4,565,000.00</td>
<td>2,178,000.00</td>
<td>137,214,748.27</td>
</tr>
<tr>
<td>2023</td>
<td>4,790,000.00</td>
<td>1,949,750.00</td>
<td>137,461,735.45</td>
</tr>
<tr>
<td>2024</td>
<td>5,030,000.00</td>
<td>1,710,250.00</td>
<td>136,890,833.47</td>
</tr>
<tr>
<td>2025</td>
<td>5,280,000.00</td>
<td>1,458,750.00</td>
<td>135,928,710.81</td>
</tr>
<tr>
<td>2026</td>
<td>5,545,000.00</td>
<td>1,194,750.00</td>
<td>140,962,009.50</td>
</tr>
<tr>
<td>2027</td>
<td>5,820,000.00</td>
<td>917,500.00</td>
<td>141,100,469.50</td>
</tr>
<tr>
<td>2028</td>
<td>6,115,000.00</td>
<td>626,500.00</td>
<td>140,481,290.29</td>
</tr>
<tr>
<td>2029</td>
<td>6,415,000.00</td>
<td>320,750.00</td>
<td>140,974,285.41</td>
</tr>
<tr>
<td>2030</td>
<td>83,873,995.00</td>
<td></td>
<td>83,873,995.00</td>
</tr>
<tr>
<td>2031</td>
<td>64,872,095.00</td>
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<td>64,872,095.00</td>
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<tr>
<td>2032</td>
<td>44,122,970.00</td>
<td></td>
<td>44,122,970.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$67,145,000.00</strong></td>
<td><strong>$36,538,964.17</strong></td>
<td><strong>$103,683,964.17</strong></td>
</tr>
</tbody>
</table>

(1) 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 - CERTAIN LEGAL DOCUMENTS - The Master Lease."

The Series 2004A Leases are some of the Leases entered into under the Master Lease and provide for the leasing of the Series 2004A Facilities by the Corporation to the School Board. See "THE SERIES 2004A LEASES" and "THE SERIES 2004A 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 2012C 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 2004A Leases or any other Leases.

THE SERIES 2004A LEASES

The following is a brief summary of certain provisions of the Series 2004A Leases, which is not intended to be definitive. Reference is made in "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Master Lease," "- Form of Schedule 2004A-1" and "- Form of Schedule 2004A-2."

Authority

The Series 2004A Leases are 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 2004A Facilities.

Lease Term

Under the Series 2004A Leases, the Corporation is leasing to the School Board, and the School Board is leasing from the Corporation, the Series 2004A Facilities. The initial term of the Series 2004A-1 Lease commenced on May 1, 2004 and continued through and including June 30, 2004, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2029, unless sooner terminated in accordance with the provisions of the Series 2004A-1 Lease. The initial term of the Series 2004A-2 Lease commenced on May 1, 2004 and continued through and including June 30, 2004, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2016, unless sooner...
terminated in accordance with the provisions of the Series 2004A-2 Lease. See "THE SERIES 2004A LEASES - Termination of Lease Term."

Lease Payments

Subject to the conditions stated in the Series 2004A Leases, the School Board has expressed its current intent to make all Lease Payments due under the Series 2004A Leases; 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 2004A LEASES 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 2004A LEASES, 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 2004A Leases 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 June 30, 2012, and thereafter on December 30 and June 30 of each year, the Lease Payment Date preceding each Series 2012C Certificate Payment Date, the School Board is required to pay to the Trustee the Basic Lease Payment allocable to the Series 2012C Certificates due on such date, which amount corresponds to the amount due to Series 2012C Certificate holders on the next succeeding Series 2012C Certificate Payment Date. 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 2012C 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 2004A Leases may be reduced, when applicable, by amounts credited as follows:

(a) The Trustee will deposit into the Lease Payment Accounts established with respect to the Series 2004A Leases 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 termination of the Lease Terms of the Series 2004A Leases, with respect to the amounts, if any, remaining on deposit in the Acquisition Accounts thereunder shall be transferred to the related Lease Payment Account to be applied to Basic Lease Payments next coming due under the related Series 2004A 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 2004A Facilities (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 the related Series 2004A Lease, such amount shall be retained in such 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 applicable Series 2004A 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 applicable Lease Payment Account to be credited against Basic Lease Payments next coming due under the applicable Series 2004A Lease.

(c) The Trustee will deposit in the applicable Lease Payment Account or Acquisition Account, Net Proceeds realized in the event of damage, destruction or condemnation of the Series 2004A Facilities to be applied to the prompt repair, restoration or replacement of such Series 2004A 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 2004A Facilities damaged, destroyed or condemned, then the School Board shall not be required to comply with the provisions of the preceding clause. In such case, the Net Proceeds of the Series 2004A Facilities allocated to the Series 2012C Certificates shall either (i) be deposited to the related Acquisition Account and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of related Series 2004A Lease as fully as if they were the originally leased Facilities, or (ii) at the direction of the School Board, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the related Lease Payment Account to be credited against Basic Lease Payments next coming due under the related Series 2004A Lease.

Assignment of Lease to Trustee

Pursuant to the Series 2004A Assignment, substantially all right, title and interest of the Corporation in and to the Series 2004A-1 Ground Lease and in and to the Series 2004A Leases, 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 owners of the Series 2012C Certificates, the Unrefunded Series 2004A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2004A Leases. The School Board has consented to such assignment.

Lease Covenants

Under the Series 2004A Leases, the School Board is responsible for the acquisition, construction and installation of the Series 2004A Facilities pursuant to the specifications of the School Board, including the letting of all contracts for the acquisition, construction and installation of the Series 2004A Facilities. In the Series 2004A Leases, the School Board covenants that it will: (i) maintain the Series 2004A 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 2004A Leases.
Budget and Appropriation

The cost and expense of the performance by the School Board of its obligations under the Series 2004A Leases, under the Current Leases and any Additional Leases and the incurrence of any liabilities of the School Board under the Series 2004A Leases, 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 2004A Leases.

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 2004A LEASES - Effect of Termination for Non-Appropriation or Default."

Termination of Lease Term

The Lease Term of each Lease, including the Series 2004A Leases, 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 2004A LEASES - 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 such as the Series 2004A-2 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 2012C Certificates and any other Certificates evidencing an interest in the Series 2004A Leases. 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 2004A-1 Facilities will be applied to the payment of the Series 2012C Certificates, equally and ratably with the Unrefunded Series 2004A Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2004A Leases. Under the Series 2004A Leases, the School Board may not be dispossessed of the Series 2004A-2 Facilities or any personal property financed or refinanced, in whole or in part, with the proceeds of the Series 2012C Certificates. See "RISK FACTORS - Limitation Upon Disposition; Ability to Sell or Relet." IN NO EVENT WILL OWNERS OF THE SERIES 2012C CERTIFICATES HAVE ANY INTEREST IN OR RIGHT TO ANY PROCEEDS OF THE DISPOSITION OF FACILITIES FINANCED OR REFINANCED WITH THE PROCEEDS OF ANOTHER SERIES OF CERTIFICATES EXCEPT FOR ANY CERTIFICATES ISSUED TO COMPLETE THE SERIES 2004A FACILITIES OR TO REFUND SERIES 2012C 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 2004A Facilities will produce sufficient amounts to pay the Series 2012C
Certificates. Federal income tax status of payments made to Series 2012C 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 2012C 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 2012C 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 2004A Assignment, the Corporation has made absolute and unconditional assignment of substantially all its right, title and interest under the Series 2004A Leases to the Trustee, retaining its rights to indemnification, its right to hold title to certain of the Series 2004A 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 2012C 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 twelfth 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 2011 population of 1,325,743. It is the third largest county in Florida in terms of population and encompasses a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 38 incorporated municipalities within the boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Jupiter, Delray Beach and Boca Raton.

As of May 7, 2012, the District included 182 schools and had approximately 175,083 full time equivalent students and over 20,000 full-time and part-time employees, including approximately 14,816 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>2011-12</td>
<td>182</td>
<td>14,807</td>
<td>175,083</td>
<td>$6,453</td>
</tr>
<tr>
<td>2010-11</td>
<td>182</td>
<td>14,449</td>
<td>172,831</td>
<td>7,218</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>
</tbody>
</table>

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

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

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

[Remainder of page intentionally left blank]
FTE Growth

The Full-Time Equivalent (FTE) Enrollment for School Years 2007-08 through 2011-12 were as follows:

School District of Palm Beach County, Florida Profile of Enrollments
Unweighted Full-Time Equivalent Students\(^{(1)}\)
2007-08 - 2011-12

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
<th>2009-10</th>
<th>2010-11</th>
<th>2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grades K-3</td>
<td>43,355</td>
<td>43,954</td>
<td>45,052</td>
<td>44,729</td>
<td>45,516</td>
</tr>
<tr>
<td>Grades 4-8</td>
<td>60,078</td>
<td>61,098</td>
<td>60,903</td>
<td>61,652</td>
<td>62,089</td>
</tr>
<tr>
<td>Grades 9-12</td>
<td>44,233</td>
<td>43,784</td>
<td>44,943</td>
<td>45,161</td>
<td>46,120</td>
</tr>
<tr>
<td>Exceptional Ed.</td>
<td>1,502</td>
<td>1,387</td>
<td>1,337</td>
<td>1,423</td>
<td>1,505</td>
</tr>
<tr>
<td>Vocational Ed.</td>
<td>5,334</td>
<td>5,226</td>
<td>5,060</td>
<td>4,944</td>
<td>4,968</td>
</tr>
<tr>
<td>At. Risk Programs</td>
<td>14,778</td>
<td>14,105</td>
<td>14,427</td>
<td>14,922</td>
<td>14,885</td>
</tr>
<tr>
<td>Total</td>
<td>169,280</td>
<td>169,554</td>
<td>171,722</td>
<td>172,831</td>
<td>175,083</td>
</tr>
</tbody>
</table>

Percentage Change: (0.32)% 0.16% 1.28% 0.65% 1.30%

\(^{(1)}\) 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.

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:

**E. Wayne Gent**, Superintendent, accepted the responsibilities of Superintendent of Schools for the District on February 16, 2012. Mr. Gent, a lifelong educator and leader dedicated to high standards, has served in the field of education for the past twenty-seven years as Teacher, Assistant Principal, Principal, appointed Principal in Residence by the Commissioner of Education, Area Superintendent, Assistant Superintendent of Curriculum and Chief Officer of Administration. Mr. Gent received his bachelor's degree from Mars Hill College, Master's of Education degree from the University of Georgia and completed postgraduate studies at Florida Atlantic University.

**Michael Burke**, Chief Operating 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 August 3, 2011 was 20,755, 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 August 3, 2011, the Board employed 20,755 full-time persons representing the following groups:

<table>
<thead>
<tr>
<th>Group</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instructional</td>
<td>14,807</td>
</tr>
<tr>
<td>School and District Administrators</td>
<td>724</td>
</tr>
<tr>
<td>Clerical, Police, Secretarial, Professional Staff</td>
<td>2,120</td>
</tr>
<tr>
<td>Bus, Custodial, Maintenance and Mechanics</td>
<td>3,104</td>
</tr>
<tr>
<td>Total</td>
<td>20,755</td>
</tr>
</tbody>
</table>

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

- Teachers: June 30, 2014
- Clerical: December 31, 2011
- Police: December 31, 2011
- Bus, Custodial, Maintenance and Mechanics: December 31, 2011

The District is currently negotiating new contracts with the Clerical, Police and Bus, Custodial, Maintenance and Mechanics Unions. 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 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 2011-12 Budget was adopted by the Board on September 14, 2011. The tentative budget for Fiscal Year 2012-13 was adopted by the School Board on July 25, 2012. The final budget for Fiscal Year 2012-13 is expected to be considered by the School Board on September 5, 2012. 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 2011. No Certificates or other debt payable from the Local Option Millage Levy (as defined herein) is expected to be issued to fund the current five-year CIP.

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, 2011." The unaudited Superintendent's Annual Financial Report for the Fiscal Year ended June 30, 2012 was not available as of the date of this Offering Statement.

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 Fiscal Years 2006-2011.

<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>2011</td>
<td>$6,325,000</td>
<td>$351,647,000</td>
<td>$922,888,000</td>
<td>$1,280,860,000</td>
</tr>
<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>
</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.
General Fund Operations

The following table summarizes results of operations for the general fund of the District for the Fiscal Years ended June 30, 2008 through June 30, 2011 and the budgeted results of operations for the Fiscal Year ended June 30, 2012.

The School District of Palm Beach County, Florida  
Summary of Revenues and Expenditures - General Fund  
(In Millions)(1)

For the Fiscal Years Ended June 30

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</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>Revenues:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Valorem Taxes</td>
<td>$879.8</td>
<td>$887.3</td>
<td>$873.4</td>
<td>$859.2</td>
<td>$840.5</td>
</tr>
<tr>
<td>Interest Income and Other</td>
<td>14.7</td>
<td>5.8</td>
<td>1.5</td>
<td>8.7</td>
<td>3.4</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>56.6</td>
<td>59.3</td>
<td>54.6</td>
<td>55.0</td>
<td>47.8</td>
</tr>
<tr>
<td>Transfers In</td>
<td>60.7</td>
<td>61.3</td>
<td>83.8</td>
<td>89.8</td>
<td>80.9</td>
</tr>
<tr>
<td><strong>Total Local Sources and Other Financing Sources</strong></td>
<td>$1,011.8</td>
<td>$1,013.3</td>
<td>$1,013.3</td>
<td>$1,012.7</td>
<td>$972.6</td>
</tr>
<tr>
<td>State Sources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FL Educ. Finance Pro. &amp; Lottery</td>
<td>$136.7</td>
<td>$78.7</td>
<td>$62.1</td>
<td>$123.9</td>
<td>$98.8</td>
</tr>
<tr>
<td>Categorical Grants</td>
<td>248.5</td>
<td>231.7</td>
<td>222.7</td>
<td>206.2</td>
<td>211.7</td>
</tr>
<tr>
<td>Other</td>
<td>19.5</td>
<td>17.5</td>
<td>0.9</td>
<td>21.5</td>
<td>20.5</td>
</tr>
<tr>
<td><strong>Total State Sources</strong></td>
<td>$404.7</td>
<td>$327.9</td>
<td>$285.7</td>
<td>$351.6</td>
<td>$331.0</td>
</tr>
<tr>
<td>Federal Sources</td>
<td>$2.2</td>
<td>$6.4</td>
<td>$5.9</td>
<td>$6.3</td>
<td>$6.2</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$1,418.7</td>
<td>$1,348.0</td>
<td>$1,304.9</td>
<td>$1,370.6</td>
<td>$1,309.8</td>
</tr>
<tr>
<td><strong>Adjustments to Fund Balance</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Rev. &amp; Fund Balance</strong></td>
<td>$1,520.3</td>
<td>$1,468.7</td>
<td>$1,397.3</td>
<td>$1,467.7</td>
<td>$1,496.7</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>$862.7</td>
<td>$850.6</td>
<td>$788.8</td>
<td>$748.9</td>
<td>$851.7</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>260.1</td>
<td>260.5</td>
<td>244.2</td>
<td>245.7</td>
<td>268.0</td>
</tr>
<tr>
<td>Purchased Services and other</td>
<td>276.8</td>
<td>265.2</td>
<td>259.9</td>
<td>286.1</td>
<td>322.4</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$1,399.6</td>
<td>$1,376.3</td>
<td>$1,292.9</td>
<td>$1,281.0</td>
<td>$1,442.1</td>
</tr>
<tr>
<td><strong>Excess of Revenues Over (Under) Expenditures</strong></td>
<td>$19.1</td>
<td>$(28.3)</td>
<td>$12.0</td>
<td>$89.6</td>
<td>$(132.3)</td>
</tr>
<tr>
<td><strong>Ending Fund Balance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>$10.9</td>
<td>$6.0</td>
<td>$14.8</td>
<td>$12.5</td>
<td>-</td>
</tr>
<tr>
<td>Restricted</td>
<td>13.1</td>
<td>12.1</td>
<td>13.2</td>
<td>17.1</td>
<td>-</td>
</tr>
<tr>
<td>Committed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Assigned</td>
<td>57.3</td>
<td>34.9</td>
<td>24.7</td>
<td>102.7</td>
<td>$10.3</td>
</tr>
<tr>
<td>Unassigned</td>
<td>39.4</td>
<td>39.4</td>
<td>44.4</td>
<td>54.6</td>
<td>44.4</td>
</tr>
<tr>
<td><strong>Total Fund Balance</strong></td>
<td>$120.7</td>
<td>$92.4</td>
<td>$97.1</td>
<td>$186.9</td>
<td>$54.7</td>
</tr>
<tr>
<td><strong>Total Expenditures &amp; Fund Balance</strong></td>
<td>$1,520.3</td>
<td>$1,468.7</td>
<td>$1,390.0</td>
<td>$1,467.9</td>
<td>$1,496.8</td>
</tr>
</tbody>
</table>

(1) Totals may not add due to rounding.
Source: The School District of Palm Beach County, Florida.
Section 1011.051, *Florida Statutes*, entitled "Guidelines for general funds" 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 2009-10, the District's unreserved General Fund balance was 5.97% of General Fund Revenues and in Fiscal Year 2010-11 was 3.98% of General Fund Revenues. For Fiscal Year 2011-12, the District's unreserved General Fund balance was projected to be 3.38%.
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>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Budget 2012</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>$642.3</td>
<td>$595.4</td>
<td>$414.4</td>
<td>$342.0</td>
<td>$383.6</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>$328.4</td>
<td>$282.4</td>
<td>$263.2</td>
<td>$205.8</td>
<td>$198.1</td>
</tr>
<tr>
<td>Local Sales Tax</td>
<td>102.8</td>
<td>100.1</td>
<td>99.3</td>
<td>51.0</td>
<td>-</td>
</tr>
<tr>
<td>Interest Income and other</td>
<td>55.2</td>
<td>23.0</td>
<td>9.0</td>
<td>7.2</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Total Local Sources</strong></td>
<td>$486.4</td>
<td>$405.5</td>
<td>$371.5</td>
<td>$264.0</td>
<td>$200.5</td>
</tr>
<tr>
<td>Miscellaneous Federal Through State:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State Sources:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Outlay distributed to District</td>
<td>$2.0</td>
<td>$2.0</td>
<td>$1.8</td>
<td>$1.2</td>
<td>$1.2</td>
</tr>
<tr>
<td>Public Education Capital Outlay</td>
<td>33.7</td>
<td>9.2</td>
<td>2.0</td>
<td>5.5</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>46.7</td>
<td>3.3</td>
<td>3.5</td>
<td>3.1</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total State Sources</strong></td>
<td>$82.4</td>
<td>$14.5</td>
<td>$7.3</td>
<td>$9.8</td>
<td>$4.6</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$568.8</td>
<td>$420.0</td>
<td>$379.2</td>
<td>$273.8</td>
<td>$205.1</td>
</tr>
<tr>
<td>Adjustments to Fund Balance</td>
<td>$7.7</td>
<td>$2.3</td>
<td>-</td>
<td>$7.6</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues and Fund Balance</strong></td>
<td>$1,218.8</td>
<td>$1,017.7</td>
<td>$793.6</td>
<td>$623.4</td>
<td>$588.7</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>($205.9)</td>
<td>($216.1)</td>
<td>($228.7)</td>
<td>($226.6)</td>
<td>($229.5)</td>
</tr>
<tr>
<td>Transfers in</td>
<td>2.9</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Sale of Capital Assets</td>
<td>0.3</td>
<td>3.3</td>
<td>0.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Insurance Loss Recoveries</td>
<td>6.3</td>
<td>6.5</td>
<td>0.4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Issuance of Long-Term Debt</td>
<td>151.7</td>
<td>-</td>
<td>-</td>
<td>78.3</td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td>($44.7)</td>
<td>($206.3)</td>
<td>($227.9)</td>
<td>($148.3)</td>
<td>($225.0)</td>
</tr>
<tr>
<td><strong>Total Revenues, Other Financing Sources</strong> and Fund Balance</td>
<td>$1,174.1</td>
<td>$811.4</td>
<td>$565.7</td>
<td>$475.1</td>
<td>$363.7</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$33.1</td>
<td>$9.3</td>
<td>$2.2</td>
<td>$0.6</td>
<td>-</td>
</tr>
<tr>
<td>Buildings</td>
<td>422.1</td>
<td>251.3</td>
<td>148.9</td>
<td>51.1</td>
<td>40.8</td>
</tr>
<tr>
<td>Improvements</td>
<td>63.3</td>
<td>76.7</td>
<td>36.6</td>
<td>22.7</td>
<td>18.3</td>
</tr>
<tr>
<td>Other Capital Outlay</td>
<td>51.5</td>
<td>56.4</td>
<td>35.2</td>
<td>13.6</td>
<td>10.9</td>
</tr>
<tr>
<td>Debt Service</td>
<td>8.7</td>
<td>3.3</td>
<td>0.8</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$578.7</td>
<td>$397.0</td>
<td>$223.7</td>
<td>$91.5</td>
<td>$73.4</td>
</tr>
<tr>
<td><strong>Excess of Revenues Over (Under)</strong></td>
<td>($9.9)</td>
<td>$23.0</td>
<td>$155.5</td>
<td>$182.3</td>
<td>$131.7</td>
</tr>
<tr>
<td><strong>Excess of Revenues and Other Financing Sources Over (Under)</strong></td>
<td>($54.6)</td>
<td>($183.3)</td>
<td>($72.4)</td>
<td>$34.0</td>
<td>($93.3)</td>
</tr>
<tr>
<td><strong>Ending Fund Balance:</strong></td>
<td>$595.4</td>
<td>$414.4</td>
<td>$342.0</td>
<td>$383.6</td>
<td>$290.3</td>
</tr>
</tbody>
</table>

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, 2011

<table>
<thead>
<tr>
<th>DIRECT DEBT</th>
<th>General Obligation</th>
<th>Non-Self Supporting Revenue Debt&lt;sup&gt;(1)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State of Florida</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2002-A</td>
<td>$2,080</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2002-B</td>
<td>2,775</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2003-A</td>
<td>4,820</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2005-A</td>
<td>12,930</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2005-B</td>
<td>180</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2009-A</td>
<td>365</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2010-A</td>
<td>275</td>
<td></td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2010-A&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td>1,790</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DIRECT DEBT</strong></td>
<td>$ 0</td>
<td>$37,215</td>
</tr>
</tbody>
</table>

<sup>(1)</sup> 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.

<sup>(2)</sup> Issued to refund the callable portion of the Series 2002-A Bonds, which were refunded in January, 2012.

Source: School District of Palm Beach County, Florida.

[Remainder of page intentionally left blank]
## Direct and Overlapping Long-Term Debt Statement (in thousands)

**OVERLAPPING DEBT (COUNTY)**

<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>Total General Obligations Bonds</td>
<td>$226,545</td>
<td>$848,086</td>
</tr>
<tr>
<td>Total Non-Ad Valorem Revenue Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Revenue Bonds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL COUNTY DIRECT DEBT</td>
<td>$226,545</td>
<td>$848,086</td>
</tr>
<tr>
<td>TOTAL DISTRICT DEBT</td>
<td>0</td>
<td>37,215</td>
</tr>
<tr>
<td>TOTAL DIRECT AND OVERLAPPING DEBT</td>
<td>$226,545</td>
<td>$885,301</td>
</tr>
</tbody>
</table>

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

1. **Population (2011)**
   1,325,743

2. **Net Taxable Valuation (2011 tax year)**
   $132,258,526,057

3. **Direct General Obligation Debt**
   a) As a Percent of Taxable Valuation
   b) Per Capita
   0%
   $0

4. **Direct and Overlapping General Obligation Debt**
   $226,545,000
   a) As a percent of Taxable Valuation
   b) Per Capita
   0.1713%
   $170.88

5. **Direct Non-Ad Valorem Revenue Bonds and Direct General Obligation Debt**
   $37,215,000
   a) As a percent of Taxable Valuation
   b) Per Capita
   0.0281%
   $28.07

6. **Direct and Overlapping General Obligation and Non-Ad Valorem Revenue Bonds**
   $1,111,846,000
   a) As a percent of Taxable Valuation
   b) Per Capita
   0.8407%
   $838.66

---

**Notes:**

1. Preliminary certified figure. Subject to adjustment. The preliminary Net Taxable Valuation for the 2012 tax year is $133,036,112,620 as of July 1, 2012. Such figure is also subject to adjustment.

**Source:** The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011.

**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 2004A Leases 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, 2010 and June 30, 2011, the District contributed $93,208,284 and $100,751,842, 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, 2010 and June 30, 2011, the District contributed $33,084 and $16,009, respectively. See Note 12 to the District's audited financial statements for the Fiscal Year ended June 30, 2011 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, 2011" for additional information regarding the retirement plans.

During its 2011 regular session, the State Legislature adopted legislation that made significant changes to FRS with respect to employee contributions and employer contributions, among other items. Effective July 1, 2011, all members of FRS were required to contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduced the required employer contribution rates for each membership class and subclass of the FRS. For Fiscal Year 2010-11, contribution rates ranged from 9.85% to 20.92% 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 were used by the District to partially offset the reduction in State education funding for Fiscal Year 2012. See "RISK FACTORS - State Revenues" herein. Additionally, the legislation eliminated the cost of living adjustment for all FRS employees for service earned on or after July 1, 2011, although the legislation does contemplate reinstatement of the adjustment in 2016 under certain conditions. On June 20, 2011, the Florida Education Association, a teachers union, announced it had 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.

On March 6, 2012, the Circuit Court issued its ruling in favor of the plaintiffs holding that the required 3% contribution and elimination of the cost-of-living adjustment for employees who were FRS members prior to July 1, 2011 unlawfully impaired State employee contracts, constituted a taking of private property without full compensation and violated the public employees right to collective bargaining. The Circuit Court ordered the State to reimburse, with interest, the funds deducted or withheld from the compensation or cost-of-living adjustments from such employees. The State appealed the Circuit Court's ruling to the First District Court of Appeals, which automatically stays the effectiveness of the Circuit Court ruling. The First District Court of Appeals certified the case to the Florida Supreme Court as a matter of great public importance. On March 28, 2012, the Florida Supreme Court accepted jurisdiction in the case and scheduled oral arguments for September 5, 2012. At present, the final 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 are 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 is 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 $161.4 million as of June 30, 2011. 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 $13.63 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 $70.87 million as of June 30, 2011, which reflects the District's approximately $4.90 million contribution towards its OPEB liability during Fiscal Year 2010-11. For additional information on OPEB liability, including assumptions on which the calculation is based, see note 13 and the Required Supplementary Information to the District's audited financial statements for the Fiscal Year ended June 30, 2011 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 and 2010-11 were $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), and $123,995,000 (excluding $50,560,000 of federal stimulus funds under the American Recovery & Reinvestment Act received by the District), respectively, and was budgeted at $98,755,744 for Fiscal Year 2011-12.

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 $194,661,443 and
$196,255,000 for Fiscal Years 2009-10 and 2010-11, respectively, and is budgeted at $201,031,843 for Fiscal Year 2011-12.

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 received $18.1 million more in FEFP revenues in Fiscal Year 2011 than Fiscal Year 2010. For Fiscal Year 2012, FEFP funding decreased by $23.5 million. The decrease for Fiscal Year 2012 is due to a decrease in state funding for education. See "RISK FACTORS - State Revenues."

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 2012 is 175,023 which is higher than the peak of 2006. Future enrollment is projected to increase slowly over the next three 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 2012, local property taxes will provide 72.6% 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 $9.147 million and $10.594 million in Florida School Recognition Program revenues for Fiscal Year 2009-10 and 2010-11, respectively, and the District budgeted $8.672 million in Florida School Recognition Program revenues for Fiscal Year 2011-12. The District received $502,627 and $686,215 in Discretionary Lottery revenues for Fiscal Year 2009-10 and 2010-11, respectively, and the District budgeted $527,913 Discretionary Lottery revenues for Fiscal Year 2011-12.

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, 2013, the District's tentatively budgeted discretionary operating millage and capital outlay discretionary millage are 0.702 mills and 0.046 mills, respectively. See "AD VALOREM TAXATION - Millage Rates" and "Historical Millages" herein.

The District, pursuant to authority granted in Section 1011.71(9), Florida Statutes, sought 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 tentatively budgeted operating millage levies for Fiscal Year 2012-13:

<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>5.257 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>5.257 mills</td>
</tr>
<tr>
<td>Current Operating Discretionary Millage</td>
<td>0.702 mills</td>
<td>Non-voted; not to exceed amount established annually by the Legislature</td>
<td>0.748 mills</td>
</tr>
<tr>
<td>Additional Operating Millage (Voter Approved)</td>
<td>0.250 mills</td>
<td>School boards may, upon approval by voters in a local referendum or general election, levy an additional millage for operating needs up to an amount that when combined with non-voted millage does not exceed 10-mills. Such levy shall be for a maximum of four years.</td>
<td>0.250 mills</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 $754,931 and $818,729 in Fiscal Years 2009-10 and 2010-11, respectively, and are budgeted at $658,500 for Fiscal Year 2011-12. Federal funds through the State totaled $5,400,000 and $5,100,000 in Fiscal Years 2009-10 and 2010-11, respectively, and are budgeted to be $5,500,000 in Fiscal Year 2011-12. The District also received $36 million in federal Education Jobs Bill funds in 2010-11, which it reserved for use in Fiscal Year 2011-12 to partially offset cuts in State education funding. Such funds are not available to make Lease Payments on the Leases.

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

Class Size Reduction

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

The Class Size Legislation established constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten through 3rd grade, 22 for grades 4 through 8 and 25 for grades 9 through 12. Such legislation generally provided 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 was not in compliance with such requirements, the legislation provided that the State would 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. As of the October 2011 Survey, the week during which DOE determines compliance with class size maximums, the District had 100% of the classrooms in compliance.

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 2010-11, the revenue sources for capital improvements, excluding any Certificate proceeds and existing fund balances, were approximately 3.6% from State revenues, 75.2% from local millage, 18.6% from local sales tax and 2.6% 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 $1,963,985 for Fiscal Year 2009-10 and $5,453,000 for Fiscal Year 2010-11; however, the School Board is not budgeted to receive any PECO Funds for Fiscal Year 2011-12.

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 2009-10, $1,232,000 in Fiscal Year 2010-11 and expects to receive approximately $1,200,000 in Fiscal Year 2011-12 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. Prior to July 1, 2012, payments from this millage for lease purchase agreements for educational facilities and sites were not permitted to exceed three-fourths of the proceeds of the Local Option Millage Levy. However, effective July 1, 2012, the three-fourths limitation is waived for lease-purchase agreements originally entered into prior to June 30, 2009. The School Board is not required to levy any millage for capital outlay purposes in the future. Since revenues from the levy of the Local Option Millage Levy 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.

[Remainder of page intentionally left blank]
The following table sets forth the District's tentatively budgeted capital outlay levies for Fiscal Year 2012-13:

<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 mills</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>0.046 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>0.250 mills</td>
</tr>
</tbody>
</table>

(1) See "-Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - Legislation Waiving 75% Limitation on Use of Local Option Millage Levy" for information regarding recently enacted legislation which waives the 75% limitation on use of the Local Option Millage revenues for lease-purchase agreements originally entered into prior to June 30, 2009.

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." The School Board's total millage for Fiscal Year 2012-13 is tentatively budgeted at 7.778 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 June 25, 2012, approved a tentative budget for the 2012-13 Fiscal Year which included a 4.91% decrease in the ad valorem tax rate. Despite the decrease there is still projected to be an approximately 0.59% increase in total revenue from ad valorem taxes due to the increase in the value of taxable property for Fiscal Year 2012-13.
The following table sets forth the millage levy that would provide 1.00x coverage of the maximum annual payments represented by the Outstanding Certificates and the Series 2012C Certificates based on current law, assuming a 96% collection of the taxes levied:

### Anticipated Local Option Millage Levy* Required to Cover Lease Payments Represented by the Outstanding Certificates and the Series 2012C Certificates

| Net Taxable Assessed Valuation (FY 2013)\(^{(1)}\): | $ 133,036,112,620 |
| Local Option Millage Levy (FY 2013)* | 1.546 mills |
| Tax Collection Rate | 96.0% |
| **Total Revenue Generated by 1.546 mill Levy at 96% collection** | $ 197,446,877 |

### Millage Levy Required to Satisfy Lease Payments Represented by the Outstanding Certificates and the Series 2012C Certificates

| Maximum Annual Lease Payments Represented by the Outstanding Certificates and the Series 2012C Certificates (FY 2028)\(^{(2)}\) | $ 147,837,970 |
| Minimum Levy Required to Produce 1.00x Coverage of Maximum Annual Lease Payments Represented by the Outstanding Certificates\(^{(3)}\) | 1.158 mills |
| Remaining Millage Levy | 0.388 mills |
| Revenue Produced by Remaining Millage Levy | $ 49,608,907 |

*Includes 1.50 mills Local Option Millage levy and 0.046 mills discretionary capital outlay millage levy tentatively budgeted to be levied by the School Board for Fiscal Year 2012-2013.

\(^{(1)}\) Preliminary (July 1, 2012) certified figure. Subject to adjustment.

\(^{(2)}\) Assumes the Outstanding Certificates have the financial arrangements, assumptions and accounting practices described in footnotes under "CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES" and "CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES."

\(^{(3)}\) During the 2012 regular session of the Florida legislature, legislation was enacted which waives the 75% limitation on use of the Local Option Millage revenues for lease-purchase agreements originally entered into prior to June 30, 2009. Such legislation became effective on July 1, 2012. See "AD VALOREM TAXATION - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - Legislation Waiving 75% Limitation on Use of Local Option Millage Levy" herein. Following the effective date of such legislation, only the Lease Payments with respect to Leases originally entered into after June 30, 2009 are subject to the 75% limitation. Accordingly, as of the date of this Offering Statement, only the Lease Payments related to the Series 2010A Lease would be subject to such limitation.

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, working waterfronts, deployed military personnel 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.
In 2011, the Florida Legislature created Section 194.014, Florida Statutes, which requires that taxpayers appealing the assessed value or assigned classification of their property must make a required partial payment of taxes (generally equal to 75% of the ad valorem taxes due, less the applicable statutory discount, if any) with respect to properties that will have a petition pending on or after the delinquency date (normally April 1). The new statute further provides that a taxpayer's failure to make the required partial payment before the delinquency date (normally April 1) will result in the denial of the taxpayer's petition.

**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 applies 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.

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 and (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. In 2012, the Florida Legislature further amended Section 1011.71, Florida Statutes to waive the 75% limitation on the use of Local Option Millage Levy revenues for lease-purchase agreements originally entered into prior to June 30, 2009.

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>2013(3)</td>
<td>N/A</td>
<td>$133,036,113</td>
<td>-</td>
</tr>
<tr>
<td>2012(2)</td>
<td>163,642,421</td>
<td>132,258,526</td>
<td>80.82%</td>
</tr>
<tr>
<td>2011</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>
</tbody>
</table>

(1) Assessed value equals 100% of estimated value.
(2) Preliminary certified figures. Prior to adjustments on appeals from taxpayers.
(3) Preliminary (July 1, 2012) certified figures. Subject to adjustment.

N/A = Not Available


The following table contains current and historical millage rates (tax per $1,000 of assessed value) for the Board for the last five Fiscal Years (see "AD VALOREM TAX MATTERS - Millage Rates" and "- Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - Reduction in Local Option Millage Levy" 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>2009</td>
</tr>
<tr>
<td>General Fund</td>
<td></td>
</tr>
<tr>
<td>Required Local Effort</td>
<td>4.898</td>
</tr>
<tr>
<td>Discretionary</td>
<td>0.603</td>
</tr>
<tr>
<td>Subtotal</td>
<td>5.501</td>
</tr>
<tr>
<td>Debt Service</td>
<td>0.000</td>
</tr>
<tr>
<td>Capital Improvement</td>
<td>1.750</td>
</tr>
<tr>
<td>Total Millage Levy</td>
<td>7.251</td>
</tr>
</tbody>
</table>

(1) Tentatively budgeted figures.

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 8.18 non-voted mills for Fiscal Year ended June 30, 2012.

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 fiscal years 2003 through 2012.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>District</th>
<th>County</th>
<th>Water District</th>
<th>Total County Wide</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>8.180</td>
<td>6.9619</td>
<td>.3739</td>
<td>15.5158</td>
</tr>
<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>7.983</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>7.356</td>
<td>5.5775</td>
<td>.5346</td>
<td>13.4681</td>
</tr>
<tr>
<td>2007</td>
<td>7.872</td>
<td>6.2059</td>
<td>.5970</td>
<td>14.6749</td>
</tr>
<tr>
<td>2006</td>
<td>8.106</td>
<td>6.6264</td>
<td>.5970</td>
<td>15.3294</td>
</tr>
<tr>
<td>2005</td>
<td>8.432</td>
<td>6.6964</td>
<td>.5970</td>
<td>15.7254</td>
</tr>
<tr>
<td>2004</td>
<td>8.571</td>
<td>6.7497</td>
<td>.5970</td>
<td>15.9177</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 2012.

### 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(1)</th>
<th>Total Tax Collections(2)</th>
<th>Percent of Current Tax Collected To Property Taxes Levied</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$874,151</td>
<td>$810,065</td>
<td>$816,935</td>
<td>92.66%</td>
</tr>
<tr>
<td>2011</td>
<td>886,852</td>
<td>824,190</td>
<td>834,785</td>
<td>93.16</td>
</tr>
<tr>
<td>2010</td>
<td>908,715</td>
<td>838,198</td>
<td>843,901</td>
<td>92.24</td>
</tr>
<tr>
<td>2009</td>
<td>922,611</td>
<td>846,495</td>
<td>848,999</td>
<td>91.75</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>
</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 16, 2012.


The following table contains the list of the County’s ten largest taxpayers for the Fiscal Year ended September 30, 2011.

### Palm Beach County, Florida
#### Principal Property Tax Payers
##### September 30, 2011

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>2011 Taxes Levied</th>
<th>% of Total Taxes Levied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Power &amp; Light</td>
<td>$57,318,652</td>
<td>6.56%</td>
</tr>
<tr>
<td>BellSouth Telecommunications</td>
<td>7,429,140</td>
<td>0.85</td>
</tr>
<tr>
<td>Town Center</td>
<td>6,934,463</td>
<td>0.79</td>
</tr>
<tr>
<td>Landry, Lawrence L.</td>
<td>4,562,021</td>
<td>0.52</td>
</tr>
<tr>
<td>Comcast of Florida/Georgia LLC</td>
<td>3,666,229</td>
<td>0.42</td>
</tr>
<tr>
<td>Panthers BRHC LTD</td>
<td>3,419,928</td>
<td>0.39</td>
</tr>
<tr>
<td>TJ Palm Beach Assoc LTD Partners</td>
<td>2,973,749</td>
<td>0.34</td>
</tr>
<tr>
<td>2700 North Ocean LLC</td>
<td>2,903,013</td>
<td>0.33</td>
</tr>
<tr>
<td>Breakers Palm Beach Inc.</td>
<td>2,708,719</td>
<td>0.31</td>
</tr>
<tr>
<td>BRE Boca Corporate Center LLC</td>
<td>2,633,922</td>
<td>0.30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$94,549,836</strong></td>
<td><strong>10.81%</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 recent legislative sessions. However, the approved 2012-2013 State budget does include a slight increase in funding for education. 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 lease 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 Basic Lease Payments with respect to the Series 2012C 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 Basic Lease Payments under the Series 2004A Leases 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 the 2009, 2010 and 2011 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 (however, see "- Legislation Waiving 75% Limitation on Use of Local Option Millage Levy" below for information regarding an amendment to the provision); (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. The authorization to levy the millage described in clause (iv) hereof expired on June 30, 2011.
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 clause (iii) to levy an additional 0.25 mills for capital purposes. The School Board is not levying the optional millage referred to in clause (iii) above and is no longer authorized to levy the optional millage referred to in clause (iv) above.

Legislation Waiving 75% Limitation on use of Local Option Millage Levy. During the 2012 regular legislative session, Section 1011.71, Florida Statutes, was further amended to indefinitely allow a waiver of the three-fourths limit on the use of proceeds from the Local Option Millage Levy for lease-purchase agreements originally entered into before June 30, 2009. Previously, such waiver was only authorized for the 2009-10 Fiscal Year (as described in clause (ii) of the preceding paragraph). Such provision became effective on July 1, 2012.

Proposals Affecting Ad Valorem Taxation and District Finances

Ad Valorem Taxation Proposals. During its 2011 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. 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. 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.

Other Legislative Proposals Relating to Ad Valorem Taxation. During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation have been introduced in the State. Many of these proposals provide for new or increased exemptions to ad valorem taxation, limit increases in assessed valuation of certain types of property or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. 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 2012C Certificates is subject to certain risks and each prospective purchaser of Series 2012C 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 2012C Certificates to an extent that cannot be determined.

**Annual Right of the School Board to Terminate the Series 2004A Leases**

Although the School Board has determined that the Series 2004A Facilities are necessary to its operations and currently intends to continue the Series 2004A Leases in force and effect for the Lease Term and has covenanted in the Series 2004A Leases 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 2004A Leases 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 2004A Leases, 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 2004A Leases or non-appropriation of funds, the Trustee as assignee of the Corporation may take possession of the Series 2004A-1 Facilities (but not the Series 2004A-2 Facilities) and sell or re-let the leasehold interests therein. The Trustee's ability to actually achieve such a disposition of such Series 2004A-1 Facilities is limited by its inability to convey fee simple title to the Series 2004A-1 Facilities and by the governmental nature of the Series 2004A-1 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 2004A 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 2004A-1 Facilities will produce sufficient
amounts to make timely payments of the principal and interest portions due on the outstanding Series 2012C Certificates.

**Tax Effect Upon Termination of Series 2004A Leases**

Upon termination of the Series 2004A Leases there is no assurance that payments made by the Trustee with respect to the Series 2012C 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 2004A Leases, the transfer of a Series 2012C 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 2012C Certificates will not be impaired following termination of the Series 2004A Leases.

**Local Option Millage Revenue**

The amount which can be realized by the District derived from the levy of the Local Option 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 and 2009 legislative session resulting in the District losing another $24.9 million in revenues compared to the Fiscal Year ended June 30, 2008 and $24.3 million 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 decreased 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 was a $1.35 billion or 7.96%
reduction in funding for education from fiscal year 2010-11. Such reduction correlated to a decrease of $542.03 in funding per student in the State. Such budget resulted 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 on and after 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 advocated the use of temporary federal education dollars in order to further offset the loss of such revenue. The District reserved all $36 million of the federal education funds it received for use in Fiscal Year 2012. Even with such measures, the District projected a budget shortfall of $35 million for Fiscal Year 2012. However, the District identified the cost reductions needed to balance the budget and adopted a balanced budget in September 2011.

On March 9, 2012, the Florida Legislature passed the State Budget for fiscal year 2012-13. Included in the adopted budget is an $597 million increase in State education funding compared to fiscal year 2011-12. However, taking into account Federal Education Jobs funds carried-forward from the 2010-11 fiscal year and used in the 2011-12 fiscal year to make up for the recent decreases in State education funding, the overall increase in funding for education in the State for fiscal year 2012-13 is approximately $42 million. Due to a projected increase in student enrollment in the District, even with such increase in State Funding, the District expects a net decrease of approximately $25 in overall funding per student.

Additional Leases

Pursuant to the Master Lease, the School Board may enter into other Leases in addition to the Current Leases and the Series 2004A Leases. 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 2004A Leases. Upon any such termination of all Leases, the School Board must surrender certain Facilities, including the Series 2004A-1 Facilities but excluding certain designated facilities such as the Series 2004A-2 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 2012C 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 2004A-1 Facilities will produce sufficient amounts to pay the outstanding Series 2012C 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 2012C 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 (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 Agreement (2005) 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. In addition, the District would be exposed to credit risk if an interest rate exchange agreement has a positive fair market value and the Counterparty is downgraded which could result in required collateralization of the value of the swap and put financial pressure on the Counterparty. Further, the intended benefit of an interest rate exchange agreement may not be realized because the floating rate the District receives under such interest rate exchange agreement may be less than the floating rate payable by the District on the applicable Certificates. See "SECURITY FOR THE SERIES 2012C 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 2012C Certificates; (ii) questioning or affecting the validity of the Series 2004A Leases 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 2012C 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 General 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 2012C 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 2012C 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 2012C 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 2012C 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 The Arbitrage Group, Inc., Buhl, Alabama, independent certified public accountants.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, execution, delivery and sale of the Series 2012C 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 Underwriters will receive fees for services provided in connection with the issuance of the Series 2012C Certificates, which fees are contingent upon the issuance of the Series 2012C 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 2012C Certificates are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities, LLC and Morgan Stanley & Co. LLC (collectively, the "Underwriters") at an aggregate purchase price of $77,767,026.49 which represents the $67,145,000.00 aggregate principal amount of the Series 2012C Certificates, plus bond premium of $10,990,043.75 and less an underwriter's discount of $368,017.26. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2012C Certificates if any Series 2012C Certificates are purchased. The Series 2012C 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.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2012C 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 their transaction), each of UBSFS and CS&Co. will purchase Series 2012C Certificates from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2012C Certificates that such firm sells.

Morgan Stanley, the parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2012C Certificates, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture Morgan Stanley & Co. LLC 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 will compensate Morgan Stanley Smith Barney LLC for its selling efforts in connection with its allocations of the Series 2012C Certificates.

**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 2012C Certificates in order that the interest portion of the Basic Lease Payments represented by the Series 2012C 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 2012C Certificate holders to be included in gross income for Federal income tax purposes retroactively to the date of execution and delivery of the Series 2012C 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 2012C 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 2012C Certificates substantially in the form set forth in Appendix D.

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 2012C 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 2012C 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 2012C 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 2012C 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 is further of the opinion that the Series 2012C Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2012C 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 2012C 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 or State 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 2012C Certificate holders or the ownership or disposition of the Series 2012C Certificates. Prospective purchasers of Series 2012C Certificates should be aware that the ownership of Series 2012C 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 2012C 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 2012C 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 2012C Certificates, (iii) the inclusion of the interest portion of the Basic Lease Payments represented by the Series 2012C 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 2012C 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) the inclusion by recipients of certain Social Security and Railroad Retirement benefits of receipts and accrual of the interest portion of the Basic Lease Payments represented by the Series 2012C 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 suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of the interest portion of Basic Lease Payments represented by the Series 2012C Certificates, adversely affect the market price or marketability of the Series 2012C Certificates, or otherwise prevent the holders from realizing the full current benefit of the status of the interest represented thereby. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Series 2012C Certificates. If enacted into law, such legislative proposals could affect the market price or marketability of the Series 2012C Certificates. Prospective purchasers of the Series 2012C Certificates should consult their tax advisors as to the impact of any proposed or pending legislation.

The discussion of tax matters in this Offering Statement applies only in the case of purchasers of the Series 2012C 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 2012C Certificates. Purchasers of the Series 2012C Certificates should consult their own tax advisers regarding their particular tax status or other tax considerations resulting from ownership of the Series 2012C Certificates.

**BOND PREMIUM**

The Series 2012C 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 Premium Certificates should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Certificates and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

**FINANCIAL ADVISOR**

Public Financial Management, Inc., Orlando, Florida, is serving as Financial Advisor to the School Board. The Financial Advisor assisted in matters relating to the planning, structuring, execution and delivery of the Series 2012C Certificates and provided other advice. The Financial Advisor did not engage in any underwriting activities with regard to the sale of the Series 2012C Certificates.

**BASIC FINANCIAL STATEMENTS**

Excerpted information from the comprehensive annual financial report of the District for the Fiscal Year ended June 30, 2011, included in this Offering Statement have been audited by Ernst & Young LLP, independent certified public accountants, as stated in their report appearing
continuing disclosure

The School Board has covenanted and undertaken for the benefit of the Series 2012C Certificate holders to execute and deliver a Continuing Disclosure Certificate (the "Continuing Disclosure Certificate") on the date of initial issuance of the Series 2012C 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 2012C Certificates in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Such covenant shall only apply so long as the Series 2012C Certificates remain Outstanding under the Series 2004A Leases, the Series 2004A Leases have not been terminated or there has not 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 2012C 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 2004A Leases, the Trust Agreement or the Continuing Disclosure Certificate; however, any Series 2012C 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 2012C 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 is current in all of its electronic filings with the MSRB required by the Rule. However, for the fiscal years ending June 30, 2009 and 2010, the School Board filed its Annual Reports with the previously approved nationally recognized municipal securities information repositories and did not timely file the reports electronically with the MSRB as required by certain amendments to the Rule that became effective on July 1, 2009. The School Board is current in its required filings of material event notices, although from June 26, 2008 until recently, the School Board had ceased filing material event notices of rating changes related to downgrades of municipal bond insurers insuring certain of the School Board's Outstanding Certificates. The School Board is current in its required filings of defeasance notices of refunded Certificates, although due to an inadvertent administrative oversight it had not done so in a timely fashion for two series of Certificates that were refunded in November, 2011. The School Board intends to fully comply with all current and future continuing disclosure undertakings. In furtherance thereof, the School Board is
conducting a review of its internal policies and procedures and will modify its policies and procedures as necessary in order to ensure such ongoing and future compliance with its obligations under 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 2012C 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, Jr. Chairman

By: /s/ E. Wayne Gent 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 2,228 square miles, making it the largest county in the State of Florida. It is located on the lower east coast of the Florida peninsula with 46 miles of Atlantic Ocean frontage and 25 miles of frontage on Lake Okeechobee. The County has a semi-tropical climate with an average temperature of 74.9 F degrees and an average rainfall of 61.7 inches. These and other natural amenities, including 88 local, State and federal recreational areas of more than 10 acres and 163 golf courses, have enabled the County to develop a year-round tourist industry.

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

Population

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Palm Beach County</th>
<th>Florida</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Population Change</td>
<td>Population Change</td>
<td>Population Change</td>
</tr>
<tr>
<td>2002</td>
<td>1,183,123</td>
<td>2.3%</td>
<td>16,680,309</td>
</tr>
<tr>
<td>2003</td>
<td>1,204,827</td>
<td>1.8%</td>
<td>16,981,183</td>
</tr>
<tr>
<td>2004</td>
<td>1,234,204</td>
<td>2.4%</td>
<td>17,375,259</td>
</tr>
<tr>
<td>2005</td>
<td>1,255,007</td>
<td>1.7%</td>
<td>17,783,868</td>
</tr>
<tr>
<td>2006</td>
<td>1,261,380</td>
<td>0.5%</td>
<td>18,088,505</td>
</tr>
<tr>
<td>2007</td>
<td>1,260,836</td>
<td>(0.9)%</td>
<td>18,277,888</td>
</tr>
<tr>
<td>2008</td>
<td>1,265,293</td>
<td>0.4%</td>
<td>18,423,878</td>
</tr>
<tr>
<td>2009</td>
<td>1,286,621</td>
<td>1.7%</td>
<td>18,537,969</td>
</tr>
<tr>
<td>2010</td>
<td>1,320,134</td>
<td>2.6%</td>
<td>18,801,310</td>
</tr>
<tr>
<td>2011</td>
<td>1,325,743</td>
<td>0.4%</td>
<td>19,057,542</td>
</tr>
</tbody>
</table>

University of Florida - Bureau of Economic and Business Research, Florida.

Note: Data for 2011 for the County derived from The School Board of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011.
**Income**

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Palm Beach County Dollars</th>
<th>% of Florida</th>
<th>% of U.S.</th>
<th>Florida Dollars</th>
<th>% of U.S.</th>
<th>U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$44,016</td>
<td>147.6%</td>
<td>141.3%</td>
<td>$29,804</td>
<td>95.7%</td>
<td>$31,157</td>
</tr>
<tr>
<td>2002</td>
<td>44,832</td>
<td>147.1%</td>
<td>142.4%</td>
<td>30,462</td>
<td>96.8%</td>
<td>31,481</td>
</tr>
<tr>
<td>2003</td>
<td>44,740</td>
<td>143.2%</td>
<td>138.5%</td>
<td>31,241</td>
<td>96.7%</td>
<td>32,295</td>
</tr>
<tr>
<td>2004</td>
<td>48,994</td>
<td>146.4%</td>
<td>144.5%</td>
<td>33,463</td>
<td>98.7%</td>
<td>33,909</td>
</tr>
<tr>
<td>2005</td>
<td>51,693</td>
<td>145.6%</td>
<td>145.8%</td>
<td>35,489</td>
<td>100.1%</td>
<td>35,452</td>
</tr>
<tr>
<td>2006</td>
<td>56,665</td>
<td>149.1%</td>
<td>150.2%</td>
<td>37,996</td>
<td>100.7%</td>
<td>37,725</td>
</tr>
<tr>
<td>2007</td>
<td>59,768</td>
<td>152.3%</td>
<td>151.3%</td>
<td>39,256</td>
<td>99.4%</td>
<td>39,506</td>
</tr>
<tr>
<td>2008</td>
<td>60,909</td>
<td>152.4%</td>
<td>148.8%</td>
<td>39,958</td>
<td>97.6%</td>
<td>40,947</td>
</tr>
<tr>
<td>2009</td>
<td>57,461</td>
<td>153.7%</td>
<td>147.9%</td>
<td>37,387</td>
<td>96.2%</td>
<td>38,846</td>
</tr>
<tr>
<td>2010</td>
<td>52,526</td>
<td>137.4%</td>
<td>131.5%</td>
<td>38,222</td>
<td>95.7%</td>
<td>39,945</td>
</tr>
<tr>
<td>2011</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>39,563</td>
<td>94.9%</td>
<td>41,663</td>
</tr>
</tbody>
</table>

Note: Data for 2011 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.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-17</td>
<td>277,292</td>
<td>273,280</td>
<td>268,884</td>
</tr>
<tr>
<td>18-34</td>
<td>241,099</td>
<td>239,959</td>
<td>252,101</td>
</tr>
<tr>
<td>35-54</td>
<td>345,259</td>
<td>339,537</td>
<td>353,702</td>
</tr>
<tr>
<td>55-64</td>
<td>153,298</td>
<td>156,576</td>
<td>160,292</td>
</tr>
<tr>
<td>65-79</td>
<td>176,338</td>
<td>174,826</td>
<td>185,306</td>
</tr>
<tr>
<td>80+</td>
<td>101,368</td>
<td>103,166</td>
<td>99,849</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

**2009-2010**

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Annual Employment 2009</th>
<th>Average Annual Employment 2010</th>
<th>Percent of Total 2009</th>
<th>Percent of Total 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Industries</td>
<td>431,764</td>
<td>425,227</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>6,592</td>
<td>6,456</td>
<td>1.53</td>
<td>1.52</td>
</tr>
<tr>
<td>Mining</td>
<td>66</td>
<td>84</td>
<td>0.00</td>
<td>0.02</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,945</td>
<td>1,408</td>
<td>0.45</td>
<td>0.33</td>
</tr>
<tr>
<td>Construction</td>
<td>26,955</td>
<td>23,645</td>
<td>6.24</td>
<td>5.56</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16,217</td>
<td>15,144</td>
<td>3.76</td>
<td>3.56</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>19,605</td>
<td>18,665</td>
<td>4.54</td>
<td>4.39</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>66,273</td>
<td>62,792</td>
<td>15.34</td>
<td>14.77</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>7,430</td>
<td>6,658</td>
<td>1.72</td>
<td>1.57</td>
</tr>
<tr>
<td>Information</td>
<td>9,362</td>
<td>8,786</td>
<td>2.17</td>
<td>2.07</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>21,092</td>
<td>21,170</td>
<td>4.89</td>
<td>4.98</td>
</tr>
<tr>
<td>Real Estate and Rental Leasing</td>
<td>12,874</td>
<td>12,399</td>
<td>2.98</td>
<td>2.92</td>
</tr>
<tr>
<td>Professional, Scientific and Technical Services</td>
<td>33,243</td>
<td>32,643</td>
<td>7.70</td>
<td>7.68</td>
</tr>
<tr>
<td>Management Companies and Enterprises</td>
<td>8,267</td>
<td>8,602</td>
<td>1.91</td>
<td>2.02</td>
</tr>
<tr>
<td>Administration and Support</td>
<td>35,613</td>
<td>37,425</td>
<td>8.24</td>
<td>8.80</td>
</tr>
<tr>
<td>Educational Services</td>
<td>7,628</td>
<td>7,858</td>
<td>1.77</td>
<td>1.85</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>70,054</td>
<td>70,518</td>
<td>16.23</td>
<td>16.58</td>
</tr>
<tr>
<td>Arts, Entertainment and Recreation</td>
<td>15,393</td>
<td>14,770</td>
<td>3.57</td>
<td>3.47</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>52,590</td>
<td>52,380</td>
<td>12.18</td>
<td>12.32</td>
</tr>
<tr>
<td>Other Services</td>
<td>20,557</td>
<td>20,799</td>
<td>4.76</td>
<td>4.89</td>
</tr>
<tr>
<td>Unclassified</td>
<td>N/A</td>
<td>26</td>
<td>N/A</td>
<td>0.00</td>
</tr>
</tbody>
</table>


Note: Percentages may not equal due to rounding.
Palm Beach County
Annual Average Labor Force and Unemployment Estimates
2002-2011

<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>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>612,009</td>
<td>3.6</td>
<td>3.3</td>
<td>4.6</td>
</tr>
<tr>
<td>2007</td>
<td>621,553</td>
<td>4.2</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>
<tr>
<td>2011</td>
<td>618,836</td>
<td>10.7</td>
<td>10.6</td>
<td>8.9</td>
</tr>
</tbody>
</table>


Largest Employers

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

<table>
<thead>
<tr>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>Palm Beach County School Board .......................................................... 21,495</td>
</tr>
<tr>
<td>Palm Beach County .............................................................. 11,381</td>
</tr>
<tr>
<td>State Government ................................................................. 9,200</td>
</tr>
<tr>
<td>Federal Government ............................................................ 6,200</td>
</tr>
<tr>
<td>Tenet Healthcare Corp ......................................................... 6,100</td>
</tr>
<tr>
<td>Florida Power &amp; Light Company .................................................. 3,632</td>
</tr>
<tr>
<td>G4S ................................................................. 3,000</td>
</tr>
<tr>
<td>Hospital Corporation of America .................................................. 2,714</td>
</tr>
<tr>
<td>Florida Atlantic University ..................................................... 2,706</td>
</tr>
<tr>
<td>Bethesda Memorial Hospital ...................................................... 2,391</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 $1.3 billion.
Aerospace

The County has significant aerospace engineering and manufacturing facilities. Some 850 employees staff Pratt & Whitney's two West Palm Beach facilities. Pratt & Whitney is a world leader in the design, manufacture and service of aircraft engines, industrial gas turbines, and space propulsion systems. Sikorsky Aircraft Corporation, a sister company of Pratt & Whitney, manufacturers helicopters at its Florida Assembly and Flight Test Operations Center in northern Palm Beach County.

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.

Bio-Technology & Manufacturing

Electronics and other high tech products also play an important role in the County's local economy. The arrival of Scripps Research Institute and the Max Planck Florida Institute is providing a boost to the area's technology industry. These two internationally recognized Research Institutes will anchor an eight million square foot Bioscience Cluster in Northern Palm Beach County. A "cluster" of related bio-tech businesses will form a hub around Scripps, strengthening the County's position as a leader in this industry.

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>
<tr>
<td>2010</td>
<td>768</td>
<td>215,254</td>
</tr>
<tr>
<td>2011</td>
<td>1049</td>
<td>278,202</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</th>
</tr>
</thead>
<tbody>
<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>
<tr>
<td>2010</td>
<td>32,093,000</td>
<td>6,499,000</td>
</tr>
</tbody>
</table>

APPENDIX B

EXCERPTED INFORMATION FROM THE COMPREHENSIVE FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2011


COMPREHENSIVE ANNUAL FINANCIAL REPORT

The School District of Palm Beach County, Florida

for the

Fiscal Year Ended June 30, 2011

Issued by:

E. Wayne Gent, Superintendent of Schools
Michael J. Burke, Chief Financial Officer

Prepared by:

Division of Financial Management
Heather Knust, C.P.A., Director of Accounting

The School District of Palm Beach County
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
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, 2011, 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, 2011, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and Federal Economic Stimulus Program 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 and reporting for governmental fund balances as a result of the adoption of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2011 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 70 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 11, 2011
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011, 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.

NEW ACCOUNTING PRONOUNCEMENTS IMPLEMENTED

The District implemented GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions in fiscal year 2011. The objectives of this Statement are to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The reader will note a change in fund balance classifications from reserved, unreserved-designated and unreserved-undesignated to nonspendable, restricted, committed, assigned and unassigned. For more information refer to note 14.

The District elected to early implement Governmental Accounting Standards Board (GASB) Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position in fiscal year 2011. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The reader will note a change in terminology from “net assets” to “net position” and a new category within the Statement of Net Position called “Deferred Outflows of Resources” which includes the accumulated decrease in fair value of hedging derivative instruments.

FINANCIAL HIGHLIGHTS

- The overall financial position of the District improved as reflected in an increase in net position of $60.4 million from $2.104 billion to $2.165 billion and is primarily attributed to successive budget reductions first implemented in fiscal year 2008, receipt of Education Jobs Fund (Ed Jobs) program funds, sale of 2002D Constant Maturity Basis Swap and sale of Palm Beach Public land site.

  - The District continued the hold on non-instructional hiring and hiring all outside personnel on an interim basis. The majority of the District’s costs are salary related representing approximately 80% of the total operating budget. The hiring hold 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 with an increase in total square footage and instituted a freeze on all non-essential purchases including travel.

  - The District received the second year of funding from the American Recovery and Reinvestment Act (ARRA) which was intended to provide a stimulus to the nation's economy, earmarked 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. The District was awarded a total of $199.8 million in ARRA over the past two years and received $94.2 million in FY11 and $99.0 million in FY10. The remaining balance of $6.6 million or 3% is earmarked for instructional programs and was fully utilized by September 30, 2011.
In addition to ARRA funds, the District received The Education Jobs Fund (Ed Jobs) a new Federal program that provided $10 billion in assistance to States to save or create education jobs for the 2010-2011 school year. Jobs funded under this program include those that provide educational and related services for early childhood, elementary, and secondary education. The District was awarded a total of $38.1 million and the Board heeded the recommendation of Florida Department of Education to transfer allowable general fund expenditures to the Ed Jobs fund and reserve the savings in the general fund to help cover the anticipated budget shortfall in fiscal year 2012.

The District sold the 2002D Constant Maturity Basis Swap for $8 million and sold the Palm Beach Public land site for $5.4 million and assigned both amounts to help cover the anticipated budget shortfall in fiscal year 2012.

The District issued Qualified School Construction Bonds (QSCB) of $67.7 million. QSCBs are authorized by the federal government through the American Recovery and Reinvestment Act (ARRA) of 2009. The program provides $11.0 billion face value in tax-free bonds in both fiscal years 2009 and 2010 to help fund school construction, rehabilitation, repair, and land acquisition. The bonds provide federal tax credits for bond holders in lieu of interest in order to significantly reduce an issuer’s cost of borrowing for public school construction projects.

The District's total long-term debt increased by $42.5 million or 2.1% primarily due to the issuance of both QSCBs of $67.7 million and Capital Outlay Bond Issues (COBI) of $12.6 million (including $1.1 million in premium), increase in negative fair value of hedging derivative instruments of $30.5 million offset by repayments of $64.0 million.

The District paid off both the revenue anticipation notes of $56.0 million and the tax anticipation notes of $115 million resulting in no short-term debt outstanding at year end.

Total revenues decreased by $18.2 million or 1.0%, from $1.903 billion to $1.885 billion when compared to the prior year.

General revenue accounted for $1.2 billion, or 66.1%, of all revenues and decreased $60.4 million or 4.6%. This decrease is primarily attributed to a decrease in property taxes of $71.8 million due to a continued decline in property values, a decrease in local sales tax of $48.7 million due to the end of the District sales tax program in December 2010 and decrease in investment earnings of $13.6 million attributed to a decrease in investment revenue recognized as a result of the change in fair value of investment derivative instruments of $5.0 million compared to $17.3 million in the prior year offset by an increase in Florida Education Finance Program (FEFP) revenue of $61.9 million.

Program specific revenue in the form of charges for services, grants and contributions accounted for $639.8 million, or 33.9% of all revenues and increased $42.2 million or 7.1%. The increase is primarily attributed to the receipt of Ed Jobs funds of $38.1 million and $11.1 million FEMA funds received as part of the FEMA closeout process for hurricanes Frances, Jeanne and Wilma.

The District had $1.8 billion in expenses related to programs, which is consistent with prior year. Expenses were offset by $639.8 million in program specific charges for services, grants and contributions. General revenues, primarily property taxes and Florida Education Finance Program (FEFP) revenues were adequate to provide for these programs.

The District’s governmental funds reported combined fund balances of $700.0 million.

The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of $186.9 million. Of this amount, $54.6 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, $102.7 million is classified as assigned, $17.1 million is classified as restricted and $12.5 million is classified as nonspendable. During the current year, General Fund revenues exceeded expenditures (including other financing sources) by $89.9 million as a result of successive
budget reductions, receipt of Ed Jobs funds, sale of the 2002D Constant Maturity Basis swap as well as the sale of the Palm Beach Public land site.

- Capital Project funds ended the year with a fund balance of $383.6 million and is restricted or assigned to fund existing and future capital projects.
- Debt Service funds ended the year with a fund balance of $105.3 million and is restricted to cover debt service payments.
- Special Revenue funds ended the year with a fund balance of $24.1 million, of which $19.6 million is restricted to child nutrition costs, and $2.9 million is nonspendable inventory.

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 trustee or agent for the benefit of others.

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

<table>
<thead>
<tr>
<th>Figure 1</th>
<th>Major Features of Government-Wide and Fund Financial Statements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Scope</strong></td>
<td>Government-wide Statements</td>
</tr>
<tr>
<td></td>
<td>Entire District (except fiduciary funds)</td>
</tr>
<tr>
<td></td>
<td>Fund Financial Statements</td>
</tr>
<tr>
<td></td>
<td>Governmental Funds</td>
</tr>
<tr>
<td></td>
<td>The activities of the District that are not proprietary or fiduciary, such as instructional costs</td>
</tr>
<tr>
<td></td>
<td>Proprietary Funds</td>
</tr>
<tr>
<td></td>
<td>Activities the District operates similar to private businesses: maintenance services and other internal service funds</td>
</tr>
<tr>
<td></td>
<td>Fiduciary Funds</td>
</tr>
<tr>
<td></td>
<td>Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies</td>
</tr>
<tr>
<td><strong>Required financial statements</strong></td>
<td>Accounting basis and measurement focus</td>
</tr>
<tr>
<td></td>
<td>Balance sheet, Statement of revenue, expenditures, and changes in fund balances</td>
</tr>
<tr>
<td></td>
<td>Statement of net position, Statement of revenue, expenses, and changes in fund net position</td>
</tr>
<tr>
<td></td>
<td>Statement of cash flows</td>
</tr>
<tr>
<td></td>
<td>Fiduciary net position, Statement of changes in fiduciary net position</td>
</tr>
</tbody>
</table>

Figure 1, above, 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 position 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 position and how they have changed. Net position – the difference between the District's assets, deferred outflows and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is 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 currently classified as component units of the District if they are not already included as part of another entity. 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 explain 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.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 70.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District’s net position was $2.2 billion at June 30, 2011. The largest portion of the District’s net position, $1.8 billion or 85.0%, 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 position ($390.1 million) represents resources that are subject to external restrictions on how they may be used.

Capital assets (net) decreased $51.1 million or 1.4% compared to prior year and primarily reflects the impact of current year depreciation exceeding capital spending. See Note 7 of the Notes to the Financial Statements for more information on capital assets.

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

| Table 1 |
| Summary of Net Position |
| Governmental Activities |
| (in thousands) |
| June 30, 2011 | June 30, 2010 | Increase | Percentage |
| Current and other assets | $ 883,289 | $ 820,116 | $ 63,173 | 7.7% |
| Capital assets (net) | 3,700,946 | 3,752,051 | (51,105) | (1.4%) |
| Total assets | 4,584,235 | 4,572,167 | 12,068 | 0.3% |
| Deferred Outflows of Resources | 69,139 | 38,599 | 30,540 | 79.1% |
| Current and other liabilities | 260,689 | 328,390 | (67,701) | (20.6%) |
| Long-term liabilities | 2,227,966 | 2,178,102 | 49,864 | 2.3% |
| Total liabilities | 2,488,655 | 2,506,492 | (17,837) | (0.7%) |
| Net position: |
| Net investment in Capital Assets | 1,840,467 | 1,851,072 | (10,605) | (0.6%) |
| Restricted | 390,082 | 378,402 | 11,680 | 3.1% |
| Unrestricted (deficit) | (65,830) | (125,200) | 59,370 | 47.4% |
| Total net position | $ 2,164,719 | $ 2,104,274 | $ 60,445 | 2.9% |
The School District of Palm Beach County, Florida
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The results of this year’s operations for the District as a whole are reported in the Statement of Activities. Table 2 below, 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 2010.

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 ($47.3 million), or by other governments and organizations who subsidized certain programs with grants and contributions ($592.5 million). The District paid for the remaining “public benefit” portion of the governmental activities with $1.1 billion in property taxes, $77.3 million in grants and contributions not restricted to specific programs, $50.6 million in local sales taxes, and $9.4 million in investment earnings and $42.7 million in other general revenue.

### Table 2

Summary of Changes in Net Position  
Governmental Activities  
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2011</th>
<th>June 30, 2010</th>
<th>Increase/Decrease</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$47,292</td>
<td>$47,369</td>
<td>$(77)</td>
<td>(0.2%)</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>565,764</td>
<td>529,394</td>
<td>36,370</td>
<td>6.9%</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>26,711</td>
<td>20,818</td>
<td>5,893</td>
<td>28.3%</td>
</tr>
<tr>
<td>General revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>1,064,847</td>
<td>1,136,598</td>
<td>(71,751)</td>
<td>(6.3%)</td>
</tr>
<tr>
<td>Local sales taxes</td>
<td>50,632</td>
<td>99,284</td>
<td>(48,652)</td>
<td>(49.0%)</td>
</tr>
<tr>
<td>Grants and contributions not restricted</td>
<td>77,277</td>
<td>10,718</td>
<td>66,559</td>
<td>621.0%</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>9,439</td>
<td>23,066</td>
<td>(13,627)</td>
<td>(59.1%)</td>
</tr>
<tr>
<td>Other general revenue</td>
<td>42,729</td>
<td>35,627</td>
<td>7,102</td>
<td>19.9%</td>
</tr>
<tr>
<td>Total revenues</td>
<td>1,884,691</td>
<td>1,902,874</td>
<td>(18,183)</td>
<td>(1.0%)</td>
</tr>
<tr>
<td><strong>Functions/Programs Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>934,817</td>
<td>918,127</td>
<td>16,690</td>
<td>1.8%</td>
</tr>
<tr>
<td>Instructional support services</td>
<td>180,478</td>
<td>187,977</td>
<td>(7,499)</td>
<td>(4.0%)</td>
</tr>
<tr>
<td>Board</td>
<td>4,776</td>
<td>5,634</td>
<td>(858)</td>
<td>(15.2%)</td>
</tr>
<tr>
<td>General administration</td>
<td>10,868</td>
<td>13,061</td>
<td>(2,193)</td>
<td>(16.8%)</td>
</tr>
<tr>
<td>School administration</td>
<td>96,845</td>
<td>95,817</td>
<td>1,028</td>
<td>1.1%</td>
</tr>
<tr>
<td>Facilities acquisition and construction</td>
<td>27,544</td>
<td>44,039</td>
<td>(16,495)</td>
<td>(37.5%)</td>
</tr>
<tr>
<td>Fiscal services</td>
<td>6,056</td>
<td>6,285</td>
<td>(229)</td>
<td>(3.6%)</td>
</tr>
<tr>
<td>Food services</td>
<td>64,757</td>
<td>62,997</td>
<td>1,760</td>
<td>2.8%</td>
</tr>
<tr>
<td>Central services</td>
<td>14,553</td>
<td>14,793</td>
<td>(240)</td>
<td>(1.6%)</td>
</tr>
<tr>
<td>Pupil transportation services</td>
<td>44,092</td>
<td>44,954</td>
<td>(862)</td>
<td>(1.9%)</td>
</tr>
<tr>
<td>Operation and maintenance of plant</td>
<td>195,981</td>
<td>195,732</td>
<td>249</td>
<td>0.1%</td>
</tr>
<tr>
<td>Administrative technology services</td>
<td>9,607</td>
<td>10,450</td>
<td>(843)</td>
<td>(8.1%)</td>
</tr>
<tr>
<td>Community services</td>
<td>30,262</td>
<td>28,626</td>
<td>1,636</td>
<td>5.7%</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>86,464</td>
<td>83,404</td>
<td>3,060</td>
<td>3.7%</td>
</tr>
<tr>
<td>Unallocated depreciation/amortization</td>
<td>117,146</td>
<td>112,372</td>
<td>4,774</td>
<td>4.2%</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,824,246</td>
<td>1,824,268</td>
<td>(22)</td>
<td>(0.0%)</td>
</tr>
<tr>
<td><strong>Change in net position</strong></td>
<td>60,445</td>
<td>78,606</td>
<td>(18,161)</td>
<td>(23.1%)</td>
</tr>
<tr>
<td><strong>Net Position - beginning</strong></td>
<td>2,104,274</td>
<td>2,025,668</td>
<td>78,606</td>
<td>3.9%</td>
</tr>
<tr>
<td><strong>Net Position - ending</strong></td>
<td>$2,164,719</td>
<td>$2,104,274</td>
<td>$60,445</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

B-10
Operating grants and contributions increased $36.4 million or 6.9%, which is primarily attributed to the receipt of Ed Jobs funds of $38.1 million.

Capital grants and contributions increased $5.9 million and 28.3% primarily due to the receipt of $11.1 million in additional FEMA funds received as part of the FEMA closeout process for hurricanes Frances, Jeanne and Wilma, offset in part by a reduction in PECO revenue.

Property taxes decreased $71.8 million or 6.3%, which is primarily attributed to the decrease of property values partially offset by an increase in the maximum property tax levy from 7.983 to 8.154.

Local Sales Taxes decreased by $48.7 million or 49% as the half cent sales tax program ended in December 2010.

Grants and contributions not restricted increased $66.6 million or 621.0%, which is primarily attributed to an increase of $61.9 million in FEFP funds resulting from increased enrollment and the imposition of 0.25 critical millage.

Investment earnings decreased $13.6 million and 59.1% and is primarily attributed to a decrease in investment revenue recognized as a result of the change in fair value of investment derivative instruments of $5.0 million compared to $17.3 million in the prior year.

Other general revenue increase $7.1 million and 19.9% primarily due to the sale of Palm Beach Public land site for $5.4 million.

Facilities acquisition and construction expenses decreased $16.5 million and 37.5% as a result of the District receiving less capital funding due to the continued decline in property values as well as the reduction by the legislature of the taxing authority of the District from 2 mills to 1.5.

The pie chart below represents total expenditures from Governmental Funds classified by function.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

As of June 30, 2011 the District’s governmental funds reported a combined fund balance of $700.0 million, which is an increase of $132.2 million or 23.3% over 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 $89.9 million from $97.0 million to $186.9 million. This increase is mainly related to $61.9 million additional FEFP revenue and $38.1 million of school based costs were shifted to Ed Jobs Funds. At the end of the current fiscal year, unassigned fund balance of the General Fund was $54.6 million.

The Federal Economic Stimulus Program Fund is a new major fund. The ending fund balance is zero since the fund consists of only Federal reimbursement grants.

The COPS Debt Service Fund, another major fund, reported an ending fund balance of $103.7 million which is a decrease of $5.3 million or 4.9% when compared with prior year. The decrease is related to refunding of COPS 2001B as well as a reduction in the debt service payments the District will make in FY12.

In the Capital Improvement Fund, another major fund, revenue decreased by $58.4 million to $206.3 million from $264.7 million in fiscal year 2010. The decrease is primarily due to a decrease in ad valorem tax revenue received of $57.6 million as well as decrease in interest income of $0.8 million. Ending fund balance decreased by $40.3 million related to the timing of revenue and capital outlay spending.

COPS Fund, another major fund, reported an ending fund balance of 94.8 million which is a decrease of $16.2 million or 14.6% under prior year. This is largely due to capital outlay spending of $39.1 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 185.3 million, an increase of $104.0 million or 128.0%. The increase is primarily due to the issuance of QSCB of $66.7 million and Capital Outlay Bond Issues (COBI) of $12.6m (including $1.1 million premium), with capital outlay spending of only $24.1 million.

General Fund Budgetary Highlights

During the year, appropriations decreased $29.1 million from original budget to final budget. The decrease in appropriations is primarily attributed to the shifting of $36.1 million in allowable expenditures to Ed Jobs and the budget reductions achieved through a non-instructional hiring hold and freeze on nonessential purchases. Revenue and other sources increased $23.9 million, which is primarily attributed to an increase in property tax revenue of $7.8 million since property values did not decline as much as originally estimated, sale of the 2002D Constant Maturity Basis swap for $8 million and sale of Palm Beach Public site for $5.4 million. The available funds were set aside to balance fiscal year 2012 budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As shown in Table 3 on page 11, at June 30, 2011, the District had $3.7 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 decrease (including additions, deletions and depreciation) of $51.1 million from last year. Capital spending in the current year reflects the completion of two (2) new schools, both of which opened in fiscal year 2011, and three (3) modernization projects which were completed in FY 2011. See Note 7 of the Notes to the Financial Statements for more information on capital assets.

Major capital asset additions included the completion for the following schools:
- Everglades Elementary School
- Pahokee Middle / Senior High School
Completed modernized schools included the following:

- Northboro Elementary School
- Plumosa Elementary School
- Suncoast High School

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 2011, forty-one (41) new schools were built and fifty-three (53) others were replaced or totally renovated. One (1) school building addition was placed in service in August 2011 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>Governmental Activities</th>
<th>June 30, 2011</th>
<th>June 30, 2010</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>342,020</td>
<td>$341,260</td>
<td>$760</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>35,316</td>
<td>226,219</td>
<td>$190,903</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>51,952</td>
<td>39,395</td>
<td>12,557</td>
</tr>
<tr>
<td>Buildings and fixed equipment</td>
<td>4,026,961</td>
<td>3,796,120</td>
<td>231,841</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>163,690</td>
<td>165,181</td>
<td>(1,491)</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>98,270</td>
<td>99,931</td>
<td>(1,661)</td>
</tr>
<tr>
<td>Audio visual materials and computer software</td>
<td>56,004</td>
<td>55,479</td>
<td>525</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(1,073,267)</td>
<td>(970,534)</td>
<td>(102,733)</td>
</tr>
<tr>
<td>Total capital assets, net</td>
<td>$3,700,946</td>
<td>$3,752,051</td>
<td>$(51,105)</td>
</tr>
</tbody>
</table>

### Long-term Debt

As shown in Table 4 below, at the end of this year, the District had $2.02 billion in debt outstanding compared to $1.98 billion last year, an increase of $42.5 million or 2.2%. The key factors contributing to the increase were the change in hedging derivative instruments and the issuance of additional debt greater than debt repayments. See Notes 10 and 11 of the Notes to the Financial Statements for more information on long-term liabilities and derivatives.

### Table 4

#### Long-term Debt Outstanding at Year End

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>June 30, 2011</th>
<th>June 30, 2010</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay bond issues</td>
<td>$37,215</td>
<td>$29,555</td>
<td>$7,660</td>
</tr>
<tr>
<td>Certificates of participation</td>
<td>1,895,708</td>
<td>1,886,293</td>
<td>9,415</td>
</tr>
<tr>
<td>Borrowing-Swap Upfront Payment</td>
<td>8,496</td>
<td>8,145</td>
<td>351</td>
</tr>
<tr>
<td>Derivative Instruments - Hedging</td>
<td>69,139</td>
<td>38,599</td>
<td>30,540</td>
</tr>
<tr>
<td>Plus: issuance premiums</td>
<td>34,084</td>
<td>35,967</td>
<td>(1,883)</td>
</tr>
<tr>
<td>Less: deferred amounts</td>
<td>(26,139)</td>
<td>(22,516)</td>
<td>(3,623)</td>
</tr>
<tr>
<td>Total</td>
<td>$2,018,503</td>
<td>$1,976,043</td>
<td>$42,460</td>
</tr>
</tbody>
</table>
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011, the statutory limit for the District was approximately $13.2 billion, providing additional debt capacity of approximately $13.2 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 local property taxes and state sales tax revenues. The base student allocation declined $159.45 per student, from $3,770.88 to $3,611.43. All categorical funding, with the exception of Class Size reduction and Merit Award Pay, is reduced as well, in spite of a projected enrollment increase of 1,388 students. Total student funding is declining $611.65 per student, from $7,257.71 to $6,646.06 for fiscal year 2012.

The legislature passed a law effective July 1, 2011 that requires employees to contribute to the Florida Retirement Plan (FRS). In addition to requiring employees to contribute 3% the legislature also made plan design changes that result in a reduction of the District contribution rate from 10.5% to 5.0% resulting in an estimated savings of $55 million.

The District committed to meet class size in fiscal year 2012. The District developed a plan, which increased the allocations of teachers to elementary schools, and added extra period supplements to middle and high school allocations. The extra period allocations allows principals to assign teachers an extra period, thereby creating capacity to schedule additional core classes to comply with the law at an estimated cost of $18.9 million.

Health costs continue to increase. The District is self-insured and sets premium rates to cover the cost of the plan. The employee portion is negotiated each year through coalition bargaining. Tentative agreement has been reached and as part of the agreement the District is absorbing an additional $8.6 million of increased health benefit costs in addition to the $10 million that the District already had planned to add. In total, the District is budgeting an additional $18.6 million, or $900 per employee, for health insurance costs for fiscal year 2012.

Classroom Teachers Association (CTA) agreed to a $500 salary increase retroactive to May 1, 2011. The annual cost to the District is $6.9 million.

The board approved contingency fund will remain at $44.4 million for FY 2012. This represents 3.1% of the General Fund proposed expenditures. It is critically important to the financial health and viability of the District to maintain an adequate emergency fund. In addition to the contingency fund already set aside the District has reserved $10.3 million to offset the anticipated budget shortfall in fiscal year 2013.

Discretionary millage of 0.748 mills is now split 0.688 mills for operating and 0.060 mills for capital outlay compared to 0.678 for operating and 0.070 for capital in fiscal year 2011. The 0.25 mills levied by the Board in fiscal year 2011 for critical operating needs was replaced by the 0.25 mills approved by voters in November 2010. Voters approved the millage levy to fund teachers, as well as arts, music, physical education, and choice programs for four years, from fiscal 2012 through fiscal year 2015. Local capital improvement millage remains at 1.50 mills for fiscal year 2012. Local millage rates will generate $199 million for the general fund budget and $198 million for the capital budget.
The loss of ARRA funds represents a loss of approximately $100 million of revenue for fiscal year 2012 offset by the Ed Jobs funding reserved for fiscal year 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.

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/
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET POSITION
JUNE 30, 2011
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Primary Government</th>
<th>Governmental Component</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Activities</td>
<td>Units</td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$780,384</td>
<td>$12,978</td>
</tr>
<tr>
<td>Derivative instrument investments</td>
<td>1,174</td>
<td>-</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>30,224</td>
<td>-</td>
</tr>
<tr>
<td>Accounts, deposits and interest receivable</td>
<td>1,454</td>
<td>588</td>
</tr>
<tr>
<td>Due from other agencies</td>
<td>32,478</td>
<td>318</td>
</tr>
<tr>
<td>Inventories</td>
<td>15,381</td>
<td>-</td>
</tr>
<tr>
<td>Restricted assets (cash with fiscal agent)</td>
<td>2,942</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>19,252</td>
<td>1,635</td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>342,020</td>
<td>-</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>35,316</td>
<td>-</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>51,952</td>
<td>1,283</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>4,026,961</td>
<td>3,284</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>163,690</td>
<td>4,599</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>98,270</td>
<td>473</td>
</tr>
<tr>
<td>Audio/video materials and software</td>
<td>56,004</td>
<td>1,104</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(1,073,267)</td>
<td>(4,965)</td>
</tr>
<tr>
<td><strong>Total capital assets, net of depreciation</strong></td>
<td>$3,700,946</td>
<td>5,778</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$4,584,235</td>
<td>$21,297</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>DEFERRED OUTFLOWS OF RESOURCES</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated decreases in Fair Value of Hedging Derivatives</td>
<td>69,139</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>LIABILITIES</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and contracts payable</td>
<td>34,573</td>
</tr>
<tr>
<td>Accrued payroll and payroll deductions</td>
<td>82,349</td>
</tr>
<tr>
<td>Retainage payable on contracts</td>
<td>4,759</td>
</tr>
<tr>
<td>Deposits payable</td>
<td>142</td>
</tr>
<tr>
<td>Interest payable</td>
<td>38,346</td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>572</td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
</tr>
<tr>
<td>Portion due or payable within one year:</td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td>-</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>4,075</td>
</tr>
<tr>
<td>Liability for compensated absences</td>
<td>13,749</td>
</tr>
<tr>
<td>Certificates of participation payable</td>
<td>57,330</td>
</tr>
<tr>
<td>Borrowing-swap upfront payment</td>
<td>135</td>
</tr>
<tr>
<td>Estimated claims</td>
<td>24,430</td>
</tr>
<tr>
<td>Estimated liability for arbitrage rebate</td>
<td>229</td>
</tr>
<tr>
<td>Portion due or payable after one year:</td>
<td></td>
</tr>
<tr>
<td>Notes payable</td>
<td>-</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>34,741</td>
</tr>
<tr>
<td>Liability for compensated absences</td>
<td>166,000</td>
</tr>
<tr>
<td>Certificates of participation payable</td>
<td>1,844,722</td>
</tr>
<tr>
<td>Borrowing-swap upfront payment</td>
<td>8,361</td>
</tr>
<tr>
<td>Derivative instrument - Hedging</td>
<td>69,139</td>
</tr>
<tr>
<td>Derivative instrument - Investment Liability</td>
<td>1,250</td>
</tr>
<tr>
<td>Estimated claims</td>
<td>32,884</td>
</tr>
<tr>
<td>Other post-employment benefits obligation</td>
<td>70,869</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>$2,488,655</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>NET POSITION</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Investment in capital assets</td>
<td>1,840,467</td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
</tr>
<tr>
<td>Categorical carryover programs</td>
<td>15,539</td>
</tr>
<tr>
<td>Debt service</td>
<td>66,947</td>
</tr>
<tr>
<td>Capital projects</td>
<td>280,577</td>
</tr>
<tr>
<td>School food service</td>
<td>22,528</td>
</tr>
<tr>
<td>Other purposes</td>
<td>4,491</td>
</tr>
<tr>
<td>Unrestricted (deficit)</td>
<td>(65,830)</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td>$2,164,719</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
### 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>$934,817</td>
<td>$2,104</td>
<td>$341,340</td>
<td>$3,111</td>
</tr>
<tr>
<td>Instructional support services</td>
<td>180,478</td>
<td>-</td>
<td>93,694</td>
<td>-</td>
</tr>
<tr>
<td>Board</td>
<td>4,776</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General administration</td>
<td>10,868</td>
<td>-</td>
<td>4,713</td>
<td>-</td>
</tr>
<tr>
<td>School administration</td>
<td>96,845</td>
<td>-</td>
<td>1,454</td>
<td>-</td>
</tr>
<tr>
<td>Facilities acquisition and construction</td>
<td>27,544</td>
<td>-</td>
<td>-</td>
<td>12,702</td>
</tr>
<tr>
<td>Fiscal services</td>
<td>6,056</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Food services</td>
<td>64,757</td>
<td>18,482</td>
<td>48,596</td>
<td>-</td>
</tr>
<tr>
<td>Central services</td>
<td>14,553</td>
<td>-</td>
<td>293</td>
<td>-</td>
</tr>
<tr>
<td>Pupil transportation services</td>
<td>44,092</td>
<td>2,381</td>
<td>36,867</td>
<td>-</td>
</tr>
<tr>
<td>Operation of plant</td>
<td>133,559</td>
<td>-</td>
<td>35,090</td>
<td>-</td>
</tr>
<tr>
<td>Maintenance of plant</td>
<td>62,422</td>
<td>-</td>
<td>-</td>
<td>5,453</td>
</tr>
<tr>
<td>Administrative technology services</td>
<td>9,607</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Community services</td>
<td>30,262</td>
<td>24,325</td>
<td>3,717</td>
<td>-</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>86,464</td>
<td>-</td>
<td>-</td>
<td>5,445</td>
</tr>
<tr>
<td>Unallocated depreciation expense</td>
<td>113,902</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>3,244</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td><strong>Total primary government governmental activities</strong></td>
<td>$1,824,246</td>
<td>$47,292</td>
<td>$565,764</td>
<td>$26,711</td>
</tr>
</tbody>
</table>

**Component Units:**

| Charter schools                         | $68,772  | $843                           | $6,025                   | $1,383                           |

### 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 position**
- **Net Position—beginning, as previously reported**
- **Change in charter school beginning Net Position**
- **Net Position—beginning, as adjusted**
- **Net Position—ending**

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>Primary Government</th>
<th>Governmental Activities</th>
<th>Component Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ (588,262)</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>(86,784)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(4,776)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(6,155)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(95,391)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(14,842)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(6,056)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2,321</td>
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<tr>
<td></td>
<td>(14,260)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(4,844)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(98,469)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(56,969)</td>
<td>-</td>
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<td></td>
<td>(9,607)</td>
<td>-</td>
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<tr>
<td></td>
<td>(2,220)</td>
<td>-</td>
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<td></td>
<td>(81,019)</td>
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<td></td>
<td>(113,902)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(3,244)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(1,184,479)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>(60,521)</td>
</tr>
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|                   | 859,190                | -               |
|                   | 205,657                | -               |
|                   | 50,632                 | -               |
|                   | 77,277                 | 61,070          |
|                   | 9,439                  | 51              |
|                   | 42,729                 | 2,157           |
|                   | 1,244,924              | 63,278          |
|                   | 60,445                 | 2,757           |
|                   | 2,104,274              | 12,903          |
|                   | -                      | (2,104)         |
|                   | 2,104,274              | 10,799          |
|                   | $ 2,164,719            | $ 13,556        |
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>GENERAL FUND</th>
<th></th>
<th>FEDERAL ECONOMIC STIMULUS PROGRAMS</th>
<th></th>
<th>COPS DEBT SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$ 232,782</td>
<td></td>
<td>$ 27</td>
<td></td>
<td>$ 103,778</td>
</tr>
<tr>
<td>Taxes receivable</td>
<td>24,405</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Accounts and interest receivable</td>
<td>1,450</td>
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<td>-</td>
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<td>4</td>
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<tr>
<td>Due from other agencies</td>
<td>4,175</td>
<td>14,764</td>
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</tr>
<tr>
<td>Due from other funds</td>
<td>7,400</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>12,498</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$ 282,710</td>
<td>14,791</td>
<td></td>
<td></td>
<td>$ 103,782</td>
</tr>
</tbody>
</table>

| **LIABILITIES AND FUND BALANCES** |            |            |                                   |            |                  |
| **LIABILITIES**             |              |            |                                   |            |                  |
| Accounts and contracts payable | 13,284      | 3,763      | 114                               |            |                  |
| Accrued payroll and payroll deductions | 80,346 | 3,628      | -                                 |            |                  |
| Due to other funds          | -            | 7,400      | -                                 |            |                  |
| Retainage payable on contracts | -          |            | -                                 |            |                  |
| Deposits payable            | 142          | -          | -                                 |            |                  |
| Deferred/Unearned revenue   | 2,000        | -          | -                                 |            |                  |
| **TOTAL LIABILITIES**       | $ 95,772     | 14,791     |                                   |            | 114              |

| **FUND BALANCES**           |              |            |                                   |            |                  |
| Nonspendable                | 12,498       |            | -                                 |            | -                |
| Restricted                  | 17,098       |            | -                                 | 103,668    |                  |
| Committed                   | -            |            | -                                 |            |                  |
| Assigned                    | 102,702      |            | -                                 |            |                  |
| Unassigned                  | 54,640       |            | -                                 |            |                  |
| **TOTAL FUND BALANCES**     | $ 186,938    |            |                                   |            | $ 103,668        |

| **TOTAL LIABILITIES AND FUND BALANCES** |            |            |                                   |            |                  |
|                                        | $ 282,710 |            | $ 14,791                          |            | $ 103,782        |

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>CAPITAL IMPROVEMENT</th>
<th>COPS</th>
<th>OTHER NON-MAJOR GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$126,929</td>
<td>$102,506</td>
<td>$186,467</td>
<td>$752,489</td>
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<td>-</td>
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<td>30,224</td>
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<tr>
<td>-</td>
<td>-</td>
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<td>1,454</td>
</tr>
<tr>
<td>-</td>
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<td>12,243</td>
<td>31,182</td>
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<td>-</td>
<td>-</td>
<td>7,400</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>2,883</td>
<td>15,381</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>136</td>
<td>136</td>
</tr>
<tr>
<td>132,748</td>
<td>102,506</td>
<td>201,729</td>
<td>838,266</td>
</tr>
<tr>
<td>2,533</td>
<td>4,718</td>
<td>6,076</td>
<td>30,488</td>
</tr>
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<td>-</td>
<td>-</td>
<td>6,956</td>
<td>90,930</td>
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<tr>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,400</td>
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<tr>
<td>921</td>
<td>3,036</td>
<td>802</td>
<td>4,759</td>
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<td>-</td>
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<td>-</td>
<td>142</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>2,592</td>
<td>4,592</td>
</tr>
<tr>
<td>3,454</td>
<td>7,754</td>
<td>16,426</td>
<td>138,311</td>
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<tr>
<td>-</td>
<td>-</td>
<td>2,883</td>
<td>15,381</td>
</tr>
<tr>
<td>129,294</td>
<td>94,752</td>
<td>137,820</td>
<td>482,632</td>
</tr>
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<td>1,549</td>
<td>1,549</td>
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<tr>
<td>-</td>
<td>-</td>
<td>43,051</td>
<td>145,753</td>
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<td>54,640</td>
</tr>
<tr>
<td>129,294</td>
<td>94,752</td>
<td>185,303</td>
<td>699,955</td>
</tr>
<tr>
<td>$132,748</td>
<td>$102,506</td>
<td>$201,729</td>
<td>$838,266</td>
</tr>
</tbody>
</table>
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2011
(amounts expressed in thousands)

Total Fund Balances - Governmental Funds  $ 699,955

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

- Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.
  - Cost of the assets  4,774,213
  - Accumulated depreciation (1,073,267)
  - Total capital assets, net of depreciation 3,700,946

- 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 position. 12,842

- Payments to refunding agent is included with other assets on government wide since debt will not be defeased until called in next fiscal year. 2,088

- 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. 4,186

- Deferred outflow of resources are reported at the fair values of corresponding hedging derivative instruments in the statement of net position. 69,139

- Derivative instruments - investment assets reported on the statement of net position. 1,174

- 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 position.
  - Assets 32,133
  - Liabilities 22,848
  - Net position 9,285

- Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 4,020

- Revenues that are due back to DOE for prior year audits which have not been recorded in the governmental funds but are a reduction to revenue in the governmental-wide financial statements. (2,954)

- Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities (net of discounts/premiums and deferred amounts on refundings) at year-end consist of:
  - Bonds payable 38,816
  - Certificates of participation payable 1,902,052
  - Borrowing-swap upfront payment 8,496
  - Hedging derivative instruments 69,139
  - Derivative Instrument 1,250
  - Compensated absences 164,660
  - Long-term claims payable 43,914
  - Other post employment benefits 69,289
  - Accrued interest on long-term debt 38,346  (2,335,962)

Total Net Position - Governmental Activities  $ 2,164,719

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, 2011

(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>REVENUES:</th>
<th>GENERAL FUND</th>
<th>FEDERAL ECONOMIC STIMULUS PROGRAMS</th>
<th>COPS DEBT SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local sources:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad valorem taxes</td>
<td>$ 859,190</td>
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<td>$ -</td>
</tr>
<tr>
<td>Sales tax</td>
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<td>-</td>
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</tr>
<tr>
<td>Impact fees</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest income and other</td>
<td>8,778</td>
<td>-</td>
<td>118</td>
</tr>
<tr>
<td>School age child care fees</td>
<td>24,325</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Food service sales</td>
<td>263</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Local grants and other</td>
<td>30,332</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total local sources</td>
<td>922,888</td>
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<td>118</td>
</tr>
<tr>
<td>State sources:</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Florida education finance program</td>
<td>123,995</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Capital outlay and debt service</td>
<td>100</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>196,255</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State grants and entitlements</td>
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<tr>
<td>Total state sources</td>
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<tr>
<td>Federal sources:</td>
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<tr>
<td>Federal grants and entitlements</td>
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<td>132,260</td>
<td>-</td>
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<tr>
<td>National school lunch act</td>
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<tr>
<td>Total federal sources</td>
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<td>132,260</td>
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<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td><strong>1,280,860</strong></td>
<td><strong>132,260</strong></td>
<td><strong>118</strong></td>
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</table>

<table>
<thead>
<tr>
<th>EXPENDITURES:</th>
<th>GENERAL FUND</th>
<th>FEDERAL ECONOMIC STIMULUS PROGRAMS</th>
<th>COPS DEBT SERVICE</th>
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</thead>
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<tr>
<td>Current:</td>
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<td>Instruction</td>
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<tr>
<td>Instructional support services</td>
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<tr>
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<tr>
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<tr>
<td>School administration</td>
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<tr>
<td>Facilities acquisition and construction</td>
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<tr>
<td>Central services</td>
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<td>-</td>
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<tr>
<td>Pupil transportation services</td>
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<td>9,193</td>
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<tr>
<td>Operation of plant</td>
<td>101,102</td>
<td>32,376</td>
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<tr>
<td>Maintenance of plant</td>
<td>62,589</td>
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<tr>
<td>Administrative technology services</td>
<td>9,697</td>
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<tr>
<td>Community services</td>
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<tr>
<td><strong>Total Current Expenditures</strong></td>
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<td><strong>132,139</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>CAPITAL IMPROVEMENT</th>
<th>COPS</th>
<th>OTHER NON-MAJOR GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$205,657</td>
<td>$</td>
<td>$50,632</td>
<td>$1,064,847</td>
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<td>10,177</td>
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<td></td>
<td>24,325</td>
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<td>18,219</td>
<td>18,482</td>
</tr>
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<td>8</td>
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<td>5,079</td>
<td>35,419</td>
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<td>206,309</td>
<td>231</td>
<td>80,339</td>
<td>1,209,885</td>
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<td></td>
<td></td>
<td>123,995</td>
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<td>6,777</td>
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<td></td>
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<td>928</td>
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<td>5,453</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>196,255</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,606</td>
<td>34,903</td>
</tr>
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<td></td>
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<td>368,311</td>
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<td>116,138</td>
<td>254,723</td>
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<td>47,552</td>
<td>47,552</td>
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<tr>
<td></td>
<td></td>
<td>163,690</td>
<td>302,275</td>
</tr>
<tr>
<td>206,309</td>
<td>231</td>
<td>260,693</td>
<td>1,880,471</td>
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<td></td>
<td></td>
<td>53,902</td>
<td>926,516</td>
</tr>
<tr>
<td></td>
<td></td>
<td>49,609</td>
<td>179,969</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,177</td>
<td>4,694</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>11,323</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>96,042</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1,245</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5,918</td>
</tr>
<tr>
<td></td>
<td></td>
<td>64,502</td>
<td>64,540</td>
</tr>
<tr>
<td></td>
<td></td>
<td>290</td>
<td>14,660</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,821</td>
<td>43,940</td>
</tr>
<tr>
<td></td>
<td></td>
<td>98</td>
<td>133,576</td>
</tr>
<tr>
<td></td>
<td></td>
<td>198</td>
<td>62,787</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9,697</td>
</tr>
<tr>
<td></td>
<td></td>
<td>99</td>
<td>30,004</td>
</tr>
<tr>
<td></td>
<td></td>
<td>172,697</td>
<td>1,584,911</td>
</tr>
</tbody>
</table>

(Continued)
## THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

#### GOVERNMENTAL FUNDS - Continued

FOR THE YEAR ENDED JUNE 30, 2011

(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>GENERAL FUND</th>
<th>FEDERAL ECONOMIC STIMULUS PROGRAMS</th>
<th>COPS DEBT SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital outlay</td>
<td>641</td>
<td>121</td>
<td>-</td>
</tr>
</tbody>
</table>

**Debt service:**

<table>
<thead>
<tr>
<th>Item</th>
<th>General Fund</th>
<th>Economic Stimulus Programs</th>
<th>Cops Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement of principal</td>
<td>-</td>
<td>-</td>
<td>60,205</td>
</tr>
<tr>
<td>Interest</td>
<td>82</td>
<td>-</td>
<td>85,889</td>
</tr>
<tr>
<td>Fiscal charges</td>
<td>-</td>
<td>-</td>
<td>716</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td><strong>1,280,798</strong></td>
<td><strong>132,260</strong></td>
<td><strong>146,810</strong></td>
</tr>
</tbody>
</table>

### EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES

|                              | 62           | -                      | (146,692)         |

### OTHER FINANCING SOURCES (USES):

<table>
<thead>
<tr>
<th>Item</th>
<th>General Fund</th>
<th>Economic Stimulus Programs</th>
<th>Cops Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td>80,571</td>
<td>-</td>
<td>145,232</td>
</tr>
<tr>
<td>Transfers out</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Issuance of long-term and refunded debt</td>
<td>-</td>
<td>-</td>
<td>166,270</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>(170,096)</td>
</tr>
<tr>
<td>Proceeds of loss recoveries</td>
<td>3,900</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sale of capital assets and other</td>
<td>5,373</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES (USES)</strong></td>
<td><strong>89,844</strong></td>
<td>-</td>
<td><strong>141,406</strong></td>
</tr>
</tbody>
</table>

### NET CHANGE IN FUND BALANCES

|                              | 89,906       | -                      | (5,286)           |

### FUND BALANCES, JULY 1, 2010

|                              | 97,032       | -                      | 108,954           |

### FUND BALANCES, JUNE 30, 2011

|                              | $186,938     | $                        | $103,668          |

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>CAPITAL IMPROVEMENT</th>
<th>COPS</th>
<th>OTHER NON-MAJOR GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>26,648</td>
<td>39,134</td>
<td>24,121</td>
<td>90,665</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td>3,830</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td>2,242</td>
</tr>
<tr>
<td>1,907</td>
<td>460</td>
<td>1,056</td>
<td>4,139</td>
</tr>
<tr>
<td>28,555</td>
<td>39,696</td>
<td>203,946</td>
<td>1,832,065</td>
</tr>
<tr>
<td>177,754</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>23,243</td>
<td>771</td>
<td>249,817</td>
</tr>
<tr>
<td>(218,010)</td>
<td></td>
<td>(31,807)</td>
<td>(249,817)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>79,155</td>
<td>245,425</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,159</td>
<td>1,159</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2,088)</td>
<td>(172,184)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-</td>
<td>3,900</td>
</tr>
<tr>
<td></td>
<td></td>
<td>87</td>
<td>5,460</td>
</tr>
<tr>
<td>(218,010)</td>
<td>23,243</td>
<td>47,277</td>
<td>83,760</td>
</tr>
<tr>
<td>(40,256)</td>
<td>(16,222)</td>
<td>104,024</td>
<td>132,166</td>
</tr>
<tr>
<td>169,550</td>
<td>110,974</td>
<td>81,279</td>
<td>567,789</td>
</tr>
<tr>
<td>$129,294</td>
<td>$94,752</td>
<td>$185,303</td>
<td>$699,955</td>
</tr>
</tbody>
</table>

(Concluded)
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2011
(amounts expressed in thousands)

Total net change in fund balances - governmental funds $ 132,166

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 of depreciation expense ($113,902) in excess of capitalized capital outlay ($63,401) in the current period. (50,501)

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 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuance Cost Amortization</td>
<td>(3,244)</td>
</tr>
<tr>
<td>Issuance Cost on Current Year Refunding</td>
<td>1,234</td>
</tr>
<tr>
<td>Premium/Discount and Deferred Refunding Amortization</td>
<td>884</td>
</tr>
<tr>
<td>Premium on Current Year Issuance</td>
<td>(1,159)</td>
</tr>
</tbody>
</table>

Investment revenue of $4,984 offset by gain on sale of basis swap recognized on government wide in prior year of $5,816 that was recognized on the fund level in the current year. (832)

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 4,020

Revenues reported in the governmental funds that were reported as revenue in the statement in activities in the prior year under full accrual. (4,771)

Reduction to revenues reported in the governmental wide financial statements under full accrual due to prior year DOE audit adjustments. (2,954)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 64,035

Bonds proceeds provide current financial resources for governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (79,155)

COPs refunding proceeds provided current financial resources to governmental funds. COPs refunding payments are expenditures in the governmental funds. The amount by which the refunding payment ($170,096) exceeded refunding proceeds ($166,270) in the current period. 3,826

Payments to refunding agent is included with other assets on government wide since debt will not be defeased until called in next fiscal year. 2,088

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (604)

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 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid insurance</td>
<td>284</td>
</tr>
<tr>
<td>Compensated absences</td>
<td>585</td>
</tr>
<tr>
<td>Long-term claims payable</td>
<td>1,356</td>
</tr>
<tr>
<td>Other post employment benefits</td>
<td>(8,217)</td>
</tr>
<tr>
<td>Liability for arbitrage rebate</td>
<td>1,084</td>
</tr>
<tr>
<td>Accrued interest on long-term debt</td>
<td>2,790</td>
</tr>
<tr>
<td></td>
<td>(2,118)</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 income of the internal service fund is reported with governmental activities. (2,470)

Change in net position of governmental activities $ 60,445

The notes to the financial statements are an integral part of this statement.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011
(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 to Final</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Final to Actual</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local sources</td>
<td>$899,301</td>
<td>$922,888</td>
<td>$23,587</td>
</tr>
<tr>
<td>State sources</td>
<td>361,721</td>
<td>351,647</td>
<td>(10,074)</td>
</tr>
<tr>
<td>Federal sources</td>
<td>4,706</td>
<td>6,325</td>
<td>1,619</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>1,265,728</td>
<td>1,280,860</td>
<td>15,132</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>920,526</td>
<td>879,763</td>
<td>40,763</td>
</tr>
<tr>
<td>Instructional support services</td>
<td>90,808</td>
<td>99,480</td>
<td>(8,672)</td>
</tr>
<tr>
<td>Board</td>
<td>6,483</td>
<td>6,538</td>
<td>(55)</td>
</tr>
<tr>
<td>General administration</td>
<td>5,233</td>
<td>6,905</td>
<td>(672)</td>
</tr>
<tr>
<td>School administration</td>
<td>96,212</td>
<td>96,663</td>
<td>(451)</td>
</tr>
<tr>
<td>Facilities acquisition and construction</td>
<td>846</td>
<td>1,475</td>
<td>629</td>
</tr>
<tr>
<td>Fiscal services</td>
<td>5,731</td>
<td>6,305</td>
<td>(574)</td>
</tr>
<tr>
<td>Food Services</td>
<td>27</td>
<td>41</td>
<td>(14)</td>
</tr>
<tr>
<td>Central services</td>
<td>20,438</td>
<td>15,394</td>
<td>5,044</td>
</tr>
<tr>
<td>Pupil transportation services</td>
<td>37,833</td>
<td>33,987</td>
<td>3,846</td>
</tr>
<tr>
<td>Operation of plant</td>
<td>104,778</td>
<td>107,693</td>
<td>(2,915)</td>
</tr>
<tr>
<td>Maintenance of plant</td>
<td>69,296</td>
<td>70,394</td>
<td>(1,098)</td>
</tr>
<tr>
<td>Administrative Technology Services</td>
<td>10,494</td>
<td>10,563</td>
<td>(69)</td>
</tr>
<tr>
<td>Community services</td>
<td>36,140</td>
<td>41,580</td>
<td>(5,440)</td>
</tr>
<tr>
<td>Capital outlay</td>
<td>-</td>
<td>641</td>
<td>(641)</td>
</tr>
<tr>
<td>Debt service</td>
<td>280</td>
<td>200</td>
<td>80</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>1,406,125</td>
<td>1,376,981</td>
<td>29,144</td>
</tr>
<tr>
<td><strong>DEFICIENCY OF REVENUES UNDER EXPENDITURES</strong></td>
<td>(140,397)</td>
<td>(96,121)</td>
<td>(2,042)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>81,125</td>
<td>80,571</td>
<td>(554)</td>
</tr>
<tr>
<td>Sale of capital assets</td>
<td>-</td>
<td>5,373</td>
<td>5,373</td>
</tr>
<tr>
<td>Proceeds from loss recoveries</td>
<td>-</td>
<td>3,900</td>
<td>3,900</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES</strong></td>
<td>81,125</td>
<td>89,844</td>
<td>8,719</td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCE</strong></td>
<td>$ (59,272)</td>
<td>$ (6,277)</td>
<td>$87,802</td>
</tr>
<tr>
<td><strong>FUND BALANCE, JULY 1, 2010 (GAAP BASIS)</strong></td>
<td>$97,032</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FUND BALANCE, JUNE 30, 2011 (BUDGETARY BASIS)</strong></td>
<td>184,834</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustment To Conform With GAAP:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elimination of encumbrances</td>
<td>-</td>
<td>2,104</td>
<td>2,104</td>
</tr>
<tr>
<td><strong>FUND BALANCE, JUNE 30, 2011 (GAAP BASIS)</strong></td>
<td>$186,938</td>
<td></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 NET POSITION

**PROPRIETARY FUNDS**

**JUNE 30, 2011**

(amounts expressed in thousands)

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Governmental Activities</th>
<th>Internal Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$30,837</td>
<td></td>
</tr>
<tr>
<td>Due from other agencies</td>
<td>1,296</td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$32,133</strong></td>
<td><strong>$32,133</strong></td>
</tr>
</tbody>
</table>

#### LIABILITIES

Current liabilities:

- Accounts payable  
  - $1,360
- Accrued payroll and payroll deductions  
  - 992

Noncurrent liabilities:

- Portion due or payable within one year:
  - Estimated unpaid claims  
    - 13,400
  - Liability for compensated absences  
    - 308

- Portion due or payable after one year:
  - Liability for compensated absences  
    - 5,208
  - Other post-employment benefits obligation  
    - 1,580

**Total liabilities**  
- 22,848

#### NET POSITION

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$9,285</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 REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011
(amounts expressed in thousands)

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

**OPERATING REVENUES:**
Service revenue $30,760
Premium revenue 160,624
Other operating revenue 6,820
**TOTAL OPERATING REVENUES** 198,204

**OPERATING EXPENSES:**
Salaries 20,828
Benefits 7,430
Purchased services 2,221
Other expenses 170,289
**TOTAL OPERATING EXPENSES** 200,768

**OPERATING LOSS** (2,564)

**NONOPERATING REVENUES:**
Interest and other income 94
**TOTAL NONOPERATING REVENUES** 94

**CHANGE IN NET POSITION** (2,470)

**NET POSITION - Beginning of year** 11,755
**NET POSITION - End of year** $9,285

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, 2011
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Internal Service Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES:</strong></td>
<td></td>
</tr>
<tr>
<td>Cash receipts from customers and interfund services provided</td>
<td>$ 191,384</td>
</tr>
<tr>
<td>Cash payments to suppliers for goods and services</td>
<td>(171,439)</td>
</tr>
<tr>
<td>Cash payments for salaries and benefits</td>
<td>(26,644)</td>
</tr>
<tr>
<td>Other receipts</td>
<td>5,524</td>
</tr>
<tr>
<td>Net cash used by operating activities</td>
<td>(1,175)</td>
</tr>
</tbody>
</table>

| **CASH FLOWS FROM INVESTING ACTIVITIES:** | |
| Interest earnings on investments | 94 |
| Net cash provided by investing activities | 94 |
| Net decrease in cash and cash equivalents | (1,081) |
| Cash and cash equivalents, beginning of year | 31,918 |
| Cash and cash equivalents, end of year | $ 30,837 |

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating loss</td>
<td>$ (2,564)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash used by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Increase in accounts receivable</td>
<td>(1,296)</td>
</tr>
<tr>
<td>Increase in salaries and benefits payable</td>
<td>992</td>
</tr>
<tr>
<td>Increase in accounts payable</td>
<td>1,071</td>
</tr>
<tr>
<td>Increase in compensated absences and OPEB</td>
<td>622</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>1,389</td>
</tr>
<tr>
<td>Net cash used by operating activities</td>
<td>$ (1,175)</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 FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2011  
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>PRIVATE-PURPOSE TRUST FUND</th>
<th>AGENCY FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FLORIDA FUTURE EDUCATORS OF AMERICA</strong></td>
<td><strong>SCHOOL INTERNAL FUNDS</strong></td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$ 465</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>465</td>
</tr>
</tbody>
</table>

| LIABILITIES                |             |
| Accounts payable           | -           | $ 356     |
| Due to student organizations | -          | 16,396    |
| **TOTAL LIABILITIES**      | -           | $ 16,752  |

| NET POSITION               |             |
| Held in trust for scholarships | 465         |             |
| **TOTAL NET POSITION**     | $ 465       |             |

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>FIDUCIARY FUNDS</th>
<th>PRIVATE-PURPOSE TRUST FUND</th>
<th>FLORIDA FUTURE EDUCATORS OF AMERICA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ADDITIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td>$ 80</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ADDITIONS</strong></td>
<td></td>
<td>82</td>
</tr>
<tr>
<td><strong>DEDUCTIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Scholarship disbursements</td>
<td>111</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL DEDUCTIONS</strong></td>
<td></td>
<td>111</td>
</tr>
<tr>
<td><strong>CHANGE IN NET POSITION</strong></td>
<td></td>
<td>(29)</td>
</tr>
<tr>
<td><strong>NET POSITION - Beginning of year</strong></td>
<td></td>
<td>494</td>
</tr>
<tr>
<td><strong>NET POSITION - End of year</strong></td>
<td></td>
<td>$ 465</td>
</tr>
</tbody>
</table>
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

Discretely Presented Component Units - Florida State Statute 1002.33 authorized the establishment of Charter Schools as part of the State’s education program. Charter Schools are public schools operating under a performance contract with the local school district and are fiscally dependent on the District for a majority of their funding. Revenues such as Florida Education Finance Program (FEFP), State Categoricals and other State and Federal revenue sources are received by the District on behalf of the Charter School 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.

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:

<table>
<thead>
<tr>
<th>Academy for Positive Learning</th>
<th>Believers Academy</th>
</tr>
</thead>
<tbody>
<tr>
<td>128 North C. Street</td>
<td>5840 Corporate Way, Suite 100</td>
</tr>
<tr>
<td>Lake Worth, Florida 33460</td>
<td>West Palm Beach, Florida 33407</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Boca Raton Charter School</th>
<th>Bright Futures Academy</th>
</tr>
</thead>
<tbody>
<tr>
<td>269 NE 14th Street</td>
<td>Formerly Bright Futures International</td>
</tr>
<tr>
<td>Boca Raton, Florida 33432</td>
<td>10350 Riverside Drive</td>
</tr>
<tr>
<td></td>
<td>Palm Beach Gardens, Florida 33410</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Charter School of Boynton Beach</th>
<th>DayStar Academy of Excellence</th>
</tr>
</thead>
<tbody>
<tr>
<td>1375 Gateway Boulevard</td>
<td>970 North Seacrest Boulevard</td>
</tr>
<tr>
<td>Boynton Beach, Florida 33426</td>
<td>Boynton Beach, Florida 33435</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Delray Youth Vocational Charter School</th>
<th>Ed Venture Charter School</th>
</tr>
</thead>
<tbody>
<tr>
<td>601 North Congress Avenue, Unit 110</td>
<td>117 East Coast Avenue</td>
</tr>
<tr>
<td>Delray Beach, Florida 33445</td>
<td>Hypoluxo, Florida 33462</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Everglades Preparatory Academy</th>
<th>G-STAR School of the Arts</th>
</tr>
</thead>
<tbody>
<tr>
<td>360 East Main Street, Building C</td>
<td>2065 Prairie Road, Building J</td>
</tr>
<tr>
<td>Pahokee, Florida 33476</td>
<td>West Palm Beach, Florida 33406</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Glades Academy</th>
<th>Gulfstream Goodwill Transition to L.I.F.E Academy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1200 East Main Street</td>
<td>3800 South Congress Avenue, Suite 12</td>
</tr>
<tr>
<td>Pahokee, Florida 33476</td>
<td>Boynton Beach, Florida 33437</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Hope Learning Community of Riviera Beach</th>
<th>Imagine Schools - Chancellor Campus</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Noah’s Ark International)</td>
<td>3333 High Ridge Road</td>
</tr>
<tr>
<td>21 West 22nd Street</td>
<td>Boynton Beach, Florida 33426</td>
</tr>
<tr>
<td>Riviera Beach, Florida 33404</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inlet Grove Community High School, Inc.</th>
<th>JFK Medical Center Charter School</th>
</tr>
</thead>
<tbody>
<tr>
<td>7071 Garden Road</td>
<td>4696 Davis Road</td>
</tr>
<tr>
<td>Riviera Beach, Florida 33404</td>
<td>Lake Worth, Florida 33461</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Joseph Littles-Nguzo Saba Charter School</th>
<th>Lakeside Academy Charter School</th>
</tr>
</thead>
<tbody>
<tr>
<td>5829 Corporate Way, 2nd Floor</td>
<td>716 South Main Street</td>
</tr>
<tr>
<td>Riviera Beach, Florida 33404</td>
<td>Belle Glade, Florida 33430</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Leadership Academy West</th>
<th>Life Skills Center, Palm Beach</th>
</tr>
</thead>
<tbody>
<tr>
<td>2030 South Congress Avenue</td>
<td>600 North Congress Avenue, Suite 560</td>
</tr>
<tr>
<td>West Palm Beach, Florida 33406</td>
<td>Delray Beach, Florida 33445</td>
</tr>
</tbody>
</table>
Montessori Academy of Early Enrichment  
6300 Lake Worth Road  
Greenacres, Florida  33463  

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  
500 F-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**

The component unit beginning net position does not agree to prior year ending net position on the Statement of Net Position because financial information for G-STAR School of the Arts was not available and various audit adjustments in other charter schools. See table below (in thousands).

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Position - Beginning of year, as previously reported</td>
<td>$12,903</td>
</tr>
<tr>
<td>Prior Period Adjustments to Beginning Fund Balance</td>
<td></td>
</tr>
<tr>
<td>Believers Academy</td>
<td>(39)</td>
</tr>
<tr>
<td>Joseph Littles-Nguzo Saba Charter School</td>
<td>(18)</td>
</tr>
<tr>
<td>Financial Statements unavailable</td>
<td></td>
</tr>
<tr>
<td>G-STAR School of the Arts - Beginning net position</td>
<td>(2,047)</td>
</tr>
<tr>
<td>Net Position - Beginning of year, adjusted</td>
<td>$10,799</td>
</tr>
</tbody>
</table>

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

**Government-wide Financial Statements**

The Statement of Net Position 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...
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 Position 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.

Federal Economic Stimulus Programs
The Federal Economics Stimulus Program Fund accounts for the American Recovery and Reinvestment Act (ARRA) and Education Jobs funds.

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 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 Funds that the District has are Internal Service Funds. 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 reporting purposes, PECO, Classrooms First, Effort Index Grant and Class Size Reduction revenue is recognized at the time authorization is approved by the State.

**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 7, 2010, 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 2011, budget amendments were approved as necessary to comply with legal requirements.

Unreserved appropriations are cancelled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed and assigned fund balances at June 30, 2011 for funds under budgetary control have been reappropriated for the fiscal year 2012 operating budget within the appropriate fund. Programs restricted 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 assigned 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 nonspendable.

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 position. 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 position. Bond premiums/discounts and issuance cost are amortized over the life of the bonds while deferred loss on advance refundings 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 is reflected on the government wide financial statements (See Note 10 and 11).

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 8). 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 8). 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. 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.

M. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted 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 adopted GASB Statement 54 in fiscal year 2011. Required disclosure is reported in Note 14.

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 adopted GASB Statement 59 in fiscal year 2011. The adoption of GASB 59 does not have any impact on the District’s financial statements.

In December 2010, the GASB issued Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASB 62 incorporates into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants’ (AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011 although the District elected to early implement
effective for periods beginning after December 15, 2011 although the District elected to early implement Statement 62 in fiscal year 2011. The adoption of GASB 62 does not have any impact on the District’s financial statements.

In June 2011, the GASB issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011 although the District elected to early implement statement 63 in fiscal year 2011.

In June 2011, the GASB issued Statement 64, Derivative Instruments: Application of Hedge Accounting Terminations -- an amendment of GASB Statement No. 53. GASB 64 provides clarification on whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This statement is effective for periods beginning after June 15, 2011 although the District elected to early implement statement 64 in fiscal year 2011. The adoption of GASB 64 does not have any impact on the District’s current financial statements.

Recently Issued Accounting Pronouncements

In November 2010, the GASB issued Statement 60, Accounting and Financial Reporting for Service Concession Arrangements. GASB 60 provides financial reporting guidance for service concession arrangements (SCAs). SCAs are defined as an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to the operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. This statement is effective for periods beginning after December 15, 2011. The District does not have any SCAs and therefore the adoption of GASB 60 does not have any impact on the District’s financial statements.

In November 2010, the GASB issued Statement 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. This statement is effective for periods beginning after June 15, 2012. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

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
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 8.154 mills and the total assessed value on which the 2010-11 levy was based was $135 billion. Gross taxes levied were approximately $1.1 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 2011, the maintenance transfer amounted to approximately $69.3 million. Additionally, approximately $8.2 million was transferred for property insurance, approximately $3.1 million was transferred for charter school capital outlay bringing the total transfer from capital to approximately $80.6 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, 2011, the carrying amount of the District's cash deposits was approximately $450.1 million and the bank balance was approximately $460.0 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately $15.6 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.

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, 2011, 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>$450,141</td>
<td>N/A</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>244,791</td>
<td>N/A</td>
</tr>
<tr>
<td>Florida State Board of Administration</td>
<td>10</td>
<td>0.12</td>
</tr>
<tr>
<td>Commercial Paper</td>
<td>1,135</td>
<td>N/A</td>
</tr>
<tr>
<td>Core Fund Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasury - Notes/Bills</td>
<td>40,273</td>
<td>1.77</td>
</tr>
<tr>
<td>Federal Agency - Bond/Notes</td>
<td>35,086</td>
<td>1.55</td>
</tr>
<tr>
<td>Corporate Notes</td>
<td>6,398</td>
<td>1.60</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>2,550</td>
<td>2.20</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$780,384</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 September 2011 and March 2013. The District’s investment in the Federal Home Loan Mortgage Corporation matures between July 2011 and October 2013. The District’s investments in the Federal National Mortgage Association mature between July 2012 and December 2013. The District’s investments in the Federal Farm Credit Banks mature May 2012. The District’s investment in derivative instruments matures between August 2011 and June 2028.

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, 2011, the District held $6.4 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 AAA by S&P. All other rated investments were rated between AA and AAA by S&P. As of June 30, 2011, the Local Government Investment Pool was rated AAA by S&P. As of June 30, 2011, Fund B was not rated by a nationally recognized statistical rating agency.

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.

<table>
<thead>
<tr>
<th>PORTFOLIO / INVESTMENTS</th>
<th>CARRYING VALUE (in thousands)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Deposits</td>
<td>$450,141</td>
<td>57.68%</td>
</tr>
<tr>
<td><strong>Money Market Funds</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dreyfus Treasury and Agency</td>
<td>82,559</td>
<td>10.58%</td>
</tr>
<tr>
<td>Federated Government Obligation</td>
<td>20,087</td>
<td>2.57%</td>
</tr>
<tr>
<td>FETTF Funds Government Series</td>
<td>124,629</td>
<td>15.97%</td>
</tr>
<tr>
<td>Fidelity Institutional Government Fund</td>
<td>17,516</td>
<td>2.24%</td>
</tr>
<tr>
<td><strong>Florida State Board of Administration (SBA)</strong></td>
<td>10</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Commercial Paper</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Electric CP</td>
<td>1,135</td>
<td>0.15%</td>
</tr>
<tr>
<td><strong>Investments in Securities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasury - Notes/Bills</td>
<td>40,273</td>
<td>5.16%</td>
</tr>
<tr>
<td>Citigroup Inc. (FDIC) Global Note</td>
<td>1,956</td>
<td>0.25%</td>
</tr>
<tr>
<td>General Electric Capital Corporation</td>
<td>4,442</td>
<td>0.57%</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>14,218</td>
<td>1.82%</td>
</tr>
<tr>
<td>Farmer Mac</td>
<td>639</td>
<td>0.08%</td>
</tr>
<tr>
<td>Federal Farm Credit Bank</td>
<td>5,163</td>
<td>0.66%</td>
</tr>
<tr>
<td>Federal Home Loan Bank</td>
<td>8,856</td>
<td>1.13%</td>
</tr>
<tr>
<td>Federal Home Loan Mortgage Corporation</td>
<td>6,210</td>
<td>0.80%</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>2,550</td>
<td>0.33%</td>
</tr>
<tr>
<td><strong>$ 780,384</strong></td>
<td></td>
<td>100.00%</td>
</tr>
</tbody>
</table>

As of June 30, 2011, 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, 2011, the District’s investment portfolio was held with a third-party custodian.
4. INVESTMENT DERIVATIVE INSTRUMENTS

As of June 30, 2011, the District had investment derivative instruments with the following maturities (amounts in thousands):

<table>
<thead>
<tr>
<th>Investment Derivative Instruments Maturities (in years)</th>
<th>Fair Value</th>
<th>Less than 1</th>
<th>1 to 5</th>
<th>6 to 10</th>
<th>More than 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002D-Basis Swap</td>
<td>$ 780</td>
<td>-</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 780</td>
</tr>
<tr>
<td>2001B-Swaption</td>
<td>394</td>
<td>394</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Asset Position</td>
<td>$ 1,174</td>
<td>$ 394</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 780</td>
</tr>
<tr>
<td>2002D-Swaption</td>
<td>($446)</td>
<td>-</td>
<td>($446)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2003B-Barrier option at 7%</td>
<td>(804)</td>
<td>-</td>
<td>-</td>
<td>(804)</td>
<td>-</td>
</tr>
<tr>
<td>Liability Position</td>
<td>($1,250)</td>
<td>-</td>
<td>($446)</td>
<td>(804)</td>
<td>$ -</td>
</tr>
</tbody>
</table>

The District 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. The basis swap was effective in January 2003 and matures in June 2028. At June 30, 2011, the fair value of the swap is $780,197. The District sold the second basis swap for $8,000,000 in February 2011.

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 three components: an up-front payment (borrowing), time value of the swaption and a forward-starting swap (at-the-market swap). For accounting and financial reporting purposes, the time value component is considered an investment derivative instrument. The 2002D swaption allows the counterparty to exercise the swap on fixed dates starting August 2012 through February 2014. If the swaption is executed the maturity date is August 2028. The counterparty notified the District that the 2001B swap will be executed on August 1, 2011 with a maturity date of August 2025. At June 30, 2011, the fair value of the swaptions are ($446,193) and ($394,276), 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, 2011, the fair value of the barrier option is ($803,901).
5. DUE FROM OTHER AGENCIES

At June 30, 2011, the District had a total of approximately $32.5 million in “Due from other agencies”. Approximately $24.4 million is due from Federal, State and local governments for various grant programs. Approximately $3.4 million is due from Medicaid for reimbursement for services performed which is recorded as deferred revenue at the fund level. Approximately $2.6 million is due from the Federal Emergency Management Agency (FEMA) related to reimbursement for Hurricane Wilma expenditures. Approximately $1.3 million is due from United Health Care pharmacy rebated. Another $0.8 million is due from other state and local agencies for miscellaneous items.

6. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2011 (amounts in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Interfund Receivables</th>
<th>Interfund Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$7,400</td>
<td>-</td>
</tr>
<tr>
<td>Federal Economic Stimulus Programs</td>
<td>-</td>
<td>$7,400</td>
</tr>
<tr>
<td>Total Interfund</td>
<td>$7,400</td>
<td>$7,400</td>
</tr>
</tbody>
</table>

The amount payable by the Federal Economic Stimulus Programs to the General Fund is to cover temporary cash shortages.

Interfund transfers for the year ended June 30, 2011 were as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Transfer from:</th>
<th>General Fund</th>
<th>COPS</th>
<th>Debt Service</th>
<th>Other Non-Major Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Improvement</td>
<td>$72,007</td>
<td>$145,232</td>
<td>-</td>
<td>$771</td>
<td>$218,010</td>
</tr>
<tr>
<td>Other Non-Major Governmental Funds</td>
<td>8,564</td>
<td>-</td>
<td>23,243</td>
<td>-</td>
<td>31,807</td>
</tr>
<tr>
<td>Total</td>
<td>$80,571</td>
<td>$145,232</td>
<td>23,243</td>
<td>$771</td>
<td>$249,817</td>
</tr>
</tbody>
</table>

The majority of interfund transfers were for recurring annual operating and debt service expenditures.
7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 is as follows (amounts in thousands):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-Depreciable Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$341,260</td>
<td>$1,090</td>
<td>$330</td>
<td>$342,020</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>226,219</td>
<td>53,147</td>
<td>244,050</td>
<td>35,316</td>
</tr>
<tr>
<td>Total Non-Depreciable Assets</td>
<td>567,479</td>
<td>54,237</td>
<td>244,380</td>
<td>377,336</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>39,395</td>
<td>12,557</td>
<td>-</td>
<td>51,952</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>3,795,120</td>
<td>233,904</td>
<td>2,063</td>
<td>4,026,961</td>
</tr>
<tr>
<td>Furniture, Fixtures &amp; Equipment</td>
<td>165,181</td>
<td>5,850</td>
<td>7,341</td>
<td>163,690</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>99,931</td>
<td>87</td>
<td>1,748</td>
<td>98,270</td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>55,479</td>
<td>816</td>
<td>291</td>
<td>56,004</td>
</tr>
<tr>
<td>Total Depreciable Assets</td>
<td>4,155,106</td>
<td>253,214</td>
<td>11,443</td>
<td>4,396,877</td>
</tr>
<tr>
<td><strong>Less Depreciation For:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvements Other Than Buildings</td>
<td>(10,050)</td>
<td>(3,077)</td>
<td>-</td>
<td>(13,127)</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>(733,921)</td>
<td>(82,689)</td>
<td>(1,966)</td>
<td>(814,644)</td>
</tr>
<tr>
<td>Furniture, Fixtures &amp; Equipment</td>
<td>(120,719)</td>
<td>(13,253)</td>
<td>(7,187)</td>
<td>(126,785)</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>(59,764)</td>
<td>(7,553)</td>
<td>(1,727)</td>
<td>(65,590)</td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>(46,460)</td>
<td>(7,330)</td>
<td>(289)</td>
<td>(53,121)</td>
</tr>
<tr>
<td><strong>Total Accumulated Depreciation</strong></td>
<td>(970,534)</td>
<td>(113,902)</td>
<td>(11,169)</td>
<td>(1,073,267)</td>
</tr>
<tr>
<td><strong>Capital Assets, Net</strong></td>
<td>$3,752,051</td>
<td>$193,549</td>
<td>$244,654</td>
<td>$3,700,946</td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended June 30, 2011 of approximately $113.9 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.

8. 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, 2011 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, 2011, the liability for insurance claims consisted of approximately $13.4 million, $9.7 million and $34.2 million for employee heath, auto, 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>Fiscal Year Ended June 30,</th>
<th>Fiscal Year Ended June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>$61,472</td>
<td>$58,670</td>
</tr>
</tbody>
</table>

Additions:
- Current year claims and changes in estimates $157,626
- Reductions:
  - Claim payments $(160,428)
  
Ending Balance $58,670

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 coverage for fiscal years ended June 30, 2009, 2010 and 2011.

9. SHORT-TERM DEBT

Short-term debt activity for the year ended June 30, 2011 was as follows (amounts in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance July 1, 2010</th>
<th>Issued</th>
<th>Redeemed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax anticipation notes</td>
<td>$</td>
<td>-</td>
<td>$115,000</td>
</tr>
<tr>
<td>Revenue anticipation notes</td>
<td>56,000</td>
<td>-</td>
<td>(56,000)</td>
</tr>
<tr>
<td>Total short-term debt</td>
<td>$56,000</td>
<td>$115,000</td>
<td>(171,000)</td>
</tr>
</tbody>
</table>

Tax Anticipation Notes and Revenue Anticipation Notes

On October 5, 2010 the District issued Tax Anticipation Notes ("TANS"), Series 2010 for $115.0 million. Note proceeds were used to pay fiscal year 2011 District operating expenditures prior to the receipt of ad valorem taxes. The notes were paid in January 2011.

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, 2011 were $102 thousand net of a premium of $439 thousand. Note proceeds were used to pay FY 2009 RANS. RANS Series 2010 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 spend-down requirements thereby resulting in no arbitrage rebate. The notes were paid in February 2011.
10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2011, is as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Governmental Activities:</th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</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>$29,555</td>
<td>$11,490</td>
<td>$(3,830)</td>
<td>$37,215</td>
<td>$4,075</td>
</tr>
<tr>
<td>Certificates of Participation</td>
<td>1,886,293</td>
<td>233,935</td>
<td>(224,520)</td>
<td>1,895,708</td>
<td>57,330</td>
</tr>
<tr>
<td>Borrowing-Swap Upfront Payment</td>
<td>8,145</td>
<td>351</td>
<td>0</td>
<td>8,496</td>
<td>135</td>
</tr>
<tr>
<td>Derivative Instruments-Hedging</td>
<td>38,599</td>
<td>34,423</td>
<td>(3,883)</td>
<td>69,139</td>
<td>-</td>
</tr>
<tr>
<td>Plus (Less) Issuance Premium (Discount)</td>
<td>35,967</td>
<td>1,159</td>
<td>(3,042)</td>
<td>34,084</td>
<td>-</td>
</tr>
<tr>
<td>Less Deferred Amount on Refundings</td>
<td>(22,516)</td>
<td>(5,781)</td>
<td>2,158</td>
<td>(26,139)</td>
<td>-</td>
</tr>
<tr>
<td>Total Bonds and Leases Payable</td>
<td>1,976,043</td>
<td>275,577</td>
<td>(233,117)</td>
<td>2,018,503</td>
<td>61,540</td>
</tr>
<tr>
<td>Other Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>180,178</td>
<td>16,489</td>
<td>(16,918)</td>
<td>179,749</td>
<td>13,749</td>
</tr>
<tr>
<td>Claims and Judgments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Claims</td>
<td>58,670</td>
<td>174,451</td>
<td>(175,807)</td>
<td>57,314</td>
<td>24,430</td>
</tr>
<tr>
<td>Arbitrage</td>
<td>1,084</td>
<td>684</td>
<td>(1,539)</td>
<td>229</td>
<td>229</td>
</tr>
<tr>
<td>Post Employment Benefits</td>
<td>62,490</td>
<td>13,275</td>
<td>(4,896)</td>
<td>70,869</td>
<td>-</td>
</tr>
<tr>
<td>Total Other Liabilities</td>
<td>302,422</td>
<td>204,899</td>
<td>(199,160)</td>
<td>308,161</td>
<td>38,408</td>
</tr>
<tr>
<td>Total Governmental Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term Liabilities</td>
<td>$2,278,465</td>
<td>$480,476</td>
<td>$(432,277)</td>
<td>$2,326,664</td>
<td>$99,948</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 5.375 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, 2010</th>
<th>Debt Matured/Refunded FY 10-11</th>
<th>Debt Outstanding June 30, 2011</th>
</tr>
</thead>
<tbody>
<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>$2,185</td>
<td>-</td>
<td>$105</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>$3,480</td>
<td>-</td>
<td>$705</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>$5,035</td>
<td>-</td>
<td>215</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>$14,945</td>
<td>-</td>
<td>2,015</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>$2,405</td>
<td>-</td>
<td>225</td>
</tr>
<tr>
<td>COBI 2009-A</td>
<td>9/10/2009</td>
<td>$1,655</td>
<td>2.00% to 5.00%</td>
<td>1/1/2019</td>
<td>$1,505</td>
<td>-</td>
<td>140</td>
</tr>
<tr>
<td>COBI 2010-A</td>
<td>10/14/2010</td>
<td>$9,700</td>
<td>3.00% to 5.00%</td>
<td>1/1/2030</td>
<td>-</td>
<td>9,700</td>
<td>425</td>
</tr>
<tr>
<td>COBI 2010-A (1)</td>
<td>10/14/2010</td>
<td>$1,790</td>
<td>4.00% to 5.00%</td>
<td>1/1/2022</td>
<td>-</td>
<td>1,790</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$52,730</td>
<td></td>
<td></td>
<td>$29,555</td>
<td>$11,490</td>
<td>$3,830</td>
</tr>
</tbody>
</table>

(1) The indicated COBI 2010-A was issued to refund the callable portion of COBI 2002-A which will be refunded in FY12

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>2012</td>
<td>$4,075</td>
<td>$1,741</td>
<td>$5,816</td>
</tr>
<tr>
<td>2013</td>
<td>4,440</td>
<td>1,556</td>
<td>5,996</td>
</tr>
<tr>
<td>2014</td>
<td>4,720</td>
<td>1,339</td>
<td>6,059</td>
</tr>
<tr>
<td>2015</td>
<td>4,460</td>
<td>1,105</td>
<td>5,565</td>
</tr>
<tr>
<td>2016</td>
<td>4,400</td>
<td>886</td>
<td>5,286</td>
</tr>
<tr>
<td>2017-2021</td>
<td>8,605</td>
<td>2,471</td>
<td>11,076</td>
</tr>
<tr>
<td>2022-2026</td>
<td>4,275</td>
<td>854</td>
<td>5,129</td>
</tr>
<tr>
<td>2027-2031</td>
<td>2,240</td>
<td>224</td>
<td>2,464</td>
</tr>
<tr>
<td>Total</td>
<td>$37,215</td>
<td>$10,176</td>
<td>$47,391</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, 2011, the statutory limit for the District was approximately $13.2 billion, providing additional debt capacity of approximately $13.2 billion.

**Capital Outlay Bond Issue Refunding**

On October 14, 2010, the Florida Department of Education issued State Board of Education Capital Outlay Bonds, Series 2010-A (COBI 2010-A). The bonds were issued to refund the callable State Board of Education Capital Outlay Bonds, Series 2002-A (COBI 2002-A) which will be refunded in FY12. The COBI 2010-A coupon rate ranges from 4.0% to 5.0%. The COBI 2010-A bonds are due on January 1, 2022.
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.

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, 2010</th>
<th>Debt Matured FY 10-11</th>
<th>Debt Refunded/ Defeased June 30, 2011</th>
<th>Debt Outstanding June 30, 2011</th>
<th>Ground Lease Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 1994A (1)</td>
<td>11/1/1994</td>
<td>$62,095</td>
<td>-</td>
<td>-</td>
<td>$</td>
<td>-</td>
<td>$</td>
<td>-</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>-</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>-</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>1,220</td>
<td>725</td>
<td>-</td>
<td>495</td>
<td>8/1/2031</td>
</tr>
<tr>
<td>Series 2001B (6)</td>
<td>6/1/2001</td>
<td>169,445</td>
<td>4.30% to 5.375%</td>
<td>8/1/2025</td>
<td>164,990</td>
<td>675</td>
<td>164,315</td>
<td>-</td>
<td>n/a</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>43,915</td>
<td>6,870</td>
<td>-</td>
<td>37,045</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>11,270</td>
<td>3,435</td>
<td>-</td>
<td>7,835</td>
<td>8/1/2032</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>149,830</td>
<td>3,980</td>
<td>-</td>
<td>145,850</td>
<td>8/1/2033</td>
</tr>
<tr>
<td>Series 2003A (11)</td>
<td>6/26/2003</td>
<td>60,865</td>
<td>2.75% to 5.00%</td>
<td>8/1/2021</td>
<td>43,675</td>
<td>3,195</td>
<td>-</td>
<td>40,480</td>
<td>8/1/2026</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>90,170</td>
<td>2,870</td>
<td>-</td>
<td>87,300</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>-</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>123,900</td>
<td>195</td>
<td>-</td>
<td>123,705</td>
<td>n/a</td>
</tr>
<tr>
<td>Series 2005B (13)</td>
<td>6/7/2005</td>
<td>38,505</td>
<td>3.125% to 5.00%</td>
<td>8/1/2010</td>
<td>8,320</td>
<td>8,320</td>
<td>-</td>
<td>-</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>-</td>
<td>2,150</td>
<td>n/a</td>
</tr>
<tr>
<td>Series 2006A (14)</td>
<td>5/25/2006</td>
<td>222,015</td>
<td>3.75% to 5.00%</td>
<td>8/1/2031</td>
<td>205,570</td>
<td>5,975</td>
<td>-</td>
<td>199,595</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 5.50%</td>
<td>8/1/2031</td>
<td>249,125</td>
<td>10,270</td>
<td>-</td>
<td>238,855</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>190,850</td>
<td>245</td>
<td>-</td>
<td>190,605</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>-</td>
<td>8/1/2037</td>
</tr>
<tr>
<td>Series 2011B (16)</td>
<td>6/29/2011</td>
<td>166,270</td>
<td>1.9% to 5.32%</td>
<td>8/1/2025</td>
<td>-</td>
<td>-</td>
<td>166,270</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>QZCB Series 2010</td>
<td>11/15/2010</td>
<td>67,665</td>
<td>5.40%</td>
<td>8/1/2025</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>67,665</td>
<td>n/a</td>
</tr>
</tbody>
</table>

$ 2,881,023 $ 1,886,293 $ 60,205 $ 164,315 $ 1,895,708

* 2002B - Variable rate paid to certificate holders based on current market rate. Resets weekly, 2.75% at 6/30/2011
** 2003B - Variable rate paid to certificate holders SIFMA + 65 basis points. Resets weekly, 0.76% at 6/30/2011
*** 2010 QSCB - Average coupon rate before IRS subsidy is 5.45%. Net interest rate with IRS subsidy is .365689%
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 mature 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 mature on or after August 1, 2007. **
(11) On March 20, 2008 the District converted and remarketed the 2003B resulting in no change to principal.
(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. **
(16) Issued to advance refund and defease a portion of Series 2001B Certificates of Participation. **

** 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, 2011, approximately $39.1 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, 2011, the arbitrage liability was $0.2 million.
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 June 30</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 495</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>
</tr>
<tr>
<td>2013</td>
<td>-</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>
</tr>
<tr>
<td>2014</td>
<td>-</td>
<td>7,710</td>
<td>-</td>
<td>-</td>
<td>4,505</td>
<td>11,070</td>
<td>3,465</td>
<td>-</td>
</tr>
<tr>
<td>2015</td>
<td>-</td>
<td>8,025</td>
<td>-</td>
<td>-</td>
<td>4,650</td>
<td>11,665</td>
<td>3,570</td>
<td>-</td>
</tr>
<tr>
<td>2016</td>
<td>-</td>
<td>350</td>
<td>-</td>
<td>-</td>
<td>12,295</td>
<td>3,680</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2017-2021</td>
<td>-</td>
<td>6,405</td>
<td>24,275</td>
<td>-</td>
<td>10,335</td>
<td>2,465</td>
<td>21,330</td>
<td>-</td>
</tr>
<tr>
<td>2022-2026</td>
<td>-</td>
<td>-</td>
<td>62,135</td>
<td>-</td>
<td>32,730</td>
<td>1,790</td>
<td>24,945</td>
<td>-</td>
</tr>
<tr>
<td>2027-2031</td>
<td>-</td>
<td>-</td>
<td>28,940</td>
<td>-</td>
<td>85,190</td>
<td>-</td>
<td>99,350</td>
<td>-</td>
</tr>
<tr>
<td>2032-2033</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 495</td>
<td>$ 37,045</td>
<td>$ 115,350</td>
<td>$ 7,835</td>
<td>$ 145,850</td>
<td>$ 58,000</td>
<td>$ 40,480</td>
<td>$ 124,295</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ 2,955</td>
<td>$ 200</td>
<td>$ 6,195</td>
<td>$ 10,680</td>
<td>-</td>
<td>$ 255</td>
<td>$ 4,110</td>
<td>$ 4,080</td>
</tr>
<tr>
<td>2013</td>
<td>3,050</td>
<td>210</td>
<td>6,045</td>
<td>11,155</td>
<td>-</td>
<td>775</td>
<td>4,320</td>
<td>4,240</td>
</tr>
<tr>
<td>2014</td>
<td>3,185</td>
<td>215</td>
<td>6,330</td>
<td>11,660</td>
<td>-</td>
<td>4,990</td>
<td>4,353</td>
<td>4,395</td>
</tr>
<tr>
<td>2015</td>
<td>3,335</td>
<td>220</td>
<td>6,585</td>
<td>12,205</td>
<td>-</td>
<td>5,325</td>
<td>4,760</td>
<td>4,585</td>
</tr>
<tr>
<td>2016</td>
<td>3,495</td>
<td>17,980</td>
<td>6,850</td>
<td>12,825</td>
<td>-</td>
<td>920</td>
<td>5,000</td>
<td>4,795</td>
</tr>
<tr>
<td>2017-2021</td>
<td>20,130</td>
<td>85,420</td>
<td>39,345</td>
<td>42,050</td>
<td>30,385</td>
<td>20,115</td>
<td>-</td>
<td>27,200</td>
</tr>
<tr>
<td>2022-2026</td>
<td>25,640</td>
<td>19,460</td>
<td>49,895</td>
<td>1,430</td>
<td>85,840</td>
<td>71,605</td>
<td>-</td>
<td>34,055</td>
</tr>
<tr>
<td>2027-2031</td>
<td>25,510</td>
<td>-</td>
<td>63,650</td>
<td>111,180</td>
<td>-</td>
<td>86,620</td>
<td>-</td>
<td>43,460</td>
</tr>
<tr>
<td>2032-2033</td>
<td>-</td>
<td>-</td>
<td>14,700</td>
<td>25,670</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20,580</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 87,300</td>
<td>$ 123,705</td>
<td>$ 199,595</td>
<td>$ 238,855</td>
<td>$ 116,225</td>
<td>$ 190,605</td>
<td>$ 22,725</td>
<td>$ 147,390</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year ended June 30</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Series</th>
<th>Total Lease Payment</th>
<th>Total Interest</th>
<th>Total Lease Payment &amp; Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>2013</td>
<td>1,025</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>60,440</td>
<td>85,905</td>
<td>146,345</td>
</tr>
<tr>
<td>2014</td>
<td>1,100</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>63,160</td>
<td>83,069</td>
<td>146,229</td>
</tr>
<tr>
<td>2015</td>
<td>985</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>65,910</td>
<td>79,966</td>
<td>145,876</td>
</tr>
<tr>
<td>2016</td>
<td>1,150</td>
<td>950</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70,290</td>
<td>76,648</td>
<td>146,938</td>
</tr>
<tr>
<td>2017-2021</td>
<td>70,095</td>
<td>-</td>
<td>2,923</td>
<td>2,150</td>
<td>-</td>
<td>404,623</td>
<td>328,788</td>
<td>733,411</td>
</tr>
<tr>
<td>2022-2026</td>
<td>91,915</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>67,665</td>
<td>569,105</td>
<td>219,954</td>
<td>789,059</td>
</tr>
<tr>
<td>2027-2031</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>543,900</td>
<td>72,908</td>
<td>616,808</td>
<td>-</td>
</tr>
<tr>
<td>2032-2033</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>60,950</td>
<td>2,041</td>
<td>62,991</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 166,270</td>
<td>$ 950</td>
<td>$ 2,923</td>
<td>$ 2,150</td>
<td>$ 67,665</td>
<td>$ 1,895,708</td>
<td>$ 1,035,960</td>
<td>$ 2,931,668</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 for a principal commitment up to $115,350,000 with Dexia Credit Local that expires March 20, 2012. At June 30, 2011, Dexia held $92,600,000 in bonds leaving a total uncommitted balance of $22,750,000. The District pays an annual commitment fee of 12 basis points. As of August 1, 2011, the District privately placed the 2002B variable rate with JP Morgan. The private placement eliminates the need for liquidity and fixes the interest rate at 70% of LIBOR plus a spread (See Note 16).

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

On Jun 29, 2011, the District issued certificates of participation (Series 2011B) in the amount of $166.3 million (at par) with interest rates ranging from 1.9 to 5.32 percent to refund certificates of participation Series 2001B with interest rates ranging from 4.3 to 5.375 percent, which met the requirements of an in-substance current debt defeasance. The District made a principal reduction payment of $164.3 million and a call premium payment of $5.8 million, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the current refunding, the District will increase its total debt service requirement by $4.5 million, which results in an economic loss (the difference between the present value of the debt service payments on the old and new debt) of $6.7 million, or 4.1% of the principal amount being refunded. The current refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District’s financial statements in the current fiscal year.

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, 2011, the total amount of defeased debt outstanding but removed from the District’s financial statements amounted to approximately $473.7 million.

Qualified School Construction Bonds

As part of the American Reinvestment and Recovery Act, the District was authorized to issue up to $67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary). To receive the full benefits associated with the QSCB, the construction must be completed and all costs must be paid by November 15, 2013. The District issued the bonds as Taxable Certificates of Participation through the Build America Bond program, also created by the ARRA legislation. The District issued taxable bonds and will receive a federal subsidy from the Treasury department equal to the difference between the taxable and tax-exempt rates. The Certificates were sold to Bank of America during a competitive sale held on November 3, 2010 and closed on November 15, 2010. The par amount was $67.7 million and the interest rate was 5.40%. The District will pay interest only until 2019 when deposits to the sinking fund begin. The final maturity of the bonds is August 1, 2025. The total interest that will be paid over the life of the bonds is $53.8 million. A subsidy of $51.7 million will be recorded as revenue in the year earned. Therefore, the amount the District will pay net of the federal subsidy is $2.1 million. In the current year, the District recorded $741
thousand subsidy as revenue and $771 thousand as interest expense resulting in a net impact of $30 thousand.

Subsequent to the sale of the certificates, the District entered into a forward delivery agreement (FDA) classified as a nonparticipating interest-earning investment contract with Barclays Bank related to the COPs 2010A QSCB. A forward delivery agreement is a type of investment in which the investor purchases eligible securities on a periodic basis from the agreement provider at a fixed rate of return. The Board expects to purchase eligible securities, which consist of direct obligations of or obligations guaranteed by the US Treasury and AAA-rated senior debt obligations of Fannie Mae, Freddie Mac the FHLB and Federal Farm Credit System from Barclays on a semi-annual basis beginning July 19, 2019 through the final maturity date of August 1, 2025. The Agreement will generate a guaranteed fixed rate of return of 4.262% or $8.1 million. The interest earnings associated with this transaction will completely offset the interest due (net of the federal subsidy) and will generate an additional $6.0 million to be used to repay the principle in 2025.

Hedging Derivative Instrument Payments and Hedged Debt

As of June 30, 2011, 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 11 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>2012</td>
<td>$</td>
<td>$4,117</td>
<td>$9,156</td>
<td>$13,273</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td>4,117</td>
<td>9,156</td>
<td>13,273</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td>4,117</td>
<td>9,156</td>
<td>13,273</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td>4,117</td>
<td>9,156</td>
<td>13,273</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>4,117</td>
<td>9,156</td>
<td>13,273</td>
</tr>
<tr>
<td>2017-2021</td>
<td>24,275</td>
<td>19,784</td>
<td>44,660</td>
<td>88,719</td>
</tr>
<tr>
<td>2022-2026</td>
<td>87,080</td>
<td>12,491</td>
<td>33,040</td>
<td>132,611</td>
</tr>
<tr>
<td>2027-2029</td>
<td>128,290</td>
<td>2,432</td>
<td>12,730</td>
<td>143,452</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>239,645</strong></td>
<td><strong>55,292</strong></td>
<td><strong>136,210</strong></td>
<td><strong>431,147</strong></td>
</tr>
</tbody>
</table>
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 4. 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 $727,818 and $1,148,316, respectively, through June 30, 2011. The ending balances of borrowings including accreted interest from inception at June 30, 2011 are $3,207,610 and $5,288,608, 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. 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 11 for information on derivative instruments. Debt service requirements for both the 2001B and 2002D borrowing at June 30, 2011, 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>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</td>
<td>745</td>
<td>256</td>
<td>1,001</td>
</tr>
<tr>
<td>2017-2021</td>
<td>3,400</td>
<td>831</td>
<td>4,231</td>
</tr>
<tr>
<td>2022-2026</td>
<td>2,011</td>
<td>257</td>
<td>2,268</td>
</tr>
<tr>
<td>2027-2029</td>
<td>429</td>
<td>19</td>
<td>448</td>
</tr>
</tbody>
</table>

$8,669 $2,499 $11,168
11. DERIVATIVE INSTRUMENTS

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2011, classified by type, and the changes in fair value of such derivative instruments are as follows (amounts in thousands; debit (credit)):

<table>
<thead>
<tr>
<th>Classification</th>
<th>Changes in Fair Value</th>
<th>Fair Value at June 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Classification</td>
<td>Amount</td>
</tr>
<tr>
<td><strong>Governmental Activities Hedging Derivatives:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002B Pay-fixed Interest Rate Swap</td>
<td>Deferred outflow of resources $2,559 Liability $22,463 $115,350</td>
<td></td>
</tr>
<tr>
<td>2003B Pay-fixed Interest Rate Swap</td>
<td>Deferred outflow of resources $1,324 Liability $12,253 124,295</td>
<td></td>
</tr>
<tr>
<td>2001B Swaption (at-the-market Swap)</td>
<td>Deferred outflow of resources $(21,741) Liability $(21,741) 162,980</td>
<td></td>
</tr>
<tr>
<td>2002D Swaption (at-the-market Swap)</td>
<td>Deferred outflow of resources $(12,682) Liability $(12,682) 116,555</td>
<td></td>
</tr>
<tr>
<td><strong>Total Hedging Derivative Instruments</strong></td>
<td></td>
<td>$ (69,139)</td>
</tr>
<tr>
<td><strong>Investment Derivatives:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002D-Basis Swap</td>
<td>Investment earnings   $2,211 Asset $780 100,000</td>
<td></td>
</tr>
<tr>
<td>2002D-Swaption (time value)</td>
<td>Investment earnings   $1,206 Liability $(446) 116,555</td>
<td></td>
</tr>
<tr>
<td>2001B-Swaption (time value)</td>
<td>Investment earnings   $999 Asset $394 162,980</td>
<td></td>
</tr>
<tr>
<td>2003B-Barrier Option at 7%</td>
<td>Investment earnings   $568 Liability $(804) 100,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Investment Derivative Instruments</strong></td>
<td></td>
<td>$ (76)</td>
</tr>
</tbody>
</table>

The basis swaps, swaptions and barrier option are considered investment derivative instruments. Refer to Note 4. Investment Derivative Instruments 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, 2011, along with the credit rating of the associated counterparty (amounts in thousands):

<table>
<thead>
<tr>
<th>Objective and Terms of Derivative Instruments</th>
<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>Counterparty Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities Hedging Derivatives:</strong></td>
<td>2002B -Interest Rate Swap</td>
<td>Hedge changes in cash flows on the 2002B Certificates</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>
</tr>
<tr>
<td></td>
<td>2003B -Interest Rate Swap</td>
<td>Hedge changes in cash flows on the 2003B Certificates</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>
</tr>
<tr>
<td></td>
<td>2002D -Swaption (at-the-market rate)</td>
<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</td>
<td>Citibank NA</td>
</tr>
<tr>
<td></td>
<td>2001B -Swaption (at-the-market rate)</td>
<td>Hedge against future increase in interest rates</td>
<td>162,980</td>
<td>8/1/2011</td>
<td>8/1/2025</td>
<td>6,250</td>
<td>Pay 4.59%; receive SIFMA Swap Index</td>
<td>Citibank NA</td>
</tr>
<tr>
<td><strong>Investment Derivatives:</strong></td>
<td>2002D -Basis Swap</td>
<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>
</tr>
<tr>
<td></td>
<td>2003B -Barrier option at 7%</td>
<td>Hedge against future increase in interest rates</td>
<td>100,000</td>
<td>6/26/2003</td>
<td>8/1/2018</td>
<td>3,010</td>
<td>Pay 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</td>
<td>UBS AG, Stamford Branch</td>
</tr>
<tr>
<td></td>
<td>2002D -Swaption (time value)</td>
<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</td>
<td>Citibank NA</td>
</tr>
<tr>
<td></td>
<td>2001B -Swaption (time value)</td>
<td>Hedge against future increase in interest rates</td>
<td>162,980</td>
<td>8/1/2011</td>
<td>8/1/2025</td>
<td>6,250</td>
<td>Pay 4.59%; receive SIFMA Swap Index</td>
<td>Citibank NA</td>
</tr>
</tbody>
</table>
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, 2011.

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 remarshaled every 7 days. As of June 30, 2011, the weighted-average interest rate on the District's hedged variable-rate debt is 0.69 percent, while the fiscal year 2011 average of the SIFMA swap index rate is 0.25 percent and 67 percent of LIBOR is 0.17 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 7.00% 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.

12. 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>Plan Description</th>
<th>June 30, 2009</th>
<th>June 30, 2010</th>
<th>June 30, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Retirement System</td>
<td>$94,977</td>
<td>$93,208</td>
<td>$100,752</td>
</tr>
<tr>
<td>Teachers’ Retirement System Plan E: Employer</td>
<td>$61</td>
<td>$33</td>
<td>$16</td>
</tr>
</tbody>
</table>

Employer rates include the post-employment health insurance supplement of 1.11% and 0.03% 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.

**13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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, 2011.

**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 2011, 1,421 retirees received health care benefits. The District provided required contributions of approximately $4.9 million toward the annual OPEB cost. Retiree contributions totaled approximately $7.8 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>$13,633</td>
</tr>
<tr>
<td>Interest on Net OPEB Obligation</td>
<td>$1,875</td>
</tr>
<tr>
<td>Adjustment to Annual Required Contribution</td>
<td>($2,233)</td>
</tr>
<tr>
<td>Annual OPEB Cost (Expense)</td>
<td>$13,275</td>
</tr>
<tr>
<td>Contribution Towards OPEB Cost</td>
<td>($4,896)</td>
</tr>
<tr>
<td>Increase in Net OPEB Obligation</td>
<td>$8,379</td>
</tr>
<tr>
<td>Net OPEB Obligation - Beginning of Year</td>
<td>$62,490</td>
</tr>
<tr>
<td>Net OPEB Obligation - End of Year</td>
<td>$70,869</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, 2011, was as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year Ended</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, 2011</td>
<td>$13,275</td>
<td>37%</td>
<td>$70,869</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>$22,095</td>
<td>15%</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, 2011, the actuarial accrued liability for benefits was $161.4 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $906.7 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 17.8 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.
**The School District of Palm Beach County, Florida**

**Notes to the Financial Statements**

**For the Year Ended June 30, 2011**

*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, 2010. 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, 2011 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, 2010.

*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 $9,284 and at age 70 is $5,516.

*Age Based Morbidity* – The assumed per capita health claim costs are adjusted to reflect expected increases related to age. The increase in per capita health claim costs related to age range from 3.19% to 5.06% under age 65 and from 3.00% to .05% over age 65.

*Mortality* – Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2000 Table, applied on a gender specific base 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.

*Census Data* – The census data was provided as of June 2011.

*Discount Rate* – 3% per annum.
14. FUND BALANCE REPORTING

GASB 54 categorizes fund balance as either nonspendable or spendable. Nonspendable is defined as the portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. District nonspendable items include inventories.

Spendable is defined as a hierarchy of fund balance classifications that is available to be spent based on the element to which the District is bound to observe constraints imposed upon the use of resources:

- Restricted fund balance is constrained by external parties, constitutional provisions or enabling legislation and the minimum cash balance required to be maintained for self-insurance programs. District restricted balances include: Carryover balances as a result of revenue received with constraints from Federal laws, Florida Statute, Florida School Board Rules, local ordinances or contract provisions.
- Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the School Board. District committed balance includes: Funds committed by the School Board on June 2, 2010 for future purchase and installation of equipment needed to transmit and receive programming for The Education Network (TEN).
- Assigned fund balances are amounts that are constrained by the School Board or Superintendent to be used for a specific purpose. Florida Statute 1001.51, Duties and Responsibilities of District School Superintendent, delegates certain financial authority to the Superintendent.
- Unassigned fund balance is the residual classification for the general fund

Restricted or unrestricted amounts are considered spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District has not established a stabilization arrangement. Instead, the Board has established policy 2.55, Fund Balance for Contingency to set aside 3 percent of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. At the end of the fiscal year, the unassigned general fund balance was $54.6 million or 3.9 percent of general fund total expenditures.
### Notes to the Financial Statements

#### For the Year Ended June 30, 2011

### General Fund

<table>
<thead>
<tr>
<th>COPS Debt</th>
<th>Svs</th>
<th>Capital Imp</th>
<th>COPS</th>
<th>Other Non Major Gov't</th>
<th>Total Gov't</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory:</td>
<td>$7,487</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Textbooks</td>
<td>$7,487</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Child Nutrition</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$2,883</td>
</tr>
<tr>
<td>Maintenance</td>
<td>$914</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$914</td>
</tr>
<tr>
<td>Warehouse</td>
<td>$1,288</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,288</td>
</tr>
<tr>
<td>Intrusion Alarms</td>
<td>$1,442</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,442</td>
</tr>
<tr>
<td>Transportation</td>
<td>$1,173</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$1,173</td>
</tr>
<tr>
<td>Other</td>
<td>$194</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$194</td>
</tr>
<tr>
<td>Total Nonspendable</td>
<td>$12,498</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$2,883</td>
</tr>
</tbody>
</table>

#### Restricted for:

| CATEGORICAL CARRYOVER PROGRAMS | $3,642 | $ - | $ - | $ - | $3,642 |
| IB, AP, AICE & INDUSTRY CERT PROG | $4,048 | $ - | $ - | $ - | $4,048 |
| SCHOOL IMPROVEMENT | $1,110 | $ - | $ - | $ - | $1,110 |
| WORKFORCE DEVELOPMENT | $6,739 | $ - | $ - | $ - | $6,739 |
| CHILD NUTRITION | $ - | $ - | $ - | $ - | $19,645 | $19,645 |
| DEBT SERVICE | $ - | $103,668 | $ - | $ - | $1,626 | $105,294 |
| CAPITAL PROJECTS | $ - | $129,294 | $94,752 | $ - | $116,549 | $340,595 |
| CASH WITH FISCAL AGENT | $1,559 | $ - | $ - | $ - | $1,559 |
| Total Restricted | $17,098 | $103,668 | $129,294 | $94,752 | $137,820 | $482,632 |

#### Committed to:

| THE EDUCATION NETWORK PROGRAM | $ - | $ - | $ - | $ - | $1,549 | $1,549 |
| Total Committed | $ - | $ - | $ - | $ - | $1,549 | $1,549 |

#### Assigned to:

| SCHOOL OPERATIONS | $6,710 | $ - | $ - | $ - | $6,710 |
| INSTRUCTION | $6,710 | $ - | $ - | $ - | $6,710 |
| INSTRUCTIONAL SUPPORT SERVICES | $99 | $ - | $ - | $ - | $99 |
| BOARD | $125 | $ - | $ - | $ - | $125 |
| GENERAL & SCHOOL ADMIN | $18 | $ - | $ - | $ - | $18 |
| FACILITIES ACQ AND CONSTR | $32 | $ - | $ - | $ - | $32 |
| FISCAL SERVICES | $107 | $ - | $ - | $ - | $107 |
| CENTRAL SERVICES | $26 | $ - | $ - | $ - | $26 |
| PUPIL TRANSPORTATION SERVICES | $107 | $ - | $ - | $ - | $107 |
| OPERATION OF PLANT | $109 | $ - | $ - | $ - | $109 |
| MAINTENANCE OF PLANT | $427 | $ - | $ - | $ - | $427 |
| COMMUNITY SERVICES: | $8,111 | $ - | $ - | $ - | $8,111 |
| AFTER CARE/SUMMER CAMP | $8,111 | $ - | $ - | $ - | $8,111 |
| PRE-K FEE BASED ACTIVITIES | $704 | $ - | $ - | $ - | $704 |
| COMMUNITY SCHOOLS | $755 | $ - | $ - | $ - | $755 |
| OTHER | $32 | $ - | $ - | $ - | $32 |
| CAPITAL PROJECTS | $349 | $ - | $ - | $ - | $43,051 | $43,400 |
| MISC LOCAL GRANTS/DONATIONS | $2,070 | $ - | $ - | $ - | $2,070 |
| FLDOE ADJUSTMENT | $2,954 | $ - | $ - | $ - | $2,954 |
| NEXT YEAR BUDGET SHORTFALL | $79,967 | $ - | $ - | $ - | $79,967 |
| Total Assigned | $102,702 | $ - | $ - | $ - | $43,051 | $145,753 |

#### Unassigned

| $54,640 | $ - | $ - | $ - | $54,640 |
| Total Fund Balance | $186,938 | $103,668 | $129,294 | $94,752 | $185,303 | $699,955 |

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B-69
15. 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. The District has an accrued liability on the government wide and an assigned fund balance on the fund level of $3.0 million related to prior year FTE and transportation audits. It is the opinion of management that any amounts of revenue which may be remitted back to the State due to additional 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 are 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, 2011, the District had construction commitments of approximately $35.3 million.

16. SUBSEQUENT EVENTS

Regarding Cash and Investments – Standard and Poor’s downgraded US Treasuries to Aa; however Moody’s and Fitch ratings remain unchanged. Investments are still within investment guidelines.

On September 21, 2011 the District issued Tax Anticipation Notes ("TANS") Series 2011. This $115.0 million issue was sold at a coupon rate of 1.50% with an effective yield of .12%. The notes are dated September 29, 2011 and are due January 26, 2012.

The District issued $112.4 million in Certificates of Participation, Series 2011A on July 13, 2011 to refund the Series 2007B Certificates on August 1, 2011 and to pay costs associated with the issuance of the Series 2007B Certificates. The refinancing of the 2007B generated $2.9 million of cash flow relief in fiscal year 2012 and over $300 thousand of relief in each fiscal year from fiscal year 2013 through 2019. The series 2011A Certificates possess an underlying credit rating of “Aa3” and “AA-” from Moody’s and Fitch, respectively.

The District amended the first three years of the 2001B swaption effective August 1, 2011 from pay fixed 4.59% receive SIFMA swap index to pay fixed 4.48% receive 70% of USD-LIBOR. Even though critical terms of the rest of the original underlying swap remain the same, amending the critical term of a portion of a hedging derivative instrument results in a termination of hedge accounting.

The District privately placed the 2002B variable rate debt with JP Morgan on August 1, 2011. Similar to the 2003B placement with Dexia in FY08, the private placement eliminates the need for liquidity and fixes
the interest rate at SIFMA plus 70 basis points.
<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, 2010</td>
<td>$</td>
<td>$161,375</td>
<td>$161,375</td>
<td>0.0%</td>
<td>$906,746</td>
<td>17.8%</td>
</tr>
<tr>
<td>July 1, 2009</td>
<td>$</td>
<td>$218,964</td>
<td>$218,964</td>
<td>0.0%</td>
<td>$922,938</td>
<td>23.7%</td>
</tr>
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<td>$</td>
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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

E. Wayne Gent, Superintendent, and 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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 11, 2011. 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, grantor and pass-through entities, others within the District 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.

November 11, 2011
APPENDIX C

CERTAIN LEGAL DOCUMENTS

The Master Lease
Form of Amended and Restated Schedule 2004A-1
Form of Amended and Restated Schedule 2004A-2
The Series 2004A-1 Ground Lease
The Master Trust Agreement
Form of Series 2012C Supplemental Trust Agreement
The Series 2004A Assignment
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
ARTICLE I. DEFINITIONS AND EXHIBITS

SECTION 1.1. Definitions

ARTICLE II. LEASE AND SUBLEASE OF FACILITIES AND FACILITY SITES

SECTION 2.1. Lease and Sublease of Facilities and Facility Sites

ARTICLE III. LEASE PAYMENTS

SECTION 3.1. Payment of Lease Payments

ARTICLE IV. TERMINATION

SECTION 4.1. Termination of Lease Term

ARTICLE V. COVENANTS OF SCHOOL BOARD

SECTION 5.1. Maintenance of the Facilities by the School Board

ARTICLE IX. MISCELLANEOUS

SECTION 9.1. Notices

ARTICLE IX. MISCELLANEOUS

SECTION 9.11. Execution in Counterparts

EXHIBIT A - FORM OF SCHEDULE

EXHIBIT B - FORM OF SCHOOL BOARD'S CERTIFICATE

MASTER LEASE PURCHASE AGREEMENT

THIS MASTER LEASE PURCHASE AGREEMENT dated as of November 1, 1994 (this "Master Lease"), between the School Board of Palm Beach County, Florida, acting as the governing body of the School District of Palm Beach County, Florida (the "District"), a body corporate pursuant to Article VIII, Section 2(26) of the Florida Constitution (1968) and Chapter 233, Florida Statutes, and Broward County School Board Leasing Corp., a not-for-profit corporation organized and existing under and pursuant to Chapter 237, Florida Statutes, as amended, as lessee (the "School Board"), and Palm Beach County School Board Leasing Corp., a not-for-profit corporation organized and existing under and pursuant to Chapter 237, Florida Statutes, as amended, as lessor (the "Corporation")

WHEREAS, the School Board has the power, under Section 230.23(2) Florida Statutes, to receive, purchase, acquire, lease sell, hold, transmit and convey title to real and personal property for educational purposes, and under Section 230.23(3) Florida Statutes, to enter into leases or lease-purchase agreements of grounds and educational facilities, or of educational facilities, including equipment built, installed or established therein or attached thereto for school purposes in accordance with the provisions of Chapter 237, Florida Statutes (collectively, the "Act"); and

WHEREAS, the Corporation is a "private corporation" within the meaning of Section 237.40, Florida Statutes, as amended, and is a "direct support organization" within the meaning of Section 237.46, Florida Statutes, as amended, and

WHEREAS, the School Board is or shall be the owner of certain real property located in Palm Beach County which, together with all buildings, structures and improvements now or hereafter existing or situated thereon, any easements or other rights or privileges in adjoining property impinging to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, or hereafter located on, or used in connection with or attached or made to such land, to the extent title thereto may vest in the School Board, is hereinafter referred to as a "Facility Site"; and

WHEREAS, pursuant to a resolution duly adopted by the School Board on October 19, 1994, the School Board has determined that it is in the best interest of the District for the School Board to enter into and execute this Master Lease and certain related documents therefor the purpose of leasing purchasing certain real property, buildings and improvements, equipment, fixtures and furnishings to be built, installed or established therein for educational purposes ("Facilities") from the Corporation;
to time, which Facilities must, to the extent required by Florida law, be listed on the State 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 leased-purchased from time to time pursuant to Schedules substantially in the form of a Schedule to a Master Lease (individually, a "Schedule"); each such Schedule upon execution and delivery by the School Board and the Corporation together with the Corporation’s acceptance of such Facilities shall constitute a separate lease agreement (a "Lease"); and

WHEREAS, the School Board as lessor and the Corporation as lessee may enter into one or more ground leases from time to time with respect to one or more Facility sites (individually, a "Ground Lease"); and

WHEREAS, the ground leasing of a Facility Site, the subleasing of a Facility Site back to the School Board and the lease-purchase financing or refinancing of the Facilities set forth on the Project Schedule, are herein collectively referred to as a "Project"; and

WHEREAS, at the direction of the School Board, the Corporation will provide for the cost 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 National Bank of Florida, N.A., Fort Lauderdale, Florida, as Trustee (the "Trustee"), pursuant to which the Corporation shall (a) establish and assign to the Trustee all of said Corporation’s rights, titles and interests and in 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 participation interests in the right to receive the Basic Lease Payments to be made by the School Board pursuant to each Lease relating thereto and (c) deposit the proceeds of each Series of Certificates with the Trustee and direct the Trustee to hold the proceeds of the sale of such Certificates in trust subject to application of the principal and interest payments to acquire, construct and installation of the Facilities to be financed under the lease relating thereto and identified on a Schedule and related costs including, without limitation, capitalized interest, accrued interest and costs of issuance and to make lease payments; and

WHEREAS, each Certificate of a Series shall represent an undivided participation 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 the Corporation 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 235.055(3)(c), Florida Statutes, as amended, provides that no lease purchase agreement entered into pursuant to such leases held 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 EXHIBITS
SECTION 1.1. Definitions. The terms set forth in this section shall have the meanings ascribed to them for all purposes of this Master Lease unless the context clearly indicates some other meaning, or unless such terms are otherwise defined herein in a particular Schedule. Terms used herein and not otherwise defined shall have the meaning given to them in the Trust Agreement.

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

"Additional Lease Payment" shall mean any amounts payable by the School Board under the terms of this Master Lease other than a Basic Lease Payment or a Supplemental Payment, as set forth in a Schedule to this Master Lease and so designated.

"Assignment Agreement" shall mean any assignement agreement pursuant to which the Corporation shall have assigned to the Trustee all of its right, title and interest in and to a Ground Lease and the lease or leases treated 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 persons or persons designated by the Corporation and authorized to act on behalf of the Corporation by a written certificate delivered to the Trustee signed on behalf of the Corporation by the Chairperson of the Board of directors containing the specific name of each such person.

"Authorized School Board Representative" shall mean the Chairperson and any person or persons designated by the School Board and authorized to act on behalf of the School Board by a written certificate delivered to the Trustee signed on behalf of the School Board by the Chairperson containing the specific name 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 each Master Lease relating to such Lease Payment Date and designated as a Basic Lease Payment in such Schedule.

"Business day" shall mean a day other than Saturday, Sunday or any 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 issued and delivered from time to time by the Trustee pursuant to the Trust Agreement and any Supplemental Trust Agreement. Each Series of Certificates issued under the Trust Agreement and any Supplemental Trust Agreement shall bear a unique designation to identify such Series of Certificates to a particular Schedule to this Master Lease.

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

"Certificate of Acceptance" shall mean the certificate of the School Board substantially in the form of Exhibit B to this Master Lease to be delivered pursuant to the provisions of Section 2.3 hereof.

"Chairperson" shall mean the Chairperson of the School Board and any person or persons designated by the School Board and authorized to act on behalf of the Chairperson.


"Completion Date" shall mean the date set forth in each Schedule and which is the effective date of such Schedule.

"Construction" 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 perform the work described in Schedule hereto which has been made directly with the School Board for the performance of the work with respect to any Facilities described in any Schedule hereto.

"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 each Facility, but not limited to (i) costs and expenses of the acquisition of the title to or other interest in real property, including landlocked interests, easements, rights-of-way and licenses, including, without limitation, lease payments to be made by the Corporation under the terms of a Ground Lease until the expected acceptance of the Facilities related thereto as described herein, (ii) costs and expenses incurred for labor and materials and payments to contract-
turers, builders, materialmen and vendors, for the acquisition, construction and installation of the Facilities, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be advisable or required prior to the completion of any of the Facilities which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for document printing, reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustees, any Credit Facility Issuer and any provider of a Reserve Account Letter of Credit/Insurance Policy, legal fees and charges, professional consultants' fees, fees and charges for execution, delivery, transportation and safetykeeping of Certificates, premium, costs and expenses of refunding Certificates and other costs, charges and expenses of refunding Certificates, (v) amounts payable by the School Board pursuant to the terms of a Lease, including Basic Lease Payments, Additional Lease Payments and payments for the acquisition, construction and installation of the Facilities, (vi) all costs which the School Board shall be required to pay to provide improvements, necessary for the use and occupancy of Facilities, including roads, walkways, a water, sewer, electrical, fire alarm and other utilities, (vii) amounts 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, (viii) deposits into any Reserve Account established pursuant to Section 401 of the Trust Agreement and any Supplemental Trust Agreement and any incurred amounts payable to a provider of a reserve Account Letter of Credit/Insurance Policy, (ix) fees, expenses and liabilities of the School Board, if any, incurred in connection with the acquisition, construction, and installation of Facilities, (x) costs of insurance, and (xi) interest during construction and for a reasonable period of time up to six (6) months thereafter.

"Costs of Issuance" shall mean the items of expense incurred in connection with the authorization, sale and delivery of each Series of Certificates which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, costs of credit ratings, initial fees and charges of the Trustees, any Credit Facility Issuer and any provider of a Reserve Account Letter of Credit/Insurance Policy, legal fees and charges, professional consultants' fees, fees and charges for execution, delivery, transportation and safetykeeping of Certificates, premium, costs and expenses of refunding Certificates and other costs, charges and expenses of refunding Certificates, (including those of the Corporation, in connection with the foregoing.

"Costs of Issuance Subaccount" shall mean a Costs of Issuance Subaccount within an Amortized Costs of Issuance Subaccount established pursuant to Section 401 of the Trust Agreement and in any Supplemental Trust Agreement in connection with the issuance of a Series of Certificates.

"Credit Facility" shall mean, with respect to a Series of Certificates, the Letter of Credit, insurance policy, guaranty, surety bond or other irrevocable security device, if any, unconditionally guaranteed by, the full faith and credit of the United States of America, including bonds or other instruments issued by any governmental body, authority, agency, or body, political or otherwise, of the United States of America.

"Gross Proceeds" shall mean, with respect to each Series of Certificates, unless otherwise specifically provided in the Code, in which case as provided in the Code, (i) amounts received by or on behalf of the Corporation from the sale of such Certificates; (ii) amounts received as a result of investments of amounts described in (i); (iii) any interest paid to the Corporation with respect to such Certificates in accordance with the Code; (iv) amounts treated as proceeds under the indenture relating to Investment sinking Funds; (v) securities or obligations pledged, if any, as security for payment of Basic Lease Payments under the Master Leases (which amounts are limited in accordance with Sections 235.656(1) and 235.656(1)(a), Florida Statutes, as amended); (vi) amounts received with respect to obligations acquired with Gross Proceeds; (vii) amounts used to pay the principal and interest portions of Basic Lease Payments represented by such Certificates; (viii) amounts in any Reserve Account established pursuant to the Trust Agreement and a Supplemental Trust Agreement; and (ix) amounts received as a result of the investment of Gross Proceeds not described in (i) above.

"Ground Leases" shall mean one or more ground leases, between the School Board and the Corporation, as amended and supplemented from time to time, pursuant to which the School Board shall own one or more Facility sites to the Corporation.

"Instructions to Ridders and the General Conditions" shall mean the instructions to bidders and the general conditions of the Code as in effect from time to time.

"Insurance Consultant" shall mean a nationally recognized independent insurance company or broker selected by the Corporation, that has actuarial personnel experienced in the area of insurance for which the School Board is required to be self-insured.

"Lease" shall mean any separate Schedule to this Master Lease executed and delivered by the School Board and the Corporation, together with the terms and provisions of the Master Lease.

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

"Lease Payment Date" shall mean, with respect to a Lease, each date set forth on the corresponding Schedule designated as a Lease Payment Date for such Lease.

"Lease Payments" shall mean, with respect to each Lease, all amounts payable by the School Board pursuant to the terms of a Lease, including Basic Lease Payments, Additional Lease Payments and Supplemental Payments.

"Lease Term" shall mean, with respect to each Lease, the period from the date of the Lease through the end of the then current Fiscal Year following the date of the Lease.

"Lease Proceeds" shall mean, with respect to one or more Facilities financed under a Lease, proceeds from any insurance, condemnation, performance bond, Federal or State flood disaster assistance, or any other financial guaranty (other than a Credit Facility Issuer) paid with respect to such Facilities remaining after payment thereof of all expenses, including attorneys' fees, incurred in the collection thereof; and, with respect to insurance, to the extent that the School Board elects to self-insure under Section 5 hereof, any moneys payable from any appropriation made by the School Board in connection with such self-insurance.

"Opinion of Counsel" shall mean an opinion signed by an attorney on file with the Corporation, and who is 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, the Certificates theretofore or thereupon being authenticated and delivered under the Trust Agreement except:

(i) Certificates canceled by, or duly surrendered for cancellation to, the Trustee at or prior to such date;

(ii) Certificates (or portions of Certificates) for the payment or prepayment of which money shall be payable at a date on or after the date on which Prepayment Price Thereof, as the case may be, is less than the Prepayment Payment Price Thereof, as the Prepayment Payment Price Thereof, as the case may be, is less than the Prepayment Payment Price Thereof, as the case may be, is less than the Prepayment Payment Price Thereof, as the case may be, is less than the Prepayment Payment Price Thereof, as the case may be,

"Pledge Letter" shall mean, with respect to a Series of Certificates, the letter of credit, insurance policy, guaranty, surety bond or other irrevocable security device, if any, unconditionally guaranteed by, the full faith and credit of the United States of America, including bonds or other instruments issued by any governmental body, authority, agency, or body, political or otherwise, of the United States of America.

"Quitclaim Letter" shall mean the Quitclaim Letter executed and delivered by the Corporation.

"School Board" shall be required to pay for or in connection with Facilities, necessary for the use and occupancy of Facilities, including roads, walkways, a water, sewer, electrical, fire alarm and other utilities, (viii) any sums required to reimburse the School Board for advances made by it for any of the above items or for other costs incurred and for work done by it in connection with Facilities, (ix) deposits into any Reserve Account established pursuant to Section 401 of the Trust Agreement and any Supplemental Trust Agreement.
Certificates) are to be prepaid, notice of such prepayment shall have been given as provided in Article III of the Trust Agreement;

(11) Certificates in lieu of or in substitution for which other Certificates shall have been issued and delivered pursuant to Article III of the Trust Agreement; and

(12) Certificates deemed to have been paid as provided in subsection (b) of Section 401 of the Trust Agreement.

*Payment Date* shall mean a date on which the principal portion or the interest portion of Basic Lease Payments is payable to Certificate holders pursuant to the terms of the Certificates.

*Permitted Encumbrances* shall mean in regard to a Facility Site:

(1) the lease relating thereto and any liens and encumbrances created or permitted thereby;

(2) the Assignment Agreement relating thereto and any liens and encumbrances created or permitted thereby;

(3) the Trust Agreement and liens and encumbrances created or permitted thereby;

(4) any ground lease applicable thereto and any liens and encumbrances created or permitted thereby;

(5) Subject to the provisions of Section 6.2 of the Master Lease, any easements, covenants, conditions, restrictions, franchises, grants, licenses, permits or law; (b) any liens for taxes, assessments, levies, fees, water and sewer rents or charges and other governmental and similar charges, which are not due and payable or which are not the amount or the validity of which are being contested and executed thereon is stayed; (c) any credit, contract, agreement or surety bond in support of debt obligations which have been so established pursuant to the requirements of the Rating Agencies; and (d) rights reserved to or vested in any municipality, or public authority to construct or maintain any street, public road, waterway, airway, highway, seashore, port or wharf, or public works or public improvements, or grants or permits or concessions, or any such property in any manner that does not materially impair the value of such property or materially and adversely affect the value of such property or materially and adversely affect the value thereof; and

(6) any rights reserved to or vested in any municipality, or public authority to construct or maintain any street, public road, waterway, airway, highway, seashore, port or wharf, or public works or public improvements, or grants or permits or concessions, or any such property in any manner that does not materially impair the value of such property or materially and adversely affect the value of such property or materially and adversely affect the value thereof; and

*Certified Financial Institution* shall mean a bank, trust company, national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or the Federal National Mortgage Association or any other corporation (ii) whose unsecured obligations or uncollateralized long-term debt obligations are rated A-1 by Moody's or A+ by Standard & Poor's or an equivalent rating by a Rating Agency which is not lower than A1/A1, or which has issued a letter of credit, credit support, agreement or surety bond in support of the requirements of the Rating Agencies for ratings not lower than A1/A1.

*Rating Agency* shall mean each of Standard & Poor's Ratings Group, Moody's Investors Service and any other nationally recognized rating service which shall have provided a rating on any Outstanding Certificates.

*Reimbursement Agreement* shall mean, with respect to each Lease, any reimbursement agreement among the Corporation, the School Board and any Credit Facility Issuer.

*Reserve Account* shall mean any Reserve Account established pursuant to Section 605 of the Trust Agreement and in any Supplemental Trust Agreement.

*Reserve Account Letter of Credit/Insurance Policy* shall mean the irrevocable letter of credit or insurance policy, surety bond or guarantee agreement issued by a Qualified Financial Institution in favor of the Corporation to secure the performance of the Corporation's obligation to pay the sums required hereunder.

*Reserve Account Requirement* shall mean, in regard to a Reserve Account to secure the payment of the Certification Account, such amount, if any, as shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Series and in the Schedule relating thereto, provided such Reserve Account Requirement shall not exceed the least of (i) the maximum annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, and (ii) 20% of the average annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, and (iii) 10% of the stated principal amount (or issue price net of accrued interest) if the issue has more than a de minimis part of original issue discount or premium).

*Reserve Fund* created and established in Section 601 of the Trust Agreement.

*Reimbursement Fund* as defined in Section 601 of the Trust Agreement.

*Purchase Option Price* shall mean, with respect to any Facility financed under a Lease, as of each Lease Payment Date, the Basic Lease Payment then due plus the amount then due and payable or which may become due and payable or which may become due and payable in accordance with the provisions of the Certificate, and (ii) which collateralizes any such Reserve Account in the current or any subsequent Fiscal Year, and (iii) 10% of the stated principal amount (or issue price net of accrued interest) if the issue has more than a de minimis part of original issue discount or premium).
persons shall include firms, associations and corporations, including public bodies as well as natural persons.

The terms "hereby", "hereof", "herein", "hereunder", and any similar terms, as used in this Master Lease, refer to this

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 demesne, lease and sublease to the School Board, and the School Board hereby agrees to accept, 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 such Schedule hereto, on the terms and conditions set forth in this Master Lease, to be set. For purposes of each lease, purchase, materials and services in respect of which amounts are paid by the Trustee for the acquisition, construction and installation of a Facility (including remedies disbarred for Costs of Issuance) shall be deemed accepted by the Trustee upon execution of a requisition by the School Board directing payment therefor under Section 402 of the Trust Agreement hereby at a price and on terms that it has received valuable consideration for the portion of Bond Lease Payments representing Costs of Issuance and will pay the Lease Payments in respect of same, subject to the provisions hereof.

SECTION 2.2. Lease Term. This Master Lease shall be for an original Term commencing on the date hereof through and including June 30, 1995, and automatically renewable annually thereafter through the last date set forth on any Schedule hereto unless sooner terminated in accordance with the provisions hereof, including in particular Sections 3.5 and 4.1 hereof. Upon expiration or termination of the Lease Term, other than pursuant to Section 4.1(b) or (c) hereof, the Trustee, the School Board and the Corporation, shall cause the Facilities and the Equipment to be disassembled, removed and surrendered to the Corporation in accordance with the terms of this Master Lease and the instruments executed in connection therewith.

Moneys deposited in the Acquisition Account established with respect to a particular Facility shall be disbursed from time to time to pay the Costs of such Facilities, subject to the provisions of the Trust Agreement and the applicable provisions of a Supplemental Trust Agreement. The School Board agrees that it will deliver to the Trustee completed requisitions in the form attached to the Trust Agreement as Exhibit B, and, upon completion of acquisition, construction and installation of the Facilities, the School Board will deliver a Certificate of Acceptance in the form attached hereto as Exhibit B in order for the Trustee to make the final advances therefor in accordance with the provisions of the Trust Agreement. The School Board further agrees to deliver the items described in Section 402 of the Trust Agreement with respect to the acquisition of each portion of a Facility constituting land or an interest therein, to be financed hereunder.

The School Board shall be responsible for, and shall use its best efforts to effect the completion of acquisition, construction and installation of the Facilities, whether or not amounts in the Acquisition Account relating to such Facilities are sufficient to pay the Costs thereof. If moneys are improperly drawn from the Acquisition Account, the School Board, upon proper notification thereof, shall deposit an amount sufficient to restore the balance therein with the Trustee, no later than thirty (30) days following receipt of such notification.

Upon determination by the School Board prior to delivery of a Certificate of Acceptance, that amounts on deposit in the Acquisition Account for particular Facilities will exceed the actual Costs of such Facilities, the School Board may amend the related Lease and Ground Lease for the purpose of financing additional Facilities or Facilities from such funds on deposit in such Acquisition Account.

The School Board may determine not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or may determine to substitute one or more of the Facilities relating to a particular Lease for other approved Facilities. Upon determination by the School Board not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or to substitute one or more of the Facilities relating to a particular Lease, the School Board may amend the related Lease and Ground Lease for the purpose of deleting or substituting such Facilities.
ON SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. In no event shall the Corporation, the Trustee, the Certificate holders or any Credit Facility Issuer or issuer of a Reserve Account agree to Credit/Insurance Policy be liable for any incidental, indirect, special or consequential damage in connection with arising out of the transactions, furnishing, functioning or School Board’s use of the Facilities, or any item, product or service provided for in this Master Lease.

SECTION 2.8. Warranties of the Parties. The Corporation hereby represents its Board's agent and attorney-in-fact during the Lease Term in or any agreement, order, public board or body, known to be pending or threatened against or affecting the School Board or not the least of the knowledge of the School Board is there any basis therefor, whereas an unlawful decision, decision, decree, finding, judgment, order and any other entity, which knowingly material and adversely affect the transactions contemplated by the School Board, has power to enter into this Master Lease or this agreement, order or any party, used or contemplated for use in the consummation of the transactions contemplated hereto.

The estimated cost of the Facilities shall not be less than the amount set forth on each Schedule relating to such Facilities (as such Schedules may be amended prior to the delivery by the School Board or a Certificate of Acceptance). The Facilities will be designed and constructed so as to comply with all applicable building and zoning ordinances and regulations, if any, and all applicable legal and state standards and regulations relating to the Facilities and Facility Sites.

The moneys in each Acquisition Account and any interest earnings thereon will be used only for payment of Costs of the Facilities, including payment of Basic Lease Payments.

ARTICLE III.
LEASE PAYMENTS

SECTION 3.1. Payment of Lease Payments. Subject to the conditions stated hereinaf, the School Board agrees to pay the Basic Lease Payments stated on each particular Schedule hereto and agrees to pay and discharge, and provide adequate funds for, any and all amounts, liabilities and obligations which the School Board assumes to pay to the Corporation or to others as provided herein and on each Schedule hereto, together with interest on any overdue amounts. The Corporation agrees to execute and deliver hereof, is a valid, legal and binding obligation of the Corporation. The Corporation represents, covenants and warrants that the Corporation is not a party or by which the Corporation 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.

There is no action, suit, proceeding, inquiry or investigation, as law or equity, pending or any court, public board or body, known to be pending or threatened against or affecting the School Board or not the least of the knowledge of the Corporation is there any basis therefor, whereas an unlawful decision, decision, decree, finding, judgment, order and any other entity, which knowingly material and adversely affect the transactions contemplated by the School Board, has power to enter into this Master Lease or this agreement, order or any party, used or contemplated for use in the consummation of the transactions contemplated hereto.

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SECTION 3.2. Credits to Lease Payments. The Lease Payments due hereunder shall be reduced when applicable by the amounts credited as follows:

(a) The School Board shall deposit into the Lease Payment Account established with respect to each Lease, interest income in accordance with the Trust Agreement, and any Letter of Credit/Insurance Policy transferred to the Trustee, together with amounts transferred from other Reserve Accounts to the Lease Payment Account pursuant to Section 4.2 of the Trust Agreement, and apply such amounts as provided therein.

(b) Unless otherwise provided in the schedule related thereto, upon the completion of construction and the incurrence of any liabilities 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 7.3(b) hereof, the amounts, if any, on deposit in the Reserve 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, or 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 Reserve Account an amount greater than the amount of Basic Lease Payments required by the terms of the Fiscal Year under such Lease, the entire remaining amount shall be transferred to the related Prepayment Account in accordance with Section 7.2(b) hereof.

(c) There shall be deposited in the Lease Payment Account or the Prepayment Account (or both) the sum, if any, of the Proceeds of the Sale of the Related Securities (whether as the result of an event of default, the Superintendent's payment of amounts equal to Basic Lease Payments, or as the result of a voluntary sale of a Series of Certificates, as the case may be, or in any way), in reduction of the related Lease, or to the prepayment price of such Series of Certificates, as the case may be, not Proceeds realized in the event of damage, destruction, condemnation, or abandonment of any component of such Facilities, and not Proceeds to be received for the following Fiscal Year, but shall remain on hand for a period which is less than a full Fiscal Year.

SECTION 3.3. Basic Lease Payment Components. A portion of each Basic Lease Payment is paid as and represents the payment of interest and the balance of each Basic Lease Payment is paid as and represents the payment of principal. Each schedule hereinafter set forth such components of each Basic Lease Payment for each Fiscal Year.

SECTION 3.4. Facility or Facilities Financed hereunder. The interest portion of each Basic Lease Payment shall be calculated on the basis of a 365 day year consisting of 365 days.

SECTION 3.5. Non-Appropriation. Notwithstanding anything in this Master Lease to the contrary, the cost and expense of the performance by the School Board of its obligations under this Master Lease and each Schedule hereto and the incurrence of any liabilities of the School Board hereunder and under such Schedule hereto including, without limitation, the payment of all Basic Lease Payments and all other amounts required to be paid by the School Board under this Master Lease and each Schedule hereto, shall be subject to and dependent upon appropriations being duly made from time to time by the Board of Education, and subject to any laws of the State of Florida, and shall not be deemed to be appropriated to a particular Fiscal Year until the Superintendent or its designee has determined whether the Superintendent will appropriate such funds to a particular Fiscal Year, subject to the limitations in Section 7.4 of the Master Agreement, and to the incurrence of any liabilities of the School Board hereunder and under such Schedule hereto to make such Basic Lease Payments and the Lease Term of all Leases shall be automatically extended to the next day following the Fiscal Year and subject to any laws of the State of Florida, or any of the 50 states, the District of Columbia, or the Commonwealth of Puerto Rico, or the local government thereof, or any of their agencies or authorities, or the proceeds derived by such extension, subject to any laws of the State of Florida, or any of the 50 states, the District of Columbia, or the Commonwealth of Puerto Rico, in its sole discretion, determine to be appropriate. The proceeds derived by such transmission, or from any subsequent sale or use of the proceeds derived by such transmission, shall be used to pay Basic Lease Payments, whether as the result of an event of default, or as the result of a voluntary sale of a Series of Certificates, as the case may be, and not Proceeds to be received for the following Fiscal Year, but shall remain on hand for a period which is less than a full Fiscal Year.

The School Board shall provide written notice of any non-appropriation of funds or the incurrence of any liabilities of the School Board, whether as the result of an event of default, or as the result of a voluntary sale of a Series of Certificates, as the case may be, and not Proceeds to be received for the following Fiscal Year, but shall remain on hand for a period which is less than a full Fiscal Year.

The School Board shall provide written notice of any non-appropriation of funds or the incurrence of any liabilities of the School Board, whether as the result of an event of default, or as the result of a voluntary sale of a Series of Certificates, as the case may be, and not Proceeds to be received for the following Fiscal Year, but shall remain on hand for a period which is less than a full Fiscal Year.

SECTION 3.6. Surrender of Facilities. (A) Upon the termination of the Lease Term of all Leases prior to the payment of all Basic Lease Payments, the School Board shall have the right, and be required to surrender possession of all the Facilities financed under this Master Lease and all Schedules hereto to the Trustees as assignee of the Corporation or any person designated by it, in the condition, state of repair and appearance required under the Lease and in the condition, state of repair and appearance required under the Lease. The surrender of the Facilities hereunder shall be deemed effective as of the date of adoption of the final official budget, or as the final official budget is adopted as of the fiscal year in which the final official budget is to be adopted, and is the same as and thereby restores the Corporation or its assignee to its former possessory estate as lessee under the Lease and the Schedules hereunder shall be deemed to be terminated, an amount of Basic Lease Payments equal to the Reserve Account Requirement.

SECTION 3.2. Credits to Lease Payments. The Lease Payments due hereunder shall be reduced when applicable by the amounts credited as follows:

(a) The School Board shall deposit into the Lease Payment Account established with respect to each Lease, interest income in accordance with the Trust Agreement, and any letter of Credit/Insurance Policy transferred to the Trustee, together with amounts transferred from other Reserve Accounts to the Lease Payment Account pursuant to Section 4.2 of the Trust Agreement, and apply such amounts as provided therein.

(b) Unless otherwise provided in the schedule related thereto, upon the completion of construction and the incurrence of any liabilities 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 7.3(b) hereof, the amounts, if any, on deposit in the Reserve 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, or 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 Reserve Account an amount greater than the amount of Basic Lease Payments required by the terms of the Fiscal Year under such Lease, the entire remaining amount shall be transferred to the related Prepayment Account in accordance with Section 7.2(b) hereof.

(c) There shall be deposited in the Lease Payment Account or the Prepayment Account (or both) the sum, if any, of the Proceeds of the Sale of the Related Securities (whether as the result of an event of default, the Superintendent's payment of amounts equal to Basic Lease Payments, or as the result of a voluntary sale of a Series of Certificates, as the case may be, or in any way), in reduction of the related Lease, or to the prepayment price of such Series of Certificates, as the case may be, not Proceeds realized in the event of damage, destruction, condemnation, or abandonment of any component of such Facilities, and not Proceeds to be received for the following Fiscal Year, but shall remain on hand for a period which is less than a full Fiscal Year.

The School Board shall provide written notice of any non-appropriation of funds or the incurrence of any liabilities of the School Board, whether as the result of an event of default, or as the result of a voluntary sale of a Series of Certificates, as the case may be, and not Proceeds to be received for the following Fiscal Year, but shall remain on hand for a period which is less than a full Fiscal Year.
ARTICLE IV.
TERMINATION
SEC. 4.1. Termination of Lease Term. The Lease Term will terminate upon the earliest of the following events:
(a) with respect to all Leases, in the event of Lease Payments Default, as provided in Sections 2.10 hereof and the provisions of Sections 5.7 and 5.10 hereof shall survive such termination;
(b) with respect to all Leases, in the event of nonappropriation of funds for payment of Lease Payments as provided in Sections 3.5, 3.6 and 3.7 of this Master Lease;
(c) with respect to any Lease, upon default by the Trustee and the termination of the Lease Term of all Leases by the Trustee pursuant to Section 8.2(I) of this Master Lease;
(d) with respect to any Lease, upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease, or upon provision for such payment pursuant to Section 7.3 hereof, provided, however, that such provision for payment the obligation to make Lease Payments under such Lease shall continue to be payable annually from such provision for payment.

ARTICLE V.
COVENANTS OF SCHOOL BOARD
SEC. 5.1. Maintenance of the Facilities by the School Board. The School Board agrees that at all times during each Lease Term, the School Board will, at the School Board’s own cost and expense, maintain in good working order and condition, and that the School Board will furnish from time to time, such supplies, materials, equipment, and labor as may be necessary to make all necessary repairs, replacements, and renewals, and shall maintain all the School Board’s obligations or perform work resulting from the School Board’s actions or omissions and the cost thereof (together with interest until reimbursed) shall be immediately due and payable as Supplemental Payments.

SEC. 5.2. Taxes, Other Governmental Charges and Utility Charges. In the event that the ownership, leasing, use, possession or acquisition of the Facilities or any part thereof, subject to taxation in any form, the School Board will pay during each Lease Term, all taxes, governmental charges of any kind whatsoever that may at any time be legally assessed or levied against or with respect to the Facilities or Facility Sites and any facilities or other property acquired by the School Board and permitted under this Master Lease in substitution therefor, as a renewal or replacement of, or a modification, improvement or addition to the Facilities or Facility Sites, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facilities and Facility Sites; provided, that with respect to any governmental charges that may legally be paid in installments, for a period of years, the School Board shall be obligated to pay only such installments as have accrued during the time the lease is in effect. If the School Board fails to perform such obligations the Trustee may perform the School Board’s obligations or perform work resulting from the School Board’s actions or omissions and the cost thereof (together with interest until reimbursed) shall be immediately due and payable as Supplemental Payments.

SEC. 5.3. Provisional Requiring Insurance. During acquisition, construction and installation of the Facilities the School Board shall purchase and maintain insurance against the risks and contingencies referred to in Section 5.1 hereof and the provisions of Sections 5.7 and 5.10 hereof shall survive such termination.

ARTICLE VI.
COVENANTS OF LEASEE
SEC. 6.1. Access Rights. The Corporation or its assignee shall have, in addition to the rights and remedies otherwise set forth herein, the right to enter and use the Facilities, all without prejudice to any remedy which might otherwise be available to the Corporation or its assignee for amounts of Lease Payments or for any breach of the School Board’s covenants herein contained.

Upon the termination of the Lease Term of all Leases as a result of a default by the School Board, the Corporation or its assignee shall have, in addition to the rights and remedies described above, the right to use for compensatory damages, including upon failure of the School Board to surrender possession of the Facilities to the Corporation or its assignee, damages for any loss suffered by the Corporation or its assignee as a result of the School Board’s failure to take such actions as required, including reasonable legal fees.

The School Board, as owner of the Facility Sites, may voluntarily and in cooperation with the Corporation or its assignee as owner of the Facilities, sell the Facility Sites and the Facilities, the proceeds of such sale to be made available to the Corporation or its assignee as owner of the Facilities, in the manner described above in this Section. The sales of any particular Facility Site and facilities thereon will require the consent of the Credit Facility Issuer, if any, instructing the Series of Certificates relating to such Facility thereon. If applicable, such sale shall be conducted in accordance with the requirements of Section 235.04(1), Florida Statutes and the rules of the State Department of Education promulgated thereunder.

In the event that the School Board fails to perform the School Board’s obligations or perform work resulting from the School Board’s actions or omissions and the cost thereof (together with interest until reimbursed) shall be immediately due and payable as Supplemental Payments.
(d) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund shall be maintained.

The School Board may also self-insure for the amount of the deductible portion of the above described insurance coverage. The School Board's present self-insurance fund is $250,000 per occurrence for property coverage not including wind, and a maximum of $100,000,000 and a maximum limit of $100,000,000 per occurrence resulting from wind damage; $250,000,000 per occurrence for combined general and automobile liability; $50,000 per accident for the loss of or damage to another's property and loss of function, or operation of a boiler or machinery (including air conditioning equipment). If the School Board revises such limits, such that its self-insured protection exceeds 10% of the amount of property insurance recommended by the Insurance Consultant, the School Board will cause the excess of its self-insurance reserve fund to be reviewed by the Insurance Consultant on an annual basis.

Flood insurance shall be separately maintained for its property, including any of the Facilities, located in a federally designated flood plain, in such amounts per occurrence recommended by the Insurance Consultant as being available at commercially reasonable costs and in minimum amounts necessary to qualify for the Federal disaster relief programs. If such minimum amounts are not available at commercially reasonable costs in the opinion of the Insurance Consultant, the School Board shall self-insure for such amounts as will qualify for the Federal disaster relief program.

The sufficiency of the School Board's flood insurance coverage shall be reviewed at least once per year, by the Insurance Consultant and the School Board shall follow the recommendations of the Insurance Consultant so long as the recommended insurance meets the criteria set forth in the preceding paragraph.

Any insurance policy issued pursuant to this Section 5.3 shall provide that the Corporation and the Trustee shall be named as insureds, and the School Board shall follow the recommendations of the Insurance Consultant as to any proposed cancellation of such policy thirty (30) days prior to the date set for cancellation. Any all-risk property insurance must be obtained from a commercial insurance company or companies rated A or better and approved by the Insurance Consultant, or by a surety or reinsurers approved by the Insurance Consultant and the School Board and the Trustee shall be named as insureds and loss payees.

If required by Florida law, the School Board shall carry or cause to be carried workers' compensation insurance covering all employees on, in, near or about the Facilities, and upon request, shall furnish or cause to be furnished to the Corporation and the Trustee certificates evidencing such coverage.

The Board shall not be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are not available at commercially reasonable costs, in such amounts per occurrence recommended by the Insurance Consultant, the School Board shall cause to be furnished to the Corporation and the Trustee certificates evidencing such coverage. •

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In the event of any loss, damage, injury, accident, theft or condemnation involving the Facilities, the School Board shall be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are not available at commercially reasonable costs, in such amounts per occurrence recommended by the Insurance Consultant, the School Board shall cause to be furnished to the Corporation and the Trustee certificates evidencing such coverage. •

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Budget and Tax Levy. The may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of ... in friable form containing more than one percent (1%) of the asbestiform vari-

Facilities or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the ... or related to such 

entities of (a) chrysotile (serpentine); (b) crocidolite (~icbeckite); (c) arnosite (cummingtonite-gri

metals, chlorine, iron, lead, mercury, manganese, naphthalene, cadmium, asbestos or any Asbestos Containing Materials, methane, polychlorinated biphenyl compounds, hazardous substances, hazardous wastes, hazardous, toxic, or regulated substances or related substances, as defined in such laws, regulations or the regulations promulgated thereunder, the Department of Environmental Regulations applicable to the School Board, any of the Facilities or Facility Sites, or the Leases when conducted by the School Board thereon (collectively, "Hazardous Materials") on, from or beneath the Facilities or Facility Sites, or will not allow any material amount of petroleum products at its Facility Sites in underground storage tanks.

Excluded from the representations and warranties in subsection (a) hereof with respect to Hazardous Materials are those amounts ordinarily found in the inventory of or used in the mainte-

nance of public schools and related facilities, the use, treat-

mance, storage, transportation and disposal of which has been and 

shall be in compliance with all laws and Regulations.

Facilities or Facility Sites located in an area of high potential release of radon or an unsanitary basement or 

substance portion which is occupied or used for any purpose other 

than as set forth in subsections (a) and (b) of this Section or as 

subject to the requirements of the laws of Florida and the regu-

lations of the Department of Education as in effect from time to 


Compliance with Law, Regulations, Etc.

(a) The School Board has, after due inquiry, no knowledge and has not given or received any written notice indicating that the Facilities and Facility Sites or the past or present use thereof or any practice, procurement or policy employed by it in the conduct of its business materially violates any applicable law, regulation, code, order, rule, or management, including, without limitation, those relating to zoning, building, use and occupancy, fire or anti-smog pollution, logical matters, environmental protection hazardous or toxic materials, substances, packing, architectural, "laws and Regulations). Without limiting the generality of the foregoing, nothing in the lease or the lease agreement shall be construed as conferring on any of such tenant's subtenants, agents, licensees, contractors, guests and invitees and users and invitees of all of the foregoing to comply with all Environmental Regulations with respect to the Facilities and Facility Sites; provided, however, that notwithstanding that a portion of this covenant is limited to the School Board's use of its best efforts, the School Board shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the School Board's obligations contained in subsection (c) hereof as provided in subsection (a) hereof. Upon receipt of any notice from any Person with regard to the Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites, the School Board shall give prompt written notice thereof to the Trustee, the Corporation and The Credit Facility Issuer and, in any event, prior to the expiration of any period in which to respond to such notice under any Environmental Regulations.
ARTICLE VI.

TITLE

SECTION 6.1. Title to Facility Sites and Facilities. Throughout the term of each Ground Lease, the fee estate or fee simple title to such Facilities described therein shall be in the name of the School Board. Subject to the provisions of Sections 6.8, 6.10 and 6.12 hereof, subject and free from all encumbrances, except permitted encumbrances, the School Board shall not, directly or indirectly, create, incur, assume any Environmental Regulation, its obligation to the Corporation, the Trustee and the Credit Facility Issuer and other indemnities under the foregoing indemnification shall like­wise be without respect to, but in no event limited by the violation of any Environmental Regulation which results in liabil­ity to any indemnitees. Indemnities and liability under this Section 6.1 shall survive the termination of this Master Lease.

(a) 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 as may be necessary in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

SECTION 6.13. Provisions and Defense of Suits. (a) The School Board shall promptly from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in and cloud upon the title to any Facility Site or Facilities comprising a Project, or any portion thereof, and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall, to the extent permitted and limited by applicable law and only from moneys legally available for such purpose, indemnify or cause to be indemnified the Corporation for all loss, cost, damage and expense, which the Corporation may incur by reason of any such defect, cloud, suit, action or proceedings. To the extent permitted and limited by applicable law and only from moneys legally available for such purpose, the School Board shall indemnify or cause to be indemnified the School Board for all loss, cost, damage and expense, which the School Board may legally make such waiver.

(b) The School Board shall defend, or cause to be defended against every suit, action or proceeding at any time brought against the Corporation, or its directors, officers and employees upon any claim arising, application or enforcement of any warranty made by the Trustee or arising out of the construction of the Facilities or Facility Sites or any act or omission of the Corporation or its directors, officers and employees under this Master Lease or any act or omission of the School Board or its directors, officers and employees done or omitted to be done within the scope of their respective office or employment, other than an act or omission which is the result of misconduct or negligence by such party, provided, that the Corporation, its directors, officers, or employees shall at the request of the School Board, defend, or cause to be defended, the School Board as necessary to effect the con­veyance described therein. If required by a Credit Facility Issuer the School Board shall provide one or more policies of title insurance naming the School Board, the Corporation and the Trustee as insureds, as their interest may appear, as amounts as required by such Credit Facility Issuer. Proceeds of any payment under a title insurance policy shall be paid to the Trustee and held for application at the direction of the School Board prior to the occurrence of an event of default or a nonappreciation (hereafter) first, to cure any defect in title, and second, in accordance with the priorities set forth in Section 10.4(a) of the Trust Agreement. The execution of any Ground Lease and each amendment thereto adding or modifying a Facility Site shall be subject to the consent of the related Credit Facility Issuer and approval shall be required to add any notice or description and/or the permitted encumbrances of a Facility Site which has already been designated in such Ground Lease, if any, and at the School Board's sole risk and expense. The School Board shall be responsible for the school board to the Trustees an opinion of Counsel with respect to each title defect and shall carry such title with the extent that there are no liens, encumbrances therein that are not permitted Encumbrances under the Master Lease, and that there shall be no merger of the fee estate of the School Board in the Facility Sites with the lessor's estate created thereby by a Ground Lease or this Master Lease, notwithstanding the fact that the same person may hold one or more lessor's estates and such fee estate.

ARTICLE VII.

LEASES

SECTION 6.2. Leases. Except as permitted under this Master Lease, during the Lease Term each of the Corporation and the School Board shall not, directly or indirectly, create, issue, offer or suffer to exist any security interest, pledge, lien, charge, encum­brance or claim on any of the Facilities or Facility Sites or leasehold interests therein, other than the respective rights of the Trustees, the Corporation and the School Board as herein provided. If any such security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein shall exist, it shall be the duty of the School Board, within ninety (90) days after the School Board has been given written notice of such security interest, pledge, lien, charge, encumbrance, or claim by the Corporation, to (a) promptly notify the School Board as herein provided. If such security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein shall exist, it shall be the duty of the School Board, within ninety (90) days after the School Board has been given written notice of such security interest, pledge, lien, charge, encumbrance, or claim on any of the Facilities or Facility Sites or leasehold interests therein, to (a) promptly notify the School Board and (b) to take such action as may be necessary or proper to remedy or cure any defect in and cloud upon the title to any Facility Site or Facilities comprising a Project, or any portion thereof, and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall, to the extent permitted and limited by applicable law and only from moneys legally available for such purpose, indemnify or cause to be indemnified the Corporation for all loss, cost, damage and expense, which the Corporation may incur by reason of any such defect, cloud, suit, action or proceedings. To the extent permitted and limited by applicable law and only from moneys legally available for such purpose, the School Board shall indemnify or cause to be indemnified the School Board for all loss, cost, damage and expense, which the School Board may legally make such waiver.

ARTICLE VI.

TITLE

SECTION 5.15. Waiver of Laws. The School Board shall not at any time take, suffer or consent to, directly or indirectly, create or suffer to exist any security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein, or in any interest or property therein, and the fee estate in the Facilities or Facility Sites relating to such Lease or any interest in such fee estate.
lien, charge, encumbrance or claim within such period, the School Board shall have a reasonable period of time to discharge or remove such security interest, pledge, lien, charge, encumbrance or claim. The School Board shall reimburse the Corporation or the Trustee for any expenses incurred by the Corporation or the Trustee in order to discharge or remove any such security interest, pledge, lien, charge, encumbrance or claim, provided, however, that the Corporation nor the Trustee is under any obligation to incur such expense without having been provided, in advance, with any amounts needed to pay such expenses.

SECTION 6.3. Use of the Facilities and Facility Sites. The School Board will not use, or maintain the Facilities or Facility Sites improperly, carelessly, in violation of any applicable law or in a manner contrary to their use as educational facilities as contemplated by this Master Lease. The School Board shall provide all permits, licenses, and other requirements necessary for the acquisition, construction and installation of the Facilities and Facility Sites. In addition, the School Board agrees to comply in all respects (including, without limitation, with respect to the use and maintenance of the Facilities and Facility Sites) with all applicable laws or the jurisdictions in which the Facilities and Facility Sites are located and with all applicable regulations, orders and decrees of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Facilities and Facility Sites; provided, however, that the School Board may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the interest or rights of the Corporation or the Trustee under this Master Lease.

SECTION 6.4. Substitution of Facilities. To the extent permitted by law, the School Board may substitute for any Facilities other facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of substantially equal utility as the Facilities to be replaced and meet the requirement of Section 6.1 hereof, (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved for substitution by the State Department of Education. To the extent that the facilities to be substituted serve a different educational function from the Facilities for which they are to be substituted, such substitution must also be approved by the Credit Facility Lender. Any Special Certificates from which the Facilities to be replaced were originally financed, in order to effect such substitution, the Facilities Facility leases 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 title to the 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 Leases shall be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel addressed to the School Board, the Corporation, the Trustee, and any other parties having any interest in the Corporation or the Trustee in the form sufficient to leave good and marketable title to the Facilities in the School Board subject only to Permitted Encumbrances.

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.

SECTION 7.1. Assignments; Subleasing.

(A) It is understood that substantially all rights, title and interest in the Master Lease and the Grantees included in the right to receive Basic Lease Payment Consideration, is to be assigned by the Corporation to the Trustee under the Trust Agreement and to the School Board under the Master Lease pursuant to such lease, notwithstanding any claim, defense, setoff or counterclaim whatever (whether arising from a breach of the Lease or otherwise) that the School Board may raise from time to time against the Corporation or any person or entity associated or affiliated with the Corporation.

(B) This Master Lease and each Schedule hereto may not be assigned by the School Board for any reason. However, Facilities may be subleased, as a whole or in part, by the School Board, without the necessity of obtaining the consent of the Corporation or its assignee, subject, however, to each of the following conditions:

(i) Such Facilities may be subleased for educational or other purposes, in whole or in part, subject to the rules and regulations of the State Department of Education, only to an agency or department or political subdivision of the State, or to another entity or entities if, in the opinion of Special

(ii) This Master Lease, and the obligations of the School Board herein and under each Schedule hereto, shall, at all times during each Lease Term, remain obligations of the School Board and the School Board shall maintain its direct relationship with the Corporation and its assignee, notwithstanding any sublease agreements.
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 draw such reserves, redemption accounts or other accounts as are required by the provisions of this Master Lease or, if such reserves, redemption accounts or other accounts are established with respect to any Series of Certificates, to prepay such Series of Certificates to the Trustee in the manner provided in the Trust Agreement and

(ii) With respect to (c) above, at the election of a Credit Facility Issuer, the Corporation shall be obligated to refinance all or a portion of the Purchase Option Price of all Facilities under such Lease, or upon receipt of the Corporation’s deposit of the Purchase Option Price of all Facilities, shall deposit such money to the credit of the related Prepayment Account for the Series relating to 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 such partial prepayment.

In the event of a payment in full of the Purchase Option Price of all Facilities prior to the date provided in the related Lease Payment Schedule, and the Trustee shall transfer all such funds to the Trust Agreement or related Credit Facility Agreement so that the funds shall be used to pay off all or a portion of the Series of Certificates as required by the terms of the related Lease or related Credit Facility Agreement.

ARTICLE VIII. EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. Events of Default Defined. The following shall be "events of default under this Master Lease and the terms "event of default" shall mean, whenever they are required by the terms of this Master Lease, or any one or more of the following events:

(a) Failure by the School Board to pay in full any Basic Lease Payment with respect to any Lease at the time and in the manner required by the terms of this Lease;

(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 for such payments;

(c) Failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in Section 8.1(a) or (b) for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, if any, provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, if any, in writing that such default cannot be cured within such period, then the School Board shall have a reasonable period not exceeding sixty (60) days after written notice has been extended by the Credit Facility Issuer, or if there be none, the Trustee to cure such default;

(d) The filing of a petition in bankruptcy or for protection under the bankruptcy laws of any court of the United States or any State of the United States, or the appointment of a receiver for all or any part of the property of the School Board or (without such appointment) any of its affiliates, or the taking of action by any court or other authority to appoint a receiver or custodian for the School Board or for all or any part of its property, or the institution of proceedings by or against the School Board under applicable bankruptcy laws, insolvency or reorganization law, or similar law, now or hereafter in effect, and, in the case of involuntary proceedings, the failure of the court to dismiss the same within one hundred eighty (180) days of the filing thereof.

If by reason of force majeure the School Board is unable in whole or in part to perform any of its obligations under this Lease, then the Corporation, the Trustee or the related Credit Facility Issuer, if any, shall be relieved of its obligations under this Lease to the extent of the failure or inability to perform the same, whether or not the same is due to any cause or causes other than the fault or default of the School Board, as provided in Section 8.1(c) hereof.

Notwithstanding anything contained in this Section 8.1 to the contrary, a failure by the School Board to pay when due any payments required to be made under this Master Lease and any Schedule hereto or a failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Master Lease, resulting from a failure by the School Board to act or perform as required by this Lease, shall constitute an event of default under this Section 8.1.

SECTION 8.2. Remedies on Default. Whenever any event of default referred to in Section 8.1 shall have happened and be continuing, the Corporation shall have the right, without any further demand or notice except as hereinafter provided, to take one or any combination of the following remedial steps:

(1) Upon written notice to the School Board, terminate the Lease Term of all Leases and, whether or not such Lease Term has been extended, terminate or cancel the Basic Lease Payments at such time as deemed advisable and in the manner specified for such payments;

(2) Exercise any and all remedies available to the Corporation in respect of any other payments then due and thereafter to become due for the benefit of the Corporation, or the related Credit Facility Issuer, to the extent of the Purchase Option Price then due, or to enforce performance and observance of any covenant or agreement or amendment or restatement hereof or of the Trust Agreement or of the related Credit Facility Agreement or to be observed or performed by the Corporation or the related Credit Facility Issuer, or the Trustee, or to enforce performance and observance of any provision hereof or thereof or of the Trust Agreement or of the related Credit Facility Agreement.

SECTION 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive of any other remedy which the Corporation may have or hereafter have according to law or in equity, subject to any limitations set forth in Section 8.6 hereof.
ARTICLE IX. MISCELLANEOUS

SECTION 9. Notices. All notices, certificates, requests or other communications (other than payments by the School Board) hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or three (3) Business Days after being mailed by first class mail, postage prepaid, to the parties at their respective places of business as follows (or to such other offices 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: 3360 Forest Hill Boulevard West Palm Beach, Florida 33406
Attention: Superintendent of Schools

Trustee: One Financial Plaza, 13th Floor Fort Lauderdale, Florida 33394
Attention: Corporate Trust Department

Copies of any notices shall be provided to all Credit Facility Issuers at the addresses provided in one or more Schedules.

Notice shall also be given by the School Board to the Rating Agencies of the occurrence of any one or more of the following: (i) the appointment of a Successor Trustee, (ii) the expiration or termination of a Credit Facility, (iii) the payment or defeasance of any of the outstanding Certificates in accordance with Section 603 or 605 of the Trust Agreement or (iv) a material modification of or amendment to the Trust Agreement, this Master Lease, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility.

SECTION 9.2. Binding Effect. This Master Lease shall inure to the benefit of and shall be binding upon the Corporation and the School Board and their respective successors and assigns, including without limitation the Trustee pursuant to the Assignment Agreement.

SECTION 9.3. Severability. In the event any provision of this Master Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 9.4. Amendments. The terms of this Master Lease and any Lease Schedule shall not be amended, 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, 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. Execution in Counterparts. This Master Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.6. Captions. The captions or headings in this Master Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions of 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 Leases payments on a Schedule hereto).

SECTION 9.8. Compliance with Trust Agreement. The School Board hereby agrees 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 Corporation pursuant to the Trust Agreement.

SECTION 9.9. Memorandum of Lease. Simultaneously with the execution of this Master Lease and each Schedule hereto, and thereafter simultaneously with the execution of any Schedule, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to the Master Lease and such Schedule. Said Memorandum of Lease shall not in any circumstance 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 corporate name by its duly authorized officers, on the date set forth below their respective signatures and all as of the day and year first written above.

[SEAL]
By: C. Monica Wilkerson
Secretary
Date: November 16, 1994

[SEAL]
By: Judy Gilchrist
Vice President
Date: November 16, 1994

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

[SEAL]
By: C. Monica Wilkerson
Secretary
Date: November 16, 1994

[SEAL]
By: Judy Gilchrist
Vice Chairman
Date: November 16, 1994

C-15
STATE OF FLORIDA  
)  
COUNTY OF PALM BEACH  
)  
I, Carmen M. Zeff, a Notary Public in and for the said County, as a Notary Public in and for the said County, do hereby certify that Judy Gleeson and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and acknowledged the same, 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 30th day of November, 1994.

Carmen M. Zeff  
NOTARY PUBLIC, STATE OF FLORIDA

[Seal]

EXHIBIT A
FORM OF SCHEDULE TO MASTER LEASE PURCHASE AGREEMENT
SCHEDULE NO.  
dated  
Master Lease Purchase Agreement dated as of November 1, 1994 between Palm Beach School Board Leasing Corp., as Lessee (the "Corporation") and The School Board of Palm Beach County, Florida as Lessor (the "School Board")

This Schedule No. (the "Schedule") is hereby entered into under and pursuant to that certain Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), pursuant to which the Corporation has agreed to lease-purchase the School Board and the School Board has agreed to lease-purchase from the Corporation, subject to the terms and conditions of the Master Lease incorporated herein, the Series Facilities herein described (the "Series Facilities"). The Master Lease with respect to this Schedule is hereby perfected, modified and supplemented hereby, is referred to herein as the "Series Lease". All terms not otherwise defined herein shall have the respective meanings set forth in the Master Lease, or in the Trust Agreement, including the Series Supplemental Trust Agreement. All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

SECTION 1. Definitions. For purposes of the Series Lease the following terms have the meaning set out forth below:

* Assignment Agreement* shall mean the Series Assignment Agreement dated as of , between the Corporation and the Trustee.

* Certificates* or Series of Certificates* shall mean the $ Certificates of Participation, Series , dated as of , issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Series Lease Distributed to be made by the School Board pursuant to the Master Lease.

* Commencement Date* for the Series Lease is .

* Series Credit Facility* shall mean .

* Series Credit Facility Issuer* shall mean .

* Series Facilities* shall mean .

* Series Ground Lease* shall mean the series Ground Lease dated as of , between the School Board as Lessor and the Corporation as Lessee, as amended or supplemented from time to time.

* Series Supplemental Trust Agreement* shall mean the Series Supplemental Trust Agreement dated as of , between the Corporation and the Trustee.

SECTION 2. Lease Term. The total of all Lease Terms of the Leases are expected to be approximately years consisting of an "Original Term" of approximately months from , through and including June 30, and ( ) renewal Terms of twelve (12) months, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, and ending on June 30. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.

SECTION 3. Series Facilities to be Lease Purchased. The Series Facilities to be leased purchased under the Series Lease are described as follows:

A. General Description of the Series Facilities to be Lease Purchased:

1. Estimated Costs of the Series Facilities Project Site Planning Construction Cost:

A - 1

C-16
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 Leases is (are) as follows:

SECTION 5. Amplification of Certain Provisions 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>0</td>
<td>Series Acquisition Account</td>
</tr>
<tr>
<td>0</td>
<td>Series Cost of Issuance Subaccount</td>
</tr>
<tr>
<td>0</td>
<td>Series Reserve Account</td>
</tr>
<tr>
<td>0</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 leased 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 new or more components of the Series Facilities, it is determined that the cost of, and consequently the actual amount of Basic Lease Payments for a Series Facility is different from the amount set forth herein at closing, this Section shall be revised as necessary to reflect the adjusted Schedule of Basic Lease Payments for all Series Facilities to be lease purchased and for each individual Series Facility or group of Series Facilities to be lease purchased.

The interest portion of the Basic Lease Payments represented by the Series Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates established by the School Board.
SCHEDULE 2004A-1
dated as of May 1, 2004
as Amended and Restated as of September 1, 2012
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 SCHEDULE 2004A-1 (the “Schedule”) is hereby amended and restated as of September 1, 2012, 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 2004A-1 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 2004A-1 Facilities and the Series 2004A-1 Facility Sites described herein, together with the rights described in clauses (i), (ii) and (iii) of Section 1 of the Series 2004A-1 Ground Lease (hereinafter defined). The Master Lease with respect to this Schedule and as modified and supplemented herein, is referred to herein as the “Series 2004A-1 Lease”. All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

1. Definitions. For purposes of the Series 2004A-1 Lease the following terms have the meaning set forth below. All terms not otherwise defined herein shall have the respective meanings set forth in the Master Lease, or in the Trust Agreement, including the Series 2004A
5. Application of Certain Proceeds of Certificates.

(a) Series 2004A Certificates. Pursuant to the provisions of Section 302 of the Series 2004A Supplemental Trust Agreement the Trustee deposited the following sums attributable to the Series 2004A-1 Facilities to be lease purchased hereunder in the following accounts from the proceeds of the Series 2004A Certificates:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 76,439,308.00</td>
<td>Series 2004A Acquisition Account</td>
</tr>
<tr>
<td>$ 135,734.04</td>
<td>Series 2004A Cost of Issuance Subaccount</td>
</tr>
</tbody>
</table>

(b) Series 2012C Certificates. Pursuant to the provisions of Section 3.82 of the Series 2012C Supplemental Trust Agreement the Trustee will deposit the following sums attributable to the Series 2004A-1 Facilities to be lease purchased hereunder in the following accounts from the proceeds of the Series 2012C Certificates:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 1.00</td>
<td>Escrow Deposit Trust Fund</td>
</tr>
<tr>
<td>$ 1.00</td>
<td>Series 2012C Cost of Issuance Account</td>
</tr>
</tbody>
</table>

6. Basic Lease Payments. The principal portion and the interest portion of the Basic Lease Payments, the Lease Payment Dates (March 30 and June 30, commencing June 30, 2004) and the remaining principal portion with respect to the Series 2004A-1 Facilities to be lease purchased, and the unrefunded Series 2004A Certificates and the Series 2012C Certificates attributable to such Facilities are set forth in Exhibit C attached hereto. The Composite Schedule of Basic Lease Payments set forth in Exhibit C hereto shall be no less than the principal and interest payments with respect to the portion of the unrefunded Series 2004A Certificates and the Series 2012C Certificates relating to the Series 2004A-1 Facilities and shall only be amended in the event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by such portion of the unrefunded Series 2004A Certificates or Series 2012C Certificates.

The interest portion of the Basic Lease Payments represented by the Series 2004A Certificates and the Series 2012C Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 213.84, Florida Statutes, since the Series 2004A Certificates and the Series 2012C Certificates are rated within the three highest rating categories by a nationally recognized rating service.

7. Additional Lease Payments. Additional Lease Payments with respect to the Series 2004A-1 Lease and the Series 2004A-2 Lease consist of the following:

Series 2004A Certificates

1. Trustee Fees: Acceptance Fee of $1,500. Annual fee of $3,500, payable annually in advance. Construction fee of $3,000. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

2. Trustee Expenses: Expenses to be billed at cost. Legal fee for Trustee counsel at closing of $3,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

The fees set forth above for Trustee services include services under Schedules 2004A-1 and 2004A-2.

Series 2012C Certificates

1. Trustee Fees: Acceptance Fee of $1,000. Annual fee of $3,500. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

2. Trustee Expenses: Expenses to be billed at cost. Legal fee for Trustee counsel at closing of $1,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

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 Schedule 2004A-1 are subject to the following prepayment provisions:

A. Optional Prepayment

Series 2004A Certificates

(i) The principal portion of Basic Lease Payments due on or before June 30, 2015 (to be paid to Certificateholders on or before August 1, 2015), shall not be subject to prepayment at the option of the School Board.

(ii) The principal portion of Basic Lease Payments due on or after June 30, 2016 (to be paid to Certificateholders on or after August 1, 2016), shall be subject to prepayment on or after June 30, 2014, by the School Board, in whole or in part, at any time, and if in part, in such order of due dates of the principal portion of the Basic Lease Payments as shall be designated by the School Board to be prepaid, at a Prepayment Price equal to 100% of the principal portion of Basic Lease Payments being prepaid, plus the interest portion of the Basic Lease Payments accrued to the Prepayment Date.
IN WITNESS WHEREOF, the Trustee has caused this Schedule 2004A-1 to be executed in its corporate name by its duly authorized officer, and the Corporation has caused this Schedule 2004A-1 to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule 2004A-1 to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all as of the day and year first written above.

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

By: ___________________________ 
Michele R. O’Donnell 
Vice President

[SEAL]

Attest:

By: ___________________________ 
E. Wayne Gent 
Secretary

PALM BEACH SCHOOL BOARD LEASING CORP.

By: ___________________________ 
Frank A. Barbieri, Jr. 
President

[SEAL]

Attest:

By: ___________________________ 
E. Wayne Gent 
Secretary

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: ___________________________ 
Frank A. Barbieri, Jr. 
Chairman

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EXHIBIT A TO SCHEDULE 2004A-1

DESCRIPTION OF 2004A-1 FACILITIES AND ESTIMATED COSTS

A. General Description of Series 2004A-1 Facilities

<table>
<thead>
<tr>
<th>Facility Description</th>
<th>SCHEDULED OPENING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coral Sunset Elementary School Addition</td>
<td>2006</td>
</tr>
<tr>
<td>This school, located in the southern part of Palm Beach County, is proposed for an addition of approximately 33,951 gross square feet and 374 student stations for an overall total of 964 student stations. To address class size reduction and plan for special program needs, the addition will have 3 kindergarten classrooms, 7 primary classrooms, 6 intermediate classrooms, 2 skills development labs, 4 resource rooms, 5 ESE classrooms, administration, and custodial space. This addition is scheduled to open in 2006.</td>
<td></td>
</tr>
</tbody>
</table>

| Hammock Pointe Elementary School Addition & HVAC Replacement | 2006 |
| This school, located in the southern part of Palm Beach County, is proposed for an addition of approximately 46,375 gross square feet and 395 student stations for an overall total of 964 student stations. To address class size reduction and plan for special program needs, the addition will have 4 kindergarten classrooms, 8 primary classrooms, 6 intermediate classrooms, 2 skills development labs, 1 resource room, 5 ESE classrooms, administration, student services, food services, library media center, multipurpose, physical education, stage, teacher planning and custodial space. The acoustical ceilings will be replaced and new energy efficient lighting will be installed. This addition is scheduled to open in 2006. |

B. Estimated Costs of Series 2004A-1 Facilities

<table>
<thead>
<tr>
<th>Facility</th>
<th>Design</th>
<th>Furnishings, Fixtures &amp; Equipment</th>
<th>Construction</th>
<th>Total Project Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coral Sunset Elementary School Addition</td>
<td>$182,794</td>
<td>$156,000</td>
<td>$6,120,482</td>
<td>$6,659,276</td>
</tr>
<tr>
<td>Hammock Pointe Elementary School Addition</td>
<td>677,350</td>
<td>211,000</td>
<td>9,002,122</td>
<td>9,882,472</td>
</tr>
<tr>
<td>J. C. Mitchell Elementary School Modernization</td>
<td>1,438,157</td>
<td>781,300</td>
<td>19,289,266</td>
<td>21,508,903</td>
</tr>
<tr>
<td>Meadow Park Elementary School Modernization</td>
<td>895,560</td>
<td>754,000</td>
<td>15,591,912</td>
<td>17,081,472</td>
</tr>
<tr>
<td>S. D. Spady Elementary School Modernization</td>
<td>740,006</td>
<td>634,000</td>
<td>14,003,179</td>
<td>15,377,185</td>
</tr>
</tbody>
</table>

---

J. C. Mitchell Elementary School Modernization

This school, located in the City of Boca Raton, is proposed for a modernization of approximately 134,421 gross square feet and 1,042 student stations. To address class size reduction and plan for special program needs, the modernization will have 8 kindergarten classrooms, 22 primary classrooms, 16 intermediate classrooms, 3 skills development labs, 3 resource rooms, 17 ESE classrooms, administration, student services, art, food services, library media center, multipurpose, music, physical education, stage, teacher planning and custodial space. This school is scheduled to open in 2005.

Meadow Park Elementary School Modernization

This school, located in the central part of Palm Beach County, is proposed for a modernization of approximately 122,526 gross square feet and 689 student stations. To address class size reduction and plan for special program needs, the modernization will have 5 kindergarten classrooms, 16 primary classrooms, 7 intermediate classrooms, 2 skills development labs, 5 resource rooms, 19 ESE classrooms, administration, student services, art, food services, library media center, multipurpose, music, physical education, stage, teacher planning and custodial space. This school is scheduled to open in 2005.

S. D. Spady Elementary School Modernization

This school, located in the City of Boca Raton, is proposed for a modernization of approximately 81,361 gross square feet and 643 student stations. To address class size reduction and plan for special program needs, the modernization will have 13 kindergarten classrooms, 14 primary classrooms, 6 intermediate classrooms, 2 skills development labs, 4 resource rooms, 4 ESE classrooms, administration, student services, art, food services, library media center, multipurpose, music, physical education, stage, teacher planning and custodial space. This modernized school is scheduled to open in 2005.
EXHIBIT B TO SCHEDULE 2004A-1

LEGAL DESCRIPTIONS AND PERMITTED ENCUMBRANCES
OF SERIES 2004A-1 FACILITY SITES

SERIES 2004A-1 FACILITY SITES

A. Legal Description of Real Estate

Coral Sunset Elementary School Addition

A parcel of land in a part of Section 25, Township 47 South, Range 41 East, Palm Beach County, Florida, lying entirely of Hammock Street as shown on the Plat of Holiday City at Boca Raton Section 4, as recorded in Plat Book 33, Pages 9 and 10, Public Records of Palm Beach County, Florida, and as shown on the Plat of Holiday City at Boca Raton Section 9, as recorded in Plat Book 37, Pages 112 ad 113, Public Records of Palm Beach County, Florida as said Right-of-Way is now laid out and in use; said parcel of land being more specifically described as follows:

Commencing at the intersection of the centerline of said Hammock Street with the centerline of Baldric Street as shown on the Plat of said Holiday City at Boca Raton Section 4; thence South 01°06'19" East, along the centerline of said Hammock Street as now laid out and in use, a distance of 535.67 feet; thence North 88°25'56" West a distance of 40.00 feet to an iron rod and cap and an intersection with the said eastern right-of-way line of Hammock Street and the Northwest corner of Coral Sunset Elementary School; thence continue North 88°25'06" East, a distance of 955.16 feet; thence leaving said line, South 01°34'54" East, a distance of 525.50 feet to the Point of Beginning;

Thence South 01°05'24" East a distance of 112.88 feet; thence South 88°34'54" West a distance of 215.17 feet; thence North 01°05'24" West a distance of 112.88 feet; thence North 88°46'26" East a distance of 215.17 feet to the Point of Beginning.

Containing 24,233 square feet.

BEARING BASE:
The centerline of Hammock Street is taken as being South 01°06'19" East and all other bearings are relative thereto.

Hammond Pointe Elementary School Addition

A parcel of land lying in Tract “A”, Elementary School “W-2”, according to the Plat thereof as recorded in Plat Book 70 at Page 74, of the Public Records of Palm Beach County, Florida, being more particularly described as follows:

Commence at the southwest corner of Tract “A”, Elementary School “W-2”, according to the plat thereof as recorded in Plat Book 70 at Page 74, of the Public Records of Palm Beach County, Florida, thence North 00°00'00" West along the West line of said Tract “A” for a distance of 226.10 feet; thence North 00°00'00" East for 92.85 feet to the Point of Beginning of the following described new construction building area; thence North 00°00'00" West for 116.05 feet; thence North 00°00'00" East for 71.50 feet; thence North 00°00'00" West for 21.30 feet; thence North 00°00'00" East for 217.75 feet; thence South 00°00'00" East for 97.35 feet; thence South 00°00'00" West for 40.00 feet; thence South 00°00'00" West for 166.15 feet to the Point of Beginning.

Said lands situate within Palm Beach County, Florida.

Containing 33,282 square feet or 0.76 acre, more or less.

Bearings are assumed and are based on the centerline of S.W. 8th Avenue having a bearing of 88°57'03"E as shown on the record Plat of Elementary School “W-2”, recorded in Plat Book 70, Page 74, Public Records of Palm Beach County, Florida.

J. C. Mitchell Elementary School Modernization

J.C. Mitchell Community Elementary School, according to the Plat thereof recorded in Plat Book 68 at Pages 152 and 153, Public Records of Palm Beach County, Florida

AND

Lot 5, Plat of Caldwell Heights, according to the Plat thereof recorded in Plat Book 23, Page 243, Public Records of Palm Beach County, Florida.

Containing 20.21 acres, more or less.

Meadow Park Elementary School Modernization

PARCEL 1

Beginning at the Southeast corner of Lot 1, Block 2 of FLA-MANGO GROVELETS as recorded in Plat Book 20, Page 68, in the Office of the Clerk of the Circuit Court of Palm Beach County, Florida, which point is 666 feet East and 40 feet North of the Southeast corner of Government Lot 11, Section 5, Township 44 South, Range 43 East, according to the Plat thereof on file in the Office of the Clerk of the Circuit Court in and for Palm Beach County, Florida, in Plat Book 20, Page 68.

S. D. Spady Elementary School Modernization

PARCEL 1

The Northeast Quarter (NE 1/4) of the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) of Section 17, Township 46 South, Range 43 East, Public Records of Palm Beach County, Florida.

LESS AND EXCEPT THEREFROM,
The East twenty-five (25) feet, also the North twenty-five (25) feet, and the South 14 feet of the Northeast Quarter (NE 1/4) of the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) of Section 17, Township 46 South, Range 43 East, Public Records of Palm Beach County, Florida, and

LESS AND EXCEPT THEREFROM a strip of land in the Westerly portion more particularly described as follows:

Commencing at the Southwest corner of the Northeast one quarter (NE 1/4) of the Northeast one quarter (NE 1/4) of the Northwest one quarter (NW 1/4) of Section 17, Township 46 South, Range 43 East, Palm Beach County, Florida, thence run N. 31°18'22" East a distance of 14.00 feet to the point of intersection of the East right of way line of N.W. 10th Avenue and the North right of way line of NW 3rd Street and the Point of Beginning; thence run North 01°18'22" East, a distance of 640.35 feet to a point; thence run North 89°00'53" East, a distance of 31.00 feet to a point; thence run South 02°08'02" West, a distance of 100.00 feet to a point; thence run South 01°47'18" West, a distance of 360.66 feet to a point lying on the North right of way line of N.W. 3rd Street; thence run South 89°13'25" West, a distance of 25.00 feet along said North right of way line of N.W. 3rd Street to the Point of Beginning.

PARCEL 2

Lot 1, S. D. SPADY PLAT, recorded in Plat Book 70, Pages 141 and 142, of the Public Records of Palm Beach County, Florida.
B. Permitted Encumbrances

Coral Sunset Elementary School Addition

1. Canal reservations in favor of the Trustees of the Internal Improvement Trust Fund recorded in Dade County Deed Book 46, Page 240, Dade County Deed Book 46, Page 311 and Dade County Deed Book 49, Page 81, which corrects Deed Book 46, Page 311.
2. Agreement between Palmetto Pines HOA and School Board of Palm Beach County recorded in Official Record Book 4435, Page 1116.
4. Easement in favor of Florida Power & Light recorded in Official Record Book 4583, Page 1291.
5. Developers Agreement with Palm Beach County recorded in Official Record Book 4618, Page 1440.
6. Sewer easement in favor of Palm Beach County recorded in Official Record Book 7955, Page 1894.
7. Sewer easement in favor of Palm Beach County recorded in Official Record Book 7971, Page 923.

Hammock Pointe Elementary School Addition

1. Matters shown on the plat of Elementary School “W-2” recorded in Plat Book 70, Page 74.
2. Matters shown on the plat of Trends of Boca Raton Unit IV recorded in Plat Book 58, Page 96.
3. Subject to matters set forth in Official Record Book 4112, Page 455, Official Record Book 4307, Page 509 and Official Record Book 4596, Page 1696. This item pertains to easements only.
5. Easement in favor of Palm Beach County recorded in Official Record Book 7424, Page 766.
6. Unrecorded Agreement dated 7/31/1991 between the School Board of Palm Beach County and Boca R ̄o Townhomes Association, Inc.

EXHIBIT C-1

LEASE PAYMENT SCHEDULE


<table>
<thead>
<tr>
<th>Lease Payment Date</th>
<th>Principal Payment</th>
<th>Interest Payment</th>
<th>Total Lease Payment</th>
<th>Remaining Principal</th>
</tr>
</thead>
</table>

J. C. Mitchell Elementary School Modernization

1. Matters shown on the Boundary Plat recorded in Plat Book 68, Page 152 and 153.
2. Matters shown on the Plat recorded in Plat Book 23, Page 76.
3. Right of First Refusal Agreement between the School Board of Palm Beach County and the City of Boca Raton recorded in Official Record Book 1112, Page 513.

Meadow Park Elementary School Modernization

1. Matters shown on the Plat of Subdivision recorded in Plat Book 20, Page 68.
2. Matters shown on the Plat of Subdivision recorded in Plat Book 22, Page 18.

S. D. Spady Elementary School Modernization

1. Matters shown on the Plat of Subdivision recorded in Plat Book 70, Page 141.

B-6
**EXHIBIT C-2 TO SCHEDULE 2004A-1**

Lease Payment Schedule - Series 2004A-1 Facilities (Calculation)

Series 2004A Certificates and Series 2012C Certificates

<table>
<thead>
<tr>
<th>Lease Payment Date</th>
<th>Series 2004A Principal Payment</th>
<th>Series 2004A Interest Payment</th>
<th>Series 2012C Principal Payment</th>
<th>Series 2012C Interest Payment</th>
<th>Total Lease Payment</th>
<th>Remaining Principal</th>
</tr>
</thead>
</table>

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C-1
SCHEDULE 2004A-2
dated as of May 1, 2004
as Amended and Restated as of September 1, 2012
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 SCHEDULE 2004A-2 (the “Schedule”) is amended and restated as of September 1, 2012, 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 2004A-2 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 2004A-2 Facilities described herein. The Master Lease with respect to this Schedule and as modified and supplemented herein, is referred to herein as the “Series 2004A-2 Lease”. All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

1. Definitions. For purposes of the Series 2004A-2 Lease the following terms have the meaning set forth below. All terms not otherwise defined herein shall have the respective meanings set forth in the Master Lease, or in the Trust Agreement, including the Series 2004A Supplemental Trust Agreement.

“Assignment Agreement” shall mean the Series 2004A Assignment Agreement dated as of May 1, 2004, between the Corporation and the Trustee.
“Certificates” or “Series of Certificates” shall mean, collectively, the Series 2004A Certificates and the Series 2012C Certificates.

“Commencement Date” for the Series 2004A-2 Lease is May 1, 2004.


“Participating Underwriter” shall mean any of the original underwriters of the Series 2004A Certificates or the Series 2012C Certificates required to be registered with the Rules in connection with the offering of the Series 2004A Certificates or the Series 2012C Certificates, respectively.

“Rating Agency” shall mean each of Standard & Poor’s Ratings Services, Moody’s Investors Service, Fitch Ratings, and any other nationally recognized rating service not unacceptable to the Series 2004A Credit Facility Issuer which shall have provided a rating on any Outstanding Certificates.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Series 2004A Certificates” shall mean the $130,575,000 Certificates of Participation, Series 2004A dated May 4, 2004, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

“Series 2004A Credit Facility” shall mean the municipal bond insurance policy issued by the Series 2004A Credit Facility Issuer on May 4, 2004, insuring the payment when due of the principal portions and interest portions of Basic Lease Payments represented by the Series 2004A Certificates.

“Series 2004A Credit Facility Issuer” shall mean National Public Finance Guarantee Corporation, as agent and reinsurer of Financial Guaranty Insurance Company, or any successor thereto or assignee thereof.

“Series 2004A-2 Certificates” shall mean the Facilities described in this Schedule 2004A-2, as this Schedule 2004A-2 may be further amended or supplemented from time to time.

“Series 2004A Supplemental Trust Agreement” shall mean the Series 2004A Supplemental Trust Agreement dated as of May 1, 2004, between the Corporation and the Trustee.

“Series 2012C Certificates” shall mean the $67,145,900 Certificates of Participation, Series 2012C, dated as of September 13, 2012, issued under the Trust Agreement and evidencing event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by such portion of the unfunded Series 2004A Certificates or Series 2012C Certificates.

The interest portion of the Basic Lease Payments represented by the Series 2004A Certificates and the Series 2012C Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 213.84, Florida Statutes, since the Series 2004A Certificates and the Series 2012C Certificates are rated within the three highest rating categories by a nationally recognized rating service.

6. Additional Lease Payments. Additional Lease Payments with respect to the Series 2004A-1 Lease and Series 2004A-2 Lease consist of the following:

Series 2004A Certificates

1. Trustee Fees: Acceptance Fee of $1,500. Annual fee of $3,500, payable annually in advance. Construction fee of $3,000. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

2. Trustee Expenses: Expenses to be billed at cost. Legal fee for Trustee counsel at closing of $1,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

The fees set forth above for Trustee services include services under Schedules 2004A-1 and 2004A-2.

Series 2012C Certificates

1. Trustee Fees: Acceptance Fee of $1,000. Annual fee of $3,500. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

2. Trustee Expenses: Expenses to be billed at cost. Legal fee for Trustee counsel at closing of $1,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

The fees set forth above for Trustee services include services under Schedules 2004A-1 and 2004A-2.

undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

“Series 2012C Supplemental Trust Agreement” shall mean the Series 2012C Supplemental Trust Agreement dated as of September 1, 2012, between the Corporation and the Trustee.

2. Lease Term. The total of all Lease Terms of the Series 2004A-2 Lease are expected to be approximately twelve (12) years and two (2) months consisting of an “Original Term” of approximately two (2) months from May 1, 2004, through and including June 30, 2004, and twelve (12) Renewal Terms of twelve (12) months, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2004, and ending June 30, 2016, and the last Renewal Term of approximately one (1) month from July 1, 2016, through and including August 1, 2016. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.


4. Application of Certain Proceeds of Certificates

(a) Series 2004A Certificates. Pursuant to the provisions of Section 302 of the Series 2004A Supplemental Trust Agreement the Trustee deposited the following sums attributable to the Series 2004A-2 Facilities to be lease purchased hereunder in the following accounts from the proceeds of the Series 2004A Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2004A Acquisition Account</td>
<td>$35,287,500.00</td>
</tr>
<tr>
<td>Series 2004A Cost of Issuance Subaccount</td>
<td>$71,095.28</td>
</tr>
</tbody>
</table>

(b) Series 2012C Certificates. Pursuant to the provisions of Section 402 of the Series 2012C Supplemental Trust Agreement the Trustee will deposit the following sums attributable to the Series 2004A-2 Facilities lease purchased hereunder in the following accounts from the proceeds of the Series 2012C Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Trust Fund</td>
<td>$17,116,931.67</td>
</tr>
<tr>
<td>Series 2012C Cost of Issuance Account</td>
<td>$71,095.28</td>
</tr>
</tbody>
</table>

5. Basic Lease Payments. The principal portion and the interest portion of the Basic Lease Payments, the Lease Payment Dates (December 30 and June 30, commencing June 30, 2004) and the remaining principal portion with respect to the Series 2004A-2 Facilities to be lease purchased, and the unfunded Series 2004A Certificates and the Series 2012C Certificates attributable to such Facilities are set forth in Exhibit B hereto. The Composite Schedule of Basic Lease Payments set forth in Exhibit B hereto shall be no less than the principal and interest payments with respect to the portion of the unfunded Series 2004A Certificates and the Series 2012C Certificates relating to the Series 2004A-2 Facilities and shall only be amended in the

7. 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 Schedule 2004A-2 are subject to the following prepayment provisions:

Series 2004A Certificates

A. Optional Prepayment

(i) The principal portion of Basic Lease Payments due on or before June 30, 2015 (to be paid to Certificateholders on or before August 1, 2015), shall not be subject to prepayment at the option of the School Board.

(ii) The principal portion of Basic Lease Payments due on or after June 30, 2016 (to be paid to Certificateholders on or after August 1, 2016), shall be subject to prepayment on or after June 30, 2014, by the School Board, in whole or in part, at any time, and if in part, in such order of due dates of the principal portion of the Basic Lease Payments as shall be designated by the School Board to be prepaid, at a Prepayment Price equal to 100% of the principal portion of Basic Lease Payments being prepaid, plus the interest portion of the Basic Lease Payments accrued to the Prepayment Date.

Series 2012C Certificates

(i) The principal portion of Basic Lease Payments due on or before June 30, 2022 (to be paid to Series 2012C Certificateholders on or before August 1, 2022), shall not be subject to prepayment at the option of the School Board.

(ii) The principal portion of Basic Lease Payments due on or after June 30, 2023 (to be paid to Series 2012C Certificateholders on or after August 1, 2023) shall be subject to prepayment on or after June 30, 2022, by the School Board in whole or in part at any time, and if in part, in such order of maturity of Series 2012C 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 2012C Certificates or portions thereof to be prepaid, plus interest accrued to the Prepayment Date.

B. Extraordinary Prepayment

Series 2004A Certificates

(i) At the election of the Series 2004A Credit Facility Issuer, the principal portions of the Basic Lease Payments represented by Series 2004A Certificates due under the Series 2004A-2 Lease shall be subject to prepayment in whole at any time, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if the Lease Term of all Leases is terminated for the reasons referred to in Section 4.1(h) of the Master Lease.
Section 3.0 No Surrender of Series 2004A-2 Facilities

(A) Upon the termination of the Series 2004A-2 Lease Term prior to the payment of all Lease Payments scheduled therefor or without the payment of the then applicable Purchase Option Price of the Series 2004A-2 Facilities, or (B) as provided in Section 8.2 of the Master Lease upon the occurrence of an event of default, then the Purchase Option Price of the Series 2004A-2 Facilities, shall become immediately due and payable, but only from the School Board’s current or other funds authorized by law and appropriated for such purpose as provided in Section 3.1 of the Master Lease. The Corporation’s sole remedy (other than rights and remedies it may have at law against the School Board’s legally available funds for compensatory damages as provided below upon the occurrence of an Event of Default under Section 8.1 of the Master Lease) shall be to seek a judgment against the School Board for the unpaid balance of the Purchase Option Price, which judgment shall be enforceable solely against the School Board’s legally available funds.

Notwithstanding the obligations of the School Board to pay the Purchase Option Price of the Series 2004A-2 Facilities, the School Board shall be under no obligation to transfer possession of and/or title to the Series 2004A-2 Facilities, to the Corporation, and the Corporation shall have no right under the Series 2004A-2 Lease to involuntarily dispossess the School Board of the use and enjoyment of or title to any of the Series 2004A-2 Facilities, and the Corporation hereby irrevocably waives any right to specific performance of the School Board’s covenants upon any such termination of the Lease Term.

Upon the termination of the Lease Term as a result of a default by the School Board, the Corporation shall have, in addition to the rights and remedies described above, the right to sue for compensatory damages, including damages for any loss suffered by the Corporation or the Trustee as a result of the School Board’s failure to pay the unpaid balance of the Purchase Option Price when due.

F. Continuing Disclosures. For purposes of the Series 2004A-2 Lease, the School Board hereby covenant and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Series 2004A-2 Lease, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of any participating underwriter or the Holders of at least 25% aggregate principal amount of Certificates, shall) or any Holder of Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the School Board to comply with its obligations under this Section 9.C. For purposes of this Section, “Beneficial Owner” means any person 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, depositaries or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

G. Notice of Amendments. The School Board shall provide written notice to each Rating Agency at least 15 days in advance of the execution of any amendments to the Series 2004A-2 Lease, the Trust Agreement, the Series 2004A Assignment Agreement. A full transcript of all proceedings relating thereto shall be provided to the Series 2004A Credit Facility Issuer.

H. Notice of Completion. The School Board shall provide the Series 2004A Credit Facility Issuer a copy of the Certificate of Completion set forth in Exhibit B to the Master Lease at the same time it is filed with the Trustee.

I. Section 9.4 of the Master Lease. For purposes of the Series 2004A-2 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 Holders of the affected Certificates, for the purpose of (1) adding a legal description and/or the permitted encumbrances to 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.

J. Effective Date. Schedule 2004A-2, as amended and restated as of September 1, 2012, shall be effective September 13, 2012.

IN WITNESS WHEREOF, the Trustee has caused this Schedule 2004A-2 to be executed in its corporate name by its duly authorized officer, and the Corporation has caused this Schedule 2004A-2 to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule 2004A-2 to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all as of the day and year first written above.

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

By: Michele R. O’Donnell
Vice President

[SEAL]

Palm Beach School Board
Leasing Corp.

By: E. Wayne Gent
Secretary

Frank A. Barbieri, Jr.
President

[SEAL]

The School Board of Palm Beach County, Florida

By: E. Wayne Gent
Secretary

Frank A. Barbieri, Jr.
Chairman

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EXHIBIT A TO SCHEDULE 2004A-2

DESCRIPTION OF SERIES 2004A-2 FACILITIES

A. General Description of the Series 2004A-2 Facilities to be Lease Purchased:

- Coral Sunset Elementary HVAC Replacement

This work includes replacement of the complete HVAC system, removal of existing individual room ventilators, repairs to wall and casework, new chillers, ductwork and controls. The acoustical ceilings will be replaced and new energy efficient lighting will be installed.

- Hammock Pointe Elementary HVAC Replacement

This work includes replacement of the complete HVAC system, removal of existing individual room ventilators, repairs to wall and casework, new chillers, ductwork and controls.

- Relocatable Classrooms

- Site Acquisition

B. Estimated Costs of the Series 2004A-2 Facilities to be Lease Purchased:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Total Project Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coral Sunset Elementary HVAC Replacement</td>
<td>$3,539,300</td>
</tr>
<tr>
<td>Hammock Pointe Elementary HVAC Replacement</td>
<td>3,500,000</td>
</tr>
<tr>
<td>Relocatable Classrooms</td>
<td>11,000,000</td>
</tr>
<tr>
<td>Site Acquisition</td>
<td>17,246,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$35,287,300</strong></td>
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EXHIBIT B-1 TO SCHEDULE 2004A-2

LEASE PAYMENT SCHEDULE

Schedule A-2 Lease Payment Schedule

<table>
<thead>
<tr>
<th>Lease Payment Date</th>
<th>Basic Lease Payment</th>
<th>Principal Portion</th>
<th>Interest Portion</th>
<th>Remaining Principal</th>
</tr>
</thead>
</table>

Schedule B-2 Lease Payment Schedule

<table>
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<tr>
<th>Lease Payment Date</th>
<th>Series 2004A Principal Portion</th>
<th>Series 2004A Interest Portion</th>
<th>Series 2012 Principal Portion</th>
<th>Series 2012 Interest Portion</th>
<th>Total Lease Payment</th>
<th>Remaining Principal</th>
</tr>
</thead>
</table>

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SERIES 2004A-1
GROUND LEASE

Dated as of May 1, 2004

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 2004A-1 Facility Sites)
SECTION 1. LEASE OF SERIES 2004A-1 FACILITY SITES

WHEREAS, each Series 2004A Certificate represents an undivided proportionate interest in the principal portion of the Basic Lease Payments set forth on Schedules 2004A-1 and 2004A-2 for the Series 2004A-1 Lease, at which meeting a copy of this Series 2004A-1 Ground Lease in 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 2004A-1 Ground Lease, and the School Board is willing to grant to the Corporation, the right to utilize the adjacent property of the School Board to the extent reasonably necessary for Access and for the Services, and the Corporation and the School Board desire to provide for the structural attachment of certain of the Series 2004A-1 Facilities to the adjacent property of the School Board;

WHEREAS, the ground leasing of the Series 2004A-1 Facility Sites, the sub-letting of the Series 2004A-1 Facility Sites back to the School Board and the lease-purchase financing and construction of the Series 2004A-1 Facilities are herein collectively referred to as the “Series 2004A-1 Project”; and

WHEREAS, the School Board has on March 10, 2004, after due notice as required by law, held an open, public meeting on the proposal of entering into this Series 2004A-1 Ground Lease, at which meeting a copy of this Series 2004A-1 Ground Lease in final form was available for inspection and review by the public; and

WHEREAS, provisions for the payment of the cost of acquiring and constructing the Series 2004A-1 Facilities have been made by the Bank establishing a trust pursuant to the Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2004A Supplemental Trust Agreement dated as of May 1, 2004 (as the same may be further amended or supplemented from time to time, the “Trust Agreement”), between the Corporation and The Bank of New York Trust Company, N.A., as agent for The Bank of New York (successor by acquisition to Nationalbk of Florida, N.A., Jacksonville, Florida, as Trustee (the “Trustee”)), and irrevocably assigning to the Trustee without warranty of any kind, title and interest in and to this Series 2004A-1 Ground Lease and the Series 2004A-1 Lease and one other lease to be entered into contemporaneously herewith the “Series 2004A-2 Lease”, as defined in the Trust Agreement), except for customary rights of assignment, to hold title to the Series 2004A-1 Facilities and to receive notices, in directing the Trustee for such trust to execute and deliver to the public certificates of participation (the “Series 2004A Certificates”) evidencing undivided proportionate interests of the Owners thereof in the right to receive Basic Lease Payments to be made by the School Board, as lessee, pursuant to the Series 2004A-1 Lease and the Series 2004A-2 Lease (the “Series 2004A Leases”) and the Series 2004A-2 Lease being collectively referred to as the “Series 2004A Leases” and (v) directing the Trustee to hold the proceeds of sale of the Series 2004A Certificates in trust subject to application only to pay the costs of acquisition and construction of the Series 2004A-1 Facilities and the costs of the Series 2004A-2 Facilities (as defined in the Trust Agreement (collectively), the “Series 2004A Facilities”); and

WHEREAS, each Series 2004A Certificate represents an undivided proportionate interest in the principal portion of the Basic Lease Payments set forth on Schedules 2004A-1 and 2004A-2 and payable on the maturity date or earlier prepayment date of the Series 2004A Certificates and in the interest portion of the Basic Lease Payments set forth on Schedules 2004A-1 and 2004A-2 and payable semiannually, to including such maturity date or earlier prepayment date; and

WHEREAS, the Corporation will assign to the Trustee all of its rights, title and interest in and to this Series 2004A-1 Ground Lease, the Series 2004A-1 Lease and the Series 2004A-1 Lease Payments (except for certain indemnification rights and the right of the Corporation to hold title to the Series 2004A-1 Facilities and to receive notices), pursuant to the Series 2004A Assignment Agreement dated as of May 1, 2004 (as the same may be amended or supplemented from time to time, the “Series 2004A Assignment Agreement”), and

WHEREAS, the School Board intends for the Series 2004A-1 Lease to remain in full force and effect until August 1, 2029, which is at least 31 days after the last Lease Payment Date for the Series 2004A-1 Lease Payments, unless sooner terminated in accordance with the terms provided therein; and

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

SECTION 1. LEASE OF SERIES 2004A-1 FACILITY SITES

Subject to the terms of the Master Trust Agreement and the Series 2004A-1 Assignment Agreement and the Series 2004A-1 Lease, the Corporation, for the purpose of providing all buildings, structures and improvements now or hereafter erected or situated thereon, any
be limited to, the right to utilize for such purposes any portion of the adjacent property of the School Board (e.g., the rights shall include, but not necessarily be limited to, the right to utilize appropriate property, any drives, parking areas, drainage facilities or sewer, water, gas, electric or telephone lines from time to time located upon the adjacent property of the School Board, together with the right to "caut" or "caut" thereof. If the lease term of the Series 2004A-1 Leases terminates prior to the termination of the term of this Series 2004A-1 Ground Lease, the School Board and the Corporation shall each have the right to install such meters or substations as may be reasonably appropriate to the end that the Corporation is charged for consumption of such utilities on the Series 2004A-1 Facility Sites.

(ii) The adjacent property of the School Board and the Series 2004A-1 Facilities may contain certain obstacles, features or parts which are structural elements of both the adjacent property of the School Board and the Series 2004A-1 Facilities. Such Series 2004A-1 Facilities include, but are not necessarily limited to, the following:

(A) All utility lines, ducts, conduits, pipes and other utility fixtures and apparatuses which are located on or within either the Series 2004A-1 Facility Sites or Series 2004A-1 Facilities on the one hand or the adjacent property of the School Board on the other hand and, which, directly or indirectly, in any way, service the other.

(B) All division walls (hereinafter referred to as "Party Walls") between the Series 2004A-1 Facilities and the adjacent property of the School Board upon the common line between the Series 2004A-1 Facility Sites and the adjacent property of the School Board (hereinafter referred to as the "Lot Line") provided that the same shall be a division wall or divided not less than ten (10) feet from the School Board's property line.

(C) The roof and all roof support structures and any and all appurtenances to such roof and roof support structures including, without limitation, the roof covering, roof struts and roof drainage facilities (collectively, the "Roofing") to exceed the extent (measured between the Series 2004A-1 Facilities and the adjacent property of the School Board). Should the Roofing of any Series 2004A-1 Facilities extend beyond the Lot Line, the right therefor hereby granted and should the Roofing of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2004A-1 Facility Sites, the right therefor hereby reserved.

(D) The entire concrete floor slab or wood floor system if extended to less than ten (10) feet from and not otherwise supported by and appurtenances thereto, on both the Series 2004A-1 Facility Sites and the adjacent property of the School Board (collectively referred to as "Flooring"). Should the Flooring of the Series 2004A-1 Facilities extend beyond the Lot Line, the right therefor hereby reserved.

Notwithstanding the foregoing, this Series 2004A-1 Ground Lease may be terminated by the School Board on any date prior to the end of the initial term as herein provided or any renewal term hereof, which date is at least one (1) day after the date of termination of the Series 2004A-1 Lease, upon not less than ten (10) days prior written notice to the Corporation, upon payment of the Purchase Option Price, pursuant to Section 7.2 of the Master Lease, with respect to the Series 2004A-1 Facilities, and full performance and satisfaction of the School Board's obligations under the Series 2004A-1 Lease, or (c) upon the payment for payment of all Lease Payments under the Series 2004A-1 Lease pursuant to Section 7.3 of the Master Lease, together in each case with payment of the sum of $1.00. This Series 2004A-1 Ground Lease may likewise be modified at the request of the School Board at any time, upon written notice and modification of the Series 2004A-1 Lease (a) to reflect the substitution of all or a portion of the Series 2004A-1 Facilities and Series 2004A-1 Facility Sites in accordance with Section 6.4 of the Master Lease, or (b) upon payment or provision for payment of the Purchase Option Price, pursuant to Section 7.3 of the Master Lease, to reflect the release of use or use or parts of the Series 2004A-1 Facility Sites from the Series 2004A-1 Ground Lease.

Section 3. Rent. (a) So long as the Lease Term has not been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay to the School Board as and for rental for the Series 2004A-1 Facility Sites the sum of one dollar ($1.00) per annum, which sum shall be due and payable in advance on the Commencement Date and annually thereafter on the first day of each renewal Lease Term. At the option of the Corporation, the Corporation may prepay all or a portion of the Ground Rent payable hereunder for the entire initial lease term from the proceeds of sale of the Certificates or otherwise.

(b) From and after the date on which the Lease Term shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay to the School Board, as and for rental for the Series 2004A-1 Facility Sites an amount determined by an M.A.I. appraisal to be fair market rental for the Series 2004A-1 Facility Sites (the "Appraisal"), which appraisal shall be prepared by an appraiser selected by the Trustee as assignee of the Corporation or the Corporation and reimbursed as provided in Article VI of the Trust Agreement; provided, however, that such fair market rental and the payment thereof shall be subject to the following adjustments and conditions:

(i) if the Lease Term shall have been terminated on a date other than June 30 of any year, the fair market rental determined pursuant to the Appraisal shall be pro rated for the number of days between the date of termination and the next succeeding July 1;

(ii) for each twelve month period beginning on the July 1 next succeeding the date on which such termination occurs and beginning on such succeeding July 1, the amount of the annual fair market rental determined by the Appraisal shall be adjusted by the percentage (positive or negative) which is equal to the Implicit Price Deflator of the Consumer Price Index published by the United States Department of Commerce for the region of the United States where Florida is located or for the United States as a whole if not so published for such region;

(iii) for each one month period beginning on the July 1 next succeeding the date on which such termination occurs and beginning on such succeeding July 1, the amount of the annual fair market rental shall be increased (positive or decreased (negative) by the percentage (positive or negative) which is equal to the Implicit Price Deflator of the Consumer Price Index published by the United States Department of Commerce for the region of the United States where Florida is located or for the United States as a whole if not so published for such region;

(iv) such fair market rental due in any year may be paid in the current year only to the extent that the monies received by the Trustee as assignee of the Corporation from the exercise of the remedies permitted under the Series 2004A-1 Lease during the preceding twelve months prior to such July 1 exceed the principal and interest portion of the Series 2004A-1 Lease, and the amount of such fair market rental paid in any year during the provisions of this clause (iii) shall remain due and payable and shall accumulate from year to year and shall be paid as so accumulated in the future years to the extent that the monies received in such year from the exercise of the remedies permitted by the Series 2004A-1 Lease exceed the principal and interest portions of the Series 2004A-1 Lease and other amounts described in Section 5.6 of the Trust Agreement and the fair market rental due in such years, and

(v) the failure to pay any portion of the fair market rental in any year due to insufficiencies of monies realized from the exercise of the remedies permitted under the Series 2004A-1 Lease (1) shall not give rise to any obligation to pay interest on such unpaid fair market rental and (2) shall not constitute a default under this Series 2004A-1 Ground Lease by the Corporation or the Trustee as the assignee of the Corporation.

Section 4. Title to Series 2004A-1 Facility Sites; Possession. (a) Upon the Commencement Date and throughout the term of this Series 2004A-1 Ground Lease, for title to the Series 2004A-1 Facilities shall be in the name of the School Board, subject to Promissory Encumbrances; title to the Series 2004A-1 Facilities constructed on the Series 2004A-1 Facility Sites shall be in the name of the Corporation and shall remain vested from time to time under the name of the Corporation, subject to Promissory Encumbrances; title to the Series 2004A-1 Facility Sites shall be vested in the Corporation or the Trustee as the assignee of the Corporation in accordance with Sections 7.2 or 7.3 of the Master Lease and Section 2 hereof, or (b) (i) the end of the term of this Series 2004A-1 Ground Lease.
(b) The Corporation shall at all times during the term of this Series 2004A-1 Ground Lease have a leasehold estate in the Series 2004A-1 Facility Sites with full right to vest the same, possession and occupancy of such leasehold estate therein is a Permitted Transfer (as defined herein).

(c) Possession and use of the Series 2004A-1 Facility Sites, together with all improvements thereto, shall, upon the termination of the term of this Series 2004A-1 Ground Lease or earlier termination of this Series 2004A-1 Ground Lease in accordance with Section 4.1(f), shall be automatically reverted to the School Board free and clear of liens and encumbrances other than that Permitted Encumbrances without reversion of the Corporation's interest in any Facility Sites. Upon such termination of this Series 2004A-1 Ground Lease, the Corporation shall promptly and quietly surrender to the School Board the Series 2004A-1 Facility Sites together with any improvements located on or upon the Series 2004A-1 Facility Sites. Upon such surrender of the Series 2004A-1 Facility Sites, the Corporation or any Permitted Transferee, at the reasonable request of the School Board, shall assign an instrument in recordable form evidencing such surrender and shall deliver to the School Board all books, records, construction plans, surveys, permits and other documents relating to, and necessary or convenient to the operation of the Series 2004A-1 Facility Sites in possession of the Corporation or any Permitted Transferee.

(d) Any personal property of the Corporation, any Permitted Transferee or any Person which shall remain on the Series 2004A-1 Facility Sites after expiration or earlier termination of the term of this Series 2004A-1 Ground Lease and for thirty (30) days after request by the School Board for removal, shall, at the option of the School Board, be deemed to have been abandoned and may be removed by the School Board and the same may be disposed of, without limitation, in such manner as the School Board may be fit.

(e) If the Corporation or any Permitted Transferee holds over or refuses to surrender possession of the Series 2004A-1 Facility Sites after expiration or earlier termination of this Series 2004A-1 Ground Lease, the Corporation or any Permitted Transferee shall be a tenant at sufferance and shall pay rent equal to the fair market rental of the Series 2004A-1 Facility Sites determined in the manner provided in Section 2.2 hereof in addition to any other expenses of the School Board incurred as a result of the failure of any obligation hereunder to be performed.

Section 5. Use of Series 2004A-1 Facility Sites; Assignments and Subleases. The Corporation may use the Series 2004A-1 Facility Sites for any lawful purpose; however, the parties agree that unless the Series 2004A-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(h) or 4.1(l)(c) of the Master Lease, the Series 2004A-1 Facility Sites shall be used solely for educational purposes. Unless the Series 2004A-1 Lease shall have been so terminated, no assignment of the Series 2004A-1 Ground Lease or subletting of the Series 2004A-1 Facility Sites may be made except as provided in the Series 2004A-1 Assignment Agreement, the Series 2004A-1 Lease, the Trust Agreement and in any agreement with a Credit Facility Lender or any Third Party Lender (as defined in the Trust Agreement), if any, without the prior written consent of the School Board. In the event that the Series 2004A-1 Lease shall be terminated pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, then the Corporation's interest in this Series 2004A-1 Ground Lease may be assigned by the Trustee to any third party, including a Credit Facility Lender, in accordance with the procedures set forth in the Series 2004A-1 Assignment Agreement, the Series 2004A-1 Lease, the Trust Agreement and any agreement with a Credit Facility Lender or any Third Party Lender.

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 2004A-1 Ground Lease, which default continues for sixty (60) days after notice of such default has been given to the Corporation, the School Board may, in its discretion, and without limitation any mechanic's or mastermechanic's lien, setoff or counterclaim whatsoever (whether arising from a breach of this Series 2004A-1 Ground Lease or from any other default by the Corporation under the terms of this Series 2004A-1 Ground Lease), make any repairs, improvements or changes necessary for the preservation thereof. The Corporation shall reimburse the Trustee for any expense incurred by the Trustee in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim or with respect to any such condition or any refusal of the Corporation to pay any taxes, assessments, fees, charges or claims with respect to the failure of any obligation hereunder to be performed.

Section 8. Quiet Enjoyment. The Corporation at all times during the term of this Series 2004A-1 Ground Lease shall peaceably and quietly have, hold and enjoy the Series 2004A-1 Facility Sites, without hindrance or molestation subject to the provisions hereof and of the Series 2004A-1 Lease, the Series 2004A-1 Assignment Agreement and the Trust Agreement.

Section 9. Liens. Unless the Series 2004A-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(h) or 4.1(l)(c) of the Master Lease, neither the School Board nor the Corporation shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim or with respect to such Series 2004A-1 Facility Sites, other than Permitted Encumbrances. The School Board shall reimburse the Trustee for any expense incurred by the Trustee in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim. Upon termination of the Series 2004A-1 Lease as provided above, the Corporation, the Trustee and any Permitted Transferee may erect into a mortgage or other encumbrance of its beneficial estate in the Series 2004A-1 Facility Sites, other than Permitted Encumbrances, the School Board shall immediately pay to the Trustee the fees, charges or claims for such mortgage or other encumbrance, including without limitation any mechanic's or mastermechanic's lien.

Section 10. Condemnation. In the event that any person, public or private, shall have right, title or interest in the Series 2004A-1 Facility Sites, by virtue of eminent domain or condemnation proceedings, or by purchase in lieu thereof, at any time during the Ground Lease Term acquire title to the Series 2004A-1 Facility Sites:

(a) So long as the Series 2004A-1 Lease is in effect, the Net Proceeds resulting therefrom shall be applied pursuant to the Master Lease or as otherwise agreed to by the parties;

(b) After the end of the Lease Term of the Series 2004A-1 Lease, (i) if such person acquires title to such a substantial portion of the Series 2004A-1 Facility Sites that the Corporation determines that it cannot economically make beneficial use of the residue thereof for the lawful purposes intended or permitted by this Series 2004A-1 Ground Lease, such acquisition of title or payment of such claim shall terminate the Ground Lease Term, effective as of the date on which the condemning party takes possession thereof or on the date of payment of such claim, as applicable, and the Net Proceeds resulting therefore shall be paid to the School Board and the Corporation, in their respective interests apportion; and (ii) if such person acquires title to a portion of the Series 2004A-1 Facility Sites such that the Corporation determines that it can economically make beneficial use of the residue thereof for the lawful purposes intended or permitted by this Series 2004A-1 Ground Lease, such acquisition of title or payment of such claim shall terminate the Ground Lease Term, effective as of the date on which the condemning party takes possession thereof or on the date of payment of such claim, as applicable, and the Net Proceeds resulting therefore shall be paid to the School Board and the Corporation, as their respective interests appear.

The School Board represents and covenants that the Series 2004A-1 Facility Sites are presently zoned to allow government use, and that the School Board shall not take any action with respect to zoning or other land use regulation applicable to the Series 2004A-1 Facility Sites except as directed by the Corporation. The School Board shall do everything in its power to assure the Corporation in obtaining or maintaining its rights hereunder to the Series 2004A-1 Facility Sites, and shall not suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Series 2004A-1 Facility Sites, or permit any changes or variances as the Corporation may deem necessary or desirable or such other permits, licenses, approvals or other actions or writings which the Corporation deems necessary or desirable in order to enable the Corporation to cause the Series 2004A-1 Facility Sites for such purposes as the Corporation shall determine; provided, however, that neither the Corporation nor any Permitted Transferee shall use the Series 2004A-1 Facility Sites to be used in violation of any valid present or future laws, ordinances, rules or regulations of any public or governmental authority at any time applicable thereto.

It is understood that all rights, title and interest in the Corporation in and to this Series 2004A-1 Ground Lease is to be irrecoverably assigned by the Corporation to the Trustee pursuant to the Series 2004A-1 Assignment Agreement, except that the Corporation shall continue to hold title to the Series 2004A-1 Facility Sites as described in Section 4 hereof and as in the Series 2004A-1 Lease. The School Board agrees that upon such assignment the Corporation shall have all of the rights of the Corporation heretofore assigned to the Trustee, notwithstanding any claim, demand, setoff or counterclaim whatsoever (whether arising from a breach of this Series 2004A-1 Ground Lease or otherwise) that the School Board may have to have against the Corporation or any person or entity associated or affiliated therewith. The School Board certifies that they are acting in behalf of the Series 2004A Certificate holders, and may, under certain circumstances assign this Series 2004A-1 Ground Lease to a Permitted Transferee.

Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Series 2004A-1 Lease or the operations of the Series 2004A-1 Facility Sites, except as directed by the Corporation, the parties hereto acknowledge and agree that upon the assignment by the Corporation of its rights hereunder to the Trustee pursuant to the Series 2004A Assignment Agreement, the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto nor its assigns or assignees shall look to the Corporation for any damages, expenses, fees, costs, expenses or claims with respect to the failure of any obligation hereunder to be performed.

Section 11. Right of Entry. Unless the Series 2004A-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the School Board shall have the right for any of its duly authorized representatives to enter upon the Series 2004A-1 Facility Sites at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

(c) Any taking of any portion of the Series 2004A-1 Facility Sites shall be deemed substantial hereunder.

(d) It is understood that the foregoing provisions of the Section 10 shall not in any way restrict the right of the School Board or the Corporation to appeal the award made by any court or other public agency in any condemnation proceedings.
leasehold estate in the Series 2004A-1 Facilities created under the Series 2004A-1 Lease or by reason of the fact that the Corporation is the owner of the leasehold estate in the Series 2004A-1 Facility Sites created hereby and in the name of the fee title to the Series 2004A-1 Facilities as provided in the Series 2004A-1 Lease.

Section 15. Notices. All notices, certificates, requests or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid to the following addresses, or to such other address or addresses as shall be designated by the parties in writing:

Corporation: 3300 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board: 3300 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

With copies to

Trustee: The Bank of New York
via The Bank of New York Trust Company, N.A.
6141 Century Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department

Series 2004A Credit Facility Issuer and its Fiscal Agent:
Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017
Attention: Risk Management
Policy No.: 04010255

Section 16. Severability. In the event any provision of this Series 2004A-1 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.

Section 17. Applicable Law. This Series 2004A-1 Ground Lease shall be governed and construed in accordance with the laws of the State of Florida.

Section 18. Execution in Counterparts. This Series 2004A-1 Ground Lease may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

Section 19. Memorandum of Lease. Simultaneously with the execution of this Series 2004A-1 Ground Lease, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to this Series 2004A-1 Ground Lease. Said Memorandum of Lease shall set in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of this Series 2004A-1 Ground Lease. Upon the modification of this Series 2004A-1 Ground Lease as provided in Section 5 hereof, the Memorandum of Lease shall be appropriately amended.

Section 20. No Personal Liability. No covenant or agreement contained in this Series 2004A-1 Ground Lease shall be deemed to be the covenant or agreement of any member of the School Board or the Corporation or any officer, employee or agent of the School Board or the Corporation, or of any successor thereof, in any individual capacity, and neither the members of the School Board or the Corporation executing this Series 2004A-1 Ground Lease nor any officer, employee, agent of the School Board or the Corporation shall be personally liable or accountable by reason of the execution or delivery hereof.

Section 21. Third Party Beneficiary. The Series 2004A Credit Facility Issuer shall be deemed to be a third party beneficiary of this Series 2004A-1 Ground Lease.

IN WITNESS WHEREOF, the Corporation has caused this Series 2004A-1 Ground Lease to be executed in its corporate name and its seal to be hereunto affixed by its duly authorized officers, all as of the date first above written.

[Seal]

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: William G. Graham
Vice Chairman

By: Art Johnson, Secretary

GIVEN under my hand and seal on this day of April, 2004.

NOTARY PUBLIC
SEAL OF OFFICE

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 G. Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Vice Chairman and Secretary, respectively, of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said School Board and as their own free and voluntary act, for the use and purpose therefor set forth.

GIVEN under my hand and seal this day of April, 2004.

NOTE: A seal or stamp that may be used in conjunction with the name of the Notary Public. This seal or stamp may be used in conjunction with the name of the Notary Public to indicate that the document has been notarized.

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 G. Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Vice Chairman and Secretary, respectively, of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said School Board and as their own free and voluntary act, for the use and purpose therefor set forth.

GIVEN under my hand and seal this day of April, 2004.

NOTARY PUBLIC
SEAL OF OFFICE

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 G. Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Vice Chairman and Secretary, respectively, of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said School Board and as their own free and voluntary act, for the use and purpose therefor set forth.

GIVEN under my hand and seal this day of April, 2004.

NOTARY PUBLIC
SEAL OF OFFICE
The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William G. Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary, respectively of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes theretofor set forth.

GIVEN under my hand and notarial seal this 27th day of April, 2004.

William G. Graham
Notary Public

J.C. Mitchell Elementary School Modernization

Lot 5, Plat of Caldwell Heights, according to the Plat thereof recorded in Plat Book 23, Page 243, Public Records of Palm Beach County, Florida.

Containing 20.21 acres, more or less.

Meadow Park Elementary School Modernization

BEGINNING at the Southeast corner of Lot 1, Block 2 of FLA-MANGO GROVELETS as recorded in Plat Book 20, Page 68, in the Office of the Clerk of the Circuit Court of Palm Beach County, Florida, which point is 666 feet East and 48 feet North of the Southwest corner of Government Lot 11, Section 3, Township 44 South, Range 43 East; thence Easterly on a line parallel to and 40 feet North of the South line of said Government Lot 11, a distance of 200 feet; thence Northerly parallel to the West line of said Government Lot 11, a distance of 488.58 feet; thence Westerly parallel to the first described course a distance of 200 feet to the Northeast corner of

EXHIBIT A TO SERIES 2004A-1 GROUND LEASE

S. D. Spady Elementary School Modernization

The Northeast quarter (NE 1/4) of the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) of Section 17, Township 46 South, Range 43 East, Public Records of Palm Beach County, Florida.

LESS AND EXCEPT THEREFROM, the East twenty-five (25) feet, the West twenty-five (25) feet, and the South fourteen (14) feet of the Northwest Quarter (NE 1/4) of the Northeast Quarter (NE 1/4) of the Northwest Quarter (NW 1/4) of Section 17, Township 46 South, Range 43 East, Public Records of Palm Beach County, Florida.

LESS AND EXCEPT THEREFROM a strip of land in the Westernly portion more particularly described as follows:

Commencing at the Southwest corner of the Northeast one quarter (NE 1/4) of the Northeast one quarter (NE 1/4) of the Northwest corner (NW 1/4) of Section 17, Township 46 South, Range 43 East, Public Records of Palm Beach County, Florida.
PARCEL 2

Lot 1, S. D. SPADY PLAT, recorded in Plat Book 70, Pages 141 and 142, of the Public Records of Palm Beach County, Florida.

Containing 1.96 acres, more or less.

The bearings shown hereon are based on the south line of the S.D. Spady Plat, are recorded in Plat Book 70, Book 141 and 142, Public Records of Palm Beach County, Florida, having a platted bearing of S89°09'47"W and all other bearings are relative thereto.

B. Permitted Encumbrances

Coral Sunset Elementary School Addition

1. Canal reservations in favor of the Trustees of the Internal Improvement Trust Fund recorded in Dade County Deed Book 46, Page 240, Dade County Deed Book 46, Page 311 and Dade County Deed Book 49, Page 81, which corrects Deed Book 46, Page 311.
2. Agreement between Palmetto Pines HOA and School Board of Palm Beach County recorded in Official Record Book 4455, Page 1116.
5. Developers Agreement with Palm Beach County recorded in Official Record Book 4618, Page 1490.
6. Sewer easement in favor of Palm Beach County recorded in Official Record Book 7955, Page 1894.
7. Sewer easement in favor of Palm Beach County recorded in Official Record Book 7971, Page 923.

Hammock Pointe Elementary School Addition

1. Matters shown on the plat of Elementary School "W-2" recorded in Plat Book 70, Page 74.
2. Matters shown on the plat of Trends of Boca Raton Unit IV recorded in Plat Book 58, Page 96.
3. Subject to matters set forth in Official Record Book 4112, Page 453, Official Record Book 4367, Page 509 and Official Record Book 4596, Page 1696. This item pertains to easements only.

J. C. Mitchell Elementary School Modernization

1. Matters shown on the Boundary Plat recorded in Plat Book 68, Page 122 and 153.
2. Matters shown on the Plat recorded in Plat Book 25, Page 76.
3. Right of First Refusal Agreement between the School Board of Palm Beach County and the City of Boca Raton recorded in Official Record Book 1112, Page 513.

Meadow Park Elementary School Modernization

1. Matters shown on the Plat of Subdivision recorded in Plat Book 26, Page 68.
2. Matters shown on the Plat of Subdivision recorded in Plat Book 22, Page 18.

S. D. Spady Elementary School Modernization

1. Matters shown on the Plat of Subdivision recorded in Plat Book 76, Page 141.

5. Easement in favor of Palm Beach County recorded in Official Record Book 7424, Page 766.
6. Unrecorded Agreement dated 7/31/1991 between the School Board of Palm Beach County and Boca Ria Townhomes Association, Inc.
7. Unrecorded Standard Developers Agreement between the School Board of Palm Beach County and Palm Beach County.
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
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WHEREAS, the School Board of Palm Beach County, Florida (the "School Board") desires to lease-purchase certain real property, buildings and improvements, and the equipment, fixtures and furnishings to be installed therein, for educational purposes ("Facilities") by entering into a Master Lease Purchase Agreement dated as of November 1, 1999 (as the same may be amended or supplemented from time to time, the "Master Lease"), between the Corporation, as lessor, and the School Board, as lessee; and
WHEREAS, pursuant to Section 2.1 of the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease (each hereinafter referred to as a "Schedule"), direct the Corporation to acquire and lease-purchase to the School Board the Facilities described in such Schedule to the Master Lessor; and
WHEREAS, the Corporation is to be the continuing one and Facilities may be added to or deleted from the Master Lease from time to time.
to time in accordance with the terms thereof and of the Schedule describing such Facilities; and

WHEREAS, pursuant to Section 7.1 of the Master Lease, the Corporation, with the consent of the School Board, has the right to assign all or any part of the obligations of the School Board to a particular Ground Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Facilities under Section 6.1 of the Master Lease and its right to receive notices under the Master Lease relating to the Trustee to receive Basic Lease Payments (as hereinafter defined) due under such lease; and

WHEREAS, the Corporation has requested the Trustee to issue from time to time separate series of Certificates of Participation substantially in the form hereinafter set forth (the "Certificates") to third parties to whom such Certificates are sold and for whose benefit and for the benefit of any corresponding Credit Facility Issuer (as hereinafter defined), an Assignment Agreement, will be executed and delivered to the Trustee in each such Certificate of a particular Series (as hereinafter defined) evidencing an undivided proportionate interest in the registered owner thereof to the Basic Lease Payments to be made under one or more leases created by one or more particular Schedules and certain rights of the Corporation under such leases or leases; and

WHEREAS, upon receipt by the Trustee from the Corporation of the corresponding Assignment Agreement and satisfaction of the conditions set forth in Section 104 hereto, the Trustee shall issue a Series of Certificates that shall correspond to the Lease or Leases created by a particular Schedule or Schedules; and

WHEREAS, the Trustee has agreed to hold the proceeds corresponding to such Series of Certificates and to disburse such proceeds in accordance herewith and in accordance with the Master Lease, and to receive Basic Lease Payments due under the Lease or Leases created by a particular Schedule or Schedules and apply and disburse same in accordance herewith; and

WHEREAS, by this Trust Agreement, the Corporation agrees to direct the School Board to forward the Basic Lease Payments due under the Lease created by a particular Schedule or Schedules and after the execution of the corresponding Assignment Agreement by the Corporation.

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

1.1 *Board of Directors* shall mean the Board of Directors of the Corporation.

1.2 "Business Day" shall mean a day other than a Saturday, Sunday or day on which banks in the State of New York or the State of Florida are authorized or required to be closed, or a day on which the New York Stock Exchange is closed.

1.3 *Capitalized Interest Account* shall mean any Capitalized Interest Account established pursuant to Section 401 hereto and in any Supplemental Trust Agreement.

1.4 *Certificate or Certificates* shall mean the certificates of participation, or Account established pursuant to Section 401 hereto and in any Supplemental Trust Agreement.

1.5 "Certificate holder" or "Holder of Certificates" shall mean the registered owner of any Certificate or Certificates.

1.6 *Certificate of Amendment* shall mean the certificate of the School Board substantially in the form of Exhibit B to the Master Lease.

1.7 *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.

1.8 *Code* means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder and under the Internal Revenue Code of 1954.

1.9 *Contractor* shall mean the person, firm, corporation or joint venture authorized to do business in Florida with whom a contract has been made directly with the School Board for the performance of the work with respect to the Facilities described by the Instructions to Bidders and General Conditions.

1.10 *Corporation* shall mean Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation, its successors and assigns.

1.11 *Cost* shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to, the cost of acquiring or holding title to or other interest in real property, including leasehold interests, easements, easement agreements, or any interest therein, with or without liens, leases to be made by the Corporation under the terms of a Ground Lease unless the Corporation is obligated to acquire any Facilities related thereto as described herein, (ii) cost and expenses incurred for labor and materials and payments to contractors, builders, materialmen and vendors for the acquisition, construction and installation of the Facilities, (iii) the cost of insurance of all kinds, including but not limited to, liability insurance, and bonds and insurance of all kinds, including surety bonds and insurance of all kinds, (iv) the cost of installing equipment or machinery that comprise part of the Facilities, (v) all costs which the School Board shall be required to pay for or in connection with acquisition, lease, operation, maintenance and repair of such Facilities, (vi) all costs which the School Board shall be required to pay for or in connection with any improvements made, necessary for the use and occupancy of Facilities, including road, sidewalks, water and sewer systems, (vii) all costs made necessary for the School Board's installation of equipment, (viii) any sum required to reimburse the School Board for advances made by it for any of the above items or for other costs incurred in connection with the acquisition, construction and installation of Facilities and liabilities and expenses related thereto, (ix) the interest of the registered owner thereof to the Basic Lease Payment Date, the amount set forth on the appropriate Schedule of the Master Lease corresponding to such Basic Lease Payment Date and designated as a Basic Lease Payment in such Schedule.

10.1 *Definitions.* The terms set forth in this section shall have the meanings ascribed to them for all purposes of this Trust Agreement unless the context clearly indicates some other meaning, or unless otherwise provided in a Supplemental Trust Agreement. Terms used herein and not otherwise defined shall have the meanings ascribed to them in the Master Lease.

10.2 *Acquisition Account* shall mean any Acquisition Account established pursuant to Section 401 hereto and in any Supplemental Trust Agreement.

10.3 *Additional Lease Payment* shall mean any amount payable by the School Board under the terms of the Master Lease, other than a Basic Lease Payment or a Supplemental Payment, as set forth in a Schedule to the Master Lease and so designated.

10.4 *Assignment Agreement* shall mean any assignment agreement pursuant to which the Corporation shall have assigned to the Trustee all of its rights, titles and interests 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.

10.5 *Authorized Corporation Representative* shall mean the President of the Corporation and any person or persons designated by the Corporation and authorized to act on behalf of Corporation by a written certificate delivered to the Trustee signed on behalf of the Corporation by the President of the Board of Directors containing the signature of each such person.

10.6 *Authorized Newspaper* shall mean a newspaper containing financial notices, customarily published at least once a week for a period of at least five days (other than legal holidays) in each calendar week, printed in the English language, and of general circulation in the Borough of Manhattan, City and State of New York.

10.7 *Authorized School Board Representative* shall mean the Chairperson or any person or persons designated by the Chairperson and authorized to act on behalf of the School Board and so designated by a written certificate delivered to the Trustee on behalf of the School Board by the Chairperson containing the signatures of each such person.

10.8 *Basic Lease Payment* shall mean, with respect to each Lease or each Facility financed under such Lease, as at each Basic Lease Payment Date, the amount set forth on the appropriate Schedule of the Master Lease corresponding to such Basic Lease Payment Date and designated as a Basic Lease Payment in such Schedule.
"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.

"Debt Service Reserve Accounts" shall mean any of the Debt Service Reserve Accounts established hereunder, including any Reserve Account established pursuant to Section 401 of this Trust Agreement and in any Supplemental Trust Agreement.

"District" shall mean the School District of Palm Beach County, Florida.

"Event of Extraordinary Prepayment" shall mean one or more of the events so designated in Section 7.2 of the Master lease.

"Excess Earnings" shall mean, with respect to each Series of Certificates, the excess of (i) the Gross Proceeds of such Certificates minus the amount received, if any, as security for payment of Basic Lease Payments under the Master Lease which which proceed is limited in accordance with Sections 236.58(1) and 236.251(2)(a) Florida Statutes, as amended; (ii) amounts received with respect to obligations required by the Gross Proceeds of such Certificates; (iii) amounts used to pay principal and interest portions of the Basic Lease Payments; (iv) amounts applied only to the payment of such principal of the Basic Lease Payments as may be necessary to ensure that the net proceeds from the sale of each Bond Series as described in (i) above are sufficient to pay all Bond Series obligations; and (v) any other amounts legally available and to be applied only to the payment of the Basic Lease Payments, in all cases, as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

"Excess Proceeds shall mean, with respect to each Series of Certificates, unless inconsistent with the provisions of the Code, in which case provided in the Code, (i) amounts received, if any, as security for payment of Basic Lease Payments under the Master Lease which which proceed is limited in accordance with Sections 236.58(1) and 236.251(2)(a) Florida Statutes, as amended; (ii) amounts received with respect to obligations required by the Gross Proceeds of such Certificates; (iii) amounts used to pay principal and interest portions of the Basic Lease Payments; (iv) amounts applied only to the payment of such principal of the Basic Lease Payments as may be necessary to ensure that the net proceeds from the sale of each Bond Series as described in (i) above are sufficient to pay all Bond Series obligations; and (v) any other amounts legally available and to be applied only to the payment of the Basic Lease Payments, in all cases, as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice.

"Facility" or "Facilities" shall mean "educational facilities" as defined in Section 235.011(2), 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 upon such buildings or improvements, and all appurtenances thereto and interests therein, all as set forth on a Schedule or Schedules from time to time.

"Facility Site(s)" 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 existing in fee simple or in leasehold estates for a period of time necessary to the use and enjoyment of the real property), any land, easements, facilities, additions, alterations or replacements thereon (whether in fee simple or in leasehold estates for a period of time necessary to the use and enjoyment of the real property) made to it, or acquired by it, or merged with it, or added to it, or replaced (whether in fee simple or in leasehold estates for a period of time necessary to the use and enjoyment of the real property) made to it, or acquired by it, or merged with it, or added to it, or replaced (whether in fee simple or in leasehold estates for a period of time necessary to the use and enjoyment of the real property); and (ii) any land, easements, facilities, additions, alterations or replacements thereon (whether in fee simple or in leasehold estates for a period of time necessary to the use and enjoyment of the real property) made to it, or acquired by it, or merged with it, or added to it, or replaced (whether in fee simple or in leasehold estates for a period of time necessary to the use and enjoyment of the real property) made to it, or acquired by it, or merged with it, or added to it, or replaced (whether in fee simple or in leasehold estates for a period of time necessary to the use and enjoyment of the real property).

"Fiscal Year" shall mean the twelve month fiscal period of the School Board which under current law commences on July 1 in every year and ends on June 30 of the succeeding year.

"Government Obligations" shall mean any obligations which are to principal and interest, constitute non-callable direct obligations of, or non-callable obligations guaranteed by the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America, to the extent unconditionally guaranteed by the full faith and credit of the United States of America.

"Gross Proceeds" shall mean, with respect to each Series of Certificates, unless inconsistent with the provisions of the Code, in which case provided in the Code, (i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's Ratings Group and Moody's Investors Service or any successor thereto; or

(b) Direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America,

(c) Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

"Export-Import Bank"

"Federal Home Loan Bank System Financial Institutions Corporation"

"Farmers Home Administration"

"General Services Administration"

"U.S. Postal Service"

"Small Business Administration"

"Minimal National Mortgage Association (GNMA) U.S. Department of Housing & Urban Development (HUD)"

"Federal Housing Administration"

(d) Senior debt obligations rated "A+" by Standard & Poor's Ratings Group and "AA" by Moody's Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, and other senior debt obligations of other government-sponsored agencies approved by the Credit Facility Issuer Insuring the Series of Certificates relating to the moneys invested.

(e) U.S. dollar denominated deposit accounts, federal funds and banker's acceptance deposits, 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 issuance of "A-1" or " Prime-1" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service and maturing 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 highest classification, "A-1+" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(g) Investments in a money market fund rated "AAM" or "AAM-D" or better by Standard & Poor's Ratings Group

(h) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States or of any agency, instrumentality, governmental unit of any such state which are not callable at the option of the obligor prior to maturity and any pre-refunded Municipal Obligations for which irrevocable instructions have been given by the obligor to call on the date specified in the notice.

(i) Investment Agreements approved by writing the Credit Facility Issuer Insuring the Series of Certificates relating to the moneys invested (supported by appropriate opinions of counsel) with notice to Standard & Poor's Ratings Group.

(j) Any other investment approved to in writing by the Credit Facility Issuer Insuring the Series of Certificates relating to the moneys invested with advance notice to Standard & Poor's Ratings Group.

"Lease" shall mean each separate Schedule to the Master Lease executed and delivered by the School Board and the Corporation, together with the terms and provisions of the Master Lease.

"Lease Payment Account" shall mean any Lease Payment Account established pursuant to Sections 401 hereof and in any Supplemental Trust Agreement.

"Lease Payment Dates" shall mean, with respect to each Lease, each date set forth on the corresponding Schedule designated as a "Lease Payment Date" for such Lease.

"Lease Payments" shall mean, with respect to each Lease, all amounts payable by the School Board pursuant to the terms of a Lease including Basic Lease Payments, Additional Lease Payments and Supplemental Payments.

America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America, to the extent unconditionally guaranteed by the full faith and credit of the United States of America.
"Lease Term" shall mean, with respect to each Lease, the period from the date of a Lease through the end of the then current Fiscal Year plus each annual or lesser renewal period thereafter during which such Lease is maintained in effect in accordance therewith, with the maximum number of renewal periods specified in the Schedule corresponding to such Lease.

"Master Lease" shall mean the Master lease Purchase Agreement dated as of November 1, 1994, between the Corporation and the School Board and any and all modifications, alterations, amendments and supplement thereto.

"Net Proceeds" shall mean, with respect to one or more Facilities financed under a Lease, proceeds of insurance, condemnation, performance bond, Federal or State flood disaster assistance or any other insurance or other indemnification payment received or anticipated by the School Board relating thereto, provided that such proceeds shall not include any amounts that would be attributable to a mandatory prepayment or extraordinary prepayment of such Lease in accordance with the provisions of the Master Lease.

"Notice by Mail" shall mean a written notice meeting the requirements of the Federal Rules of Civil Procedure for service of process by mail.

"Outstanding" shall mean, with respect to the Certificates, (i) Certificates (or portions of Certificates) for the payment or prepayment of which have not been cancelled, (ii) Certificates (or portions of Certificates) for the payment of which have not been paid in accordance with the terms thereof, or (iii) Certificates in lieu of or in substitution for other Certificates.

"Prepayment Date" shall mean the date on which the principal amount of the Certificates prepaid is scheduled to be paid to Certificate holders pursuant to the terms of such Certificates.

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

"Prepayment Option" shall mean any prepayment or extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments representations by a Series of Certificates Outstanding shall be made pursuant to Section 312 hereof or pursuant to any Supplemental Trust Agreement.

"Prepayment Price" shall mean, with respect to any Certificates, the principal amount thereof, together with the prepayment premium payable on such prepayment and any and all amounts payable thereon, as specified in the Schedule for such Facility.

"Project Fund" shall mean the trust fund designated as the "Project Fund" created and established in Section 401 hereof.

"Purchase Option Price" shall mean, with respect to any Facility financed under a Lease, as of such Lease Date, the principal amount of Basic Lease Payments then due plus the sum of the amounts of Basic Lease Payments due prior to such Lease Date, plus an amount equal to the present value of the expected prepayment premium payable with respect to any Facility financed under a Lease, as of such Lease Date, in an amount equal to the present value of the expected prepayment premium payable with respect to any Facility financed under a Lease, as of such Lease Date, plus any amount equal to the present value of any Additional Lease Payments and Supplemental Payments then due and owing under the Lease relating to such Facility, including any prepayment premium payable on the Certificates prorated.

"Qualified Financial Institution" shall mean a bank, trust company, national banking association or a corporation presently authorized to engage in the business of banking or insurance or both in any jurisdiction, any bank or trust company maintaining a line of credit with the Certificate holders, at the addresses shown on the register maintained by the Trustee.

"Rules of Construction" shall mean the rules of construction set forth in Article II hereof.

"School Board" shall mean the School Board of Palm Beach County, Florida, a body corporate and the governing body of the District.

"Series" shall mean each series of Certificates representing the right to receive the respective Certificates issuable upon the issuance of the Certificate plus any and all modifications, alterations, amendments and supplements thereto.

"Trust Agreement" shall mean this Master Trust Agreement dated as of November 1, 1994, and all amendments and supplements thereto.

"Trustee" shall mean NationsBank of Florida, N.A., Fort Lauderdale, Florida, or any other attorney at law or firm of attorneys, qualified to pass on the legality of the particular matter (who may be associated in the name of the Corporation).
ARTICLE III

CERTIFICATES; TERMS AND PROVISIONS

301. Authorization of Certificates.

(a) The number of Series of Certificates which may be created under this Trust Agreement is not limited. The aggregate principal amount of Certificates of each Series which may be issued, authenticated and delivered under this Trust Agreement is not limited except as set forth in the Supplemental Trust Agreement, creating such Series.

(b) The Certificates issuable under this Trust Agreement shall be issued in one or more Series. Each Series shall be designated “Certificates of Participation, Series...” evidencing an Individual Proportionate Interest of the Registered Owners thereto in Basic Lease Payments to be made by the School Board of Palm Beach County, Florida, as Lessee, pursuant to a Lease-Purchase Agreement creating such Series. The Certificates may, if and when authorized by this Trust Agreement, be designated with such further appropriate particular designations added to or incorporated in the title for the Certificates of any particular Series as the Board may determine and as may be necessary to distinguish such Certificates from the Certificates of any other Series.

302. Execution and Delivery of Certificates. Each Series of Certificates shall be authorized by the Corporation at the request of the School Board and executed and delivered by the Trustee for the purpose of (a) financing the cost of acquisition, construction and equipping of any Facilities, (b) financing the cost of completing the acquisition, construction, installation and equipping of any Facilities, (c) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities, (d) paying or providing for the payment of the principal portion and interest portion of the Basic Lease Payments with respect to, or the Purchase Option Price of, all or a portion of the Facilities financed from the proceeds of any Series of Certificates therefor, (e) paying Reserve Account payments during construction and (f) paying the Costs of Issuance applicable thereto.

Each series of Certificates shall be substantially in the form set forth in Exhibits A, B and C and may be executed with such appropriate variations, omissions and insertions as necessary to conform to the provisions of this Trust Agreement, including any use of a book-entry-only system as described in Section 217 hereof. All Certificates may have endorsed thereon such legends or coats as may be necessary or appropriate to conform to any applicable rule and regulations of any governmental authority or any securities exchange on which the Certificates may be listed or any usage or requirement of law with respect thereto.

303. Terms of Series of Certificates. Certificates may be executed and delivered at any time and from time to time in one or more Series, upon such terms and conditions as may be permitted by law and as shall be determined by the Corporation and provided in the respective Supplemental Trust Agreements under which such Series of Certificates are authorized. Certificates of any Series:

(a) shall be dated, shall represent interest at a rate not in excess of the maximum rate then permitted by applicable law and shall not be exchanged on the basis of a 365 day year consisting of twelve months, nor shall they be payable and mature in such amounts and at such time or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(b) shall be payable, as to the principal portion, at such Prepayment Price or Prices, at such time or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(c) may contain provisions for the prepayment thereof at such Prepayment Price or Prices, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(d) may contain provisions for the payment of the principal portion and interest portion of the Basic Lease Payments in such amounts, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease as may be set forth in such Supplemental Trust Agreement;
(h) shall be payable from and secured by the Trust Estate, but solely to the extent provided in and subject to the limitations of Section 305 hereof.

304. Conditions Precedent to Delivery of a Series of Certificates. The Trustee shall execute and deliver one or more Series of Certificates for the purposes set forth in this Section 304 hereof to the purchaser or purchasers thereof as requested and authorized by the Corporation in accordance with the provisions of this Section 304.

Prior to the delivery by the Trustee of any Series of Certificates there shall be delivered to the Trustee:

(a) A Supplemental Trust Agreement providing for the terms and conditions upon which they shall be executed and delivered by the Trustee.

(b) An executed counterpart of a corresponding Schedule to the Master Lease (or amended Schedules in the case of Certificates issued for the purposes described in subsections (h) and (d) above) effective on or before the date of execution and delivery of such Series of Certificates containing for (i) Lease Payments payable subject to such Schedule at least equal to the principal portion of the Lease Payment for each Fiscal Year to be attributable to any such Series of Certificates, (ii) the interest portion represented by such Series of Certificates, and (iii) the execution, construction, equipping or improvement of the Facilities to be financed from the proceeds of such Series of Certificates to be paid 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 and interests of the Lessee relating to such Series of Certificates, except for the provisions with respect to sales, assignments and indemnification of the right of the Corporation to hold title to various Facilities and to receive notice under the Master Lease;

(d) One or more Opinions of Counsel in form and substance satisfactory to such Credit Facility Issuer to the effect that such issuance of such Series of Certificates is legal and in accordance with Articles III, V, VI and VII of this Trust Agreement or subject to any liability under this Trust Agreement on any Payment Date, for the purpose of receiving payment of, or on account of, the principal portion of, Prepayment Price, if any, of such Series of Certificates, and, for all other purposes, and all such payments so made to any Credit Facility Issuer who shall have issued a Credit Facility, shall be deemed to be, and shall rank pari passu and be equally and ratably secured under this Trust Agreement, to the extent of the sum or sums so paid, and the Corporation shall be entitled to receive the payment thereof and shall be entitled to recover the same from the proceeds of, and for all other purposes, and all such payments so made to any Credit Facility Issuer who shall have issued a Credit Facility, shall be deemed to be, and shall rank pari passu and be equally and ratably secured under this Trust Agreement, to the extent of the sum or sums so paid, and the Corporation shall be entitled to receive the payment thereof and shall be entitled to recover the same from the proceeds of, and for all other purposes, and all such payments so made to any Credit Facility Issuer who shall have issued a Credit Facility, shall be deemed to be, and shall rank pari passu and be equally and ratably secured under this Trust Agreement, to the extent of the sum or sums so paid, and the Corporation shall be entitled to receive the payment thereof and shall be entitled to recover the same from the proceeds of, and for all other purposes, and all such payments so made to any Credit Facility Issuer who shall have issued a Credit Facility, shall be deemed to be, and shall rank pari passu and be equally and ratably secured under this Trust Agreement, to the extent of the sum or sums so paid, and the Corporation shall be entitled to receive the payment thereof and shall be entitled to recover the same from the proceeds of, and for all other purposes, and all such payments so made to any Credit Facility Issuer who shall have issued a Credit Facility, shall be deemed to be, and shall rank pari passu and be equally and ratably secured under this Trust Agreement, to the extent of the sum or sums so paid, and the Corporation shall be entitled to receive the payment thereof and shall be entitled to recover the same from the proceeds of, and for all other purposes, and all such payments so made to any Credit Facility Issuer who shall have issued a Credit Facility, shall be deemed to be, and shall rank pari passu and be equally and ratably secured under this Trust Agreement, to the extent of the sum or sums so paid, and the Corporation shall be entitled to receive the payment thereof and shall be entitled to recover the same from the proceeds of, and for all other purposes, and all such payments so made to any Credit Facility Issuer who shall have issued a Credit Facility, shall be deemed to be, and shall rank pari passu and be equally and ratably secured under this Trust Agreement, to the extent of the sum or sums so paid, and the Corporation shall be entitled to receive the payment thereof and shall be entitled to recover the same from the proceeds of, and for all other purposes, and all such payments so made to any Credit Facility Issuer who shall have issued a Credit Facility, shall be deemed to be, and shall rank pari passu and be equally and ratably secured under this Trust Agreement, to the extent of the sum or sums so paid, and the Corporation shall be entitled to receive the payment thereof and shall be entitled to recover the same from the proceeds of, and for all other purposes, and all such payments so made to any Credit Facility Issuer who shall have issued a Credit Facility, shall be deemed to be,
of transfer of Certificates, whether temporary or definitive, the Trustee may make a charge sufficient to reimburse it for any costs or other governmental charges required to be paid with respect to such exchange or registration of transfer. The Trustee shall not be required to register the transfer of or exchange of Certificates for a period of fifteen (15) days preceding any Payment Date until such time as the Transfer Date for the next succeeding Prepayment Date. The Trustee shall register and deliver such Certificates promptly after the Transfer Date.

310. Certificates. Mutilated, Destroyed, Stolen or Lost. In case any Certificate shall become mutilated or be destroyed, stolen or lost, the Trustee shall deliver a new Certificate, or in lieu of and substitution for such mutilated Certificate, or in lieu of and substitution for such destroyed, stolen or lost Certificate, upon surrender of such mutilated Certificate or filing with the Trustee of evidence satisfactory to the Trustee of the destruction, theft or loss of the original Certificate, and of such evidence of ownership as the Trustee may require. All Certificates so surrendered to the Trustee shall be cancelled by the Trustee. Any such Certificates cancelled and delivered pursuant to this Section shall be entitled to the name, limitations and security as definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement.

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 time, at such Prepayment Price and upon such terms as specified in this Article III or in the Supplemental Trust Agreement, authorizing the issuance of such Certificates.

312. Prepayment. Whenever by the terms of this Trust Agreement the Certificates are required to be prepaid, the Trustee shall: select, and deliver to the Holders of such Certificates, the Certificates to be prepaid, and immediately give notice of prepayment and pay the Prepayment Price thereof, plus interest accrued and unpaid to the Payment Date, in accordance with the terms of this Article III.

313. Selection of Certificates to be Prepaid. If less than all of the Certificates of a Series shall be called for prepayment, the particular Certificates or portions of Certificates to be prepaid shall be in multiples of $5,000 and, except as otherwise provided in a Supplemental Trust Agreement, such Certificates or portions of Certificates shall be prepaid in such order of maturity as shall be designated by the School Board. If less than all of the Certificates of like maturity shall be called for prepayment, the particular Certificates or portions thereof to be prepaid shall be selected by lot by the Trustee in such manner as the Trustee shall deem fair and appropriate. Notice of any portion of a Certificate of a Series of the Prepayment Price thereof is made, and a Certificate executed and delivered in lieu thereof shall be surrendered, the Trustee shall execute and deliver a new Certificate in lieu of and substitution for the Certificate so surrendered, and such Certificate so executed and delivered shall have a denomination which is equal to the lesser of (a) the amount of the Certificate so mutilated, destroyed, stolen or lost, in lieu of and substitution for such mutilated Certificate, or in lieu of and substitution for such destroyed, stolen or lost Certificate, upon surrender of such mutilated Certificate or filing with the Trustee of evidence satisfactory to the Trustee of the destruction, theft or loss of the original Certificate, and of such evidence of ownership as the Trustee may require, and (b) the amount of any Certificate of a Series of the same series executed and delivered pursuant to this Section in substitution for Certificates alleged to be destroyed, stolen or lost shall be equally secured by and entitled to equal and proportionate benefits, with all other Certificates delivered under the Trust Agreement and Outstanding.

314. Notice of Prepayment. When prepayment of Certificates is required pursuant to Section 312 hereof, the Trustee shall give notice of such prepayment, and the Trustee shall be entitled, in its discretion, to require that such notice be accompanied by such other information as the Trustee may require, in connection with any such prepayment. The notice of such prepayment shall be given to all Holders of the Certificates subject to prepayment at least thirty (30) days before the Prepayment Date. The Trustee may, at its discretion, in lieu of delivering such Notice, post such prepayment, not less than 30 days before the Prepayment Date in the case of optional prepayment, extraordinary prepayment, casualty, or bankruptcy, and on or before the Prepayment Date, in the case of bankruptcy, casualty, or casualty, and at such time as the Trustee deems appropriate after the Prepayment Date, in the case of an event of extraordinary prepayment. Such notice shall be accompanied by a declaration of prepayment, which shall set forth the Prepayment Date, the amount of such prepayment, the Prepayment Price thereof, plus interest accrued and unpaid to the Prepayment Date, and if notice of such prepayment is given in the manner provided in this Article III, the Prepayment Date shall be in the same manner as is provided in Section 306, in lieu of definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement. The Trustee shall without charge to the Holder thereof, in exchange for any Certificate, will deliver to the Holders of such Certificate, in the same manner as is provided in Section 306, in lieu of and substitution for any Certificate, a new Certificate, or in lieu of and substitution for such Certificate, a new Certificate, upon surrender of such Certificate or filing with the Trustee of evidence satisfactory to the Trustee of the destruction, theft or loss of the original Certificate, and of such evidence of ownership as the Trustee may require. All Certificates so surrendered to the Trustee shall be cancelled by the Trustee. Any such Certificates cancelled and delivered pursuant to this Section shall be entitled to the name, limitations and security as definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement.

Upon the cancellation of such surrendered temporary Certificates, the Trustee shall select a number of such surrendered temporary Certificates, and such temporary Certificates so selected shall be paid in full the principal of the Certificates subject to prepayment. Notice of such prepayment shall be given to all Holders of the Certificates subject to prepayment at least thirty (30) days before the Prepayment Date. The Trustee may, at its discretion, in lieu of delivering such Notice, post such prepayment, not less than 30 days before the Prepayment Date in the case of optional prepayment, extraordinary prepayment, casualty, or bankruptcy, and on or before the Prepayment Date, in the case of bankruptcy, casualty, or casualty, and at such time as the Trustee deems appropriate after the Prepayment Date, in the case of an event of extraordinary prepayment. Such notice shall be accompanied by a declaration of prepayment, which shall set forth the Prepayment Date, the amount of such prepayment, the Prepayment Price thereof, plus interest accrued and unpaid to the Prepayment Date, and if notice of such prepayment is given in the manner provided in this Article III, the Prepayment Date shall be in the same manner as is provided in Section 306, in lieu of definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement. The Trustee shall without charge to the Holder thereof, in exchange for any Certificate, will deliver to the Holders of such Certificate, in the same manner as is provided in Section 306, in lieu of and substitution for any Certificate, a new Certificate, or in lieu of and substitution for such Certificate, a new Certificate, upon surrender of such Certificate or filing with the Trustee of evidence satisfactory to the Trustee of the destruction, theft or loss of the original Certificate, and of such evidence of ownership as the Trustee may require. All Certificates so surrendered to the Trustee shall be cancelled by the Trustee. Any such Certificates cancelled and delivered pursuant to this Section shall be entitled to the name, limitations and security as definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement.

Whenever by the terms of this Trust Agreement the Certificates are required to be prepaid, the Trustee shall: select, and deliver to the Holders of such Certificates, the Certificates to be prepaid, and immediately give notice of prepayment and pay the Prepayment Price thereof, plus interest accrued and unpaid to the Prepayment Date, in accordance with the terms of this Article III.

315. Notice of Prepayment. When prepayment of Certificates is required pursuant to Section 312 hereof, the Trustee shall give notice of such prepayment, and the Trustee shall be entitled, in its discretion, to require that such notice be accompanied by such other information as the Trustee may require, in connection with any such prepayment. The notice of such prepayment shall be given to all Holders of the Certificates subject to prepayment at least thirty (30) days before the Prepayment Date. The Trustee may, at its discretion, in lieu of delivering such Notice, post such prepayment, not less than 30 days before the Prepayment Date in the case of optional prepayment, extraordinary prepayment, casualty, or bankruptcy, and on or before the Prepayment Date, in the case of bankruptcy, casualty, or casualty, and at such time as the Trustee deems appropriate after the Prepayment Date, in the case of an event of extraordinary prepayment. Such notice shall be accompanied by a declaration of prepayment, which shall set forth the Prepayment Date, the amount of such prepayment, the Prepayment Price thereof, plus interest accrued and unpaid to the Prepayment Date, and if notice of such prepayment is given in the manner provided in this Article III, the Prepayment Date shall be in the same manner as is provided in Section 306, in lieu of definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement. The Trustee shall without charge to the Holder thereof, in exchange for any Certificate, will deliver to the Holders of such Certificate, in the same manner as is provided in Section 306, in lieu of and substitution for any Certificate, a new Certificate, or in lieu of and substitution for such Certificate, a new Certificate, upon surrender of such Certificate or filing with the Trustee of evidence satisfactory to the Trustee of the destruction, theft or loss of the original Certificate, and of such evidence of ownership as the Trustee may require. All Certificates so surrendered to the Trustee shall be cancelled by the Trustee. Any such Certificates cancelled and delivered pursuant to this Section shall be entitled to the name, limitations and security as definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement.

316. Cancellation of Certificates. All Certificates paid, or either or before maturity, shall be delivered to the Trustee, when such payment is made, and the Certificates shall thereupon be promptly cancelled and destroyed.
ARTICLE IV

ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND ACCOUNTS; PREPAYMENT OF CERTIFICATES

401. Establishment of Project Fund. There is hereby established with the Trustee a special trust fund to be designated as the "Project Fund." The Trustee shall deposit in the Project Fund the amounts required to be paid to the Trustee under the Master Lease, including all payments made by the Lessee, the School Board, or any other person, firm, corporation, or agency, and all amounts to be paid to the Trustee as a result of any withdrawal from the Project Fund.

402. Acquisition Account.

(a) There shall be paid into each Acquisition Account the amounts required to be paid by the provisions hereof or by the provisions of the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(b) Pursuant to an election by the School Board under Section 4.4(a) of the Master Lease, with respect to any Facilities, may be deposited into the Acquisition Account established under the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(c) The Cost (other than the Costs of Issuance) of the Facilities comprising each Project shall be paid from the amounts on deposit in the related Acquisition Account. Actual amounts paid

403. Capitalized Interest Accounts.

Funds in each Capitalized Interest Account shall be deposited in an interest-bearing account and shall accrue interest at the rate of 5% per annum, compounding annually, on the principal balance of such account. The principal balance of each Capitalized Interest Account shall be increased by any amounts added to such account and decreased by any amounts withdrawn from such account.

404. Lease Payment Accounts.

(a) There shall be deposited in the related Lease Payment Account the amounts required to be paid to the Trustee under the Master Lease, including all payments made by the Lessee, the School Board, or any other person, firm, corporation, or agency, and all amounts to be paid to the Trustee as a result of any withdrawal from the Lease Payment Account.

405. Reserve Accounts.

Pursuant to the Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established

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and maintained a separate Reserve Account to secure the payment of the principal and/or interest portion of the Basic Lease Payments related to each Series of Certificates. Each Reserve Account shall secure only the Series of Certificates for which it was established.

(a) The Reserve Account shall be maintained by the Trustee at the Reserve Account Requirement until the Basic Lease Payments related to a Series of Certificates for which it was established are paid in full pursuant to the terms of the Master Lease and the related Schedule, or the School Board has prepaid all Basic Lease Payments in accordance with Section 7.3 of the Master Lease, or the Trust Agreement is terminated. The Trustee shall apply moneys as provided in this Section 405 or as provided in a Supplemental Trust Agreement.

(b) If on any Lease Payment Date (after taking into account Basic Lease Payments made to the Trustee on such Lease Payment Date) immediately preceding a Payment Date the amount in any Lease Payment Account shall be less than the amount required to pay the interest portion and principal portion of the Basic Lease Payments then due in relation to a Series of Certificates for which it was established, the Trustee shall transfer from the Reserve Account established in relation to such Series of Certificates to such Lease Payment Account the amount necessary to make the deficiency. Any amounts transferred from a Reserve Account pursuant to this subsection (b), to the extent of such deficiency, shall be applied to satisfy the School Board’s obligation to make such Basic Lease Payment. In the event of any such transfer, the Trustee shall, within five (5) days after making such transfer, provide written notice to the School Board of the amount and date of such transfer and the School Board shall, if the deficiency in any Lease Payment Account is not the result of a failure of the School Board to appropriate moneys as contemplated by Section 3.5 of the Master Lease, pay within thirty (30) days of receipt of notice of such transfer from the Trustee, as Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto. In the event of any deficiency in the Reserve Account pursuant to Section 409 hereof, the Trustee shall, within five (5) days of such valuation, provide written notice of such deficiency to the School Board and if the School Board shall pay within thirty (30) days of receipt of such notice any Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto.

(c) Whichever the amount in any Reserve Account, together with the amount in any Supplemental Payments, shall be sufficient to pay in full the interest portion and principal portion of the Basic Lease Payments on all Certificates of a Series in accordance with their terms, the funds

Amount of the disbursement made under such Reserve Account Letter of Credit/Insurance Policy.

In the event that upon the occurrence of any deficiency in a Lease Payment Account, funds funded with a Reserve Account Letter of Credit/Insurance Policy, the Reserve Account Letter of Credit/Insurance Policy is, or at any time in which such Trustee has elected to purchase or cause to be purchased under the Account Letter of Credit/Insurance Policy and any corresponding reimbursement or other agreement governing the Reserve Account Letter of Credit/Insurance Policy and any corresponding reimbursement or other agreement governing such Reserve Account Letter of Credit/Insurance Policy. If at the time of such deficiency the Reserve Account is only partially funded with a Reserve Account Letter of Credit/Insurance Policy, prior to drawing on the Reserve Account Letter of Credit/Insurance Policy, as applicable, the Trustee shall first apply any cash and securities on deposit in the Reserve Account to remedy the deficiency in accordance with the terms and provisions of the reimbursement or other agreement governing such Reserve Account Letter of Credit/Insurance Policy. If at the time of such deficiency the Reserve Account is only partially funded with a Reserve Account Letter of Credit/Insurance Policy, prior to drawing on the Reserve Account Letter of Credit/Insurance Policy, as applicable, the Trustee shall first apply any cash and securities on deposit in the Reserve Account to remedy the deficiency in accordance with the terms and provisions of the reimbursement or other agreement governing such Reserve Account Letter of Credit/Insurance Policy.

406. Prepayment Accounts.

(a) Except as may otherwise be provided in the Supplemental Trust Agreement authorizing the issuance of a Series of Certificates, the Trustee shall apply moneys in each Prepayment Account as provided in this Section 406, or as otherwise provided in a Supplemental Trust Agreement. A Prepayment Account shall be applied within thirty (30) days after deposit thereto, to the prepayment of Certificates of the related Series.

(b) The Trustee shall deposit in each Prepayment Account, as received, deposits or other receipts for the principal and/or interest portion of a Series of Certificates, or to make advance payments on behalf of the School Board to the issuer of a Related Credit Facility, or to be used for any other purpose as permitted by the terms of the related Lease for which the Prepayment Account was established.

(c) If in any Prepayment Account there shall be a deficiency, the Trustee shall deposit in such Reserve Account Letter of Credit/Insurance Policy. The Trustee shall apply moneys in each Reserve Account to the prepayment of Certificates of the related Series, or to the extent reasonably ascertainable, in accordance with the trust fund for the purposes thereof.

407. Deposits of Money.

(a) All moneys deposited under the provisions of this Trust Agreement with the Trustee shall be held in trust and applied only in accordance with the provisions of this Trust Agreement, and the Funds Trust established by this Trust Agreement shall be a trust fund for the purposes hereof.

(b) All moneys held under this Trust Agreement by the Trustee shall be invested in accordance with Section 408 hereof, provided, however, that it shall be necessary for the Trustee to have written instructions as to the manner in which such moneys shall be invested in accordance with Section 408 hereof, or to give security for the deposit of any moneys held in trust for any purpose or otherwise as required by the terms of this Trust Agreement.

(c) All moneys deposited with the Trustee shall be credited to the particular account to which such moneys belong.

408. Investment of Certain Accounts.

(a) Moneys held in such Acquisition Account, Capitalized Interests Account, Reserve Account, Prepayment Account and Related Reserve Account Letters of Credit/Insurance Policy shall be invested and reinvested by the Trustee, as directed by an Authorized School Board Representative, in a manner that, at all times, and at all times after the date of the initial investment in such accounts, the maturity of any moneys held in such Acquisition Account, Capitalized Interests Account, Reserve Account, Prepayment Account and Related Reserve Account Letters of Credit/Insurance Policy shall be no longer than five (5) years from the date of the initial investment in such accounts, and any moneys held in such Acquisition Account, Capitalized Interests Account, Reserve Account, Prepayment Account and Related Reserve Account Letters of Credit/Insurance Policy shall be reinvested in accordance with the instructions therefor in accordance with Instructions (which may be standing Instructions)
to the computation of not interest earned on the moneys and investments of such Account.

In computing the amount in any Account created under the provisions of this Trust Agreement provided for in this Trust Agreement, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations as an accrued interest, such computation shall be determined as and when needed. Investments in the Reserve Account shall be valued annually.

Except as otherwise provided in this Trust Agreement, the Trustee shall sell at the best price reasonably determinable or receive for redemption or transfer as provided in the next sentence any obligation so purchased as an investment whenever it shall be required in writing by the school Board in which the School Board Representative is authorized to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Account or sub-account held by it, in lieu of such sale or presentment for redemption, the Trustee may, in making the payment or transfer from any Account mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto if such investment obligations shall mature or be collectible at or prior to the time the proceeds thereof shall be needed and such transfer of investment obligations may be made in book-entry form. The Trustee shall not be liable or responsible for making any such investment in the manner provided above.

ARTICLE V
COVENANTS, DEFAULT AND LIMITATIONS OF LIABILITY

504. Remedies on Default or Non-Aggregation. Upon the occurrence of an event of default or non-aggregation, the Trustee or any other person entitled to exercise the remedies provided in the Master Lease, as appropriate and shall pursue one or more of the remedies hereinafter specified, the holders of a majority in aggregate principal amount of the Certificates of such Series shall, notify the Trustee of their election to exercise any such remedies, subject to the provisions of Section 707 hereof.

Any amounts collected following an event of default or non-aggregation shall be applied in accordance with the provisions of this Section and all amounts due on the Certificates or otherwise held by the Trustee for payment to the Certificate holders and each Credit Facility Issuer, if any, required to be paid to the Treasury Department of the United States of America.

499. 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 valued at all times to be a part of such Account. 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 against, the Reserve Account.

NOTHING IN THIS Trust Agreement shall ... on the books of the department of the Treasury of the United States of America.
of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on a lease Payment Date unless the Trustee shall be in either case more suitable) upon which such application is to be made, and upon such date interest on the amount so applied shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such Date.

395. 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 at the end of each month of its transactions during such month relating to each Account held by it under this Trust Agreement.

396. 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 lease or lease Payment which are due, or with respect to the performance by the School Board of any other covenant made by it in the Master lease. The Trustee shall not be liable or responsible because of the failure of the Corporation or the School Board or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Corporation or the School Board or because of the loss of any money arising through the insolvency or the act or default or omission of any depositary. The Trustee shall not be responsible for the application of any of the proceeds of Certificates or any other moneys deposited with it or paid out, withdrawn or transferred hereunder if such application, withdrawal or transfer shall be made in accordance with the provisions of this Trust Agreement. The liabilities and exemption from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

397. 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 Lease, the Trustee hereby agrees that it will not interfere with the lease Term and that the School Board shall, during such Lease Term, peaceably and quietly have and hold and enjoy such Facilities, without suit, trouble or hindrance from the Trustee, except as expressly set forth in such Leases.

398. Warranties. THE TRUSTEE, BY ACCEPTANCE OF THE TRUST AGREEMENT, AND THE CORPORATION, BY DELIVERY OF THE LEASES, MAKE NO WARRANTY OR REPRESENTATION, INCLUDING ANY WARRANTY OF MERCHANTABILITY, SATISFACTORY PERFORMANCE OR ANY IMPLIED WARRANTY OR REPRESENTATION OF ANY KIND WHATSOEVER. In no event shall the Trustee be liable for any incidental, special or consequential damages in connection with or arising out of any Lease or the existence, construction, functioning or proper School Board's use of any item, product, or service provided for in any Lease.

ARTICLE VI
CONCERNING THE TRUSTEE

601. Employment of Trustee. In consideration of the recitals hereinafter set forth, the Corporation and the other parties respectively thereto desire, and the parties hereby agree to receive, hold, invent and disburse the moneys paid or to be paid to it pursuant to the Master Lease and the various funds and accounts established by this Trust Agreement; to prepare, execute, deliver and deal with the Certificates; to apply and disburse the Trust Estate and other moneys received pursuant to the Master Lease and the Master Trust Agreements and other instruments of further or supplemental trust, to cause the Corporation to maintain the accounts set forth in this Trust Agreement; and to perform certain other functions and duties and to do and suffer such acts and things as are necessary or advisable to accomplish the purposes of the Corporation and the Master Lease and this Trust Agreement. The Trustees shall be entitled to rely upon the express terms and conditions of this Trust Agreement, and shall not be liable for any error of judgment made in good faith by any officer of the Trustee, unless the Trustee was negligent in ascertaining the pertinent facts.

(a) The Trustee shall not be liable for any error of judgment made in good faith by any officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(b) Except as to the acceptance of the certificates created hereunder, the Trustee shall have no responsibility in respect of the due execution or acknowledgment of this Trust Agreement by the Corporation, the validity or sufficiency of this Trust Agreement, or the validity of the Certificates or the issuance thereof.

602. Evidence on Which Trustee May Act.

(a) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of this Trust Agreement, shall be presumed to have acted upon such instrument reasonably believed by it to be genuine and to have been signed or presented by a person authorized by the Corporation or the Master Leases, the Corporation or the Master Leases, or the Assignment Agreements, or for the benefit or for the security of the Trust Estate, or for the protection of the security hereof, except as otherwise expressly provided herein.

(b) Whenever the Trustee shall deem it necessary or desirable to have a copy or other evidence in respect thereof be therein specifically prescribed may be deemed to be conclusively proved and established
by a certificate of an Authorized School Board Representative, and such certificate shall be full warranty for any action taken or matter in good faith authorized by such certificate; and further, such certificate shall be binding and conclusive upon the Trustee hereunder except for any act or failure to act in connection with the trust hereunder, except only its own willful misconduct or negligence.

604. Compensation to Trustee. The School Board has agreed in the Master Lease to pay to the Trustee a reasonable fee and such fees may be paid and as agreed to between the School Board and the Trustee. The Trustee shall have a lien for the foregoing on the Trust Estate.

605. Resignation of Trustees. The Trustees may at any time resign and be discharged from the duties of their office by this Trust Agreement by giving not less than 60 days written notice thereof to the Corporation. The holders of Certificates outstanding, severally and separately, may appoint a successor to any Trustee by giving the Corporation written notice thereof not less than 60 days prior to the time such Trustee is to be removed; and upon the removal or resignation of any Trustee, the successor shall not be answerable for the exercise of any discretion or power hereunder as may be authorized by law, including the provisions of Section 508 of the Georgia Code, 1933, as amended, and the Corporation, or any successor to any Trustee, may sell or transfer all or substantially all of its assets, properties or liabilities, including the assets, properties or liabilities of the Master Lease, and the Trustee may be a party or any company to which it may be sold or merged or consolidated, or any company resulting from any merger, conversion or consolidation to which it may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it may be so merged or converted with or without the consent of the holders of Certificates then outstanding, except in the case of liability, obligations and damages arising out of or in connection with the exercise of any discretion or power hereunder, except any Event of Default hereunder except a default in the payment of Lease Payments, unless the Trustee shall have actual knowledge thereof or be specifically notified thereof in writing.

606. Removal of Trustees. Prior to the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the School Board, or any successor to any Trustee, may remove any Trustee for any reason or no reason, except in the case of liability, obligations and damages arising out of or in connection with the exercise of any discretion or power hereunder, as may be authorized by law, including the provisions of Section 508 of the Georgia Code, 1933, as amended, and the unexpired term of each Trustee so executing such Certificates and deliver such Certificates to the School Board or, unless the Trustee shall have actual knowledge thereof or be specifically notified thereof in writing, the Corporation, or any successor to any Trustee.

607. Appointment of Successor Trustee. (a) If in case at any time the Trustee shall resign or shall be removed for any cause, or in case of the disability of the Trustee, the School Board and the Corporation shall, or in the event of the Trustee's being adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee is appointed or otherwise shall be appointed, or if any public officer shall take charge of the records of or of the property of the Trustee, shall appoint another Trustee in the event of default hereunder, or if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such Trustee, and the Master Lease to pay to the Trustee reasonable fees and expenses arising out of the administration of the trusts created by this Trust Agreement and except for its own willful misconduct or negligence. The permissive right of the Trustee to do no acts enumerated in this Trust Agreement shall not be construed as a duty.

(b) The appointment of a successor Trustee shall be deemed to occur upon any transfer of duties by, any successor thereto.
ARTICLE VII
AMENDMENTS

701. Mailing. Any provision in this Article for the mailing of a notice or other paper to Certificate holders or to any other person shall be modified or amended only in the manner provided in Section 703 hereof, or to such Certificate holders as may be required by the Trust Agreement, and the provisions of this Article shall remain in effect and no default shall have occurred thereunder without the consent of any Certificate holders.

702. Power of Amendment. The Trust Agreement and the rights and obligations provided hereby may be modified or amended at any time by a Supplemented Trust Agreement entered into between the School Board, the Trustee and the Corporation, with the written consent of the Holders of at least a majority in principal amount of Certificates Outstanding of such Series at the time such amendments are given and who are affected thereby.

703. Consent of Certificate Holders. The Trustee and the Corporation at the direction of the Holders of at least a majority in principal amount of Certificates Outstanding of such Series at the time such amendments are given and who are affected thereby, may by a Supplemented Trust Agreement make a modification or amendment permitted by the provisions of this Article for the mailing of notices or other papers to Certificate holders or to any other person.

ARTICLE VIII
MODIFICATIONS BY UNANIMOUS CONSENT

704. Notice and Consent. The provisions of this Article shall remain in effect and no default shall have occurred thereunder or that the Trust Agreement is otherwise in default in any respect provided in such Supplements thereto of a Supplemental Trust Agreement and the consent of the Holders of at least a majority in principal amount of Certificates Outstanding of such Series shall be obtained.

ARTICLE IX
EXHIBITS

705. Notice of Modification. Any modification of this Trust Agreement, or of the rights of the Trustee shall be binding upon the Holders of such Certificates and the rights and obligations of the Trustee and the Corporation in accordance with the provisions of this Article.

ARTICLE X
AMENDMENTS

706. Notice of Amendment. Any amendment to this Trust Agreement or of the rights of the Trustee shall be effective when and as provided in such Supplements thereto of a Supplemental Trust Agreement provided for in such Section.

ARTICLE XI
CONSENTS

707. Notice of Consent. Any notice or consent required to be given to Certificate holders may be given by the Trustee, without the consent of the Holders of such Certificates or the Corporation, if such notice or consent is given in accordance with the provisions of this Article.

ARTICLE XII
POWER OF ATTORNEY

708. Notice of Power of Attorney. Any power of attorney or other action or any consent of Holders of Certificates or other action or any consent of any person shall be in accordance with the provisions of this Article.

ARTICLE XIII
EXHIBITS

709. Notice of Exhibit. Any exhibit to the Trust Agreement shall be in accordance with the provisions of this Article.

ARTICLE XIV
MODIFICATIONS BY UNANIMOUS CONSENT

710. Notice of Modification. Any modification of this Trust Agreement, or of the rights of the Trustee shall be binding upon the Holders of such Certificates and the rights and obligations of the Trustee and the Corporation in accordance with the provisions of this Article.

ARTICLE XV
EXHIBITS

711. Notice of Exhibit. Any exhibit to the Trust Agreement shall be in accordance with the provisions of this Article.
ARTICLE VIII
MISCELLANEOUS

801. Defeasance.

(a) If the principal portion or Prepayment Price of all Certificates, if applicable, and the interest portion due or to become due thereon, shall be paid in accordance with this Section 801, Defeasance Securities and moneys deposited with the Trustee may be released and cancelled, and the obligation to pay Certificate holders under such Defeasance Securities shall be satisfied. In such event, the Trustee shall give written notice of such satisfaction to the Holders of such Certificates and to the Credit Facility Issuers Deemed Certificate Holders. If such notice is given, the Trustee shall (i) prepare and file with the Stock Exchange in which such Certificates are listed, (ii) notify the Stock Exchange of the release of the Trustee's rights, if any, with respect to such Certificates, and (iii) deliver to such Holders of such Certificates or such Holders' authorized representatives, at the then current Option Price, all such Certificates held by the Trustee or registered in the name of the Trustee as the Holder thereof.

(b) Certificates for the payment or prepayment of which moneys shall have been set aside and held in trust for such principal portion or Prepayment Price, if applicable, and interest portion due or to become due thereon, shall be held in trust by the Trustee, and the amount on deposit with the Trustee shall be released and cancelled, and the obligation to pay Certificate holders under such Defeasance Securities shall be satisfied. In such event, the Trustee shall give written notice of such release and cancellation to the Holders of such Certificates and to the Credit Facility Issuers Deemed Certificate Holders. If such notice is given, the Trustee shall (i) prepare and file with the Stock Exchange in which such Certificates are listed, (ii) notify the Stock Exchange of the release of the Trustee's rights, if any, with respect to such Certificates, and (iii) deliver to such Holders of such Certificates or such Holders' authorized representatives, at the then current Option Price, all such Certificates held by the Trustee or registered in the name of the Trustee as the Holder thereof.

The Trustee shall be relieved of any liability or responsibility for the management of any principal portion or Prepayment Price, if applicable, not released to Certificate Holders or by cancellation under this Section 801, Defeasance. In the event of any release or cancellation of any principal portion or Prepayment Price, if applicable, and the interest portion due or to become due thereon, the Trustee shall give written notice to the Holders of such Certificates and to the Credit Facility Issuers Deemed Certificate Holders, and such Certificates shall be released and cancelled, and the Trustee shall cease to have any liability or responsibility with respect to such Certificates.
prepayment, if such moneys were held by the Trustee at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Certificates became due and payable, shall, at the written request of the School Board be repaid by the Trustee to the School Board, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Certificate holders shall look only to the School Board for the payment of such Certificates; provided, however, that before being required to make any such payment to the School Board, the Trustee shall, at the expense of the School Board, cause such publication to be made at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notarial acknowledgment of such publication shall be published in such newspaper and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of such notice, the amounts of such moneys then unclaimed will be returned to the School Board.

802. Evidence of Signatures of Certificate Holders and Owners of Certificates.

(a) Except as otherwise provided in Section 709 hereof, any request, consent, revocation of consent or other instrument executed by the Certificate holders may be in one or more instruments of similar tenor, and shall be signed or executed by such Certificate holders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Certificates, shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable: the fact and date of the execution by any Certificate holder or his/her attorney of such instruments may be proved by a proof of a signature thereof by a bank or trust company, or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of an officer of the corporation or association, duly sworn to before such notary public or other officer. Where a such execution is by an officer of a corporation or association or a partner of a partnership, or on behalf of such corporation, association or partnership, such signature, certificate or affidavit shall also constitute sufficient proof of his/her authority.
(b) The ownership of Certificates and the amount, number and other identification, and date of holding the same shall be proved by the records maintained by the Trustee.
(c) Any request or consent by the Holder of any Certificate shall bind all future Holders of such Certificate or any

Certificates issued in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the School Board, the Corporation or the Trustee in accordance therewith.

803. Moneys Held for Particular Certificates. Subject to Section 801(c) hereof, the amounts held by the Trustee for the payment of the interest principal or Prepayment price due on any date with respect to particular Certificates shall, on and after such date and pending such payment, be set aside on its books and held in trust for the Holders of the Certificates entitled thereto.

804. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject during normal business hours and upon reasonable prior notice to the inspection of the School Board and the Corporation, and any Certificate holder and their agents and their representatives, any of whom may at their own expense make copies thereof.

806. Notices. Unless otherwise specified herein, all notices, requests, consents, demands or other communications (other than payments by the School Board) to or upon the respective parties listed below shall be deemed to have been given: (i) in the case of notice by letter, when delivered to the addressee by hand or on the third day after deposit in the mails, by first class mail, postage prepaid, requests and deliveries to be evidenced by receipt or receipted mailing ticket when delivered to the cable company, charges prepaid; (ii) in the case of notice by cable, when the text of the notice is transmitted by cable and acknowledged; (iii) in the case of notice by telex or bank wire, when transmitted by telex or bank wire, acknowledged, and (iv) if given by telephone, when communicated to the person or to the order of the person or organization or association or corporation or partnership to whose attention communications are to be given, addressed to them as follows or to such other address as any of the parties may designate by written notice to the other party:

Corporation:
Palm Beach School Board Leasing Corp. 3340 Forest Hill Boulevard West Palm Beach, Florida 33406 Attention: President
School Board:
The School Board of Palm Beach County, Florida 3340 Forest Hill Boulevard West Palm Beach, Florida 33406 Attention: Superintendent of Schools
Trustee:
National City Bank of Florida, N.A. One Financial Center Fort Lauderdale, Florida 33394 Attention: Corporate Trust Department
Rating Agencies:
Moody's Investor Service, Inc. 39 Church Street New York, New York Attention: Public Ratings Department
Standard & Poor's Ratings Group 200 Broadway New York, New York Attention: Municipal Department
Credit Facility Issuers:
As set forth on the Schedule applicable to the Series of Certificates.

Notice shall also be given by the School Board to the Rating Agencies of the occurrence of any one or more of the following: (i) the appointment of a Successor Trustee, (ii) the expiration or termination of the Corporation, the Trustee or the Holders of the Certificates, (iii) the failure of the Trustee to comply therewith, the amounts held by the Trustee for the payment of the interest principal or Prepayment price due on any date with respect to particular Certificates shall, on and after such date and pending such payment, be set aside on its books and held in trust for the Holders of the Certificates entitled thereto.

807. Recording and Filing. The School Board shall be responsible for the recording and filing of instruments or documents of furtherance, if any, as may be required by law in order to effectuate the purposes of the Trust Agreement.

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

809. Staying on Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties, the Certificate holders and such Credit Facility Issuer and their respective successors and assigns.

810. Captions. Captions preceding the text of the several Articles and Sections heretofore, 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.

811. Legal Holidays. Unless otherwise provided herein if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Trust Agreement, is not a business day such payment may be made or act performed or right exercised on the next succeeding Business day with the same force and effect as if done on the normal date provided herein, and no interest shall accrue on such payments for the period after such date.

812. Repeal. This Trust Agreement may be revoked in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties have executed this Master Trust Agreement by their duly authorized officers as of the date and year first written above.

Palm Beach School Board Leasing Corp.

By: Michael J. Marra
Assistant Vice President

STATE OF FLORIDA
COUNTY OF PALM BEACH

I, Carmen M. Bort, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary, of Palm Beach School Board Leasing Corp. - a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me on this day in person and 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 13th day of November, 1994.

Carmen M. Bort
NOTARY PUBLIC
STATE OF FLORIDA
COUNTY OF PALM BEACH

EXHIBIT A

PARK OF CERTIFICATE OF PARTICIPATION

REGISTERED

MATURED

CERTIFICATE OF PARTICIPATION SERIES

This is to certify that the registered owner named above is the owner of this Certificate of Participation Series evidencing an undivided proportionate interest in Basic Lease Payments to be made by the School Board of Palm Beach County, Florida as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as lessor.

INTEREST RATE MATURITY DATE ORIGINAL LEASE DOLLARS

REGISTERED DOLLARS

PRINCIPAL SUM:

THIS IS TO CERTIFY THAT the registered owner named above is the owner of this Certificate of Participation Series (this "Certificate"), evidencing an undivided proportionate interest in Basic Lease Payments (as set forth in Schedule No. 2 to the Master Lease Purchase Agreement) to be made by the School Board of Palm Beach County, Florida (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District") pursuant to the Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), between Palm Beach School Board Leasing Corp., a not-for-profit corporation duly organized and existing under the laws of the State of Florida, as lessor, and as lessee, under a Series Assignment Agreement dated as of November 1, 1994 (the "Assignment Agreement") entered into by and between the Corporation and National Bank of Florida, N.A., Port Lauderdale, Florida, as trustee (such bank and any successor thereto hereinafter called the "Trustee"), and the Corporation has transferred to the Trustee, for the benefit of the Certificate Holders, all of its rights under the Series Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series Facilities under Section P.1 of the Master Lease and its right to receive notices under the Master Lease) including its rights to receive
Basic Lease Payments thereunder, with respect to the Series Facilities identified in said Schedule No. (the "Series Facilities").

The registered owner of this Certificate ("Certificate Holder") is entitled to receive, subject to the terms of the Master Lease and the Trust Agreement (hereinafter defined), on the maturity date specified above (the "Maturity Date"), a sum of money representing the Basic Lease Payments payable to Certificate Holders on such date. The Basic Lease Payments are payable from funds appropriated by the School Board for such purpose from current or other funds authorized by law and regulations of the State of Florida Department of Education. The School Board is not legally required to appropriate 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 PART DUE UNDER THE SERIES FACILITIES LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT THEREOF. SUCH SUMS DO NOT CONSTITUTE AN ENDOWMENT OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

THE TRUSTEE HAS NO OBLIGATION OR LIABILITY TO MAKE PAYMENTS WITH RESPECT TO THIS CERTIFICATE EXCEPT FROM FUNDS RECEIVED BY IT PURSUANT TO THE TRUST AGREEMENT REFERRED TO ON THE REVERSE HEREIN.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS CERTIFICATE SET FORTH ON THE REVERSE HEREIN, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET OUT HEREIN.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and laws of the State of Florida and the Trust Agreement to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Certificate have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an Authorized Signatory of the Trustee, not in its individual capacity, but solely as Trustee under the Trust Agreement.

NATIONSBANK OF FLORIDA, N.A., as Trustee

By:

Back of Certificate

Capitalized terms used herein but not otherwise defined herein shall have the meaning given to such terms in the Trust Agreement.

All amounts payable by the Trustee with respect to this Certificate shall be paid from (i) the Basic Lease Payments received by the Trustee from the School Board, (ii) the receipt of amounts from the sources described above, (iii) any payments received by the Trustee from the Master Trust Corporation, (iv) any proceeds resulting from any insurance or any financial guaranty claim or payment or any other dispositions of the Series Facilities or a portion thereof, (v) any amounts available to the Trustee under the Master Lease, and, to the extent that the Trustee shall have actually received sufficient income or proceeds from the Trust Estate, from the income from and proceeds of the sources described above.

This Certificate has been executed by the Trustee pursuant to the Trust Agreement. Copies of the Trust Agreement and the Series Facilities Lease are on file at the principal corporate trust office of the Trustee, and reference to the Trust Agreement and the Series Facilities Lease are made with respect thereto. Any and all supplements or amendments thereto are made for a description of the funds and accounts established under the Trust Agreement for the purpose of securing the Certificates, the agreements and covenants of the School Board in the Series Facilities Lease with respect to the Basic Lease Payments to be made by the School Board, the nature, extent and manner of enforcement of such agreements and covenants, the rights and remedies of the Certificate Holders with respect thereto, certain limitations relating to the issuance of additional Series of Certificates of the Trustee, the circumstances upon which the terms of the Trust Agreement may be amended, and the other terms and conditions upon which the Certificates are delivered thereunder.

Reference is hereby made to the Trust Agreement and any and all supplements, modifications or amendments thereof for a description of the pledge of all trust estate and all other obligations and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Holders of the Certificates with respect thereto, the terms and conditions upon which the Holders of the Certificates 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 be performed or satisfied. All covenants, agreements and obligations of the School Board under the Series Facilities Lease with respect to the Series Facilities or a portion thereof may be discharged and satisfied. All covenants, agreements and obligations of the School Board under the Series Facilities Lease with respect to the Series Facilities or a portion thereof may be discharged and satisfied. All covenants, agreements and obligations of the School Board under the Series Facilities Lease with respect to the Series Facilities or a portion thereof may be discharged and satisfied.

This Certificate shall be issued initially pursuant to a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"), which shall act as security 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 be satisfied, under the book-entry-only system, by delivery to DTC or its participants of such DTC Participants' records maintained by DTC of ownership interests of DTC Participants and other institutions that clear through or maintain a custodial relationship with DTC Participants ("Indirect Participants"). DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual holders 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 of this Certificate for all purposes hereunder, including the payment of principal and interest portions of Basic Lease Payments represented by this Certificate. If the Certificate Holder is an indirect participant in DTC ("Indirect Beneficial Owner") and holds this Certificate in its own name, the Certificate Holder may transfer this Certificate in person 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 in the name of such transferee to the extent of the sum or sums so paid, and the Trustee shall not be affected by any notice to the contrary.

The Certificates shall be delivered in registered form in the denominations of $5,000 or any integral multiple of $5,000. The Certificates, upon surrender thereof at the designated corporate trust office of the Trustee with a written instruction satisfactory to the Trustee, duly executed by the Certificate Holder or such Certificate Holder's duly authorized attorney, may be exchanged for an equal aggregate principal amount of registered Certificates of the same maturity of any other authorized denominations.

Prepayment: Certificates maturing on or before August 1, 1996 shall not be subject to prepayment at the option of the School Board.

Certificates maturing after August 1, 1996, shall be subject to prepayment on or after August 1, 1998. If the School Board elects to prepay the principal portion of Basic Lease Payments under the Series A Leases 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 due dates of the principal portion of the Basic Lease Payments under the Series A Leases 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, the amount of any prepayment made at the Prepayment Price expressed as a percentage of the principal portion of Basic Lease Payments represented by the Certificates or portions thereof to be prepaid as set forth opposite such period in the following table, plus the interest accrued to the Prepayment Date:

<table>
<thead>
<tr>
<th>Prepayment Period (Both Dates Inclusive)</th>
<th>Prepayment Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>August 1, 1998, through July 31, 1999</td>
<td>A-6</td>
</tr>
<tr>
<td>August 1, 1999, through July 31, 2000</td>
<td>A-6</td>
</tr>
<tr>
<td>August 1, 2000, and thereafter</td>
<td></td>
</tr>
</tbody>
</table>

such manner as the Trustee shall deem fair and appropriate. The portion of any Certificate of a denomination of more than $5,000, which shall not be prepaid shall be in the principal amount of $5,000 or an integral multiple thereof. In the event of such prepayment, the Trustee shall treat each such Certificate as representing its fraction of the principal portion of Basic Lease Payments under the Series A Leases which is obtained by dividing the principal amount of such Certificate by the aggregate principal amount of all Certificates so prepayable paid from the amount then available to prepay Certificates.

When prepayment of Certificates is required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of such Certificates, which notice shall specify the nature of the Certificates to be prepaid, the CUSIP numbers (which shall be for informational purposes only and shall not affect the validity of such notice) the prepayment date and the place or places where amounts due upon such prepayment will be payable and, if less than all of the Certificates are to be prepaid, the letters and numbers or other distinguishing marks of such Certificates to be prepaid, and, in the case of Certificates to be prepaid in part only, such notice shall also specify the respective portions of the principal amount thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable upon each Certificate to be prepaid the Prepayment Price of the specified portions of the principal thereof in the case of Certificates to be prepaid in part only, together with interest accrued to the prepayment date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postpaid, prepaid, to each Certificate Holder at least 10 days before the prepayment date in the case of optional prepayment, and resulting from damage, destruction or condemnation of Facilities or mandatory sinking fund payments for the Certificates, or not more than 10 days after the prepayment date in the case of extraordinary prepayment, resulting from nonappropriation or default by the School Board, to the Certificate Holders of any Certificate or portions thereof which are to be prepaid, at their last addresses appearing upon the registry books, and any deficiencies of any notice to a particular Certificate Holder shall not affect the validity of the proceedings for the prepayment of other Certificates Notice. The Trustee may use any depositary not less than 10 days prior to mailing of such notice.

The Obligation of the School Board to Pay Basic Lease Payments under Schedule No. 1 of the Master Lease is a Special and Limited Obligation, Subject to Annual Appropriation by the School Board, as Further Provided on the Front of This Certificate.

Form of Opinion of Special Tax Counsel

Statement of Insurance

UNIFORM GIFT MIN. ACT

TEN COM - TEN ENT - JT TEN

as tenants in common

Custodian Minor

under Uniform Gifts to Minors Act

STATE

Additional abbreviations may also be used though not in the above list.
EXHIBIT B

REQUISITION NO. 
$ ______ _ 

CERTIFICATES OF PARTICIPATION 
SERIES 
Evidencing Undivided Proportionate Interest of the 
Owners Thereof in Basic Payments to be Made by 
The School Board of Palm Beach County, Florida 
As Lessee, Pursuant to a Master Lease Purchase Agreement 
with Palm Beach School Board Leasing Corp., as Lessor 

TO: NationsBank of Florida, N.A. 
Trustee under the Master Trust Agreement dated as of 
November 1, 1994, with Palm Beach School Board Leasing 
Corp. ("Trust Agreement"). 

This Requisition is made pursuant to Section 402(c) to pay 
Costs of the Series Facilities. 

The Trustee is hereby directed to pay sums out of the Series 
Acquisition Account as follows:

Name & Address of Payee
Purpose of Payment
Amount

TOTAL $ ___________

The undersigned hereby certifies that (a) each obligation, 
item of cost or expense herein has been properly incurred, (b) each 
obligation, item of cost or expense herein is an item of the Cost 
of the Series Facilities and has not been the basis of any 
previous withdrawal, and (c) such payment will not cause the 
balance remaining in the Series Acquisition Account after such pay­
ment to be less than the amount necessary to pay the remaining 
estimated Costs to be paid from the Series Acquisition Account, or sufficient other moneys are available therefor. 

Dated: ________________________ 

Authorized School Board Representative

EXHIBIT C

REQUISITION NO. 
$ ______ _ 

CERTIFICATES OF PARTICIPATION 
SERIES 
Evidencing Undivided Proportionate Interests of the 
Owners Thereof in Basic Lease Payments to be Made by 
The School Board of Palm Beach County, Florida 
As Lessee, Pursuant to a Master Lease Purchase Agreement 
with Palm Beach School Board Leasing Corp., as Lessor 

TO: NationsBank of Florida, N.A. 
Trustee under the Master Trust Agreement dated as of 
November 1, 1994, with Palm Beach School Board Leasing 
Corp. ("Trust Agreement"). 

This Requisition is made pursuant to Section 402(d) to pay 
Costs of Issuance of the Certificates. 

The Trustee is hereby directed to pay sums out of the 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
SERIES 2012C SUPPLEMENTAL TRUST AGREEMENT

by and among

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 September 1, 2012
“Certificates” or “Series of Certificates” shall mean, collectively, the Series 2004A Certificates and the Series 2012C Certificates.

“Commencement Date” for the Series 2004A-2 Lease is May 1, 2004.


“Participating Underwriter” shall mean any of the original underwriters of the Series 2004A Certificates or the Series 2012C Certificates required to comply with the Rule in connection with the offering of the Series 2004A Certificates or the Series 2012C Certificates, respectively.

“Rating Agency” shall mean each of Standard & Poor’s Ratings Services, Moody’s Investors Service, Fitch Ratings, and any other nationally recognized rating service not unacceptable to the Series 2004A Credit Facility Issuer which shall have provided a rating on any Outstanding Certificates.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Series 2004A Certificates” shall mean the $103,575,000 Certificates of Participation, Series 2004A dated May 4, 2004, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

“Series 2004A Credit Facility” shall mean the municipal bond insurance policy issued by the Series 2004A Credit Facility Issuer on May 4, 2004, insuring the payment when due of the principal portions and interest portions of Basic Lease Payments represented by the Series 2004A Certificates.

“Series 2004A Credit Facility Issuer” shall mean National Public Finance Guarantee Corporation, as agent and reinsurer of Financial Guaranty Insurance Company, or any successor thereto or assignee thereof.

“Series 2004A-2 Certificates” shall mean the Facilities described in this Schedule 2004A-2, as this Schedule 2004A-2 may be further amended or supplemented from time to time.

“Series 2004A Supplemental Trust Agreement” shall mean the Series 2004A Supplemental Trust Agreement dated as of May 1, 2004, between the Corporation and the Trustee.

“Series 2012C Certificates” shall mean the $67,145,000 Certificates of Participation, Series 2012C, dated as of September 13, 2012, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

“Series 2012C Supplemental Trust Agreement” shall mean the Series 2012C Supplemental Trust Agreement dated as of September 1, 2012, between the Corporation and the Trustee.

2. Lease Term. The total of all Lease Terms of the Series 2004A-2 Lease are expected to be approximately twelve (12) years and two (2) months consisting of an “Original Term” of approximately two (2) months from May 1, 2004, through and including June 30, 2004, and twelve (12) Renewal Terms of twelve (12) months, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2004, and ending June 30, 2016, and the last Renewal Term of approximately one (1) month from July 1, 2016, through and including August 1, 2016. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.


(a) Series 2004A Certificates. Pursuant to the provisions of Section 302 of the Series 2004A Supplemental Trust Agreement the Trustee deposited the following sums attributable to the Series 2004A-2 Facilities to be lease purchased hereunder in the following accounts from the proceeds of the Series 2004A Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$35,287,300.00</td>
<td>Series 2004A Acquisition Account</td>
</tr>
<tr>
<td>$71,095.28</td>
<td>Series 2004A Cost of Issuance Subaccount</td>
</tr>
</tbody>
</table>

(b) Series 2012C Certificates. Pursuant to the provisions of Section 402 of the Series 2012C Supplemental Trust Agreement the Trustee will deposit the following sums attributable to the Series 2012C-2 Facilities lease purchased hereunder in the following accounts from the proceeds of the Series 2012C Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$43,619.12</td>
<td>Series 2012C Cost of Issuance Subaccount</td>
</tr>
</tbody>
</table>

5. Basic Lease Payments. The principal portion and the interest portion of the Basic Lease Payments, the Lease Payment Dates (December 30 and June 30, commencing June 30, 2004) and the remaining principal portion with respect to the Series 2004A-2 Facilities to be lease purchased, and the unfunded Series 2004A Certificates and the Series 2012C Certificates attributable to such Facilities are set forth in Exhibit B hereto. The Composite Schedule of Basic Lease Payments set forth in Exhibit B hereto shall be no less than the principal and interest payments with respect to the portion of the unfunded Series 2004A Certificates and the Series 2012C Certificates relating to the Series 2004A-2 Facilities and shall be amended in the event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by such portion of the unfunded Series 2004A Certificates or Series 2012C Certificates.

The interest portion of the Basic Lease Payments represented by the Series 2004A Certificates and the Series 2012C Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 213.84, Florida Statutes, since the Series 2004A Certificates and the Series 2012C Certificates are rated within the three highest rating categories by a nationally recognized rating service.

6. Additional Lease Payments. Additional Lease Payments with respect to the Series 2004A-1 Lease and Series 2004A-2 Lease consist of the following:

Series 2004A Certificates

1. Trustee Fees: Acceptance Fee of $1,500. Annual fee of $3,500, payable annually in advance. Construction fee of $3,000. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

2. Trustee Expenses: Expenses to be billed at cost. Legal fee for Trustee counsel at closing of $3,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof. The fees set forth above for Trustee services include services under Schedules 2004A-1 and 2004A-2.

Series 2012C Certificates

1. Trustee Fees: Acceptance Fee of $1,000. Annual fee of $3,500. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

2. Trustee Expenses: Expenses to be billed at cost. Legal fee for Trustee counsel at closing of $1,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

The fees set forth above for Trustee services include services under Schedules 2004A-1 and 2004A-2.

7. 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 Schedule 2004A-2 are subject to the following prepayment provisions:

Series 2004A Certificates

A. Optional Prepayment

(i) The principal portion of Basic Lease Payments due on or before June 30, 2015 (to be paid to Certificateholders on or before August 1, 2015), shall not be subject to prepayment at the option of the School Board.

(ii) The principal portion of Basic Lease Payments due on or after June 30, 2016 (to be paid to Certificateholders on or after August 1, 2016), shall be subject to prepayment on or after June 30, 2014, by the School Board, in whole or in part, at any time, and if in part, in such order of due dates of the principal portion of the Basic Lease Payments as shall be designated by the School Board to be prepaid, at a Prepayment Price equal to 100% of the principal portion of Basic Lease Payments being prepaid, plus the interest portion of the Basic Lease Payments accrued to the Prepayment Date.

Series 2012C Certificate

(i) The principal portion of Basic Lease Payments due on or before June 30, 2022 (to be paid to Series 2012C Certificate Holders on or before August 1, 2022), shall not be subject to prepayment at the option of the School Board.

(ii) The principal portion of Basic Lease Payments due on or after June 30, 2023 (to be paid to Series 2012C Certificate holders on or after August 1, 2023) shall be subject to prepayment on or after June 30, 2022, by the School Board in whole or in part at any time, and if in part, in such order of maturity of Series 2012C 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 2012C Certificates or portions thereof to be prepaid, plus interest accrued to the Prepayment Date.

B. Extraordinary Prepayment. Series 2004A Certificates

(i) At the election of the Series 2004A Credit Facility Issuer, the principal portions of the Basic Lease Payments represented by Series 2004A Certificates due under the Series 2004A-2 Lease shall be subject to prepayment in whole at any time, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if the Lease Term of all Leases is terminated for the reasons referred to in Section 4.1(b) of the Master Lease.
Section 2012C Certificates

(ii) Section 7.2(b)(a) and (b) of the Master Lease shall not apply to the Series 2012C Certificates.

(iii) The principal portion of Basic Lease Payments due under the Series 204A-2 Lease represented by the Series 2012C Certificates shall be subject to prepayment in the event the Series 204A-2 Lease terminates prior to payment in full of all of the Basic Lease Payments, to the extent the Trustee has moneys available for such purposes pursuant to the Series 2012C Trust Agreement, to the extent and subject to the limitations provided in the Master Lease.

B. Other Special Provisions

A. Representations. (1) 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 204A-2, and all references therein to the Facilities shall include the Series 204A-2 Facilities. 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 204A-2 and all references therein to the Facilities shall include the Series 204A-2 Facilities.

(2) The Corporation hereby represents that the Master Lease is in effect and that its knowledge there are no defaults on the date of execution of this Schedule 204A-2 under any Lease, the Trust Agreement or the Series 204A-2 Lease.

B. Notice. Notwithstanding the provisions of Section 6.1 of the Master Lease, notice to the Series 204A-2 Facilities shall be vested in the School Board upon acquisition.

C. Notices. Copies of all notices required to be given to a Credit Facility Issuer pursuant to the Master Lease shall be given to the Series 204A-2 Credit Facility Issuer at the following address:

National Public Finance Guarantee Corporation
as agent and reinsurer of Financial Guaranty Insurance Company
113 King Street
Asbrook, New York 10504
Attention: Public Finance Surveillance
FGIC Policy No.: 04010255

D. Section 9.11 of the Master Lease. For purposes of the Series 204A-2 Lease, Section 9.11 of the Master Lease shall not apply. The School Board hereby represents and warrants that it has taken no action and covenants that it will take no action to implement the provisions of Section 9.11 of the Master Lease.

E. Remedies Upon Nonappropriation or Default. For purposes of the Series 204A-2 Lease only, Section 3.6 of the Master Lease shall not apply and, in its place, the following shall govern:

F. Continuing Disclosures. For purposes of the Series 204A-2 Lease, the School Board hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Series 204A-2 Lease, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of any participating underwriter or the Holders of at least 25% aggregate principal amount in Certificates, shall) or any Holder of Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the School Board to comply with its obligations under this Section 9.11. For purposes of this Section, “Beneficial Owner” means any person which (x) 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, depositaries or other intermediaries), or (y) is treated as the owner of any Certificates for federal income tax purposes.

G. Notice of Amendments. The School Board shall provide written notice to each Rating Agency at least 15 days in advance of the execution of any amendments to the Series 204A-2 Lease, the Trust Agreement, the Series 204A Assignment Agreement. A full transcript of all proceedings relating thereto shall be provided to the Series 204A Credit Facility Issuer.

H. Notice of Completion. The School Board shall provide the Series 204A Credit Facility Issuer a copy of the Certificate of Completion set forth in Exhibit B to the Master Lease at the same time it is filed with the Trustee.

I. Section 9.4 of the Master Lease. For purposes of the Series 204A-2 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 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.

J. Effective Date. Schedule 204A-2, as amended and restated as of September 1, 2012, shall be effective September 13, 2012.

Section 3.6 No Surrender of Series 204A-2 Facilities

(A) Upon the termination of the Series 204A-2 Lease Term prior to the payment of all Lease Payments scheduled therefor or without the payment of the then applicable Purchase Option Price of the Series 204A-2 Facilities, (B) as provided in Section 8.2 of the Master Lease upon the occurrence of an Event of Default, then the Purchase Option Price of the Series 204A-2 Facilities, shall become immediately due and payable, but only from the School Board’s current or other funds authorized by law and appropriated for such purpose as provided in Section 3.1 of the Master Lease. The Corporation’s sole remedy (other than rights and remedies it may have at law against the School Board’s legally available funds for compensatory damages as provided below upon the occurrence of an Event of Default under Section 8.1 of the Master Lease) shall be to seek a judgment against the School Board for the unpaid balance of the Purchase Option Price, which judgment shall be enforceable solely against the School Board’s legally available funds.

Notwithstanding the obligations of the School Board to pay the Purchase Option Price of the Series 204A-2 Facilities, the School Board shall be under no obligation to transfer possession of and/or title to the Series 204A-2 Facilities, to the Corporation, and the Corporation shall have no right under the Series 204A-2 Lease to involuntarily dispossess the School Board of the use and enjoyment of or title to any of the Series 204A-2 Facilities, and the Corporation hereby irrevocably waives any right to specific performance of the School Board’s covenants upon any such termination of the Lease Term.

Upon the termination of the Lease Term as a result of a default by the School Board, the Corporation shall have, in addition to the rights and remedies described above, the right to use for compensatory damages, including damages for any loss suffered by the Corporation or the Trustee as a result of the School Board’s failure to pay the unpaid balance of the Purchase Option Price when due.

F. Continuing Disclosures. For purposes of the Series 204A-2 Lease, the School Board hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Series 204A-2 Lease, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of any participating underwriter or the Holders of at least 25% aggregate principal amount in Certificates, shall) or any Holder of Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the School Board to comply with its obligations under this Section 9.11. For purposes of this Section, “Beneficial Owner” means any person which (x) 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, depositaries or other intermediaries), or (y) is treated as the owner of any Certificates for federal income tax purposes.

IN WITNESS WHEREOF, the Trustee has caused this Schedule 204A-2 to be executed in its corporate name by its duly authorized officer, and the Corporation has caused this Schedule 204A-2 to be executed in its corporate name by its duly authorized officers, and the School Board has cause this Schedule 204A-2 to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all as of the day and year first written above.

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

By: Michelle R. O’Donnell
Vice President

Palm Beach School Board
Leasing Corp.

By: E. Wayne Gent
Secretary

By: Frank A. Barbieri, Jr.
President

The School Board of Palm Beach County, Florida

By: E. Wayne Gent
Secretary

By: Frank A. Barbieri, Jr.
Chairman

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EXHIBIT A TO SCHEDULE 2004A-2

DESCRIPTION OF SERIES 2004A-2 FACILITIES

A. General Description of the Series 2004A-2 Facilities to be Lease Purchased:

Coral Sunset Elementary HVAC Replacement

This work includes replacement of the complete HVAC system, removal of existing individual room ventilators, repairs to wall and casework, new chillers, ductwork and controls. The acoustical ceilings will be replaced and new energy efficient lighting will be installed.

Hammock Pointe Elementary HVAC Replacement

This work includes replacement of the complete HVAC system, removal of existing individual room ventilators, repairs to wall and casework, new chillers, ductwork and controls.

Reallocatable Classrooms

Site Acquisition

B. Estimated Costs of the Series 2004A-2 Facilities to be Lease Purchased:

<table>
<thead>
<tr>
<th>Facility</th>
<th>Total Project Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coral Sunset Elementary HVAC Replacement</td>
<td>$3,539,300</td>
</tr>
<tr>
<td>Hammock Pointe Elementary HVAC Replacement</td>
<td>$3,500,000</td>
</tr>
<tr>
<td>Relocatable Classrooms</td>
<td>$11,600,000</td>
</tr>
<tr>
<td>Site Acquisition</td>
<td>$17,248,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$35,287,300</strong></td>
</tr>
</tbody>
</table>

EXHIBIT B-1 TO SCHEDULE 2004A-2

LEASE PAYMENT SCHEDULE

Series 2004A-2 Facilities (Composite)

Schedule A-2 Lease Payment Schedule

<table>
<thead>
<tr>
<th>Lease Payment Date</th>
<th>Basic Lease Payment</th>
<th>Principal Portion</th>
<th>Interest Portion</th>
<th>Remaining Principal</th>
</tr>
</thead>
</table>

EXHIBIT B-2 TO SCHEDULE 2004A-2

Lease Payment Schedule - Series 2004A-2 Facilities (Calculation)

Series 2004A Certificates and Series 2012C Certificates

<table>
<thead>
<tr>
<th>Lease Payment Date</th>
<th>Series 2004A Principal Portion</th>
<th>Series 2004A Interest Portion</th>
<th>Series 2012C Principal Portion</th>
<th>Series 2012C Interest Portion</th>
<th>Total Lease Payment</th>
<th>Remaining Principal</th>
</tr>
</thead>
</table>

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SERIES 2004A
ASSIGNMENT AGREEMENT

BETWEEN

PALM BEACH SCHOOL BOARD LEASING CORP.

AND

THE BANK OF NEW YORK TRUST COMPANY, N.A.
as agent for The Bank of New York
(successor by acquisition to NationsBank of Florida, N.A.)
As Trustee

Dated as of May 1, 2004
THE SCHOOL BOARD OF PALM BEACH COUNTY, Florida (the "School Board"), the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease") and have executed Schedules 2004A-1 and 2004A-2 thereto, each dated as of May 1, 2004, which Master Lease together with each separate schedule constitutes a separate lease (individually, the "Series 2004A-1 Lease" and the "Series 2004A-2 Lease", and collectively, the "Series 2004A Leases"), the former with respect to certain educational facilities and sites and the latter with respect to certain improvements and certain education facilities being financed and have entered into a lease-purchase transaction under the Series 2004A-1 Ground Lease dated as of May 1, 2004 (as the same may be amended or supplemented from time to time, the "Series 2004A-1 Ground Lease"), with respect to the Series 2004A-2 Facilities Sites (hereinafter defined).

1.02 Pursuant to the Series 2004A Leases, the School Board and the Corporation have agreed that (i) there shall be acquired, constructed, installed and equipped for lease-purchase to the School Board certain educational facilities and sites as described in Schedule 2004A-1 to the Master Lease (the "Series 2004A-1 Facilities"), such facilities being located on certain lands described in Schedule 2004A-1 (which, together with improvements thereto are hereinafter collectively referred to as Schedule 2004A-1 Facilities) and (ii) there shall be acquired, constructed, installed and equipped for lease-purchase to the School Board certain improvements and there shall be financed certain educational facilities as described in Schedule 2004A-2 to the Master Lease (the "Series 2004A-2 Facilities"). The Series 2004A-1 Facilities and the Series 2004A-2 Facilities are collectively referred to as the "Series 2004A Facilities"). Schedules 2004A-1 and 2004A-2 set forth the Lease Payments to be paid by the School Board for the Series 2004A-1 Facilities, (collectively, the "Series 2004A Lease Payments"). The School Board has agreed to lease-purchase the Series 2004A Facilities from the Corporation.

1.03 The Corporation and the Trustee have entered into a Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2004A Supplemental Trust Agreement dated as of May 1, 2004 (as the same may be further amended or supplemented from time to time, the "Trust Agreement"), which acknowledges and contemplates the execution of this Agreement in conjunction therewith. This Agreement is made for the purpose of enabling the Trustee to act as lessor under the Series 2004A Leases.

1.04 The Corporation desires to sell, assign and convey all of its right, title and interest as lessor of the Series 2004A-1 Facility Sites under the Series 2004A-1 Ground Lease, and as assignee of the Series 2004A-1 Facility Sites and leases of the Series 2004A-1 Facilities the Series 2004A-1 Leases, to the Trustee, in consideration of the Trustee's agreement to purchase the Series 2004A-1 Leases, or any Permitted Transferee designated by the Trustee.

1.05 The Trustee is willing to accept this assignment on the terms and conditions hereinafter provided.

1.06 Each of the parties has authority to enter into this Agreement and has taken all actions necessary to authorize its execution by the officers signing it.

All terms capitalized but not defined herein shall have the meanings given to them in the Trust Agreement and the Series 2004A Leases.

Section 2. Assignment.

2.01 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Trustee, without recourse, for the benefit of all of the Series 2004A Certificates holders, all of its right, title and interest under the Series 2004A-1 Ground Lease and the Series 2004A Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2004A-1 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2004A-1 (Ground Lease and its rights to receive notices under the Master Lease), to the Trustee for the benefit of the holders of the Series 2004A Certificates to be issued under the Trust Agreement.

2.02 The Trustee is willing to accept this assignment on the terms and conditions hereinafter provided.

2.03 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Corporation, without recourse, for the benefit of all of the Series 2004A-1 Certificates holders, all of its right, title and interest under the Series 2004A-1 Ground Lease and the Series 2004A Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2004A-1 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2004A-1 (Ground Lease and its rights to receive notices under the Master Lease), to the Corporation for the benefit of the holders of the Series 2004A-1 Certificates to be issued under the Trust Agreement.

2.04 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Corporation, without recourse, for the benefit of all of the Series 2004A-2 Certificates holders, all of its right, title and interest under the Series 2004A-2 Ground Lease and the Series 2004A-2 Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2004A-2 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2004A-2 (Ground Lease and its rights to receive notices under the Master Lease), to the Corporation for the benefit of the holders of the Series 2004A-2 Certificates to be issued under the Trust Agreement.

2.05 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Corporation, without recourse, for the benefit of all of the Series 2004A-2 Certificates holders, all of its right, title and interest under the Series 2004A-2 Ground Lease and the Series 2004A-2 Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2004A-2 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2004A-2 (Ground Lease and its rights to receive notices under the Master Lease), to the Corporation for the benefit of the holders of the Series 2004A-2 Certificates to be issued under the Trust Agreement.

2.06 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Corporation, without recourse, for the benefit of all of the Series 2004A-2 Certificates holders, all of its right, title and interest under the Series 2004A-2 Ground Lease and the Series 2004A-2 Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2004A-2 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2004A-2 (Ground Lease and its rights to receive notices under the Master Lease), to the Corporation for the benefit of the holders of the Series 2004A-2 Certificates to be issued under the Trust Agreement.

2.07 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Corporation, without recourse, for the benefit of all of the Series 2004A-2 Certificates holders, all of its right, title and interest under the Series 2004A-2 Ground Lease and the Series 2004A-2 Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2004A-2 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2004A-2 (Ground Lease and its rights to receive notices under the Master Lease), to the Corporation for the benefit of the holders of the Series 2004A-2 Certificates to be issued under the Trust Agreement.

2.08 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Corporation, without recourse, for the benefit of all of the Series 2004A-2 Certificates holders, all of its right, title and interest under the Series 2004A-2 Ground Lease and the Series 2004A-2 Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2004A-2 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2004A-2 (Ground Lease and its rights to receive notices under the Master Lease), to the Corporation for the benefit of the holders of the Series 2004A-2 Certificates to be issued under the Trust Agreement.

2.09 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Corporation, without recourse, for the benefit of all of the Series 2004A-2 Certificates holders, all of its right, title and interest under the Series 2004A-2 Ground Lease and the Series 2004A-2 Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2004A-2 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2004A-2 (Ground Lease and its rights to receive notices under the Master Lease), to the Corporation for the benefit of the holders of the Series 2004A-2 Certificates to be issued under the Trust Agreement.

2.10 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Corporation, without recourse, for the benefit of all of the Series 2004A-2 Certificates holders, all of its right, title and interest under the Series 2004A-2 Ground Lease and the Series 2004A-2 Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2004A-2 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2004A-2 (Ground Lease and its rights to receive notices under the Master Lease), to the Corporation for the benefit of the holders of the Series 2004A-2 Certificates to be issued under the Trust Agreement.

2.11 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Corporation, without recourse, for the benefit of all of the Series 2004A-2 Certificates holders, all of its right, title and interest under the Series 2004A-2 Ground Lease and the Series 2004A-2 Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2004A-2 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2004A-2 (Ground Lease and its rights to receive notices under the Master Lease), to the Corporation for the benefit of the holders of the Series 2004A-2 Certificates to be issued under the Trust Agreement.
E. The Series 2004A-l Ground Lease and the Series 2004A Leases delivered to the Trustee are duly executed duplicate originals and, together with all Exhibits thereto, comprise the entire writing, obligation and agreement between the Corporation and School Board respecting the Series 2004A-l Facility Sites and the Series 2004A Facilities.

F. The Corporation has complied and will at all times hereafter comply with and duly perform its obligations under the Series 2004A-l Ground Lease, the Series 2004A Leases, the Trust Agreement and this Agreement.

G. Except as disclosed in the Offering Statement dated April 8, 2004, there is no pending or, to the knowledge of the Corporation, threatened action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency in any way affecting the ability of the Corporation to perform its obligations under the Series 2004A-l Ground Lease, the Series 2004A Leases, the Trust Agreement or this Agreement.

H. The Series 2004A-l Ground Lease and the Series 2004A Leases being herein assigned are free and clear of all claims, liens, security interests and encumbrances arising through any act or omission of the Corporation or any person claiming by, through or under it, except the rights of the School Board under the Series 2004A Leases and the Series 2004A-l Ground Lease, including the fact that the title to the Series 2004A-l Facility Sites and the Series 2004A-2 Facilities is vested in the School Board.

I. Except as otherwise set forth in Section 2.01, from and after the date of delivery to the Trustee of this Agreement, the Corporation shall have no further rights or interest under the Series 2004A-l Ground Lease or the Series 2004A Leases or in any Series 2004A Lease Payments or other moneys due with respect thereto or to become due under the Series 2004A Leases.

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 2004A-l Ground Lease and the Series 2004A Leases.

2.05 The Corporation hereby irrevocably constitutes and appoints the Trustee, its successors and assigns, as its lawful attorney, with full power of substitution and resubstitution, to collect and to sue on behalf of the Corporation in the name of the Corporation or otherwise in any court for any Series 2004A Lease Payment or other amounts due under the Series 2004A Leases, or any part thereof, to withdraw or settle any claims, sales or proceedings pertaining to or arising out of the Series 2004A Leases upon any terms, all without the assent of the Corporation, and, further, to take possession of and to enforce in the name of the Corporation any instrument for the payment of moneys received on account of the Series 2004A Lease Payments or other amounts due under the Series 2004A Leases.

2.06 The Corporation agrees that it will authorize and direct the School Board to pay to the Trustee, its successors and assigns, all Series 2004A Lease Payments and all other amounts due under the Series 2004A Leases.

3.01 This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

3.02 Any provision of this Agreement found to be prohibited by applicable laws shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

3.03 This Agreement may not be amended without the prior written consent of the Trustee.

3.04 This Agreement shall not 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 one and the same Agreement.

4.01 The assignment contained in this Agreement is agreed to be non-recourse with respect to the Corporation and the Corporation shall have no liability to the Trustee, or any Certificate holder hereunder, with respect to the occurrence of any event of default by the School Board under the Series 2004A Leases whether such default consists of failure to pay monies, breach of covenant or otherwise, provided, however, that nothing contained in this Section 4 shall excuse the Corporation from performance of its obligations under Section 2.06 through 2.08 hereof.

4.02 All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto as an individual capacity, and no recourse shall be had for the assignment effected by Section 2.06 hereof or for any claim based thereon under this Agreement against any member, officer, employee or agent of the parties hereto.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Series 2004A Assignment Agreement on the date set forth below their respective signatures and as of the day and year first written above.

[SEAL.]

ATTENT:

By: [Signature]

By: [Signature]

[SEAL.]

Palm Beach School Board
Leasing Corp.

William G. Graham
Vice President

The Bank of New York Trust
Company, N.A., as Trustee

By: [Signature]

Larry Leach
Authorized Signatory
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 G. Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary, respectively of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument at 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 29th day of April, 2004.

NOTARY PUBLIC
SEAL OF OFFICE:

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 Sheryl Lear, personally known to me to be the same person whose name is, as Authorized Signatory of The Bank of New York Trust Company, N.A., as agent for The Bank of New York, as Trustee, a bank organized under the laws of the State of New York, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereto duly authorized, signed on behalf of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 29th day of April, 2004.

NOTARY PUBLIC
SEAL OF OFFICE:
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 2012C Certificates in definitive form, Greenberg Traurig, P.A., and Edwards & Associates, P.A., Co-Special Tax Counsel, propose to render their approving opinions in substantially the following form.

_________ . . .

The School Board of Palm Beach County, Florida
3300 Forest Hill Boulevard
West Palm Beach, Florida 33406

Re: Certificates of Participation, Series 2012C 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 $[Par Amount] aggregate principal amount of Certificates of Participation, Series 2012C, evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida (the “School Board”) and Palm Beach School Board Leasing Corp. (the “Corporation”); Schedule 2004A-1 dated as of March 1, 2004, as amended and restated as of September 1, 2012, Schedule 2004A-2 dated as of March 1, 2004, as amended and restated as of September 1, 2012, (“Schedule 2004A-1” and “Schedule 2004A-2”, respectively), 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 2004A-1 and Schedule 2004A-2, together with the Master Lease being hereinafter referred to as the “Series 2004A Lease”; the Series 2004A Ground Lease dated as of March 1, 2004, between the School Board and the Corporation; the Series 2004A Assignment Agreement dated as of March 1, 2004, between the Corporation and the Trustee; the Master Trust Agreement, dated as of November 1, 1994, as supplemented by a Series 2012C Supplemental Trust Agreement, dated as of September 1, 2012 (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 2012C Certificates; and
various other related documents and certificates. The Series 2012C Certificates are payable from a portion of the Basic Lease Payments made pursuant to the Series 2004A Lease equally and ratably with the outstanding Series 2004A Certificates.

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 2004A 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 2004A 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 2004A Lease has been duly authorized, executed and delivered by the School Board and, assuming due authorization, execution and delivery by the Corporation, constitute the valid and legally binding agreement of the School Board enforceable in accordance with their 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. The Series 2012C 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 2004A Lease equally and ratably with the interests of the owners of the outstanding Series 2004A Certificates.

3. 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 2012C 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 2012C 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 2012C Certificates, or the ownership or disposition of the Series 2012C Certificates. Furthermore, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2012C 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 2012C Certificates in order that the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2012C 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 2012C Certificates to be included in gross income for federal income tax purposes retroactively to the commencement date of the Series 2012C Certificates. The School Board has covenanted to comply with such requirements.

4. The Series 2012C Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2012C 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 2012C 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 2012C 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 2012C 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
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$67,145,000
CERTIFICATES OF PARTICIPATION,
SERIES 2012C

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

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by 
The School Board of Palm Beach County, Florida (the “School Board”) in connection with the issuance of 
$67,145,000 Certificates of Participation, Series 2012C (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 2012C Supplemental Trust Agreement dated as of September 1, 2012 
(collectively, the “Trust Agreement”), between the Palm Beach School Board Leasing Corp., and 
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, depositaries 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 

“Official Statement” means that Offering Statement prepared by the School Board in connection 
with the sale and issuance of the Certificates.

“Participating Underwriter” shall mean any of the original underwriters of the Certificates required to 
comply with the Rule in connection with the offering of the Certificates.
“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Florida.

SECTION 3. Provision of Annual Reports.

(a) The School Board shall, or shall cause the Dissemination Agent to, not later than each January 15th following the end of the School Board’s fiscal year (presently June 30), commencing with the report for the fiscal year ended June 30, 2012, 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,

**Note to subsection (a)(12) of this Section 5:** For the purposes of the event described in subsection (a)(12) 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.

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, and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(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), (6), (8) (with respect to tender offers, (9), (11), and (12) above will always be reportable.

(c) If the School Board determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the School Board shall promptly file a notice of such occurrence with the MSRB accompanied by a cover sheet in the form set forth in Exhibit B.

(d) Pursuant to the provisions of this Section 5, the School Board shall give, or cause to be given, in a timely manner, to the MSRB notice of a failure of the School Board to provide required annual financial information on or before the date specified in Section 3 above, in substantially the form attached as Exhibit A, accompanied by a cover sheet in the form set forth in Exhibit B.

SECTION 6. **Termination of Reporting Obligation.** The School Board’s obligations under this Disclosure Certificate shall terminate (A) upon the legal defeasance, prior redemption or payment in full of all of the Certificates, or (B) upon the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action. If termination pursuant to (A) occurs prior to the final maturity of the Certificates, the School Board shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).
SECTION 7. Dissemination Agent. The School Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the School Board pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School Board may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized securities law counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either, (i) is approved by the Holders of the Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized securities law counsel, materially impair the interests of the Holders or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the School Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the School Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the School Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the School Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the School Board shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the School Board to comply with any provision of this Disclosure Certificate the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Certificates, shall), or any Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Master Lease, the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the School Board to comply with this Disclosure Certificate shall be
an action to compel performance.

SECTION 11. **Dissemination Agent.** The School Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

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SECTION 12. **Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the School Board, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: September 13, 2012

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: ________________________________

Frank A. Barbieri, Jr.
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: $67,145,000 Certificates of Participation, Series 2012C

Date of Issuance: September 13, 2012

Date of Offering Statement: August 10, 2012

School Board’s Six-Digit CUSIP Number: 696550

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 September 13, 2012, 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 Palm Beach 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: ___________________________