

In the opinion of Co-Special Tax Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and judicial decisions, the interest portion of the Basic Lease Payments paid to the Series 2003B Certificate holders is excluded from gross income for federal income tax purposes and the interest portion of the Basic Lease Payments is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX TREATMENT" for a description of the alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Series 2003B Certificates. However, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2003B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default hereunder. Co-Special Tax Counsel are further of the opinion that the Series 2003B Certificates and the Series 2003B Lease are exempt from the Florida intangible personal property tax; provided, however, that no opinion is expressed with respect to the payment or reporting of intangible personal property tax on the Series 2003B Certificates following termination of the Series 2003B Lease.

NEW ISSUE - BOOK-ENTRY ONLY

RATINGS: See "RATINGS" herein



**\$124,295,000**  
**CERTIFICATES OF PARTICIPATION, SERIES 2003B**  
**Evidencing Undivided Proportionate Interests of the**  
**Owners Thereof in Basic Lease Payments to be Made by**  
**THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA,**  
**As Lessee, Pursuant to a**  
**Master Lease Purchase Agreement**  
**with Palm Beach School Board Leasing Corp., as Lessor**

**Dated:** Date of Delivery

**Due:** August 1, 2029

The Certificates of Participation, Series 2003B (the "Series 2003B Certificates") offered hereby evidence undivided proportionate interests in Basic Lease Payments (as defined herein) to be made by The School Board of Palm Beach County, Florida (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District") pursuant to a Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease") with Palm Beach School Board Leasing Corp. (the "Corporation"), as supplemented by Schedule 2003B, dated as of June 15, 2003 (together with the Master Lease, the "Series 2003B Lease") providing for the lease purchase financing of certain educational facilities by the School Board, as described herein. See "THE SERIES 2003B FACILITIES" herein.

The Series 2003B Certificates are being issued as fully registered Certificates pursuant to the provisions of a Master Trust Agreement, as supplemented, dated as of November 1, 1994 between the Corporation and The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as trustee (the "Trustee"). The Series 2003B Certificates initially will be issued as Variable Rate Certificates in a Weekly Rate Period in denominations of \$100,000 and integral multiples of \$5,000 over \$100,000 until converted to another Rate Period as described herein. The Series 2003B Certificates initially 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 2003B Certificates (the "Beneficial Owners") will not receive physical delivery of the Series 2003B Certificates. Ownership by the Beneficial Owners of the Series 2003B 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 2003B 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. Individuals may purchase beneficial interests in the Series 2003B Certificates in the amount of \$5,000 or integral multiples thereof.

The Variable Rate on the interest portion of the Basic Lease Payments paid to the Series 2003B Certificate holders will be determined by UBS Financial Services Inc., New York, New York, as the initial Remarketing Agent, pursuant to the provisions of the Trust Agreement. At the option of the School Board, subject to certain conditions and upon proper notice, the interest rate on the interest portion of the Basic Lease Payments paid to the Series 2003B Certificate holders may be converted from one Variable Rate to a different Variable Rate, an Auction Rate, a Commercial Paper Rate or to the Fixed Rate, in accordance with the provisions of the Trust Agreement. Except upon the occurrence of an Event of Termination, Series 2003B Certificates so converted (other than upon conversions between Daily and Weekly Rates) are subject to mandatory tender for purchase at par plus accrued interest on the Conversion Date. See "THE SERIES 2003B CERTIFICATES" herein.

The principal portions of Basic Lease Payments represented by the Series 2003B Certificates are subject to optional, mandatory and extraordinary mandatory prepayment and optional and mandatory tender for purchase prior to maturity as described herein.

THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO MAKE LEASE PAYMENTS. LEASE PAYMENTS ARE PAYABLE FROM FUNDS APPROPRIATED BY THE SCHOOL BOARD FOR SUCH PURPOSE FROM CURRENT OR OTHER FUNDS AUTHORIZED BY LAW AND REGULATIONS OF THE STATE OF FLORIDA DEPARTMENT OF EDUCATION. NEITHER THE DISTRICT, THE SCHOOL BOARD, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2003B 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 PROVISIONS OR LIMITATION. NEITHER THE CORPORATION, THE TRUSTEE NOR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD TO PAY ANY SUMS, INCLUDING THE BASIC LEASE PAYMENTS, DUE UNDER THE SERIES 2003B LEASE. SEE "RISK FACTORS" HEREIN.

The payment of principal and interest on the Series 2003B Certificates, when due, will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation simultaneously with the delivery of the Series 2003B Certificates.

**Ambac**

Prior to the Purchase Termination Date (described herein), the payment of the Purchase Price (including accrued interest at the maximum rate of 12% per annum) of the Series 2003B Certificates tendered for purchase for which remarketing proceeds are not available will be funded by Dexia Credit Local, acting through its New York Agency (the "Initial Liquidity Provider"), pursuant to a Standby Purchase Agreement dated the date of delivery of the Series 2003B Certificates among the School Board, the Trustee, the Tender Agent and the Initial Liquidity Provider (the "Initial Liquidity Facility") while the Series 2003B Certificates are in the Weekly, Monthly or Quarterly Rate Period. Prior to conversion to a Daily, Semiannual, Extended, Commercial Paper or Fixed Rate Period, either the Initial Liquidity Facility must be modified or the School Board must obtain an Alternate Liquidity Facility providing for such coverage. The Initial Liquidity Facility expires on June 26, 2008, unless extended by the Initial Liquidity Provider or sooner terminated in accordance with the terms thereof. THE OBLIGATION OF THE INITIAL LIQUIDITY PROVIDER TO PURCHASE SERIES 2003B CERTIFICATES TENDERED FOR PURCHASE MAY, UPON THE OCCURRENCE OF CERTAIN EVENTS, BE SUSPENDED OR TERMINATED WITHOUT PRIOR NOTICE TO CERTIFICATE HOLDERS. See "LIQUIDITY PROVIDER" and "SUMMARY OF CERTAIN PROVISIONS OF THE STANDBY PURCHASE AGREEMENT" herein. THE SCHOOL BOARD IS NOT OBLIGATED TO PROVIDE FUNDS FOR THE PAYMENT OF THE PURCHASE PRICE OF SERIES 2003B CERTIFICATES UPON ANY TENDER.



SEE THE INSIDE COVER FOR CERTAIN ADDITIONAL INFORMATION RELATING TO THE SERIES 2003B LEASE AND THE SERIES 2003B 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 to obtain information essential to the making of an informed investment decision.

The Series 2003B 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 & Carstarphen, 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 and for the Underwriters by their Counsel, Nabors, Giblin & Nickerson, P.A., Tampa, Florida. Public Financial Management, Inc., Orlando, Florida, is acting as Financial Advisor to the School Board. It is expected that the Series 2003B Certificates will be available for delivery in New York, New York through the offices of DTC on or about June 26, 2003.

**UBS Financial Services Inc.**  
**Bear, Stearns & Co., Inc.**

**A. G. Edwards & Sons, Inc.**  
**Jackson Securities**

**Citigroup**  
**William R. Hough & Co.**

Dated: June 25, 2003

## **ADDITIONAL INFORMATION**

The Series 2003B Certificates are being issued to provide funds for the purposes of (i) financing the acquisition, construction and installation of certain educational and related facilities to be leased to the School Board as described herein, and (ii) paying certain costs of issuance with respect to the Series 2003B Certificates.

The initial term of the Series 2003B Lease commences on June 26, 2003, through and including June 30, 2003, and is automatically renewable annually thereafter through August 1, 2029 unless sooner terminated as described herein. In addition to the Series 2003B Lease, the School Board (i) has heretofore entered into the Series 1994A Prior Lease, the Series 1995A Prior Lease, the Series 1996A Prior Lease, the Series 2000A Prior Lease, the Series 2001A Prior Leases, the Series 2002A Prior Leases, the Series 2002B Prior Lease, the Series 2002 QZAB Prior Lease, the Series 2002C Prior Lease and the Series 2002D Prior Leases (as each is defined herein), (ii) is entering into the Series 2003A Lease (defined herein) concurrently with the Series 2003B Lease and (iii) may 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 2003B Lease. Upon any such termination, any proceeds of the disposition of leased Facilities will be applied solely to the payment of the related Series of Certificates, all as further described herein. Should termination of the Master Lease occur, no provisions have been made for acceleration or prepayment of the Series 2003B Certificates. Co-Special Tax Counsel will express no opinion as to tax exemption or the effect of securities laws with respect to the Series 2003B Certificates following an event of non-appropriation or an event of default under the Master Lease which results in termination of the Lease Term. Transfers of the Series 2003B Certificates may be subject to compliance with the registration provisions of state and federal securities laws following an event of non-appropriation 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). An event of non-appropriation or an event of default under the Master Lease which results in termination of the Lease Term of all Leases will not result in termination of the insurance policy to be issued by Ambac Assurance Corporation concurrently with the delivery of the Series 2003B Certificates.

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

**BOARD MEMBERS**

Thomas E. Lynch, Chairman  
William Graham, Vice Chairman  
Monroe Benaim, M.D.  
Paulette Burdick  
Mark Hansen  
Dr. Sandra Richmond  
Debra L. Robinson, M.D.

**SUPERINTENDENT OF SCHOOLS**

Dr. Art Johnson

**CHIEF OPERATING OFFICER**

Joseph Moore

**CHIEF OF FACILITIES MANAGEMENT**

Joseph Sanches

**TREASURER**

Leanne Evans, CCM

**DIRECTOR OF BUDGET SERVICES**

Michael J. Burke

**COUNSEL TO THE SCHOOL BOARD**

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

**CO-SPECIAL TAX COUNSEL**

Greenberg Traurig, P.A.  
Miami, Florida

Edwards & Carstarphen  
Miami, Florida

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Orlando, Florida

**TRUSTEE**

The Bank of New York  
New York, New York

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, Ambac Assurance Corporation (the "Insurer" or "Ambac Assurance"), Dexia Credit Local, acting through its New York Agency ("Dexia"), 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 or the Insurer. 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.

Other than with respect to information concerning Ambac Assurance contained under the caption "Municipal Bond Insurance" and Appendix E "Specimen Municipal Bond Insurance Policy" herein, none of the information in this Offering Statement has been supplied or verified by Ambac Assurance and Ambac Assurance makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2003B Certificates; or (iii) the tax exempt status of the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates.

Other than with respect to the information concerning Dexia contained under the captions "LIQUIDITY PROVIDER" herein, none of the information in this Offering Statement has been supplied or verified by Dexia and Dexia makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2003B Certificates, or (iii) the tax exempt status of the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates.

**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 RESPECTIVE 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 2003B 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 2003B CERTIFICATES FOR SALE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF

THE SERIES 2003B CERTIFICATES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THIS OFFERING STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE SCHOOL BOARD, THE DISTRICT OR THE UNDERWRITERS AND ANY ONE OR MORE OF THE OWNERS OF THE SERIES 2003B CERTIFICATES.

**SUMMARY OF VARIABLE, COMMERCIAL PAPER AND FIXED RATE PERIODS**  
 SEE APPENDIX C FOR INFORMATION RELATED TO AUCTION RATE PERIOD

INTEREST RATE PERIOD	INTEREST PAYMENT DATE AND RECORD DATE	RATE DETERMINATION DATE	DATE ON WHICH RATE BECOMES EFFECTIVE	NOTICE OF RATE	NOTICE PERIOD FOR OPTIONAL TENDER	CONVERSION DATE (when converting from the Stated Rate Period)	CONVERSION DATE NOTICE TO CERTIFICATE HOLDERS	PAYMENT FOR CERTIFICATES TENDERED
DAILY RATE PERIOD	<p><u>Interest:</u> 1st Business Day of each February and August</p> <p><u>Record:</u> The Business Day immediately prior to Interest Payment Date.</p>	Daily Rate determined not later than 10:00 a.m. on the effective date	Each Business Day	Daily Rate available from Tender Agent upon request	Telephone notice to Tender Agent and Remarketing Agent not later than 10:15 a.m. on Purchase Date	Interest Payment Date	Not less than 30 days before Conversion Date	Before 4:00 p.m. on Purchase Date in immediately available funds
WEEKLY RATE PERIOD	<p><u>Interest:</u> 1st Business Day of each February and August</p> <p><u>Record:</u> The Business Day immediately prior to Interest Payment Date.</p>	Weekly Rate determined not later than 4:00 p.m. on Wednesday, or if such Wednesday is not a Business Day, the last Business Day which is immediately preceding the effective date	Each Thursday, except that in the case of a conversion from a different Variable Rate on the Weekly Rate Conversion Date	Weekly Rate available from Tender Agent upon request	Written, facsimile or electronic notice to Tender Agent and Remarketing Agent not later than 5:00 p.m. on a Business Day not less than 7 days before the Purchase Date	Interest Payment Date	Not less than 30 days before Conversion Date	Before 4:00 p.m. on Purchase Date in immediately available funds

INTEREST RATE PERIOD	INTEREST PAYMENT DATE AND RECORD DATE	RATE DETERMINATION DATE	DATE ON WHICH RATE BECOMES EFFECTIVE	NOTICE OF RATE	NOTICE PERIOD FOR OPTIONAL TENDER	CONVERSION DATE (when converting from the Stated Rate Period)	CONVERSION DATE NOTICE TO CERTIFICATE HOLDERS	PAYMENT FOR CERTIFICATES TENDERED
COMMERCIAL PAPER PERIOD	<p><u>Interest:</u> The day following the last day of the Interest Period</p> <p><u>Record:</u> The day (whether or not a Business Day) next preceding each Interest Payment Date</p>	The first day of each Commercial Paper Period	Rate Determination Date	Upon telephonic request to the Remarketing Agent anticipated rate after 4:00 p.m. on the Business Day next preceding Rate Determination Date	N/A	Interest Payment Date	Not less than 30 days before Conversion Date	Before 4:00 p.m. on Purchase Date in immediately available funds
MONTHLY RATE PERIOD	<p><u>Interest:</u> 1st Business Day of each February and August</p> <p><u>Record:</u> The Business Day immediately prior to Interest Payment Date.</p>	Not later than 4:00 p.m. on the Business Day immediately preceding the effective date	1st Business Day of each calendar month	Written notice from Trustee to Owners not later than 5:00 p.m. on the 3rd Business Day following date of determination	Written notice to the Tender Agent not later than 5:00 p.m. on a Business Day not less than 7 days before Interest Payment Date	Interest Payment Date	Not less than 30 days before Conversion Date	Before 4:00 p.m. on Purchase Date in immediately available funds

INTEREST RATE PERIOD	INTEREST PAYMENT DATE AND RECORD DATE	RATE DETERMINATION DATE	DATE ON WHICH RATE BECOMES EFFECTIVE	NOTICE OF RATE	NOTICE PERIOD FOR OPTIONAL TENDER	CONVERSION DATE (when converting from the Stated Rate Period)	CONVERSION DATE NOTICE TO CERTIFICATE HOLDERS	PAYMENT FOR CERTIFICATES TENDERED
QUARTERLY RATE PERIOD	<p><u>Interest</u>: 1st Business Day of the third succeeding calendar month following the Quarterly Rate Conversion Date and subsequently on the 1st Business Day of each 3rd calendar month thereafter</p> <p><u>Record</u>: 15th day (whether or not a Business Day) of calendar month immediately preceding Interest Payment Date</p>	(A) Preliminary Quarterly Rate determined not later than 4:00 p.m. on the last Business Day which is at least 15 days preceding the effective date and (B) actual Quarterly Rate determined not later than 4:00 p.m. on the Business Day immediately preceding the effective date	Initially, the Quarterly Rate Conversion Date and subsequently on the 1st Business Day of 3rd calendar month thereafter	Written notice from Trustee to Owners not later than 5:00 p.m. on the 3rd Business Day following date of determination	Written notice to the Tender Agent not later than 5:00 p.m. on a Business Day not less than 7 days before Interest Payment Date	Interest Payment Date	Not less than 30 days before Conversion Date	Before 4:00 p.m. on Purchase Date in immediately available funds



INTEREST RATE PERIOD	INTEREST PAYMENT DATE AND RECORD DATE	RATE DETERMINATION DATE	DATE ON WHICH RATE BECOMES EFFECTIVE	NOTICE OF RATE	NOTICE PERIOD FOR OPTIONAL TENDER	CONVERSION DATE (when converting from the Stated Rate Period)	CONVERSION DATE NOTICE TO CERTIFICATE HOLDERS	PAYMENT FOR CERTIFICATES TENDERED
SEMIANNUAL RATE PERIOD	<p><u>Interest</u>: 1st Business Day of the 6th month following the Semiannual Rate Conversion Date and subsequently on the 1st Business Day of each 6th calendar month thereafter.</p> <p><u>Record</u>: 15th day (whether or not a Business Day) of calendar month immediately preceding Interest Payment Date</p>	<p>(A) Preliminary Semiannual Rate determined not later than 4:00 p.m. on the last Business Day which is at least 30 days immediately preceding the effective date and (B) actual Semiannual Rate determined not later than 4:00 p.m. on the Business Day immediately preceding the effective date</p>	Initially, the Semiannual Rate Conversion Date and subsequently on the 1st Business Day of each 6th calendar month thereafter	Written notice from Trustee to registered owner not later than 5:00 p.m. on the 3rd Business Day following date of determination	Written notice to Tender Agent not later than 5:00 p.m. on a Business Day not less than 15 days before Interest Payment Date	Interest Payment Date	Not less than 30 days before Conversion Date	Before 4:00 p.m. on Purchase Date in immediately available funds

INTEREST RATE PERIOD	INTEREST PAYMENT DATE AND RECORD DATE	RATE DETERMINATION DATE	DATE ON WHICH RATE BECOMES EFFECTIVE	NOTICE OF RATE	NOTICE PERIOD FOR OPTIONAL TENDER	CONVERSION DATE (when converting from the Stated Rate Period)	CONVERSION DATE NOTICE TO CERTIFICATE HOLDERS	PAYMENT FOR CERTIFICATES TENDERED
EXTENDED RATE PERIOD	<p><u>Interest</u>: 1st Business Day of the 6th month following the Extended Rate Conversion Date and subsequently on the first Business Day of each 6th calendar month thereafter.</p> <p><u>Record</u>: 15th day (whether or not a Business Day) of calendar month immediately preceding Interest Payment Date</p>	<p>(A) Preliminary Extended Rate determined by 4:00 p.m. on the last Business Day which is at least 30 days immediately preceding the effective date and</p> <p>(B) actual Extended Rate determined not later than 4:00 p.m. on the Business Day immediately preceding the effective date</p>	<p>Initially, the Extended Rate Conversion Date and subsequently on the 1st Business Day of the calendar month following the last day of the prior Rate Period and extend for 1 year or integral multiples of 6 months in excess of 1 year set by the Remarketing Agent</p>	<p>Written notice from Trustee to registered owner not later than 5:00 p.m. on the 3rd Business Day following date of determination</p>	<p>Written notice to Tender Agent not later than 5:00 p.m. on a Business Day not less than 15 days before commencement date of new Extended Rate</p>	<p>Interest Payment Date on which new Extended Rate Period would otherwise have commenced</p>	<p>Not less than 30 days before Conversion Date</p>	<p>Before 4:00 p.m. on Purchase Date in immediately available funds</p>

INTEREST RATE PERIOD	INTEREST PAYMENT DATE AND RECORD DATE	RATE DETERMINATION DATE	DATE ON WHICH RATE BECOMES EFFECTIVE	NOTICE OF RATE	NOTICE PERIOD FOR OPTIONAL TENDER	CONVERSION DATE (when converting from the Stated Rate Period)	CONVERSION DATE NOTICE TO CERTIFICATE HOLDERS	PAYMENT FOR CERTIFICATES TENDERED
FIXED RATE PERIOD	<p><u>Interest</u>: 1st day of each February and August</p> <p><u>Record</u>: 15th day (whether or not a Business Day) of calendar month immediately preceding Interest Payment Date</p>	<p>(A) Preliminary Fixed Rate determined on a Business Day at least 35 days prior to the Fixed Rate Conversion Date and</p> <p>(B) Fixed Rate determined by 3:30 p.m. not later than the last Business Day which is at least 5 days prior to Fixed Rate Conversion Date</p>	<p>(A) If conversion from Variable Rate Period other than Extended Rate Period the Interest Payment Date for the Certificates and</p> <p>(B) if conversion from Extended Rate Period an Interest Payment Date on which a new Extended Rate Period would otherwise have commenced for the Certificates</p>	N/A	N/A	N/A	N/A	N/A

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## **OFFERING STATEMENT**

**\$124,295,000**

**CERTIFICATES OF PARTICIPATION, SERIES 2003B  
Evidencing Undivided Proportionate Interests of the  
Owners Thereof in Basic Lease Payments to be Made by  
THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA,  
As Lessee, Pursuant to a  
Master Lease Purchase Agreement  
with Palm Beach School Board Leasing Corp., as Lessor**

### **INTRODUCTION**

This Offering Statement, including the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the sale and delivery of \$124,295,000 aggregate principal amount of Certificates of Participation, Series 2003B (the "Series 2003B Certificates"). The Series 2003B Certificates evidence undivided proportionate interests of the owners thereof in the Basic Lease Payments to be made by The School Board of Palm Beach County, Florida (the "School Board") under the Series 2003B Lease (defined below). The Series 2003B Certificates are being executed and delivered pursuant to a Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2003B Supplemental Trust Agreement dated as of June 15, 2003 (collectively, the "Trust Agreement"), each between Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation (the "Corporation") and The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as trustee (the "Trustee").

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 School Board (a) leased certain Facilities pursuant to (i) a Lease which commenced as of November 1, 1994, which Series 1994A Lease was amended and restated in its entirety on October 1, 1997 (as so amended and restated, the "Series 1994A Prior Lease") and issued (A) \$62,095,000 Certificates of Participation, Series 1994A (the "Series 1994A Prior Certificates") and (B) \$47,145,000 Certificates of Participation, Series 1997A (the "Series

1997A Prior Certificates"), the proceeds of which were applied to advance refund that portion of the Series 1994A Prior Certificates maturing on or after August 1, 2005, with respect thereto, \$5,175,000 of which Series 1994A Prior Certificates and \$45,250,000 of which 1997A Prior Certificates are presently outstanding, (ii) a Lease which commenced as of June 1, 1995 and subsequently amended and restated in its entirety on September 1, 2002 (the "Series 1995A Prior Lease") and issued \$133,600,000 of Certificates of Participation, Series 1995A (the "Series 1995A Prior Certificates") with respect thereto, \$100,460,000 of which are presently outstanding (\$76,440,000 of the Series 1995A Prior Certificates will be prepaid on August 1, 2005 from the proceeds of the Series 2002E Prior Certificates described below), (iii) a Lease which commenced as of May 1, 1996 and subsequently amended and restated in its entirety on September 1, 2002 (the "Series 1996A Prior Lease") and issued \$32,155,000 of Certificates of Participation, Series 1996A (the "Series 1996A Prior Certificates") with respect thereto, \$25,705,000 of which are presently outstanding (\$20,115,000 of the Series 1996A Certificates will be prepaid on August 1, 2006 from the proceeds of the Series 2002E Prior Certificates described below), (iv) a Lease which commenced as of February 15, 2000 and subsequently amended and restated in its entirety on August 16, 2000 and as further amended and restated as of June 1, 2001 (the "Series 2000A Prior Lease") and issued \$169,445,000 of Certificates of Participation, Series 2001B (the "Series 2001B Prior Certificates"), with respect thereto, \$169,090,000 of which are presently outstanding, (v) Leases which commenced as of April 1, 2001 (the "Series 2001A Prior Leases") and issued \$135,500,000 of Certificates of Participation, Series 2001A (the "Series 2001A Prior Certificates") with respect thereto, \$135,145,000 of which are presently outstanding, (vi) Leases which commenced as of February 1, 2002 (the "Series 2002A Prior Leases") and issued \$115,250,000 of Certificates of Participation, Series 2002A (the "Series 2002A Prior Certificates") with respect thereto, \$113,010,000 of which are presently outstanding, (vii) a Lease which commenced as of March 20, 2002 (the "Series 2002B Prior Lease") and issued \$115,350,000 of Certificates of Participation, Series 2002B (the "Series 2002B Prior Certificates") with respect thereto, all of which are presently outstanding; (viii) a Lease which commenced as of May 15, 2002 (the "Series 2002C Prior Lease") and issued \$161,090,000 of Certificates of Participation, Series 2002C (the "Series 2002C Prior Certificates") with respect thereto, all of which are presently outstanding; (ix) a Lease which commenced as of June 11, 2002 (the "Series 2002 QZAB Prior Lease") and issued \$950,000 of Certificates of Participation, Series 2002 QZAB (the "Series 2002 QZAB Prior Certificates") with respect thereto, all of which are presently outstanding; (x) on September 25, 2002 the School Board issued \$93,350,000 of Refunding Certificates of Participation, Series 2002E (the "Series 2002E Prior Certificates") all of which are presently outstanding, the proceeds of which will be applied to prepay a portion of the Series 1995A and Series 1996A Prior Certificates; and (xi) Leases which commenced as of December 1, 2002 (the "Series 2002D Prior Leases") and issued \$191,215,000 of Certificates of Participation, Series 2002D (the "Series 2002D Prior Certificates") with respect thereto, all



of which are presently outstanding. The Series 1994A Prior Certificates, the Series 1995A Prior Certificates, the Series 1996A Prior Certificates, the Series 1997A Prior Certificates, the Series 2001A Prior Certificates, the Series 2001B Prior Certificates, the Series 2002A Prior Certificates, the Series 2002B Prior Certificates, the Series 2002C Prior Certificates, the Series 2002 QZAB Prior Certificates, the Series 2002E Prior Certificates and the Series 2002D Prior Certificates, are collectively referred to herein as the "Prior Certificates." The Series 1994A Prior Lease, the Series 1995A Prior Lease, the Series 1996A Prior Lease, the Series 2000A Prior Lease, the Series 2001A Prior Leases, the Series 2002A Prior Leases, the Series 2002B Prior Lease, the Series 2002C Prior Lease, the Series 2002 QZAB Prior Lease and the Series 2002D Prior Leases, are collectively referred to herein as the "Prior Leases." Concurrently with the execution and delivery of the Series 2003B Lease (defined below) the School Board is entering into a Lease (the "Series 2003A Lease") and issuing \$60,865,000 of Certificates of Participation, Series 2003A (the "Series 2003A Certificates") with respect thereto. See "THE MASTER LEASE PROGRAM."

Pursuant to the applicable provisions of Florida law, including particularly Chapters 1001-1013, Florida Statutes, as amended, the School Board has authorized the execution and delivery of the Master Lease and Schedule No. 2003B ("Schedule 2003B") thereto, as they may be amended from time to time (together with the Master Lease, the "Series 2003B Lease") by resolution duly adopted by the School Board on May 21, 2003 (the "Resolution"). The initial term of the Series 2003B Lease will commence as of June 26, 2003 and end on June 30, 2003, and is automatically renewable annually thereafter through and including August 1, 2029, unless earlier terminated as described herein. See "THE SERIES 2003B LEASE." As of the date hereof, and subject to the Board's right to substitute facilities, the Facilities expected to be lease purchased under the Series 2003B Lease include a replacement high school, modernization of a middle school of arts and a new middle school, as more fully described herein (the Series 2003B Facilities"). See "THE SERIES 2003B LEASE" and "THE SERIES 2003B FACILITIES."

The School Board currently holds title to two of the three sites on which the Series 2003B Facilities are to be located and is expected to acquire the third site by the end of the 2003 calendar year (collectively, the "Series 2003B Facility Sites"). Pursuant to the Series 2003B Ground Lease dated as of June 15, 2003 (the "Series 2003B Ground Lease"), the School Board will lease the Series 2003B Facility Sites to the Corporation for an initial term which commences on June 26, 2003 and ends on August 1, 2034, subject to Permitted Encumbrances (as defined in the Series 2003B Ground Lease), and subject to earlier termination or extension as set forth therein. See "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Series 2003B Ground Lease." Pursuant to the Series 2003B Assignment Agreement dated as of June 15, 2003 (the "Series 2003B Assignment"), between the Corporation and the Trustee, the Corporation will irrevocably assign to the Trustee for

the benefit of the owners of the Series 2003B Certificates (herein defined) substantially all of its right, title and interest in and to the Series 2003B Ground Lease and the Series 2003B Lease including the right to receive the Basic Lease Payments and all other amounts due under the Series 2003B Lease, as herein described. See "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - Series 2003B Assignment."

The payment of the principal portion and interest portion of Basic Lease Payments represented by the Series 2003B Certificates, when due, will be insured by a financial guaranty insurance policy (the "Policy") issued by Ambac Assurance Corporation (the "Insurer" or "Ambac Assurance") concurrently with the delivery of the Series 2003B Certificates. See "MUNICIPAL BOND INSURANCE."

Prior to the Purchase Termination Date (described herein), the payment of the Purchase Price (including accrued interest at a maximum rate of 12% per annum) for Series 2003B Certificates tendered for purchase for which remarketing proceeds are not available will be funded by Dexia Credit Local (acting through its New York Agency) (the "Initial Liquidity Provider"), pursuant to a Standby Purchase Agreement, dated the date of delivery of the Series 2003B Certificates, among the School Board, the Trustee and the Initial Liquidity Provider (the "Initial Liquidity Facility") while the Series 2003B Certificates are in the Weekly, Monthly or Quarterly Rate Period. Prior to conversion to a Daily, Semiannual, Extended, Commercial Paper or Fixed Rate Period, either the Initial Liquidity Facility must be modified or the School Board must obtain an Alternate Liquidity Facility providing for such coverage. The Initial Liquidity Facility expires on June 26, 2008, unless extended by the Initial Liquidity Provider or sooner terminated in accordance with the terms thereof. THE OBLIGATION OF THE INITIAL LIQUIDITY PROVIDER TO PURCHASE SERIES 2003B CERTIFICATES TENDERED FOR PURCHASE MAY, UPON THE OCCURRENCE OF CERTAIN EVENTS, BE SUSPENDED OR TERMINATED PRIOR TO THE PURCHASE TERMINATION DATE. See "LIQUIDITY PROVIDER" and "SUMMARY OF CERTAIN PROVISIONS OF THE STANDBY PURCHASE AGREEMENT" herein. THE SCHOOL BOARD IS NOT OBLIGATED TO PROVIDE THE FUNDS FOR THE PAYMENT OF THE PURCHASE PRICE OF SERIES 2003B CERTIFICATES UPON ANY TENDER.

Brief descriptions of the District, the School Board, the Insurer, the Policy, the Initial Liquidity Provider, the Initial Liquidity Facility, the Series 2003B Facilities are included in this Offering Statement together with summaries of certain provisions of the Series 2003B Certificates, the Master Lease, Schedule 2003B, the Trust Agreement, the Series 2003B Ground Lease and the Series 2003B Assignment. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Master Lease, Schedule 2003B, the Trust Agreement, the Series 2003B Ground Lease and the Series 2003B

Assignment are qualified in their entirety by reference to the respective complete documents. Copies of the documents may be obtained upon written request and payment of the costs of duplication to the Trustee at 10161 Centurion Parkway, Jacksonville, Florida 32256, or to the District at 3300 Forest Hill Boulevard, Suite A-334, West Palm Beach, Florida 33406-5813, Office of the Treasurer. Capitalized terms used herein and not otherwise defined will have the meanings given them in "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS."

## **PURPOSE OF THE SERIES 2003B CERTIFICATES**

The Series 2003B Lease is being entered into by the School Board and the Series 2003B Certificates are being issued for the principal purpose of providing funds sufficient to: (i) finance the acquisition, construction and installation of the Series 2003B Facilities, and (ii) pay certain costs of issuance with respect to the Series 2003B Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS."

## **THE SERIES 2003B CERTIFICATES**

### **General**

The Series 2003B Certificates will be dated their date of delivery and will mature on August 1, 2029. The Series 2003B Certificates shall initially be issued as Variable Rate Certificates with the rate of interest on the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates calculated at a Weekly Rate. The Series 2003B Certificates shall initially be issued exclusively in "book-entry" form and ownership of one fully registered Series 2003B Certificate will be initially registered in the name of "Cede & Co." as nominee of DTC. Individual purchases will be made in increments of \$100,000 and increments of \$5,000 over \$100,000 so long as the Series 2003B Certificates remain in the Variable Rate Mode.

The principal portion due on the Series 2003B Certificates at maturity or earlier prepayment represents an undivided proportionate interest in the principal portion of the Basic Lease Payments due as set forth in the Series 2003B Lease. The interest portion due on the Series 2003B Certificates, payable on each "Interest Payment Date" represents undivided proportionate interests in the interest portion of Basic Lease Payments due on or prior to each Interest Payment Date, to and including the maturity or earlier prepayment of the Series 2003B Certificates. The Trust Agreement defines "Interest Payment Date" as follows:

"Interest Payment Date shall mean, with respect to the Series 2003B Certificates:

(i) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Daily, Weekly or Monthly Rate, the first Business Day of each February and August commencing with respect to the initial Weekly Rate Period, August 1, 2003;

(ii) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Quarterly Rate, the first Business Day of the third calendar month following the Quarterly Rate Conversion Date and subsequently the first Business Day of each third calendar month thereafter;

(iii) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Semiannual or Extended Rate, the first Business Day of the sixth month following the Semiannual or Extended Rate Conversion Date and subsequently the first Business Day of each sixth calendar month thereafter;

(iv) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Fixed Rate, each February 1 and August 1 after the Fixed Rate Conversion Date, commencing with the February 1 or August 1 indicated by the School Board in its notice of election to convert to a Fixed Rate;

(v) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Commercial Paper Rate, each day following the last day of the Interest Period therefor;

(vi) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Auction Rate, each day following the last day of the Interest Period therefor;

(vii) When the Series 2003B Certificates constitute Provider Certificates, each date on which interest on the Provider Certificates is due and payable in accordance with the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Initial Liquidity Provider;

(viii) With respect to any Series 2003B Certificates which are to be prepaid, any date on which such prepayment is made; and

(ix) With respect to any Series 200B Certificate, the Maturity Date."

The principal portion or Prepayment Price of Basic Lease Payments represented by the Series 2003B Certificates is payable at the designated corporate trust office of the Trustee. The interest portion of Basic Lease Payments represented by the Series 2003B Certificates is payable by check or draft of the Trustee, mailed to the registered owner at the address shown on the Certificate register maintained by the Trustee as of the applicable "Record Date." The Trust Agreement defines "Record Date" as follows:

"Record Date shall mean, except with respect to Provider Certificates, (i) the Business Day immediately prior to the Interest Payment Date in question in the case of the Daily, Weekly and Monthly Rate Periods, (ii) the 15th day (whether or not a Business Day) of the calendar month immediately preceding such Interest Payment Date in the case of the Quarterly, Semiannual, Extended Rate or Fixed Rate Periods; (iii) with respect to Series 2003B Certificates outstanding as Auction Rate Certificates, one Business Day next preceding each Interest Payment Date; and (iv) in a Commercial Paper Rate Period, the day (whether or not a Business Day) next preceding each Interest Payment Date."

## **Prepayment**

Optional Prepayment. (i) During any period in which the interest portion of Basic Lease Payments represented by the Series 2003B Certificates is determined at Daily, Weekly, Monthly, Quarterly, Semiannual, Extended (but only if the Extended Rate Period is one year in duration), Commercial Paper or Auction Rates, the Series 2003B Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part at any time during the Daily, Weekly or Monthly Rate Periods or in whole or in part on the last day of a Rate Period during the Quarterly, Semiannual, Extended (but only if the Extended Rate Period is one year in duration), Commercial Paper or Auction Rate Periods at a price equal to the principal portion of Basic Lease Payments represented thereby, without premium, plus the interest portion of Basic Lease Payments represented thereby accrued to the prepayment date.

(ii) During any period in which the interest portion of Basic Lease Payments represented by the Series 2003B Certificates is determined at Extended Rates (but only if the Extended Rate Period is more than one year in duration) or the Fixed Rate, the Series 2003B Certificates are subject to optional prepayment prior to their stated maturity upon request of

the School Board in whole or in part at the times and at the prices set forth below, and in such amounts of principal portions of Basic Lease Payments represented thereby and of such maturities as the School Board shall direct, plus the interest portion of Basic Lease Payments represented thereby accrued to the prepayment date:

Years from Conversion Date until end of Extended Rate Period or <u>Fixed Rate Final</u> <u>Maturity</u>	<u>First Day of</u> <u>Prepayment Period</u>	<u>Prepayment Price</u>
More than fifteen	Tenth anniversary of Conversion Date	100%
More than seven but not more than fifteen	Seventh anniversary of Conversion Date	100%
More than five but not more than seven	Fourth anniversary of Conversion Date	100%
Five or fewer	Second anniversary of Conversion Date	100%

The Series 2003B Supplemental Trust Agreement and the Series 2003B Certificates may be amended as of the Conversion Date upon the request of the School Board, without the consent of any of the Series 2003B Certificate holders, to change the prepayment provisions applicable during an Extended Rate Period or the Fixed Rate Period to such prepayment provisions as are acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee.

Mandatory Sinking Fund Prepayment. Series 2003B Certificates are subject to mandatory prepayment prior to maturity in part, from payments of the principal portion of Basic Lease Payments under the Series 2003B Lease, through the operation of a mandatory

sinking fund, on the first Business Day of each August in the years and in the amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date:

<u>First Business Day of August</u>	<u>Principal Amount</u>	<u>First Business Day of August</u>	<u>Principal Amount</u>
2021	\$3,130,000	2026	\$ 6,035,000
2022	5,125,000	2027	6,290,000
2023	5,335,000	2028	6,555,000
2024	5,560,000	2029*	80,470,000
2025	5,795,000		

\*Final Maturity

Any Series 2003B Certificate subject to mandatory prepayment may be purchased by the School Board prior to the forty-fifth (45th) day preceding the respective Prepayment Date at a price (including any brokerage and other charges) not exceeding the principal amount thereof, plus accrued interest to the date of purchase. At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such applicable Prepayment Date, the School Board may receive a credit against its mandatory prepayment obligation for the applicable Series 2003B Certificates which prior to such date have been (i) purchased by the School Board and presented to the Trustee for cancellation or (ii) prepaid (otherwise than through the operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund prepayment obligation. Each Series 2003B Certificate so purchased, delivered or previously prepaid shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the School Board on such sinking fund prepayment date. Any excess over such obligation shall be credited against applicable future sinking fund prepayment obligations, or deposits with respect thereto, in chronological order, and the principal amount of such Series 2003B Certificates to be prepaid by operation of the mandatory sinking fund shall be accordingly reduced.

When the Series 2003B Certificates are subject to mandatory sinking fund prepayment during an Auction Period of less than ninety (90) days, mandatory sinking fund prepayments scheduled to occur during such Auction Period shall be made on the Interest Payment Date following the Auction Period during which such scheduled sinking fund prepayment would otherwise have occurred.

Extraordinary Prepayment. Series 2003B Certificates are subject to extraordinary prepayment in whole or in part at any time, and if in part, in such order of maturity as shall be designated by the School Board and by lot within a maturity in such manner as the Trustee shall determine to be fair and appropriate, in an amount equal to the principal portion of Basic Lease Payments prepaid under the Series 2003B Lease, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if there are Net Proceeds equal to or greater than 10% of the remaining principal portion of the Basic Lease Payments relating to the Series 2003B Facilities as a result of the damage, destruction or condemnation of any portion of the Series 2003B Facilities and an election is made by the School Board under the Master Lease to apply the amount to the prepayment of the principal portions of Basic Lease Payment relating to the Series 2003B Facilities and represented by the Series 2003B Certificates.

At the election of the Insurer, the Series 2003B Certificates are also subject to extraordinary 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 either because funds have not been appropriated for Lease Payments under the Series 2003B Lease or any other Leases or the School Board has defaulted under the Series 2003B Lease or any other Leases.

As long as a book-entry system is used for determining beneficial ownership of Series 2003B Certificates, if less than all of the Series 2003B Certificates with the same maturity date are to be prepaid, DTC and its Participants shall determine, by lot, which of the Series 2003B Certificates with the same maturity date are to be prepaid. See "BOOK-ENTRY ONLY SYSTEM" herein.

Selection of Certificates for Prepayment. If less than all of the Series 2003B Certificates shall be called for prepayment, the particular Series 2003B Certificates or portions of Series 2003B Certificates to be prepaid shall be selected in accordance with the Trust Agreement, subject to the following order of priority of prepayment: First: any Provider Certificate; Second: any Series 2003B Certificates that have been tendered to the Tender Agent on the Prepayment Date; and Third: any other Series 2003B Certificates.

Notice. When prepayment of Series 2003B Certificates is required, the Trustee will mail a copy of the notice required by the Trust Agreement, postage prepaid, not less than thirty days before the Prepayment Date in the case of optional prepayments, extraordinary prepayment due to damage, destruction or condemnation of the Series 2003B Facilities and 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 upon an event of non-appropriation or event of default under the Master Lease, to the Holders of any Series 2003B Certificates or portions



thereof to be prepaid, at their last addresses appearing upon the Series 2003B Certificates registry books, but any defect in the notice to a particular Series 2003B Certificate holder will not affect the validity of the proceedings for the prepayment of Series 2003B Certificates.

As long as a book-entry system is used for determining beneficial ownership of Series 2003B Certificates, notice of prepayment will only be sent to DTC. DTC will be responsible for notifying the DTC Participants, which will in turn be responsible for notifying the Beneficial Owners. Any failure of DTC to notify any DTC Participant, or of any DTC Participant to notify the Beneficial Owner of any such notice, will not affect the validity of the prepayment of the Series 2003B Certificates.

Effect of Prepayment. If, on the Prepayment Date, moneys for the payment of the Prepayment Price of the Series 2003B Certificates or portions thereof to be prepaid are held by the Trustee and available therefore on the Prepayment Date and if notice of prepayment has been given as described above, then from and after the Prepayment Date, the interest portion of the Series 2003B Certificates or the portion thereof called for prepayment will cease to accrue. If such moneys are not available on the Prepayment Date, the principal portion represented by such Series 2003B 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.

## **Variable Interest Rates**

Determination by Remarketing Agent; Notice of Rates Determined. The Series 2003B Certificates shall initially bear interest at the Weekly Rate until converted to another Rate Period. Subject to the further provisions of the Trust Agreement with respect to particular Variable Rates or conversions between Rate Periods, and subject to the provisions of the Series 2003B Certificates, the Variable Rate to be applicable to Series 2003B Certificates during any Variable Rate Period shall be determined by the Remarketing Agent and notice thereof shall be given as follows:

(i) Notice of each preliminary Variable Rate (if applicable) and final Variable Rate shall be given as follows:

(A) By the Remarketing Agent to the Trustee and the Tender Agent by telephone (followed by notice in writing by an authorized officer of the Remarketing Agent) not later than 5:00 p.m., New York City time, (10:00 a.m., New York City time, with respect to Daily Rates) on the date of determination; and

(B) On the last Business Day of each month or more frequently upon the Series 2003B Credit Facility Issuer's or Liquidity Provider's written request, the Tender Agent shall provide written notice thereof to the Series 2003B Credit Facility Issuer and the Liquidity Provider.

Notice of each preliminary Quarterly, Semiannual and Extended Rate, and of each Quarterly, Semiannual and Extended Rate, shall be given by the Trustee by sending notice in writing to the Owners of the Series 2003B Certificates and the Trustee not later than 5:00 p.m., New York City time, on the third Business Day following the date of determination. The Tender Agent shall inform the Owners of the Series 2003B Certificates and the Trustee of the Daily and Weekly Rates upon request.

(ii) The preliminary Variable Rate, if applicable, or the final Variable Rate so to be determined shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Series 2003B Certificates to have a market value equal to the principal portion of Basic Lease Payments represented thereby, plus the accrued interest portion of Basic Lease Payments represented thereby, under prevailing market conditions as of the date of determination of such preliminary Variable Rate, if applicable, or final Variable Rate. The preliminary Quarterly, Semiannual or Extended Rate is intended to serve only as an indication of the lowest interest rate that would cause the Series 2003B Certificates to have a market value equal to par under market conditions on the date on which such preliminary Variable Rate is determined. The Variable Rate determined after the preliminary Quarterly, Semiannual or Extended Rate is determined may be higher, lower or the same as such preliminary Variable Rate. Notwithstanding the foregoing, in no event shall such preliminary Variable Rate or the final Variable Rate for any Variable Rate Period exceed the Maximum Rate.

(iii) Absent manifest error, all determinations of Variable Rates shall be conclusive and binding upon the School Board, the Trustee, the Tender Agent, the Series 2003B Credit Facility Issuer, the Liquidity Provider, and the Owners of the Series 2003B Certificates. The School Board, the Trustee, the Tender Agent and the Remarketing Agent shall not be liable to the Owner of any Series 2003B Certificate for failure to give any notice required above or for failure of the Owner of any Series 2003B Certificate to receive any such notice.

Daily Rates. Daily Rate Periods shall be from each Business Day to but excluding the following Business Day. The Daily Rate for each Daily Rate Period shall be determined by the Remarketing Agent not later than 10:00 a.m., New York City time, on the commencement date of the Daily Rate Period to which it relates.

Weekly Rates. Weekly Rate Periods shall be from Thursday of each week to, but excluding, Thursday of the following week; except that (A) in the case of a conversion to a Weekly Rate Period from a different Variable Rate Period, the initial Weekly Rate Period for the Series 2003B Certificates shall be from and including the Weekly Rate Conversion Date to but excluding Thursday of the following week; and (B) in the case of a conversion of the Series 2003B Certificates from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period shall end on and exclude the Conversion Date. The Weekly Rate for each Weekly Rate Period shall be determined not later than 4:00 p.m., New York City time, on Wednesday or, if such Wednesday is not a Business Day, the last Business Day which is immediately prior to the commencement date of the Weekly Rate Period to which it relates.

Monthly Rates. Monthly Rate Periods shall be from and including the first Business Day of each calendar month to but excluding the first Business Day of the following month. The Monthly Rate for each Monthly Rate Period shall be determined not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period.

Quarterly Rates. Quarterly Rate Periods shall be (A) initially from and including the Quarterly Rate Conversion Date for the Series 2003B Certificates and, thereafter, from and including the first Business Day of each third calendar month; (B) to but excluding the first Business Day of the third calendar month thereafter. The Quarterly Rate for each Quarterly Rate Period shall be determined as follows:

- (i) A preliminary Quarterly Rate for each Quarterly Rate Period shall be determined not later than 4:00 p.m., New York City time, on the last Business Day which is at least 15 days preceding the commencement date of such period; and
- (ii) The actual Quarterly Rate for each Quarterly Rate Period shall be determined not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period.

Semiannual Rates. Semiannual Rate Periods shall be (A) initially from and including the Semiannual Rate Conversion Date for the Series 2003B Certificates and, thereafter, from and including the first Business Day of each sixth calendar month thereafter; (B) to but excluding the first Business Day of the sixth month thereafter. The Semiannual Rate for each Semiannual Rate Period shall be determined as follows:

- (i) A preliminary Semiannual Rate for each Semiannual Rate Period shall be determined not later than 4:00 p.m., New York City time, on the last Business Day

which is at least 30 days immediately preceding the commencement date of such period;

(ii) The actual Semiannual Rate for each Semiannual Rate Period shall be determined not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period.

Extended Rates. Extended Rate Periods shall commence initially on the Extended Rate Conversion Date for the Series 2003B Certificates, and subsequently on the first Business Day of the calendar month following the last day of the prior Rate Period and extend for a period of one year or integral multiples of six months in excess of one year set by the Remarketing Agent, and end on a day which is the last day preceding the first Business Day of a calendar month. The Extended Rate for each Extended Rate Period shall be determined as follows:

(i) A preliminary Extended Rate for each Extended Rate Period shall be determined not later than 4:00 p.m., New York City time, on the last Business Day which is at least 30 days immediately preceding the commencement date of such period;

(ii) The actual Extended Rate for each Extended Rate Period shall be determined not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period.

Commercial Paper Rates; Auction Rate. See "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Series 2003B Supplemental Trust Agreement" for a description of the provisions of the Trust Agreement governing the establishment of interest rates on the Series 2003B Certificates during the Commercial Paper Rate Period or Auction Rate Period.

Limitation on Rate Periods. Variable Rate Periods may not extend beyond the scheduled expiration date of the Liquidity Facility.

### **Conversion between Variable Rate Periods and from Variable Rate Period to Commercial Paper Rate Period**

At the option of the School Board and upon delivery of a Favorable Opinion to the Trustee, and the School Board, the Series 2003B Certificates may be converted from one Variable Rate Period to another Variable Rate Period or to a Commercial Paper Rate Period. The Conversion Date shall be an Interest Payment Date for the Variable Rate Period from

which the conversion is to be made; provided, however, that in the case of a conversion from an Extended Rate Period, the Conversion Date shall be limited to an Interest Payment Date on which a new Extended Rate Period for the Series 2003B Certificates would otherwise have commenced pursuant to the Trust Agreement. At the direction of the School Board, the Remarketing Agent shall give written notice of any conversion to the Trustee, the Tender Agent, the School Board, the Insurer and the Liquidity Provider not less than five Business Days prior to the date on which the Tender Agent is required to notify the Owners of the conversion. Such notice shall specify the Conversion Date and the Rate Period to which the conversion will be made. Not less than 30 days prior to any Conversion Date, the Tender Agent shall mail or cause the Trustee to mail a written notice of the conversion to the School Board, the Trustee, the Insurer, the Liquidity Provider and all of the Owners of the Series 2003B Certificates. Such notice shall set forth (A) the information contained in the notice from the Remarketing Agent, (B) the Interest Payment Dates for the new Rate Period, (C) the dates on which the Remarketing Agent will determine and the Tender Agent will notify the Owners of the preliminary Variable Rate, if applicable, and the final Variable Rate for the Variable Rate Period or the Commercial Paper Rates and the length of the Commercial Paper Rate Periods, as the case may be, commencing on the Conversion Date, and (D) that the Series 2003B Certificates to be converted (except a conversion between a Daily Rate Period and a Weekly Rate Period) will be subject to mandatory tender for purchase on the Conversion Date.

Notwithstanding the delivery of a notice of conversion, conversion to a new Variable Rate Period or to a Commercial Paper Rate Period shall not take effect if:

- (i) The Remarketing Agent fails to determine a Variable Rate for the Rate Period to which the conversion is to be made or the Commercial Paper Rate and the Commercial Paper Rate Period, as the case may be, in accordance with the Trust Agreement and the Series 2003B Certificates;
- (ii) Any notice required by the Trust Agreement with respect to such conversion is not given when required;
- (iii) There is not delivered to the School Board, the Insurer and the Trustee a Favorable Opinion, dated as of the Conversion Date;
- (iv) Such notice of conversion is rescinded by the School Board by written notice of such rescission to the Trustee, the Liquidity Provider and the Remarketing Agent which written notice is delivered prior to the applicable Conversion Date. If the Trustee receives notice of such rescission at least 10 days prior to the proposed Conversion Date, then such notice of conversion shall be of no force and effect. If

the Trustee receives notice of such rescission on or after nine days prior to the proposed Conversion Date, then the Series 2003B Certificates shall automatically adjust to a Weekly Rate Period. Any purchases of Series 2003B Certificates scheduled or required to take place on the proposed effective date of any Rate Period (being also the effective date of the automatic adjustment to a Weekly Rate Period) shall take place on such date. No Favorable Opinion shall be required in connection with any automatic adjustment to a Weekly Rate Period; or

(v) There is not delivered to the Trustee written evidence from the Rating Agency that any such conversion to a Commercial Paper Rate, Quarterly Rate, Semiannual Rate or Extended Rate will not, of itself, cause a reduction or withdrawal of any rating then assigned to the Series 2003B Certificates; provided, however that (i) a reduction in rating resulting solely from provision of an Alternate Liquidity Facility shall not render such conversion ineffective if the Alternate Liquidity Facility otherwise complies with the requirements of the Series 2003B Supplemental Trust Agreement or (ii) a reduction in rating resulting solely from failure to provide a Liquidity Facility for the proposed Rate Period shall not render such conversion ineffective if the Series 2003B Certificates shall otherwise comply with the requirements of Section 501(a) of the Series 2003B Trust Agreement.

Except as specifically provided in subparagraph (iv) above, in any such event, the Series 2003B Certificates which were to be converted shall automatically be converted to a Weekly Rate Period on the date such conversion was to be made, provided that any mandatory or optional tender for purchase on the Conversion Date shall nevertheless be carried out. No cancellation of a conversion pursuant to this subsection shall constitute an Event of Default under the Trust Agreement. Upon the occurrence of an event described in (i) above, the Weekly Rate for the Series 2003B Certificates shall be the per annum rate of interest determined on each Wednesday (or if such day is not a Business Day, the immediately preceding Business Day) by the Trustee which is equal to the lesser of the Maximum Rate and a rate equal to "The Bond Market Association Municipal Swap Index" (or a comparable index, if such index is no longer published) most recently published, plus 50 basis points.

Conversion to Fixed Rate or Auction Rate. The Series 2003B Certificates shall be converted from a Variable Rate Period to bear interest at a Fixed Rate or Auction Rate upon request of the School Board as provided in the Trust Agreement. The Fixed Rate Conversion Date or Auction Rate Conversion Date shall be:

(i) In the case of a conversion from a Variable Rate Period other than an Extended Rate Period, an Interest Payment Date for the Series 2003B Certificates on

which interest is payable for the Variable Rate Period from which the conversion is to be made; and

(ii) In the case of a conversion from an Extended Rate Period, an Interest Payment Date for the Series 2003B Certificates on which a new Extended Rate Period would otherwise have commenced.

Not less than 45 days (or such shorter period approved by the parties to receive the same) prior to the Fixed Rate Conversion Date or Auction Rate Conversion Date, the School Board shall give written notice to the Trustee, the Tender Agent, the Remarketing Agent, the Insurer and the Liquidity Provider, setting forth (A) the election to convert the Series 2003B Certificates to a Fixed Rate or Auction Rate, as the case may be, and (B) the proposed Fixed Rate Conversion Date or Auction Rate Conversion Date, and (C) that the Liquidity Facility, if any, will terminate on the Fixed Rate Conversion Date or Auction Rate Conversion Date. As a condition of any such conversion, the Trustee, the Series 2003B Credit Facility Issuer, the Liquidity Provider and the Remarketing Agent shall receive, concurrently with the notice, a Favorable Opinion.

The Remarketing Agent shall make a preliminary determination of the Fixed Rate or Fixed Rates for the Series 2003B Certificates and the maturities of the Series 2003B Certificates in the same manner as is provided for the final determination of Fixed Rates as provided in the Trust Agreement. Such preliminary determination shall be made on a Business Day which is at least 35 days prior to the Fixed Rate Conversion Date. On the date of the preliminary determination, the Remarketing Agent shall notify the Tender Agent and the Tender Agent shall notify the School Board, the Trustee and the Insurer, by telephone (promptly confirmed in writing), telegram, telecopy, telex or other similar means of communication of the preliminary Fixed Rate or Fixed Rates so determined. Determination of all details of the Series 2003B Certificates upon conversion to Auction Rate Certificates shall be made in accordance with Exhibit B to the Series 2003B Supplemental Trust Agreement.

The Tender Agent shall mail or cause the Trustee to mail a notice of the proposed conversion to the School Board, the Trustee, the Insurer, the Liquidity Provider and the Owners. Such notice shall be mailed not less than 30 days prior to the proposed Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be. Such notice shall set forth the proposed Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be, and state:

(i) that the Series 2003B Certificates are subject to mandatory tender for purchase (without the right to retain) on the Fixed Rate Conversion Date or Auction

Rate Conversion Date, as the case may be, at a Purchase Price of par plus accrued interest;

(ii) the time at which Series 2003B Certificates are to be tendered for purchase; and

(iii) that the Series 2003B Certificates shall be deemed purchased on the Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be, and thereafter the Owner shall have no further rights hereunder except to receive such Purchase Price.

Notwithstanding the delivery of notice of a Fixed Rate or Auction Rate conversion, conversion of Series 2003B Certificates to a Fixed Rate Period or Auction Rate Period, as the case may be, shall not take effect:

(i) if the School Board withdraws such notice of conversion not later than the Business Day preceding the date on which the Fixed Rate or Auction Rate is to be determined;

(ii) if the Remarketing Agent fails to determine a Fixed Rate or an Auction Rate has not been determined;

(iii) if any notice required by the Trust Agreement is not given when required; or

(iv) if upon the conversion, any Fixed Rate Series 2003B Certificates or Auction Rate Certificates would be Provider Certificates unless the Liquidity Provider and the Insurer consent.

In any of such events, the Series 2003B Certificates shall automatically be converted to a Weekly Rate for a Weekly Rate Period which shall commence on the date the Fixed Rate or Auction Rate conversion was to be made, provided that the mandatory tender for purchase pursuant to the Trust Agreement shall nevertheless be carried out if notice of the Fixed Rate or Auction Rate conversion had been given to the Owners of the Series 2003B Certificates. Withdrawal of a conversion notice shall be given by the School Board to the Trustee, the Tender Agent, the Auction Agent (in the case of the Auction Rate), the Trustee, the Remarketing Agent, the Insurer and the Liquidity Provider, by telephone, promptly confirmed in writing. No cancellation of a Fixed Rate or Auction Rate conversion pursuant to this subsection shall constitute an Event of Default hereunder. If the Series 2003B Certificates are converted to a Weekly Rate, and the Remarketing Agent fails to set a Weekly



Rate, the Weekly Rate shall be the per annum rate of interest determined on each Wednesday (or if such day is not a Business Day, the immediately preceding Business Day) by the Trustee which is equal to the lesser of the Maximum Rate and a rate equal to "The Bond Market Association Municipal Swap Index" (or a comparable index, if such index is no longer published) most recently published, plus 50 basis points.

### **Conversion between Commercial Paper Rate Periods to Other Rate Periods**

See "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Series 2003B Supplemental Trust Agreement" for a description of the provisions of the Trust Agreement governing the conversion of Series 2003B Certificates from the Commercial Paper Rate Period to a different Rate Period.

### **Optional Tenders by Owners During Variable Rate Periods**

During any Variable Rate Period a beneficial owner of the Series 2003B Certificates (other than Provider Certificates) may elect to have its Series 2003B Certificates (or portions thereof in Authorized Denominations) purchased at the Purchase Price, on the following Purchase Dates by causing the Direct Participant through whom such beneficial owner owns such Series 2003B Certificate to give the following irrevocable telephonic or written notices and upon transfer on the registration books of DTC on the same day such notice is given of the beneficial ownership interest in such Series 2003B Certificates to the account of the Trustee, "free delivery" for settlement on the Purchase Date:

(i) While the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Daily Rates, Series 2003B Certificates may be tendered for purchase on any Business Day upon telephonic notice of tender given to the Tender Agent and the Remarketing Agent not later than 10:15 a.m., New York City time, on the Purchase Date;

(ii) While the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Weekly Rates, Series 2003B Certificates may be tendered for purchase on any Business Day upon delivery of telephonic, facsimile or e-mail notice of tender to the Tender Agent and the Remarketing Agent not later than 5:00 p.m., New York City time, on a Business Day not less than 7 days prior to the Purchase Date;

(iii) While the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Monthly, Quarterly or Semiannual Rates, Series 2003B Certificates may be tendered for purchase on any Interest Payment Date

upon delivery of a written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day which is not less than 7 days prior to the Interest Payment Date while the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Monthly and Quarterly Rates, or 15 days prior to the Interest Payment Date while the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Semiannual Rates; and

(iv) While the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Extended Rates, Series 2003B Certificates may be tendered for purchase on the commencement date of any Extended Rate Period (other than the Extended Rate Conversion Date) upon delivery of a written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day which is not less than 15 days prior to the commencement of a new Extended Rate Period.

Each notice of tender, whether delivered in writing or electronically: (i) shall be delivered to the Tender Agent and, while the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Weekly Rates, a copy thereof delivered to the Remarketing Agent, at its principal office and containing the information required in the form provided for in the Series 2003B Certificates; (ii) shall state (A) the principal portion of Basic Lease Payments represented by the Series 2003B Certificate or portion thereof to be purchased, (B) that the Owner irrevocably demands purchase of such principal portion of Basic Lease Payments represented by the Series 2003B Certificate or portion thereof, (C) the date on which such principal portion of Basic Lease Payments represented by the Series 2003B Certificate or portion thereof is to be purchased, (D) payment instructions, and (E) the DTC number of such Direct Participant; and (iii) shall automatically constitute (A) an irrevocable offer to sell the principal portion of Basic Lease Payments represented by the Series 2003B Certificate or portion thereof to which the notice relates on the Purchase Date to any purchaser selected by the Remarketing Agent, at the Purchase Price, (B) an irrevocable authorization and instruction to the Trustee to effect transfer of such principal portion of Basic Lease Payments represented by the Series 2003B Certificate or portion thereof upon payment of such price to the Trustee on the Purchase Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Series 2003B Certificate to be purchased in whole or in part for other Series 2003B Certificates of the same maturity in an equal aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates so as to facilitate the sale of the principal portion of Basic Lease Payments represented by such Series 2003B Certificate or portion thereof, and (D) an acknowledgment that such Owner will have no further rights with respect to the principal portion or interest portion of Basic Lease Payments represented by

such Series 2003B Certificate or portion thereof upon payment of the Purchase Price by the Trustee on the Purchase Date to the Direct Participant from whom the notice of tender is received, except for the right of such Owner to receive such Purchase Price upon surrender of such Series 2003B Certificate to the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered shall be conclusive and binding upon the Owner. The Trustee shall hold beneficial ownership interests of the principal portion and interest portion of Basic Lease Payments represented by Series 2003B Certificates delivered to it pending settlement in trust for the benefit of the Direct Participant from whom the beneficial interests in the principal portion and interest portion of Basic Lease Payments represented by such Series 2003B Certificates are received and shall remit any payment of the interest portion of Basic Lease Payments received with respect to such Series 2003B Certificates for the period prior to the Purchase Date to such Direct Participant.

### **Mandatory Tenders Upon Variable Rate or Commercial Paper Rate Conversion**

In the case of any conversion from one Variable Rate Period to another Variable Rate Period (except a conversion between a Daily Rate Period and a Weekly Rate Period) or from a Variable Rate Period to a Commercial Paper Rate Period, Series 2003B Certificates representing the interest portion of Basic Lease Payments which are to be converted are subject to mandatory tender for purchase on the Conversion Date at the Purchase Price.

Any notice of a conversion given to Series 2003B Certificate holders shall specify whether the Series 2003B Certificates to be converted will be subject to mandatory tender for purchase on the Conversion Date and the time at which Series 2003B Certificates are to be tendered for purchase.

### **Mandatory Tenders Upon Expiration, Substitution or Termination of Liquidity Facility**

Prior to the Fixed Rate or Auction Rate Conversion Date of the interest portion of Basic Lease Payments represented by Series 2003B Certificates, the portion of the Basic Lease Payments represented by Series 2003B Certificates shall be subject to mandatory tender for purchase at the Purchase Price:

- (i) on the date of substitution of an Alternate Liquidity Facility; or
- (ii) on a Business Day which is at least five days prior to the expiration of the Liquidity Facility;

(iii) on a Business Day which is at least two days prior to the effective date of termination of the Liquidity Facility; or

(iv) on a Business Day which is at least five days prior to a Notice Termination Date of the Liquidity Facility.

Notice of mandatory tender of Series 2003B Certificates shall be given by mail by the Tender Agent at the direction of the Trustee to the Holders of said Series 2003B Certificates by first class mail not less than 30 days (20 days in the case of a mandatory tender upon a Notice Termination Date) prior to the mandatory tender date. Notice having been so given, such mandatory tender shall occur on the date provided in such notice whether or not a Liquidity Facility is provided after such initial notice has been given.

The Remarketing Agent shall offer for sale at par and use its best efforts to find purchasers for the portion of Basic Lease Payments represented by the Series 2003B Certificates to be tendered and advise them whether the Liquidity Facility will be replaced. In the case of replacement of the Liquidity Facility, the School Board shall give notice to the Trustee and the Trustee shall provide written notice to the Remarketing Agent and shall inform prospective purchasers of the identity of the new Liquidity Provider and the ratings to be in effect on the Series 2003B Certificates following such replacement. See "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Series 2003B Supplemental Trust Agreement" for a description of the conditions which must be satisfied to provide for an Alternate Liquidity Facility. All Series 2003B Certificates shall be at all times remarketed at the Purchase Price.

### **Mandatory Tenders Upon Conversion to Fixed Rate or Auction Rate**

In the case of any conversion of the determination of the interest portion of Basic Lease Payments represented by Series 2003B Certificates from a Variable Rate Period to the Fixed Rate Period or Auction Rate Period, the Series 2003B Certificates to be converted are subject to mandatory tender for purchase on the Conversion Date at the Purchase Price.

Any notice of a conversion given to Series 2003B Certificate holders shall specify that the Series 2003B Certificates to be converted will be subject to mandatory tender for purchase on the Conversion Date and the time at which Series 2003B Certificates are to be tendered for purchase.

## Purchase of Tendered Series 2003B Certificates

Before 4:00 p.m., New York City time, on the Purchase Date and upon receipt by the Trustee of 100% of the aggregate Purchase Price of the tendered Series 2003B Certificates, the Trustee shall pay the Purchase Price of such Series 2003B Certificates to the Owners thereof at its principal office or by bank wire transfer. Such payments shall be made in immediately available funds. Payments of such Purchase Price are to be made from the following sources in the order of priority indicated:

- (i) The proceeds of the sale of the Series 2003B Certificates which have been remarketed by the Remarketing Agent (other than proceeds of a sale of the Series 2003B Certificates to the Corporation); and
- (ii) The proceeds of the sale of the Series 2003B Certificates which have been purchased by the Liquidity Provider pursuant to the Liquidity Facility or other proceeds received under or pursuant to a Liquidity Facility; and
- (iii) Moneys paid by the School Board for such purpose. **The School Board is not obligated to provide the funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

While the DTC Book-Entry Only System is in effect for the Series 2003B Certificates, the Trustee shall deliver Series 2003B Certificates purchased or remarketed by the Remarketing Agent by transfer of beneficial ownership of such Series 2003B Certificates on the registration books of DTC to or upon the order of the Remarketing Agent.

All Series 2003B Certificates to be purchased on any date shall be required to be delivered to the designated corporate trust office of the Tender Agent at or before 11:30 a.m., New York City time, on the Purchase Date, except that while the interest portion of Basic Lease Payments is determined at Semiannual or Extended Rates, Series 2003B Certificates being tendered for purchase at the election of the Owner shall be delivered to the designated corporate trust office of the Tender Agent along with the notice of tender.

If the Owner of any Series 2003B Certificate (or portion thereof) that is subject to purchase fails to surrender such Series 2003B Certificate to the Tender Agent for purchase on the Purchase Date, and if the Trustee is in receipt of the Purchase Price therefor, such Series 2003B Certificate (or portion thereof) shall nevertheless be deemed purchased on the Purchase Date and ownership of such Series 2003B Certificate (or portion thereof) shall be transferred to the purchaser thereof as provided in the Trust Agreement. Any Owner who fails to deliver a Series 2003B Certificate for purchase as required above shall have no

further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Series 2003B Certificate to the Tender Agent. The Tender Agent shall promptly notify the Trustee of any such failure to deliver a Series 2003B Certificate to the Tender Agent, and the Trustee shall be entitled to conclusively rely on such notification.

### **Insufficient Funds for Purchases**

If the moneys available for purchase of Series 2003B Certificates are inadequate for the purchase of all Series 2003B Certificates which are tendered on any Purchase Date, the interest portion of Basic Lease Payments represented by all Series 2003B Certificates subject to such purchase shall be determined at a rate which is the lesser of (i) a rate established by the Remarketing Agent or (ii) the Maximum Rate to the date on which the earliest of the following occurs:

(a) The Fixed Rate Conversion Date or the Auction Rate Conversion Date or the Conversion Date for any other Rate Period (if the School Board is able to obtain a rating without a Liquidity Facility which satisfies the requirements of the Trust Agreement);

(b) The date on which any default by the Liquidity Provider under the terms of the Liquidity Facility has been cured; or

(c) The effective date of a new interest rate established by the Remarketing Agent which is less than the Maximum Rate after the date on which an Alternate Liquidity Facility meeting the requirements of the Trust Agreement becomes effective.

If the preceding paragraph becomes applicable, (i) the Tender Agent shall immediately (but no later than the end of the next succeeding Business Day) return all tendered Series 2003B Certificates to the Owners thereof and notify all Owners of Series 2003B Certificates in writing of the rate at which the interest portion of Basic Lease Payments represented by such Series 2003B Certificates will be determined pursuant to the preceding paragraph and (ii) the Trustee shall return all moneys received for the purchase of such Series 2003B Certificates to the Persons who provided such moneys; provided, however, that the Owners shall retain all rights to tender the Series 2003B Certificates pursuant to the provisions of the Trust Agreement and the obligation of the School Board to honor such tenders shall remain in effect until payment therefor has been provided in accordance with the provisions of the Trust Agreement. **THE SCHOOL BOARD IS NOT OBLIGATED TO PROVIDE THE FUNDS FOR THE PAYMENT OF THE PURCHASE PRICE OF SERIES 2003B CERTIFICATES UPON ANY TENDER.**

## **Effect of Termination Under Liquidity Facility**

While the Initial Liquidity Facility remains in effect, upon the occurrence of an "Event of Termination" under the Liquidity Facility, the obligation of the Initial Liquidity Provider to make funds available pursuant to the Initial Liquidity Facility to purchase Series 2003B Certificates subject to optional or mandatory tender for purchase will terminate or be suspended. In some cases such termination or suspension will be immediate and without prior notice (an "Immediate Termination or Suspension"). See "SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL LIQUIDITY FACILITY - Events of Termination" herein for a description of the events which trigger termination or suspension of the Initial Liquidity Provider's obligations under the Initial Liquidity Facility.

If an Event of Termination occurs, the Initial Liquidity Facility shall be terminated or suspended, as the case may be, and the Initial Liquidity Provider shall have no further obligation to purchase Series 2003B Certificates. In the case of an Immediate Termination or Suspension, the termination of the Initial Liquidity Facility shall occur without prior notice to Certificateholders. **The School Board is not obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

In the case of an Alternate Liquidity Facility, an Immediate Termination or Suspension shall mean a termination event under such Alternate Liquidity Facility whereby the Liquidity Provider immediately terminates or suspends its obligation to purchase Series 2003B Certificates tendered for purchase, which termination events may or may not be similar to an Immediate Termination or Suspension applicable in the case of the Initial Liquidity Facility.

## **Book-Entry Tenders**

All tenders for purchase during any period in which the Series 2003B Certificates are registered in the name of Cede & Co. (or the nominee of any successor securities depository) shall be subject to the terms and conditions set forth in the Representation Letter and any notes and regulations promulgated by DTC. See "BOOK-ENTRY ONLY SYSTEM."

## **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"), New York, New York, initially will act as securities depository for the Series 2003B Certificates. The Series 2003B 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 Series 2003B Certificate will be issued for each maturity of the Series 2003B Certificates, as set forth on the inside cover page hereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants area on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

So long as the book-entry only system is in effect, beneficial interests in the Series 2003B Certificates will be available in book-entry form only, in the principal amount of



\$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2003B Certificates will not receive certificates representing their beneficial interests in the Series 2003B Certificates purchased. The underwriters for the Series 2003B Certificates are expected to confirm original issuance purchases of beneficial interests with statements containing certain terms of the Series 2003B Certificates in which such beneficial interests are purchased.

Purchases of Series 2003B Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003B Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2003B 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 2003B Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2003B Certificates, except in the event that use of the book-entry system for the Series 2003B Certificates is discontinued.

To facilitate subsequent transfers, all Series 2003B 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 2003B 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 2003B Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003B Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

The Trustee will make payments of principal of, premium, if any, and interest on the Series 2003B Certificates to DTC or such other nominee, as may be requested by an authorized representative of DTC, as registered owner of the Series 2003B Certificates.

DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, the School Board or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption 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 Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

The Trustee will send redemption notices to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2003B Certificates unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee or the Corporation as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2003B Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

**THE CORPORATION, THE SCHOOL BOARD AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE BENEFICIAL OWNERS, DTC PARTICIPANTS OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE SERIES 2003B CERTIFICATES, FOR THE ACCURACY OF RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO THE SERIES 2003B CERTIFICATES OR THE PROVIDING OF NOTICE OR PAYMENT OF PRINCIPAL, OR INTEREST, OR ANY PREMIUM ON THE SERIES 2003B CERTIFICATES, TO DTC PARTICIPANTS OR BENEFICIAL OWNERS, OR THE SELECTION OF SERIES 2003B CERTIFICATES FOR REDEMPTION.**

The Corporation, the School Board and the Trustee cannot give any assurances that DTC, DTC Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2003B Certificates paid to DTC or its nominee, or any redemption

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 2003B 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 determine to discontinue providing its services with respect to the Series 2003B Certificates at any time by giving notice to the School Board and the Trustee and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, in the event that a successor depository is not obtained, Series 2003B Certificates are required to be printed and delivered. In addition, the Trustee, at the direction of the School Board, may determine to discontinue the use of book-entry transfers through DTC (or any successor securities depository). Under such circumstances, certificated Series 2003B Certificates are required to be delivered as described in the Trust Agreement.

## **SECURITY FOR THE SERIES 2003B CERTIFICATES**

### **General**

The Series 2003B Certificates evidence undivided proportionate interests in Basic Lease Payments made by the School Board under the Series 2003B Lease. The Series 2003B Certificates are secured by and payable from the Trust Estate established for the Series 2003B Certificates (the "Trust Estate") pursuant to the Trust Agreement. The Trust Estate consists of all estate, right, title and interest of the Trustee in and to the Basic Lease Payments under the Series 2003B Lease, and all amounts held in the funds and accounts under the Trust Agreement in accordance with the provisions of the Master Lease and the Trust Agreement, including investment earnings thereon, and any and all monies received by the Trustee pursuant to the Series 2003B Lease and the Trust Agreement which are not required to be remitted to the School Board or the Corporation pursuant to the Master Lease or the Trust Agreement.

Neither the Corporation nor the School Board will mortgage or grant a security interest in the Series 2003B Facilities to the Trustee. Upon termination of the Series 2003B Lease upon the occurrence of an event of non-appropriation or in the case of certain events of default, however, the Series 2003B Lease provides that the School Board must surrender possession of the Series 2003B Facilities to the Trustee as assignee of the Corporation for disposition by sale or re-letting of its interest in the Series 2003B Facilities as provided in the Trust Agreement, and any proceeds of any such disposition will be applied to the payment

of the Series 2003B Certificates, after payment of the expenses of the Trustee. See "THE SERIES 2003B FACILITIES" herein for a description of the Series 2003B Facilities against which the Trustee has rights. See "THE SERIES 2003B LEASE - Effect of Termination for Non-Appropriation or Default."

## **Lease Payments**

All Basic and Additional Lease Payments and all other amounts required to be paid by the School Board under the Series 2003B Lease 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 2003B Facilities are described under "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT." Such revenues are also used to pay other outstanding obligations of the District.

The Trust Agreement provides for the establishment and maintenance of a Series 2003B Lease Payment Account for deposit of Basic Lease Payments appropriated and paid under the Series 2003B Lease. Within the Series 2003B Lease Payment Account there has been established two subaccounts, the "Interest Reserve Subaccount" and the "Interest Portion Subaccount." 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 on a parity basis 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 FOR A PORTION OF LEASE PAYMENTS DUE FOR ALL OF THE PROJECTS LEASED UNDER THE MASTER LEASE; IT MUST BUDGET AND APPROPRIATE FOR ALL SUCH LEASE PAYMENTS 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.

Pursuant to the Trust Agreement, upon issuance of the Series 2003B Certificates, the Trustee shall deposit in the Interest Reserve Subaccount \$715,121.92. Thereafter while the interest portion of the Series 2003B Certificates is calculated at a Daily Rate, a Weekly Rate or a Monthly Rate, the Trustee shall deposit, upon receipt of each such payment, in the

Interest Reserve Subaccount an amount from each Basic Lease Payment equal to the Interest Reserve Portion accruing from the prior Lease Payment Date and ending on (and including) the day preceding the prior Interest Payment Date.

Pursuant to the Trust Agreement, on each Lease Payment Date while the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates is calculated at a Daily Rate, a Weekly Rate or a Monthly Rate, the Trustee shall deposit to the Interest Portion Subaccount from Basic Lease Payments provided by the School Board on such date an amount equal to the interest accrued during the period commencing on the prior Interest Payment Date and ending on (and including) the day next preceding such Lease Payment Date. On the fourth Business Day preceding each Interest Payment Date while the interest portion of the Series 2003B Certificates is calculated at a Daily Rate, a Weekly Rate or a Monthly Rate and the Interest Rate Exchange Agreement is in effect, (A) the Trustee shall deposit to the Interest Portion Subaccount amounts received from the Swap Provider pursuant to the Interest Rate Exchange Agreement, and (B) the Trustee shall determine whether amounts in the Interest Portion Subaccount together with an amount from the Interest Reserve Subaccount equal to the Interest Reserve Portion are sufficient to pay on such Interest Payment Date (i) the accrued interest portion of Basic Lease Payments represented by the Series 2003B Certificates due on such Interest Payment Date, and (ii) the amount due, if any, as a Pledge Obligation in accordance with the Interest Rate Exchange Agreement or (iii) the amount due, if any, as a Hedge Receipt in accordance with the Swap Agreement. In the event that amounts in the Series 2003B Lease Payment Account and amounts in the Interest Reserve Subaccount equal to the Interest Reserve Portion on the fourth Business Day preceding an Interest Payment Date are not sufficient to pay the amounts described in clauses (i) and (ii) of the preceding sentence, the Trustee shall, not later than the next Business Day, notify the School Board of the amount of such deficiency and the School Board shall cure such deficiency. If the School Board has not cured such deficiency by the second Business Day preceding the Interest Payment Date, the Trustee shall make a claim under the Swap Policy in accordance with its terms in the amount of such deficiency. The amount, if any, described in clause (iii) above shall remain in the Interest Portion Subaccount and serve as a credit against the interest portion of Basic Lease Payments due from the School Board on the next Interest Payment Date. On each Interest Payment Date while the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates is calculated at a Daily Rate, a Weekly Rate or a Monthly Rate and the Interest Rate Exchange Agreement is in effect, the Trustee shall pay to (A) Series 2003B Certificateholders the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates due on such Interest Payment Date (i) from amounts on deposit in the Interest Portion Subaccount an amount equal to the interest accrued during the period commencing on the prior Interest Payment Date and ending on (and including) the day next preceding the prior Lease Payment Date and (ii) from amounts on deposit in the Interest Reserve Subaccount an

amount equal to the Interest Reserve Portion and (B) to the Swap Provider, the Hedge Obligation, if any, due on such Interest Payment Date.

Upon Conversion to an interest rate mode other than a Daily Rate, Weekly Rate or a Monthly Rate, amounts on deposit in the Interest Reserve Subaccount and the Interest Portion Subaccount shall be deposited to the Series 2003B Lease Payment Account and credited against Basic Lease Payments to be made by the School Board and the Interest Reserve Subaccount and the Interest Portion Subaccount shall be closed.

Interest earnings on amounts held in the Interest Portion Subaccount and Interest Reserve Subaccount shall be retained in the respective subaccount and shall be credited against the interest portion of Basic Lease Payments to be made by the School Board.

### **Limited Obligation of the School Board**

THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO MAKE LEASE PAYMENTS. LEASE PAYMENTS ARE PAYABLE FROM FUNDS APPROPRIATED BY THE SCHOOL BOARD FOR SUCH PURPOSE FROM CURRENT OR OTHER FUNDS AUTHORIZED BY LAW AND REGULATIONS OF THE STATE OF FLORIDA DEPARTMENT OF EDUCATION. NEITHER THE DISTRICT, THE SCHOOL BOARD, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2003B 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. NEITHER THE CORPORATION, THE TRUSTEE NOR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD TO PAY ANY SUMS, INCLUDING THE BASIC LEASE PAYMENTS, DUE UNDER THE SERIES 2003B LEASE. SEE "RISK FACTORS" HEREIN.

### **Additional Leases**

As noted above, the School Board has entered into the Prior Leases and may enter into other Additional Leases under the Master Lease in addition to the Prior Leases. See "THE MASTER LEASE PROGRAM." Failure to appropriate funds to make Lease Payments under any Additional Lease will, and certain events of default under an Additional Lease

may, result in the termination of the Lease Term of all Leases, including the Series 2003B Lease. Upon any such termination of the Lease Term of all Leases, the School Board must surrender all Facilities, including the Series 2003B Facilities to the Trustee for sale or re-letting of the Trustee's interest. The proceeds of any such disposition of Series 2003B Facilities will be applied solely to the payment of the Series 2003B 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 2003B Facilities will produce sufficient amounts to pay the outstanding Series 2003B 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 2003B LEASE - Termination of Lease Term" and "Effect of Termination for Non-Appropriation or Default" and "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Master Lease."

### **Additional Certificates; Outstanding Certificates**

With respect to any Additional Lease, one or more series of Additional Certificates may be authorized by the Corporation at the request of the School Board and executed and delivered by the Trustee for the purpose of: (a) financing the cost of acquisition, construction, installation and equipping of any Facilities; (b) financing the cost of completing the acquisition, construction, installation and equipping of any Facilities; (c) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities; (d) paying or providing for the payment of the principal portion and interest portion of the Basic Lease Payments with respect to, or the Purchase Option Price (as described under "SECURITY FOR THE SERIES 2003B 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 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 the 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.

As noted under the caption "INTRODUCTION," with respect to the Series 1994A Prior Lease, the Series 1995A Prior Lease, Series 1996A Prior Lease, the Series 2000A Prior Lease, the Series 2001A Prior Leases, the Series 2002A Prior Leases, the Series 2002B Prior Lease, the Series 2002C Prior Lease, the Series 2002 QZAB Prior Lease, the Series 2002E Prior Lease and the 2002D Prior Leases, the Corporation and the School Board authorized and the Trustee executed and delivered the Series 1994A Prior Certificates in the original principal amount of \$62,095,000, \$5,175,000 aggregate principal amount of which are currently outstanding; the Series 1995A Prior Certificates in the original principal amount of \$133,600,000, \$100,460,000 of which are currently outstanding (\$76,440,000 of the Series 1995A Prior Certificates will be prepaid on August 1, 2005 from the proceeds of the Series 2002E Prior Certificates); the Series 1996A Prior Certificates in the original principal amount of \$32,155,000, \$25,705,000 of which are currently outstanding (\$20,115,000 of the Series 1996A Prior Certificates will be prepaid on August 1, 2006 from the proceeds of the Series 2002E Prior Certificate); the Series 2001A Prior Certificates in the original principal amount of \$135,500,000, \$135,145,000 of which are currently outstanding; the Series 2001B Prior Certificates in the original principal amount of \$169,445,000, \$169,090,000 of which are currently outstanding; the Series 2002A Prior Certificates in the original amount of \$115,250,000, \$113,010,000 of which are currently outstanding; the Series 2002B Prior Certificates in the original amount of \$115,350,000, all of which are currently outstanding; the Series 2002C Prior Certificates in the original amount of \$161,090,000, all of which are currently outstanding; and the Series 2002 QZAB Prior Certificates in the original amount of \$950,000, all of which are currently outstanding; the Series 2002E Prior Certificates in the original principal amount of \$93,350,000, all of which are presently outstanding; and the Series 2002D Prior Certificates in the original principal amount of \$191,215,000, all of which are presently outstanding. Concurrently with the execution and delivery of the Series 2003B Lease the School Board is entering into a Lease (the "Series 2003A Lease") and issuing 60,865,000 of Certificates of Participation, Series 2003A (the "Series 2003A Certificates") with respect thereto.

### **Optional Prepayment Price**

The School Board has the right to prepay all or a portion of the Basic Lease Payments represented by the Series 2003B Certificates and in connection therewith remove all or a



portion of the Series 2003B Facilities from the Series 2003B Lease and (in the case of the Series 2003B Facilities) from the lien of the Series 2003B Ground Lease by paying the Purchase Option Price for the specific Series 2003B Facilities being purchased or, to the extent permitted by law, by substituting other Facilities for the Series 2003B Facilities being acquired. No such partial prepayment of the Series 2003B Certificates which is accomplished by the removal of Series 2003B Facilities from the Series 2003B Lease and (in the case of the Series 2003B Facilities) from the lien of the Series 2003B Ground Lease may be made without the prior consent of the Insurer. The Purchase Option Price, as of each Lease Payment Date, is: (i) the Basic Lease Payment then due plus the amount designated in the Series 2003B Lease; (ii) minus any credits pursuant to the provisions of the Series 2003B Lease; (iii) plus an amount equal to the interest to accrue with respect to the Series 2003B Certificates to be prepaid from such Lease Payment Date to the next available date for prepaying the Series 2003B Certificates; (iv) plus an amount equal to any other amounts then due and owing under the Series 2003B Lease, as applicable, including any prepayment premiums payable on the Series 2003B Certificates 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 2003B LEASE - TERMINATION OF LEASE TERM" AND "EFFECT OF TERMINATION FOR NON-APPROPRIATION OR DEFAULT." THERE CAN BE NO ASSURANCE THAT THE REMEDIES AVAILABLE TO THE TRUSTEE IN THE EVENT OF NON-APPROPRIATION WILL PRODUCE SUFFICIENT AMOUNTS TO FULLY PAY THE OUTSTANDING SERIES 2003B CERTIFICATES OR REIMBURSE THE INSURER FOR PAYING SUCH SUMS.**

### **Bond Insurance**

The scheduled payment of principal and interest in respect of the Series 2003B Certificates, when due, will be insured by a financial guaranty insurance policy (the "Policy" or the "Insurance Policy") to be issued by Ambac Assurance Corporation (the "Insurer" or "Ambac Assurance") simultaneously with the delivery of the Series 2003B Certificates. See "MUNICIPAL BOND INSURANCE" herein.

## **Liquidity Facility**

At all times during any Variable Rate Period or Commercial Paper Rate Period, the School Board shall cause to be provided to the Trustee for the benefit of the Certificate holders, a Liquidity Facility; provided however, no Liquidity Facility shall be required in any Rate Period during which the Series 2003B Certificates receive a rating from the Rating Agency in the highest short-term category without regard to gradations within such category, which rating is not based on a Liquidity Facility; and provided further that during a temporary suspension of a Liquidity Facility, the School Board is not obligated to provide for an Alternate Liquidity Facility. The payment of the Purchase Price of any Series 2003B Certificate tendered for purchase during any Variable Rate Period or Commercial Paper Rate Period shall be initially payable from remarketing proceeds and, to the extent such proceeds are insufficient, amounts drawn under the Initial Liquidity Facility subject to (i) certain termination events and (ii) modification of the coverage of accrued interest under the Initial Liquidity Facility, as applicable. See "LIQUIDITY PROVIDER" and "SUMMARY OF CERTAIN PROVISIONS OF THE STANDBY PURCHASE AGREEMENT."

## **No Debt Service Reserve Account for Series 2003B Certificates**

There is no Debt Service Reserve Account for the Series 2003B Certificates. However, pursuant to a Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established and maintained a separate Debt Service 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 Debt Service 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."

## **Constitutional Amendments**

In the November 5, 2002 general election, the voters of the State of Florida approved two amendments to the State Constitution that may affect the District's operations. 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. Senate Bill 0030-A relating to the implementation of Amendment 9 was passed by the Florida Legislature during the 2003 special legislative session and signed into law on June 9, 2003. Amendment 9 and Senate Bill 0030-A, collectively, are referred to herein as the "Class Size Legislation."

The Class Size Legislation establishes constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten - 3rd grade, 22 for grades 4 - 8 and 25 for grades 9 - 12. These maximums must be implemented by the beginning of the 2010 school year. School districts that presently exceed these class size maximums are required to reduce the average number of students per class in each of these grade groupings by at least two students each year, beginning with the 2003-2004 fiscal year.

The Class Size Legislation further creates 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. Failure to reduce class sizes by at least two students each year until the constitutional maximum is met may result in transfer of class size reduction operating funds to fixed capital outlay appropriations, required implementation of year-round schools, double sessions, extended school year or rezoning, implementation of a state-mandated constitutional compliance plan or withholding of various State funds.

The District presently exceeds the constitutional class size maximums. There can be no assurances that the District will be able to reduce its class size in the manner and at the times mandated by the Class Size Legislation. While the Class Size Legislation suggests that the State Legislature, and not local school districts, is generally responsible for the cost of compliance, it is uncertain what effect implementation might have upon the District. There can be no assurance that these funds will be sufficient to meet the capital and facility needs of the District required by the Class Size Legislation. Further, there can be no assurance that the District will have funds sufficient to meet the capital and facility needs of the District required by the Class Size Legislation or that compliance therewith will not adversely affect other capital needs and operating costs of the District.

In the November 5, 2002 general election, the voters of the State of Florida also approved Amendment 8 to the State Constitution which provides that every 4-year old child in the State shall be offered a free, high quality pre-kindergarten learning opportunity by the State no later than the 2005 school year. Senate Bill 1334 relating to the implementation of

Amendment 8 was passed by the Florida Legislature during the 2003 regular legislative session and signed into law on June 4, 2003.

Senate Bill 1334 created a voluntary universal pre-kindergarten education program for four-year olds within the Agency for Workforce Innovation. This bill further directed the State Board of Education to conduct a study and make recommendations for this education program regarding curriculum and standards, quality of instruction, delivery system, assessment and evaluation, funding and best practices.

Although Amendment 8 and Senate Bill 1334 suggest that the State Legislature, and not the local school districts, is generally responsible for the costs of compliance, it is uncertain what effect implementation might have upon the District. There can be no assurance that Amendment 8 and Senate Bill 1334 and compliance therewith, will not adversely affect the District. Further, there can be no assurance that the District will have funds sufficient to meet the capital and facility needs of the District required by the Amendment 8 and Senate Bill 1334 or that compliance therewith will not adversely affect other capital needs and operating costs of the District.

### **Budget Constraints**

As discussed under "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT," the District receives a substantial portion of its operational and capital revenues from State sources.

While Florida's economy has not suffered as much as many state economies during the current economic turndown, severe constraints are being placed on its budget due to diminishing revenues being derived from current sources. The Florida Legislature has been reluctant to create new sources of revenues through the levy of new taxes or the elimination of certain exemptions from the payment of sales taxes, the primary source of State revenues. As a result, the Legislature adopted a budget without a significant increase in revenue sources. The fiscal impact of the finally adopted budget on District revenues cannot be accurately predicted at this time.

## **MUNICIPAL BOND INSURANCE**

The following information has been furnished by Ambac Assurance for use in this Official Statement. Reference is made to Appendix I for a specimen copy of Ambac Assurance's financial guaranty insurance policy.

### **Payment Pursuant to Financial Guaranty Insurance Policy**

Ambac Assurance has made a commitment to issue a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy") relating to the Series 2003B Certificates effective as of the date of issuance of the Series 2003B Certificates. Under the terms of the Financial Guaranty Insurance Policy, Ambac Assurance will pay to The Bank of New York, New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 2003B Certificates which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the School Board (as such terms are defined in the Financial Guaranty Insurance Policy). Ambac Assurance will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which Ambac Assurance shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 2003B Certificates and, once issued, cannot be canceled by Ambac Assurance.

The Financial Guaranty Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 2003B Certificates become subject to mandatory redemption and insufficient funds are available for redemption of all outstanding Series 2003B Certificates, Ambac Assurance will remain obligated to pay principal of and interest on outstanding Series 2003B Certificates on the originally scheduled interest and principal payment dates including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 2003B Certificates, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Series 2003B Certificate which has become Due for Payment and which is made to a holder by or on behalf of the School Board has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available.

The Financial Guaranty Insurance Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Financial Guaranty Insurance Policy does **not** cover:

1. Payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. Payment of any redemption, prepayment or acceleration premium.
3. Nonpayment of principal or interest caused by the insolvency or negligence of any Trustee, Paying Agent or Registrar, if any.

If it becomes necessary to call upon the Financial Guaranty Insurance Policy, payment of principal requires surrender of Series 2003B Certificates to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2003B Certificates to be registered in the name of Ambac Assurance to the extent of the payment under the Financial Guaranty Insurance Policy. Payment of interest pursuant to the Financial Guaranty Insurance Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to Ambac Assurance.

Upon payment of the insurance benefits, Ambac Assurance will become the owner of the Series 2003B Certificate, appurtenant coupon, if any, or right to payment of principal or interest on such Series 2003B Certificate and will be fully subrogated to the surrendering holder's rights to payment.

The insurance provided by the Financial Guaranty Insurance Policy is not covered by the Florida Insurance Guaranty Association.

### **Ambac Assurance Corporation**

Ambac Assurance Corporation is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$6,362,000,000 (unaudited) and statutory capital of \$3,945,000,000 (unaudited) as of March 31, 2003. Statutory capital consists of Ambac Assurance's policyholders' surplus and statutory contingency reserve. Standard & Poor's Credit Markets Services, a Division of The McGraw-Hill Companies, Moody's Investors Service and Fitch Ratings have each assigned a triple-A financial strength rating to Ambac Assurance.

Ambac Assurance has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by Ambac Assurance will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by Ambac Assurance under policy provisions substantially identical to those contained in its Financial Guaranty Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the School Board of the Series 2003B Certificates. No representation is made by Ambac Assurance regarding the federal income tax treatment of payments that are made by Ambac Assurance under the terms of the Financial Guaranty Insurance Policy due to non-appropriation of funds by the School Board.

Ambac Assurance makes no representation regarding the Series 2003B Certificates or the advisability of investing in the Series 2003B Certificates and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by Ambac Assurance and presented under the heading "MUNICIPAL BOND INSURANCE."

### **Available Information**

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including the Company. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

Copies of Ambac Assurance's financial statements prepared in accordance with statutory accounting standards are available from Ambac Assurance. The address of Ambac Assurance's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York, 10004 and (212) 668-0340.

## **Incorporation of Certain Documents by Reference**

The following documents filed by the Company with the SEC (File No. 1-10777) are incorporated by reference in this Official Statement:

1. The Company's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
2. Company's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003;
3. The Company's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003;
4. The Company's Current Report on Form 8-K dated March 18, 2003 and filed on March 20, 2003;
5. The Company's Current Report on Form 8-K dated March 19, 2003 and filed on March 26, 2003;
6. The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and filed on March 28, 2003;
7. The Company's Current Report on Form 8-K dated March 25, 2003 and filed on March 31, 2003;
8. The Company's Current Report on Form 8-K dated April 17, 2003 and filed on April 21, 2003; and
9. The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2003 and filed on May 15, 2003.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".



## LIQUIDITY PROVIDER

THE FOLLOWING INFORMATION CONCERNING DEXIA CREDIT LOCAL, ACTING THROUGH ITS NEW YORK AGENCY, HAS BEEN OBTAINED FROM DEXIA CREDIT LOCAL, ACTING THROUGH ITS NEW YORK AGENCY. WHILE THE SCHOOL BOARD BELIEVES SUCH SOURCE IS RELIABLE, IT TAKES NO RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED UNDER THIS HEADING.

Dexia Credit Local ("Dexia") is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of nearly 14 billion euros as of December 31, 2002, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group's first line of business—public and project finance and financial services for the public sector. Dexia has recognized expertise in local public sector financing and project finance. It is backed by a network of specialized banks, which employ over 3,000 professionals. Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union as well as Central Europe and the United States of America. Dexia also has operations in Latin America, the Asian-Pacific Region including Australia, and the countries around the Mediterranean.

Dexia is a bank with its principal office located in Paris, France. In issuing the Dexia Standby Purchase Agreement for the Series 2003B Certificates, Dexia will act through its New York Agency, which is licensed by the Banking Department of the State of New York as an unincorporated agency of Dexia Credit Local, Paris. Dexia is the leading local authority lender in Europe, funding its lending activities in 2002 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2002, total funding raised by Dexia and Dexia Municipal Agency was 11.2 billion euros.

Dexia Group is the owner of Financial Security Assurance Holdings Ltd. ("FSA" Holdings"), the holding company for Financial Security Assurance Inc., a leading financial guaranty insurer.

As of December 31, 2002, Dexia had total consolidated assets of 168.8 billion euros, outstanding medium and long term loans to customers of 141.8 billion euros and

shareholders' equity of nearly 3.4 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 454 million euros. These figures were determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2002, the exchange rate was 1.0000 euro equals 1.0492 United States dollar. Such exchange rate fluctuates from time to time.

Dexia is rated Aa2 long-term and P-1 short-term by Moody's, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Credit Local, New York Agency, 445 Park Avenue, 7th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

## **SUMMARY OF CERTAIN PROVISIONS OF THE INITIAL LIQUIDITY FACILITY**

The following is a brief summary of certain provisions of the Initial Liquidity Facility. This summary does not purport to be complete and is qualified in its entirety by reference to the Initial Liquidity Facility.

### **Definitions**

In addition to the terms defined elsewhere in this Offering Statement, the following terms are used in this summary with the following meanings:

*"Available Commitment"* means, on any day, the sum of the Available Principal Commitment and the Available Interest Commitment on such day.

*"Available Interest Commitment"* initially means Seven Million Six Hundred Forty-One Thousand Five Hundred Eighty-Nine Dollars (\$7,641,589) (an amount equal to one hundred eighty-seven (187) days' interest with respect to the Series 2003B Certificates computed as if the Series 2003B Certificates represented interest at the rate of twelve percent (12%) per annum and computed on the basis of a year of 365 days) and thereafter means such amount adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment bears to the Available Principal Commitment prior to such reduction; and

(b) upward by an amount that bears the same proportion to such amount as the amount of any increase in the Available Principal Commitment pursuant to clause (c) of the definition of "Available Principal Commitment" bears to the Available Principal Commitment prior to such increase; provided that after giving effect to such adjustment the available interest commitment shall never exceed Seven Million Six Hundred Forty-One Thousand Five Hundred Eighty-Nine Dollars (\$7,641,589). Any adjustments pursuant to clauses (a) and (b) above shall occur simultaneously with the event requiring such adjustment.

"*Available Principal Commitment*" initially means One Hundred Twenty-Four Million Two Hundred Ninety Five Thousand Dollars (\$124,295,000) and thereafter means such amount adjusted from time to time as follows: (a) downward by the amount of any reduction of the Available Principal Commitment pursuant to Section 2.03 of the Initial Liquidity Facility; (b) downward by the principal amount of any Series 2003B Certificates purchased by Dexia pursuant to Section 2.02 of the Initial Liquidity Facility; and (c) upward by the principal amount of any Series 2003B Certificates theretofore purchased by Dexia pursuant to Section 2.02 of the Initial Liquidity Facility, which are remarketed pursuant to Section 2.04(b) of the Initial Liquidity Facility, or which cease to represent interest at the Purchased Certificate Rate (as defined in the Initial Liquidity Facility) pursuant to Section 2.04(d) of the Initial Liquidity Facility; provided that after giving effect to such adjustment the Available Principal Commitment shall never exceed One Hundred Twenty-Four Million Two Hundred Ninety Five Thousand Dollars (\$124,295,000). Any adjustments pursuant to these clauses shall occur simultaneously with the event requiring such adjustment.

"*Defaulted Interest*" means accrued interest payable on a Series 2003B Certificate which was not paid when due under the terms of the Trust Agreement.

"*Dexia*" means Dexia Credit Local, acting through its New York Agency.

"*Eligible Certificate*" means the portion of any Series 2003B Certificates representing interest at a Weekly Rate, a Monthly Rate or a Quarterly Rate, other than Series 2003B Certificates owned by, for the account of, or on behalf of, the School Board or an affiliate thereof and excludes, in any event, Purchased Certificates, Series 2003B Certificates representing interest at a Daily Rate, a Semiannual Rate, an Extended Rate, an Auction Rate, a Commercial Paper Rate or a Fixed Rate and Series 2003B Certificates that have been removed from coverage under the Initial Liquidity Facility by prepayment, defeasance or substitution of an Alternate Liquidity Facility.

"*Insurer Event of Insolvency*" means the occurrence and continuance of one or more of the following events: (a) the issuance, under the law of the State of Wisconsin or any

successor provision thereto (or any other law under which the Insurer is at the time organized), of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of the Insurer that is not dismissed within 90 days; (b) the commencement by the Insurer of a voluntary case or other proceeding seeking an order for relief, liquidation, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or formation of the Insurer or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (c) the consent of the Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it; (d) the making by the Insurer of an assignment for the benefit of creditors; (e) the failure of the Insurer to generally pay its debts or claims as they become due; or (f) the initiation by the Insurer of any actions to authorize any of the foregoing; provided that any failure by the Insurer to make payment on any municipal bond insurance policy (i) that is being contested in good faith or (ii) with respect to which 30 days have not elapsed, shall not constitute a failure by the Insurer to generally pay its debts or claims as they become due.

"*Purchase Period*" means the period from the Effective Date (as defined in the Initial Liquidity Facility) to and including the earliest of 5:00 p.m. on (i) June 26, 2008, (ii) the date of receipt by the purchaser of a certificate signed by the Trustee stating that the Initial Liquidity Facility has been terminated pursuant to the terms of the Trust Agreement because (a) an Alternate Liquidity Facility has been provided and become effective under the Trust Agreement, (b) no Series 2003B Certificates remain Outstanding under the Trust Agreement or (c) all of the Series 2003B Certificates have been converted to a non-covered interest rate, (iii) the date specified in a written notice delivered by the School Board to the purchaser that the School Board has elected to terminate the Initial Liquidity Facility pursuant to Section 8.07(b) thereof or (iv) the Purchase Termination Date.

"*Purchase Price*" means an amount equal to 100% of the unpaid principal amount of any Tendered Series 2003B Certificate, plus accrued and unpaid interest thereon from and including the Interest Payment Date (as defined in the Initial Liquidity Facility) next preceding the Purchase Date thereof, in each case without premium to the date of purchase; provided, however, that if the date of purchase is an Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest; and provided, further that the aggregate amount of the Purchase Price constituting the Interest Component (as defined in the Initial Liquidity Facility) shall not exceed the amount specified in Section 2.01 of the Initial Liquidity Facility.

"*Purchase Termination Date*" means the date on which Dexia is no longer required to purchase Tendered Series 2003B Certificates pursuant to Section 7.02(a), (b), (c) or (d) of the Initial Liquidity Facility.

"*Purchased Certificates*" means each Series 2003B Certificate purchased with funds provided by Dexia under the Initial Liquidity Facility, until such Series 2003B Certificates are remarketed in accordance with Section 2.04(b) of the Initial Liquidity Facility or cease to bear interest at the Purchased Certificate Rate pursuant to Section 2.04(c) of the Initial Liquidity Facility. "*Purchased Certificates*" are defined as "*Provider Certificates*" in the Trust Agreement.

"*Related Documents*" means the Trust Agreement, Series 2003B Lease, Series 2003B Ground Lease, Series 2003B Assignment, the Series 2003B Certificates, the Insurance Policy, the Remarketing Agreement and the Certificate Purchase Agreement.

### **Commitment to Purchase Certificates**

Dexia has agreed, on the terms and subject to the satisfaction of the conditions contained in the Initial Liquidity Facility, to provide liquidity to the School Board through the purchase of Tendered Certificates, for Dexia's own account, from time to time during the Purchase Period at the Purchase Price. Upon certain circumstances the obligation of Dexia to purchase Series 2003B Certificates tendered by the owners thereof or subject to mandatory tender may be terminated or suspended without a purchase by Dexia. In such event, sufficient funds may not be available to purchase Series 2003B Certificates tendered by the owners or subject to mandatory tender. The aggregate principal amount (or portion thereof) of any Series 2003B Certificate purchased by Dexia on any Purchase Date shall be an authorized denomination applicable to Eligible Certificates pursuant to the Trust Agreement, and the aggregate principal amount of all Series 2003B Certificates purchased on any Purchase Date shall not exceed the Available Principal Commitment on such date. The aggregate amount of the Purchase Price comprising interest on the Series 2003B Certificates purchased on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment on such date and (ii) the actual aggregate amount of interest accrued on each such Series 2003B Certificate, other than Defaulted Interest, to such Purchase Date; provided, however, that in the event the Purchase Date is also an Interest Payment Date for the Series 2003B Certificates to be purchased, no accrued interest on such Series 2003B Certificates shall be included in the Purchase Price. Any Series 2003B Certificates so purchased shall thereupon constitute Purchased Certificates and shall, from the date of such purchase and while they are Purchased Certificates, bear interest at the Purchased Certificate Rate and have other characteristics of Purchased Certificates as set forth in the Initial Liquidity Facility and in the Trust Agreement.

DEXIA'S COMMITMENT UNDER THE INITIAL LIQUIDITY FACILITY IS LIMITED TO THE PURCHASE OF TENDERED CERTIFICATES ONLY. THE INITIAL LIQUIDITY FACILITY DOES NOT PROVIDE SECURITY FOR THE PAYMENT OF THE PRINCIPAL PORTION, PREPAYMENT PREMIUM, IF ANY, OR THE INTEREST PORTION OF THE BASIC RENT PAYMENTS REPRESENTED BY THE SERIES 2003B CERTIFICATES.

In the event that Dexia purchases any Tendered Certificate in accordance with the provisions of Section 2.01 of the Initial Liquidity Facility, Dexia shall be entitled to exercise all of the rights of and shall be secured to the same extent as, any other holder of Series 2003B Certificates under the Trust Agreement, including, without limitation, the right to receive payments of principal and interest, all rights with respect to payments under the Insurance Policy, the right to have such Purchased Certificates remarketed pursuant to the Trust Agreement and the Remarketing Agreement and all rights under the Trust Agreement upon the occurrence and continuation beyond any applicable grace period of any "event of default" under the Trust Agreement.

### **Mandatory Reduction of Commitment**

Upon (i) any redemption, prepayment or other payment pursuant to the Trust Agreement of all or any portion of the principal amount of the Series 2003B Certificates (other than Purchased Certificates) such that such Series 2003B Certificates cease to be Outstanding or (ii) any conversion of all or a portion of the Series 2003B Certificates to a Non-Covered Interest Rate pursuant to Section 1.2 of Exhibit A to the Series 2003B Supplemental Trust Agreement, the aggregate Available Principal Commitment shall automatically be reduced by the principal amount of such Series 2003B Certificates so redeemed, paid, deemed paid or converted, as the case may be, and the Available Interest Commitment shall also be simultaneously reduced as provided in the definition thereof. The Trustee shall notify Dexia within one (1) Business Day of such redemption, repayment or other payment or conversion of the Series 2003B Certificates.

### **Events of Termination**

Each of the following constitutes an "Event of Termination" under the Initial Liquidity Facility:

(a) Any principal or interest due on the Series 2003B Certificates is not paid when due and such principal or interest is not paid by the Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Insurance Policy; or

(b) The Insurer shall in writing claim that the Insurance Policy with respect to the payment of principal or interest on the Series 2003B Certificates is not valid and binding on the Insurer, and repudiate the obligations of the Insurer under the Insurance Policy with respect to payment of principal of or interest with respect to the Series 2003B Certificates, or the Insurer initiates any legal proceedings seeking an adjudication that the Insurance Policy, with respect to the payment of principal of or interest with respect to the Series 2003B Certificates, is not valid and binding on the Insurer, or any court or governmental authority with jurisdiction to rule on the validity of the Insurance Policy announces, finds or rules that the Policy is not valid and binding on the Insurer; or

(c) The occurrence of an Insurer Event of Insolvency or the withdrawal or suspension by S&P, Moody's and Fitch of the financial strength rating of the Insurer or the reduction of such rating, in the case of S&P, below BBB-, in the case of Moody's, below Baa3, and in the case of Fitch, below BBB-; or

(d) Any default by the Insurer in making payment when, as and in the amounts required to be made pursuant to the express terms and provisions of any other bond insurance policy issued by the Insurer insuring publicly-rated bonds and such failure shall continue for 30 days unless the obligation of the Insurer to pay is being contested by the Insurer in good faith by appropriate proceedings; or

(e) The Insurance Policy shall have been cancelled, substituted, amended or modified without the prior written consent of Dexia; or

(f) Any material representation or warranty made by the School Board under or in connection with the Initial Liquidity Facility shall prove to be untrue in any material respect on the date as of which it was made; or

(g) Non-payment of commitment fees due under Section 2.05 of the Initial Liquidity Facility (together with interest thereon at the Default Rate) within 10 days after the Trustee, the Insurer and the School Board have received written notice from Dexia that the same were not paid when due; or

(h) Non-payment of any other fees or amounts payable under the Initial Liquidity Facility (together with interest thereon at the default rate) within 20 days after written notice thereof to the School Board, the Trustee and the Insurer by Dexia; or

(i) The breach by the School Board of certain covenants of the Initial Liquidity Facility; or

(j) The breach by the School Board of any terms or provisions of the Initial Liquidity Facility (other than as specified in (i) above) which is not remedied within 30 days after written notice thereof shall have been received by the School Board and the Insurer by Dexia; or

(k) (i) The School Board shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts (as that term is defined in the Initial Liquidity Facility), or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the School Board shall make a general assignment for the benefit of its creditors; (ii) there shall be commenced against the School Board any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in an order for such relief or in the appointment of a receiver or similar official or (B) remains undismissed, undischarged or unbonded for a period of 60 days; (iii) there shall be commenced against the School Board any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the School Board shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the School Board shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its Debts (as that term is defined in the Initial Liquidity Facility); or

(l) Any material provision of the Initial Liquidity Facility or any Related Document (other than the Insurance Policy) shall at any time for any reason cease to be valid and binding on the School Board or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the School Board or by any governmental authority having jurisdiction, or the School Board shall deny that it has any further liability or obligation under any such document, or such document is cancelled or terminated without Dexia's prior written consent; or

(m) The Insurer fails to maintain the Permitted Minimum COP Insurer Rating (as defined in the Initial Liquidity Facility) for a period of 30 consecutive days; or

(n) The occurrence of any "event of default" as defined in any of the Related Documents (which is not waived pursuant to the terms thereof) which is not otherwise



described in the Initial Liquidity Facility, other than the failure of Dexia to provide funds for the purchase of Tendered Certificates when required by the terms and conditions of the Initial Liquidity Facility.

(o) The School Board shall have defaulted in the payment or performance of any obligation of a principal amount of \$5,000,000 or more which constitutes Debt (as that term is defined in the Initial Liquidity Facility), and such default permits the acceleration of the payment of moneys.

## **Remedies**

If any Event of Termination shall have occurred and be continuing:

(a) In the case of an Event of Termination specified in subsections (a), (c), (d) or (e) in the immediately preceding section, the Available Commitment and Purchase Period and the obligation of Dexia to purchase Series 2003B Certificates will immediately terminate without notice or demand, and thereafter Dexia will be under no obligation to purchase Series 2003B Certificates. Promptly upon Dexia obtaining knowledge of any such Event of Termination, Dexia shall give written notice of the same to the Trustee, the School Board, the Remarketing Agent and the Insurer; provided, that Dexia shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no manner affect the termination of Dexia's Available Commitment and of its obligation to purchase Series 2003B Certificates pursuant to the Initial Liquidity Facility.

(b) In the case of an Event of Termination specified in subsections (g), (h), (i) (as it relates to amending the Related Documents as that term is defined in the Initial Liquidity Facility), (k), (l), (m) or (o) in the immediately preceding section, Dexia may terminate the Available Commitment and Purchase Period by giving written notice to the Trustee, the Tender Agent, the School Board, the Remarketing Agent and the Insurer, specifying the date on which the Available Commitment and Purchase Period will terminate, which will be not less than 30 days from the date of receipt of such notice by the Trustee, and on and after the Purchase Termination Date, Dexia will be under no further obligation to purchase Series 2003B Certificates under the Initial Liquidity Facility.

(c) In the case of the Event of Termination specified in subsection (b) of the immediately preceding section, Dexia's obligations to purchase Series 2003B Certificates shall be immediately suspended without notice or demand and thereafter Dexia shall be under no obligation to purchase until the Available Commitment is reinstated as described in this paragraph (c). Promptly upon Dexia obtaining knowledge of any such Event of Termination, Dexia shall give written notice of the same to the School Board, the Trustee, the Remarketing

Agent and the Insurer of such suspension; provided, that Dexia shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of Dexia's obligations to purchase Series 2003B Certificates. If a court with jurisdiction to rule on the validity of the Insurance Policy shall thereafter enter a final, nonappealable judgment that the Insurance Policy is not valid and binding on the Insurer, then Dexia's obligation to purchase Series 2003B Certificates shall immediately terminate. If a court with jurisdiction to rule on the validity of the Insurance Policy shall find or rule that the Insurance Policy is valid and binding on the Insurer, Dexia's obligations to purchase Series 2003B Certificates shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless it shall otherwise have terminated or been suspended by its terms or in accordance with Section 7.02(a), (b) or (d) thereof). Notwithstanding the foregoing, if, upon the earlier of the Stated Expiration Date or the date which is 3 years after the effective date of suspension of Dexia's obligations pursuant to this paragraph (c), litigation is still pending and a judgment regarding the validity of the Insurance Policy as is the subject of such Event of Termination has not been obtained, then the Available Commitment and the obligation of Dexia to purchase Series 2003B Certificates shall at such time immediately terminate, and thereafter Dexia shall be under no obligation to purchase Series 2003B Certificates.

(d) During the pendency of a Potential Event of Termination pursuant to clause (i) of subsection (c) of the immediately preceding section (with respect to an order described in clause (a) of the definition of Insurer Event of Insolvency) or subsection (d) of the immediately preceding section (prior to the expiration of the 30 day period), Dexia's obligations to purchase Series 2003B Certificates will be immediately suspended without notice or demand and thereafter Dexia will be under no obligation to purchase Series 2003B Certificates until the Available Commitment is reinstated as described in the Initial Liquidity Facility. Promptly upon Dexia obtaining knowledge of any such Potential Event of Termination, Dexia shall give written notice of the same to the School Board, the Trustee, the Remarketing Agent and the Insurer of such suspension; provided, however, that Dexia shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the suspension of Dexia's obligations under the Initial Liquidity Facility. In the event such Potential Event of Termination is cured prior to becoming an Event of Termination, Dexia's obligations shall be automatically reinstated and the terms of the Initial Liquidity Facility will continue in full force and effect (unless the Initial Liquidity Facility shall otherwise have terminated or been suspended by its terms or in accordance with paragraphs (a), (b) or (c) of this section on Remedies).

(e) In addition to the rights and remedies set forth in paragraphs (a), (b), (c) and (d) above, Dexia has certain other rights and remedies as set forth in the Initial Liquidity Facility.

## **Extension, Reduction, Adjustment or Termination of the Initial Liquidity Facility**

The Initial Liquidity Facility will expire on June 26, 2008 unless earlier terminated or, with the consent of Dexia in its sole and absolute discretion, extended for an additional period or periods, in each case in accordance with the provisions of the Initial Liquidity Facility.

Upon (i) any prepayment, defeasance or other payment of all or any portion of the principal amount of the Series 2003B Certificates or (ii) any purchase by Dexia of Series 2003B Certificates tendered or deemed tendered in accordance with the terms of the Trust Agreement, Dexia's purchase commitment under the Initial Liquidity Facility with respect to principal of Series 2003B Certificates shall automatically be reduced by the principal amount of the Series 2003B Certificates so prepaid, defeased or otherwise paid or purchased, as the case may be. Dexia's commitment with respect to interest shall be equal to one hundred eighty-seven (187) days' interest on the principal amount of Series 2003B Certificates (assuming an interest rate of twelve percent (12%) per annum). The commitment with respect to interest will be adjusted downward by an amount in proportion to the reduction of the commitment as to principal because of the prepayment, defeasance or other payment of Series 2003B Certificates or the purchase by Dexia of Series 2003B Certificates tendered or deemed tendered in accordance with the terms of the Trust Agreement.

## **Limitations of the Initial Liquidity Facility**

The ability to obtain funds under the Initial Liquidity Facility in accordance with its terms may be limited by federal or state law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions or any issuer of a liquidity facility may prevent or restrict payment under the Initial Liquidity Facility. To the extent the short-term rating on the Series 2003B Certificates depends on the rating of Dexia, the short-term ratings on the Series 2003B Certificates could be downgraded or withdrawn if Dexia were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Initial Liquidity Facility.

The obligation of Dexia to purchase unremarketed Series 2003B Certificates pursuant to the Initial Liquidity Facility is subject to the conditions and limitations set forth therein, and is also subject to all rights and defenses available to contracting parties generally. The Initial Liquidity Facility is not a guaranty to pay the purchase price of Series 2003B Certificates tendered for purchase. The Initial Liquidity Facility is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of the Series 2003B Certificates should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty.

## **Alternate Liquidity Facilities**

With the prior written consent of the Insurer, an Alternate Liquidity Facility, in substitution for any Liquidity Facility then in effect, may be provided if the School Board shall give written notice not more than 60 nor less than 30 calendar days prior to the date such Alternate Liquidity Facility is to take effect (a "Substitution Date") to the Trustee, the Tender Agent, the Remarketing Agent, the Rating Agency, the Insurer and the Liquidity Provider stating its election to provide an Alternate Liquidity Facility. Any such Alternate Liquidity Facility must satisfy the requirements of the Trust Agreement for a Liquidity Facility including, without limitation, being issued by a financial institution which has a long-term debt rating of at least "A" from Fitch and "A2" from Moody's and a short-term debt rating of at least "F-1" by Fitch and "P-1" by Moody's or such other comparable rating by a Rating Agency if they are then rating the Series 2003B Certificates. Each proposed Substitution Date shall be a Business Day that is at least five days prior to the termination or expiration of the Liquidity Facility to be replaced.

Upon the exercise of such option by the School Board, the Trustee shall send to the Series 2003B Certificate holders a Notice of Alternate Liquidity Facility not later than 20 calendar days prior to the proposed Substitution Date. The Trustee shall not accept such Alternate Liquidity Facility unless the Trustee shall have received (i) prior to sending the Notice of Alternate Liquidity Facility, a Favorable Opinion, (ii) at the time of delivery of the Alternate Liquidity Facility, (A) a certificate from an Authorized Officer and a written acknowledgment by the Liquidity Provider stating that all amounts owing to the Liquidity Provider under the Liquidity Facility or any other reimbursement or similar agreement pursuant to which the Liquidity Facility to be replaced has been issued have been paid and that there are no Provider Certificates Outstanding or that all Provider Certificates have been purchased by the Liquidity Provider of the Alternate Liquidity Facility and (B) a letter from the Rating Agency confirming the rating of the Series 2003B Certificates upon the effective date of such Alternate Liquidity Facility.

## **THE SERIES 2003B FACILITIES**

### **The Series 2003B Facilities**

The Series 2003B Facilities consist of the lease purchase financing, acquisition and construction of the Series 2003B Facilities, the leasing of the Series 2003B Facility Sites by the School Board to the Corporation pursuant to the Series 2003B Ground Lease and the subleasing of the Series 2003B Facility Sites back to the School Board. All of the Series 2003B Facilities are or will be located within the District. Set forth below is a brief, general

description of the schools and facilities comprising the Series 2003B Facilities. See "- Substitution of Series 2003B Facilities" below.

ATLANTIC HIGH SCHOOL REPLACEMENT. This school, to be located in the City of Delray Beach, will have approximately 377,000 gross square feet and a projected student capacity of 2500. The school will have 6 language arts classrooms, 6 math classrooms, 6 social studies classrooms, 11 science classrooms, 23 general classroom, 3 foreign language, 4 skills development/computer labs, 10 resource rooms, 12 ESE classrooms, art, music, physical education, career education (construction, retail/finance/business, marketing, DCT, family/consumer science, technology and criminal justice), library media center, administration, student services, food service, teacher planning, stage, auditorium, ROTC, driver education and custodial space. This school is scheduled to open in 2005.

BAK MIDDLE SCHOOL OF THE ARTS MODERNIZATION. This school, to be located in the City of West Palm Beach, will have approximately 205,500 gross square feet and a projected student capacity of 1300. The school will have a fine arts program. The school will have 7 language art classrooms, 3 foreign language classrooms, 3 reading classrooms, 11 math classrooms, 10 social studies classrooms, 11 science classrooms, 3 skills development labs, 1 ESE classroom, 5 communication arts classroom, 1 CCTV studio, 4 dance studios, 5 music classrooms, 6 theater arts classrooms, black box theater, 6 visual arts classrooms, physical education, library media center, administration, student services, food service, teacher planning and custodial space. This school is scheduled to open in 2005.

GREENACRES AREA MIDDLE SCHOOL (03-KK). This school, to be located in the central part of Palm Beach County, will have approximately 191,000 gross square feet and a projected student capacity of 1300. The school will provide enrollment relief for three area middle schools. To address class size reduction and plan for special program needs, the school will have 8 language arts classrooms, 8 math classrooms, 8 social studies classrooms, 8 science classrooms, 4 general classroom, 3 skills development labs, 5 resource rooms, 13 ESE classrooms, art, music, physical education, 6 pre-vocational education (business ed, home economics & technology), library media center, administration, student services, food service, teacher planning, stage, multipurpose and custodial space. This school is scheduled to open in 2005.

### **Estimated Budget for Series 2003B Facilities**

The following table sets forth the School Board's current estimates of the cost of the Series 2003B Facilities. Actual costs may be greater or less than those shown.

<u>Project Description</u>	<u>Planning/ Design</u>	<u>Furniture, Fixtures &amp; Equipment</u>	<u>Construction/ Acquisition</u>	<u>Total Project Cost</u>
Atlantic High School Replacement	\$ 900,000	\$3,290,000	\$ 62,943,236	\$ 67,133,236
Bak Middle School of the Arts Modernization	1,670,944	1,500,000	26,916,345	30,086,289
Greenacres Area Middle School	<u>907,456</u>	<u>1,500,000</u>	<u>23,041,044</u>	<u>25,448,500</u>
Total	\$3,478,400	\$6,290,000	\$112,899,625	\$122,668,025

The foregoing reflects the current expectations of the School Board as of the date of this Offering Statement as to the nature, scope and cost of the Series 2003B Facilities and is subject to change and amendment.

### **Substitution of Series 2003B Facilities**

To the extent permitted by law and with the prior consent of the Insurer, the School Board may substitute for any portion of the Series 2003B 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 2003B Facilities for which they are substituted (based on an MAI appraisal); (c) are of substantially equal usefulness as the Series 2003B Facilities to be replaced and provide essential governmental services; and (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances. In order to effect such substitution, Series 2003B Facilities or Series 2003B Facility Sites to be replaced will be released from the encumbrance of the Series 2003B Lease and Series 2003B Ground Lease and the Facilities to be substituted shall be incorporated into the Series 2003B Lease and Series 2003B Ground Lease.

## ESTIMATED SOURCES AND USES OF FUNDS

It is estimated that proceeds received from the sale and delivery of the Series 2003B Certificates will be used as follows:

### Estimated Sources:

Principal Amount of Series 2003B Certificates . . . . .	\$124,295,000.00
Total Sources of Funds . . . . .	<u>\$124,295,000.00</u>

### Estimated Uses:

Deposit to Series 2003B Acquisition Account . . . . .	\$122,668,025.00
Series 2003B Certificates Cost of Issuance <sup>(1)</sup> . . . . .	<u>1,626,975.00</u>
Total Uses of Funds . . . . .	<u>\$124,295,000.00</u>

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(1) Includes, without limitation, underwriters' discount, bond insurance premium, printing costs, legal, accounting and financial advisory fees and other costs associated with the issuance of the Series 2003B Certificates.

## ESTIMATED SERIES 2003B CERTIFICATE PAYMENT SCHEDULE

Estimated payment requirements on the Series 2003B Certificates are as follows:

Certificate Year Ending <u>August 1</u>	<u>Principal</u>	<u>Interest</u> <sup>(1)</sup>	<u>Total</u>
2003		\$ 472,493.63	\$ 472,493.63
2004		5,232,805.58	5,232,805.58
2005		5,226,771.63	5,226,771.63
2006		5,226,908.59	5,226,908.59
2007		5,226,908.59	5,226,908.59
2008		5,227,778.54	5,227,778.54
2009		5,226,771.63	5,226,771.63
2010		5,226,908.59	5,226,908.59
2011		5,226,908.59	5,226,908.59
2012		5,227,778.54	5,227,778.54
2013		5,226,771.63	5,226,771.63
2014		5,226,908.59	5,226,908.59
2015		5,226,908.59	5,226,908.59
2016		5,227,778.54	5,227,778.54
2017		5,226,771.63	5,226,771.63
2018		5,226,908.59	5,226,908.59
2019		5,228,908.59	5,226,908.59
2020		5,227,778.54	5,227,778.54
2021	\$ 3,130,000	5,226,771.63	8,356,771.63
2022	5,125,000	5,096,069.30	10,221,069.30
2023	5,335,000	4,881,050.78	10,216,050.78
2024	5,560,000	4,657,528.46	10,217,528.46
2025	5,795,000	4,422,881.59	10,217,881.59
2026	6,035,000	4,179,363.49	10,214,363.49
2027	6,290,000	3,925,637.16	10,215,637.16
2028	6,555,000	3,661,800.31	10,216,800.31
2029	<u>80,470,000</u>	<u>3,405,692.34</u>	<u>83,875,692.34</u>
Total	\$124,295,000	\$128,795,563.67	\$253,090,563.67

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(1) Assumes that the District enters into an interest rate exchange agreement with respect to the total principal amount of the Series 2003B Certificates with an all inclusive swap rate (including remarketing and liquidity fees) of 4.19%.



## COMBINED CERTIFICATE PAYMENT SCHEDULE

Payment requirements on the Prior Certificates, the Series 2003A Certificates and the Series 2003B Certificates are as follows:

Certificate Year Ending August 1	Series 1994A Prior Certificates	Series 1995A <sup>(1)</sup> Prior Certificates	Series 1996A <sup>(2)</sup> Prior Certificates	Series 1997A Prior Certificates	Series 2001A Prior Certificates	Series 2001B Prior Certificates	Series 2002A Prior Certificates	Series 2002B <sup>(3)</sup> Prior Certificates	Series 2002C Prior Certificates	Series 2002 QZAB Prior Certificates	Series 2002E <sup>(4)</sup> Prior Certificates	Series 2002D Prior Certificates	Series 2003A Certificates	Series 2003B <sup>(5)</sup> Certificates	Combined Total
2003	\$2,813,892.50	\$10,921,862.50	\$2,665,285.00	\$2,560,002.50	\$7,337,816.26	\$8,994,625.00	\$10,213,387.50	\$5,239,807.07	\$9,511,623.10	\$67,857.14		\$6,043,821.67		\$ 472,493.63	\$66,842,473.87
2004	2,814,280.00	10,919,952.50	2,662,885.00	2,560,212.50	9,065,936.26	8,993,725.00	10,317,437.50	5,132,305.69	9,133,633.75	67,857.14		11,990,732.50	\$4,516,785.33	5,232,805.58	83,408,548.76
2005		10,920,472.50	2,666,245.00	5,374,415.00	8,888,486.26	8,996,012.50	10,302,237.50	5,145,028.88	9,317,913.75	67,857.14		11,982,232.50	4,989,756.26	5,226,771.63	83,877,428.93
2006		6,868,800.00	2,664,745.00	5,369,275.00	8,221,666.26	8,991,802.50	10,302,037.50	5,145,155.98	9,999,558.75	67,857.14	\$3,846,593.76	12,182,732.50	4,992,056.26	5,226,908.59	83,879,189.25
2007				5,374,875.00	7,479,166.26	8,995,922.50	10,306,587.50	5,145,155.98	10,725,183.75	67,857.14	13,049,212.52	12,518,327.50	4,993,156.26	5,226,908.59	83,882,353.01
2008				5,375,025.00	7,811,831.26	8,993,235.00	10,225,087.50	5,226,956.78	10,476,166.25	67,857.14	13,049,212.52	12,434,912.50	4,993,056.26	5,227,778.54	83,881,118.76
2009				5,374,180.00	7,149,031.26	8,994,016.25	10,303,887.50	5,145,028.88	11,057,128.75	67,857.14	13,053,712.52	12,515,112.50	4,993,691.26	5,226,771.63	83,880,417.71
2010				5,376,540.00	7,405,581.26	8,993,016.25	10,305,637.50	5,145,155.98	10,799,372.50	67,857.14	13,051,462.52	12,518,062.50	4,988,266.26	5,226,908.59	83,877,860.51
2011				5,371,030.00	7,145,131.26	8,994,666.25	10,306,075.00	5,145,155.98	11,068,537.50	67,857.14	13,047,975.02	12,513,762.50	4,993,391.26	5,226,908.59	83,880,490.51
2012				5,377,030.00	7,139,093.76	8,994,351.25	10,315,875.00	5,132,305.69	11,054,931.25	67,857.14	13,048,500.02	12,531,467.50	4,988,191.26	5,227,778.54	83,877,381.42
2013				5,372,885.00	7,141,653.76	8,991,276.25	10,303,875.00	5,145,028.89	11,070,356.25	67,857.15	13,051,462.52	12,515,497.50	4,991,447.50	5,226,771.63	83,878,111.47
2014				5,370,212.50	7,142,578.76	8,996,086.25	10,212,956.25	5,239,807.07	11,157,700.00	67,857.15	13,051,450.00	12,423,985.00	4,992,497.50	5,226,908.59	83,882,039.09
2015				5,373,012.50	7,136,818.76	8,993,251.25	10,305,012.50	5,145,155.98	11,070,220.00	67,857.15	13,054,456.26	12,514,860.00	4,990,935.00	5,226,908.59	83,878,488.00
2016					13,964,558.76	18,462,931.25	10,314,050.00	5,132,305.69	11,062,445.00	67,857.15	2,563,600.00	12,093,147.50	4,989,335.00	5,227,778.54	83,878,008.90
2017					13,969,833.76	21,121,618.75	10,305,062.50	5,145,028.88	11,066,370.00			12,049,835.00	4,997,495.00	5,226,771.63	83,882,015.53
2018					13,968,358.76	21,127,500.00	7,235,250.00	8,190,155.98	11,086,935.00			12,050,497.50	4,991,587.50	5,226,908.59	83,877,193.33
2019					13,968,233.76	21,127,500.00		15,430,007.84	11,102,067.50			12,032,247.50	4,994,775.00	5,226,908.59	83,881,740.19
2020					13,969,203.76	21,121,750.00		15,429,037.20	11,237,312.50			11,905,347.50	4,989,150.00	5,227,778.54	83,879,579.50
2021					13,965,543.76	21,128,750.00		15,434,962.30	11,213,562.50			11,919,785.00	1,861,600.00	8,356,771.63	83,880,975.19
2022					13,963,143.76	21,131,000.00		15,432,969.90	11,280,562.50			11,852,685.00		10,221,069.30	83,881,430.46
2023					13,966,593.76	21,126,750.00		15,438,328.74	11,338,062.50			11,790,385.00		10,216,050.78	83,876,170.78
2024					13,964,375.00	21,129,250.00		15,438,650.01	11,396,500.00			11,733,135.00		10,217,528.46	83,879,438.47
2025					11,183,968.76	21,126,000.00		15,441,032.41	14,292,500.00			11,617,385.00		10,217,881.59	83,878,767.76
2026					32,641,312.50			15,444,314.83	13,994,500.00			11,580,385.00		10,214,363.49	83,874,875.82
2027								15,449,456.75	46,704,000.00			11,507,635.00		10,215,637.16	83,876,728.91
2028												73,660,135.00		10,216,800.31	83,876,935.31
2029														83,875,692.34	83,875,692.34
Totals	<u>\$5,628,172.50</u>	<u>\$39,631,087.50</u>	<u>\$10,659,160.00</u>	<u>\$64,228,695.00</u>	<u>\$268,589,917.72</u>	<u>\$325,525,036.25</u>	<u>\$161,574,456.25</u>	<u>\$224,538,299.38</u>	<u>\$312,217,143.10</u>	<u>\$950,000.00</u>	<u>\$123,867,637.66</u>	<u>\$370,478,111.67</u>	<u>\$86,247,172.91</u>	<u>\$253,090,563.67</u>	<u>\$2,247,225,453.79</u>

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- (1) Assumes that the Series 1995A Prior Certificates maturing after August 1, 2006 are fully prepaid on August 1, 2005 from the proceeds of the Series 2002E Prior Certificates.
- (2) Assumes that the Series 1996A Prior Certificates maturing after August 1, 2006 are fully prepaid on August 1, 2006 from the proceeds of the Series 2002E Prior Certificates..
- (3) The Series 2002B Prior Certificates were issued as variable rate Certificates. Payment requirements assume a true interest cost of 4.53% (based on an interest rate swap executed in connection with the delivery of the Series 2002B Certificates) and reflects an estimate of remarketing and liquidity facility fees.
- (4) Interest payments shown are net of amounts scheduled to be paid from amounts deposited in the Series 2002E Lease Payment Account on and prior to August 1, 2006.
- (5) Assumes that \$124,295,000 of Series 2003B Certificates are issued and the District enters into an interest rate exchange agreement with respect to the total principal amount of the Series 2003B Certificates with an all inclusive swap rate (including remarketing and liquidity fees) of 4.19%.

## **THE MASTER LEASE PROGRAM**

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

The Series 2003B Lease is one of the leases entered into under the Master Lease and provides for the leasing of the Series 2003B Facilities by the Corporation to the School Board. See "THE SERIES 2003B LEASE" and "THE SERIES 2003B FACILITIES." As noted above, the School Board has previously leased certain facilities pursuant to the Prior Leases which were funded from the proceeds of the Prior Certificates. Pursuant to the Series 1994A Prior Lease, the School Board is lease-purchasing two elementary schools, two middle schools and a learning center, all of which were completed as of March, 1996. Pursuant to the Series 1995A Prior Lease, the School Board is lease-purchasing six elementary schools, one middle school, one high school and various classroom additions to three other schools, all of which were completed as of August, 1998. Pursuant to the Series 1996A Prior Lease, the School Board is lease-purchasing two middle schools, both of which were completed as of August, 1998. Pursuant to the Series 2000A Prior Lease, the School Board is lease purchasing a high school replacement, a new middle school, six new elementary schools and additions to three other elementary schools, all of which are expected to be completed by the end of the 2002-03 Fiscal Year. Pursuant to the Series 2001A Prior Leases, the School Board is lease purchasing eight new elementary schools, the replacement of one elementary school, modernization and replacement of one elementary school and classroom addition at one high school and districtwide portable classroom replacement, all of which are expected to be completed by the end of the 2003-04 Fiscal Year. Pursuant to the Series 2002A Prior Leases, the School Board is lease purchasing a new high school, new bus compound, renovations/additions to school of the arts, portable replacements, furnishings for six elementary schools and site acquisitions for future schools, all of which are expected to be completed by the end of the 2003-04 Fiscal Year. Pursuant to the Series 2002B Prior Lease, the School Board is lease-purchasing the modernization/replacement of four elementary schools and two middle schools, all of which are expected to be completed by the end of the 2003-04 Fiscal Year. Pursuant to the Series 2002C Prior Lease, the School Board is lease-purchasing two new elementary schools, a new high school, the modernization of an existing high school and elementary school and an addition to the Village Academy, all of which are expected to be completed by the end of the 2003-04 Fiscal Year. Pursuant to the Series 2002 QZAB Prior Lease, the School Board is lease-purchasing furniture and

equipment at Palmetto Elementary School. Pursuant to the Series 2002D Prior Leases, the School Board is lease-purchasing three new middle schools and the modernization of one middle school and four elementary schools, all of which are expected to be completed by the end of the 2003/04 Fiscal Year. Concurrently with the execution and delivery of the Series 2003B Lease the School Board will be entering into the Series 2003A Leases and pursuant thereto lease-purchase a new high school, which is expected to be completed by the end of the 2004/05 Fiscal Year.

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 2003B 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 2003B Lease or any other Leases.

## **THE SERIES 2003B LEASE**

The following is a brief summary of certain provisions of the Series 2003B Lease, which is not intended to be definitive. Reference is made in "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Master Lease."

### **Authority**

The Series 2003B Lease is 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 of the Series 2003B Facilities.

### **Lease Term**

Under the Series 2003B Lease, the Corporation leases to the School Board, and the School Board leases from the Corporation, the Series 2003B Facilities. The Series 2003B Lease has an original Lease Term which commences on June 26, 2003 through and including June 30, 2003, and is automatically renewable annually thereafter through August 1, 2029, unless sooner terminated in accordance with the provisions of the Series 2003B Lease. See "THE SERIES 2003B LEASE - Termination of Lease Term."

## Lease Payments

Subject to the conditions stated in the Series 2003B Lease, the School Board has expressed its current intent to make all Lease Payments due under the Series 2003B Lease; PROVIDED, HOWEVER, THAT NEITHER THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, IS OBLIGATED TO PAY, EXCEPT FROM APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2003B 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 UNDER THE LEASES, AND THE SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. All Lease Payments due under the 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, 2003 and thereafter on June 30 and January 5 of each year, the Series 2003B Lease Payment Dates preceding each Series 2003B Certificate Payment Date, the School Board is required to pay to the Trustee the Basic Lease Payment due on such date, which amount corresponds to the next succeeding Series 2003B Certificate Payment. The School Board is also required to pay, when due, Additional Lease Payments and Supplemental Payments, consisting, among other things, of payments due to Citibank under the Interest Rate Exchange Agreement (see "RISK FACTORS - Interest Rate Exchange Agreement") and the fees and expenses of the Trustee, the Liquidity Provider and the Corporation. Lease Payments due under the Series 2003B Lease may be reduced, when applicable, by amounts credited as follows:

(a) The Trustee will deposit into the Series 2003B Lease Payment account interest income in accordance with the Trust Agreement and apply such interest income as a credit against the next ensuing Lease Payment to the extent provided in the Trust Agreement.

(b) The Trustee will deposit in the Series 2003B Lease Payment Account, as the case may be, Net Proceeds realized in the event of damage, destruction or condemnation to be applied to Basic Lease Payments under the Series 2003B Lease or the Prepayment Price of the Series 2003B Certificates.

## Assignment of Lease to Trustee

Pursuant to the Series 2003B Assignment, substantially all right, title and interest of the Corporation in and to the Series 2003B Ground Lease and in and to the Series 2003B Lease, including the right to receive Basic Lease Payments thereunder, has been absolutely and unconditionally assigned by the Corporation to the Trustee for the benefit of the Series 2003B Certificate holders. The School Board has consented to such assignment.

## Lease Covenants

Under the Series 2003B Lease, the School Board is responsible for acquisition, construction and installation of the Series 2003B Facilities pursuant to the specifications of the School Board, including the letting of all contracts for the acquisition, construction and installation of the Series 2003B Facilities. In the Series 2003B Lease, the School Board covenants that it will: (i) maintain the Series 2003B Facilities at all times during the Lease Term 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 2003B Lease.

## Budget and Appropriation

The cost and expense of the performance by the School Board of its obligations under the Series 2003B Lease, under the Prior Leases, the Series 2003A Lease and any Additional Leases and the incurrence of any liabilities of the School Board under the Series 2003B Lease, the Prior Leases, the Series 2003A Lease 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 2003B Lease.

Unless the School Board, at a public meeting held prior to the end of the then current Fiscal Year, gives notice of its intent not to appropriate the funds necessary to make the Lease Payments coming due in the following Fiscal Year under all Leases, the Superintendent will include in the Superintendent's tentative budget proposal, in a separate

line item, the funds necessary to make such Lease Payments, and all Leases will be automatically renewed on June 30 of the current Fiscal Year, for the following Fiscal Year, subject to appropriation being made by the School Board in the final adopted budget. If Lease Payments are due during the period prior to the adoption of the School Board's final official budget for an ensuing Fiscal Year, the Lease Term of all Leases shall be deemed extended only if the tentative budget or extension of the prior budget (whether by School Board action or operation of law) makes available to the School Board monies which may be legally used to make the Lease Payments due under all Leases during such period. If no such appropriation is made in the budget as finally adopted or if no official budget is adopted as of the last day on which a final budget is required to have been adopted under applicable law and regulations, all Leases will terminate as of the date of adoption of the final official budget or the last date on which a final budget is required to have been adopted, whichever is earlier, and under which no appropriation has been made.

If the School Board declares its intent at such public meeting prior to the end of the then current Fiscal Year not to appropriate the funds necessary to make Lease Payments under all Leases, no Leases will be automatically renewed for the following Fiscal Year, but will terminate on June 30 of the current Fiscal Year. For a discussion of the effect of termination of the Lease Term of the Leases, see "THE SERIES 2003B LEASE - Effect of Termination for Non-Appropriation or Default."

### **Termination and Defeasance of Lease Term**

The Lease Term of the Leases, including the Series 2003B Lease, will either terminate or be defeased upon the earliest of any of the following events:

- (a) Each Lease, shall terminate on the latest Lease Payment Date set forth in any Lease;
- (b) All Leases, shall terminate in the event of non-appropriation of funds for the payment of Lease Payments as provided in said Leases;
- (c) All Leases, shall 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.
- (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.

## **Effect of Termination for Non-Appropriation or Default**

Upon termination of the Lease Term for the reasons referred to in (b) or (c) under "SERIES 2003B LEASE - Termination and Defeasance of Lease Term" above, the School Board is required to immediately surrender and deliver use, possession and control of all the Facilities financed under all Leases 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. Unless the Insurer is in default of its obligations under the Policy, the Insurer is entitled to control and direct the rights and remedies of the Trustee. See "RISK FACTORS - No Right of Certificate Holders to Direct Remedies." 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 2003B Facilities will be applied to the payment of the Series 2003B Certificates, in accordance with the terms of the Series 2003B Lease. See "RISK FACTORS - Limitation Upon Disposition; Ability to Sell or Relet." IN NO EVENT WILL OWNERS OF THE SERIES 2003B CERTIFICATES HAVE ANY INTEREST IN OR RIGHT TO ANY PROCEEDS OF THE DISPOSITION OF THE FACILITIES OR FACILITIES FINANCED WITH THE PROCEEDS OF ANOTHER SERIES OF CERTIFICATES EXCEPT FOR ANY CERTIFICATES ISSUED TO COMPLETE THE SERIES 2003B FACILITIES OR TO REFUND SERIES 2003B 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 2003B Facilities will produce sufficient amounts to pay the Series 2003B Certificates. Federal income tax status of payments made to Series 2003B 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 2003B 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 2003B 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 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 2003B Assignment, the Corporation has made an absolute and unconditional assignment of substantially all its right, title and interest under the Series 2003B Lease to the Trustee, retaining its rights to indemnification, its right to hold title to the Series 2003B 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 2003B 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 the fourteenth largest in the United States and the fourth largest in Florida as measured by student enrollment. The geographic boundaries of the District are coterminous with those of Palm Beach County, Florida (the "County"). The County, established in 1909, had a 2002 population of 1,183,197. It is the third largest county in Florida with a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 38 municipalities within the boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Lake Worth, Delray Beach and Boca Raton.

As of June 30, 2002, the District consisted of 156 schools, approximately 162,516 full time-equivalent ("FTE") students and 18,992 full and part-time employees, including approximately 10,155 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The Tax Collector of



Palm Beach County, Florida (the "County Tax Collector") collects the ad valorem school tax for the District, but the County exercises no control over its expenditures.

**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 hereto.

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

<u>School Year</u>	<u># of Schools in Operation</u>	<u>Number of Instructional Personnel at Fiscal Year-End</u>	<u>Unweighted FTE Students<sup>(1)</sup></u>	<u>Average Expenditure per FTE Student<sup>(2)</sup></u>
2002-03	156	N/A	162,516	N/A
2001-02	149	10,155	157,499	5,521
2000-01	147	9,706	157,075	\$5,432
1999-00	143	9,657	161,670	5,280
1998-99	138	9,478	156,087	5,141
1997-98	138	8,608	150,719	4,825
1996-97	137	8,924	146,106	4,746
1995-96	133	8,389	141,629	4,831
1994-95	127	8,223	137,224	5,345

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

- (1) Unweighted, includes adults.
- (2) Excludes outgoing transfers.

## Growth Projections for FTE

The actual and estimated Full-Time Equivalent (FTE) Enrollment for School Years 1998-99 through 2002-03 were/are as follows:

**School District of Palm Beach County, Florida**  
**Profile of Enrollments**  
**Full-Time Equivalent Students<sup>(1)</sup>**  
**1998-99 - 2002-03**

	<u>2002-03<sup>(2)</sup></u>	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>
Grades K-3	32,281	31,585	30,972	30,914	30,856
Grades 4-8	43,153	42,591	40,475	39,285	35,727
Grades 9-12	32,109	30,813	28,854	28,171	26,769
Exceptional Ed.	30,634	29,960	28,253	27,124	26,781
Vocational Ed.	7,722	7,327	7,532	7,144	6,745
At Risk Programs	<u>16,617</u>	<u>15,302</u>	<u>14,960</u>	<u>14,077</u>	<u>19,294</u>
Total	<u>162,516</u>	<u>157,578</u>	<u>151,046</u>	<u>146,715</u>	<u>146,172</u>
Percentage Change	3.13%	4.32%	2.95%	0.37%	---

(1) Enrollments are calculated on a full-time equivalent student basis for adults and on the basis of the number of students in grades kindergarten through twelve for the regular school term. Enrollments in summer school terms were included in the FTE calculations through 1998-1999. A full-time equivalent (FTE) student is defined as equal to 900 hours of instruction time.

(2) Figures as of third FEFP (Florida Education Finance Program) calculation.

### The School Board

The School Board is a public corporation existing under the laws of the State of Florida, particularly Chapter 1001, Florida Statutes, and is the governing body of the District. The School Board consists of seven members elected from single member districts for overlapping four-year terms. The principal office of the School Board is located in West Palm Beach, Florida.

Under existing statutes, the School 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 School 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 School Board is elected by the members of the School Board annually.

The Superintendent of Schools is the ex-officio Secretary of the School Board.

### **The Superintendent of Schools**

The chief executive officer of the District is the Superintendent of Schools (the "Superintendent"), is appointed by, and serves at the discretion of, the School Board and serves pursuant to negotiated contract. The Superintendent oversees operations of the school system, makes policy recommendations to the School 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 School 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**

Biographical descriptions of certain key members of the District's staff are as follows:

*Dr. Art Johnson* accepted the responsibilities of Superintendent of Schools on March 28, 2001. Dr. Johnson, a lifelong educator, began his career as an elementary school teacher and later served as a principal at both the elementary and secondary levels. Dr.

Johnson received his bachelor's degree from the University of South Florida. He received his master's degree and doctorate from Florida State University.

*Joseph Moore*, Chief Operating Officer, joined the School District in February of 2001. Mr. Moore brought over twenty years of financial management experience to the District. He served in progressively more responsible positions with the South Florida Water Management District including the position of CFO. He has a Public Administration degree from Florida Atlantic University.

*Leanne Evans*, Treasurer, joined the Palm Beach County School 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 Cash Manager credential in Treasury Management.

*Michael Burke*, Budget Director, 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 brought 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.

## **Total School Personnel**

The professional staff of the District includes approximately 10,927 supervisors, analysts, specialists, administrators and instructional personnel. Other personnel include teachers' aides, clerks and secretaries, bus drivers, cafeteria personnel, custodial and maintenance workers, mechanics and warehousemen. The total number of school personnel as of June 30, 2002 was 18,992 the largest number of employees of any one employer in the County.

## **Employee Relations**

Approximately 53% 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 39% are represented by non-instructional collective bargaining agents. While the School Board believes that the employee relations among all

segments of the educational community have been satisfactory to resolving problems internally in the best interest of the District, it has been involved in a dispute with the CTA over salary increases. See "LITIGATION."

As of June 30, 2002, the Board employed 18,992 persons representing the following groups:

Instructional	10,155
School and District Administrators	586
Clerical, Police, Secretarial, Professional Staff	4,206
Bus, Custodial, Maintenance and Mechanics	2,871
Part-time hourly	1,174

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

Teachers	June 30, 2005
Clerical	June 30, 2003
Bus, Custodial, Maintenance and Mechanics	June 30, 2005
Police	June 30, 2003

### **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**

The Superintendent, with input from his staff, principals and interested community groups, prepares and submits to the School Board a recommended budget. The School 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 School 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 School Board. The tentative budget for the Fiscal Year ending June 30, 2004 is expected to be adopted on July 28, 2003. The final budget is expected to be adopted at a public hearing held on September 8, 2003. Revisions may be made to the adopted budget in accordance with Florida law and may be necessary in light of recent cuts in the State budget made by the Florida Legislature. See "REVENUE,

## FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Special Session of the Florida Legislature."

### **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 2002.

### **REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT**

The following briefly describes revenues available to the District for operating and capital purposes, financial results of the District and certain District liabilities. For additional information concerning such matters see "APPENDIX B - BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2002."

### **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 said 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 "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - District Revenues for Capital Projects."

## State Sources

Florida Educational Finance Program. The major portion of State support is distributed under the provisions of the Florida Education Finance Program (FEFP), which was enacted by the State Legislature in 1973. Basic FEFP funds are provided on a weighted full-time equivalent student ("FTE") 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. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in variables comprising the formula.

To participate in FEFP funding, the District must levy a minimum millage for operating purposes which is set by the State of Florida Department of Education.

The FEFP revenues received by the District for Fiscal Year 2002-03 were \$252,918,046 and are expected to be \$283,615,452 in Fiscal Year 2003-04.

State Lottery Revenues. A portion of the revenues generated from the state lottery is distributed to each Florida school district. The District received \$12,858,790 lottery revenues for Fiscal Year 2002-03. The District is budgeting \$9,972,437 of lottery revenues for Fiscal Year 2003-04.

State Categorical Programs. These are special educational program lump-sum appropriations which supplement local school district revenues in order to enhance educational and support services. Among the categorical programs for which the largest appropriations are made are Instructional Technology, Instructional Materials, Pre-Kindergarten Schooling and Transportation. Allocations for these categorical appropriations are based on a funding formulas. The majority of funds available therefrom require actual appropriation by the School Board for the purposes for which they were provided. The number and amount of categorical program allocations have been limited in recent years in an attempt to shift fiscal decision making from the State to school boards at the local level.

The 1991 State Legislature eliminated most State categorical programs and flowed such funds through the FEFP. The State also created a Discretionary District Lottery Fund which districts may use to fund programs deemed appropriate for such funding by the School Board.

Total state revenues from State Categorical Programs for the District's operations were \$90,400,000 for Fiscal Year 2002-03 and are projected to be \$91,510,563 in Fiscal Year 2003-04.

### 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 1010, 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 FEFP funds for current operations must levy the millage certified by the Commissioner of the State of Florida Department of Education "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. Moreover, the 1994 State Legislature authorized school districts to levy not to exceed .25 mills for operating purposes designed to raise up to but not more than \$50 per full-time equivalent student. For districts that cannot raise \$50 per student from the .25 mills, the State will provide the difference. For Fiscal Years 2002 and 2003 the District levied 6.547 mills and 6.427 mills, respectively, under this provision. See "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - District Revenues for Capital Projects - Local Capital Outlay Sources."

Budgeted revenues from ad valorem taxes are based on applying millage levies to 95 percent of the non-exempt assessed valuation of real and personal property within the County. See "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Ad Valorem Tax Procedures" below.

### 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 \$542,000 in Fiscal Year 2002-03 and are projected to be \$550,000 in Fiscal Year 2003-04. Federal funds through the State totaled \$4,700,000 in Fiscal Year 2002-03 and are



projected to be \$4,700,000 in Fiscal Year 2003-04. Such funds are not available to make Lease Payments on the Series 2003B Lease.

## **District Revenues for Capital Projects**

The District derives its revenues for capital projects from certain State and local sources. The major categories of these revenue sources are briefly described below.

### State Sources

PECO. The primary source of State educational funding contributions for the District's capital outlay requirements is the Florida Public Education Capital Outlay Program (PECO). The method of allocating funds to the various school districts within the State is provided by State law based upon a statutory formula, a component of which is the number of students in the various districts. The State Commissioner of Education administers PECO and allocates or reallocates funds as authorized by law. PECO funds of \$22,500,467 were allocated to the District for Fiscal Year 2002-03. Funding in the amount of \$12,458,276 is budgeted for Fiscal Year 2003-04 based on State projections.

CO&DS Funds. The District receives a portion of the revenues generated by the State from the sale and renewal of motor vehicle licenses. The distributed revenues are designated as capital outlay and debt service (CO&DS) funds. CO&DS funds can be used by the District to make Lease Payments, but only if the facilities being lease-purchased appear on the project priority list approved by the State Board of Education. The District received \$700,000 of CO&DS funds in Fiscal Year 2002-03 and expects to receive \$700,000 of CO&DS funds in Fiscal Year 2003-04.

### State Indebtedness on Behalf of the District

Capital Outlay Bonds. The State of Florida Board of Education Capital Outlay Bonds are serviced entirely by the State using a portion of the District's share of revenue derived from automobile registrations. The annual sinking fund requirements are determined by the State Board of Administration and amounts necessary to retire bonds and pay interest are withheld from amounts due to the District. At June 30, 2003, amounts withheld and in the custody of the State totaled \$1,285,595.

### Local Capital Outlay Sources

The Local Option Capital Outlay Millage Levy. In addition to the millage levies for operating purposes, school boards may set an additional non-voted millage known as the

"Local Option Millage Levy" for capital outlay and maintenance purposes. This levy may be up to 2.0 mills for new construction and remodeling; site acquisition and site improvement; auxiliary or ancillary facilities; maintenance, renovation, and repair of existing school plants; school bus purchases; and amounts payable pursuant to lease purchase agreements for educational facilities and sites. Payments pursuant to lease purchase agreements for educational facilities and sites are authorized in an amount not to exceed three-fourths (75%) the proceeds of the millage actually levied, which may not exceed 2.0 mills. The District has assessed a capital outlay and maintenance levy of 2.0 mills in Fiscal Year 2001-2002 and 2.0 mills for each of the past six Fiscal Years. The Local Option Millage Levy constitutes the primary source of funds to make lease payments in respect of the Series 2003B Certificates. The District is not required to levy any millage for capital outlay purposes in the future. Since revenues from the levy of the Capital Outlay Millage may be used for, but are not pledged to, the payment of Basic Lease Payments under the Series 2003B Lease, the failure of the District to levy all or a portion of the Capital Outlay Millage would have an adverse effect on available revenues from which the School Board may appropriate funds to make Basic Lease Payments.

The table below sets forth the millage levy that would provide 1.00x coverage of the maximum annual payments represented by the Prior Certificates and the Series 2003B Certificates, assuming a 95% collection of the taxes levied.

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

	Fiscal Year <u>2002-03</u>
Net Taxable Assessed Valuation (2002)	\$97,281,959,258 <sup>(1)</sup>
Funds Generated from Local Option Capital Outlay Millage which are Available to Make Lease Payments	\$138,626,792.25 <sup>(2)</sup>
Maximum Annual Lease Payments Represented by the Prior Certificates, the Series 2003A Certificates and the Series 2003B Certificates	\$83,882,353.01 <sup>(3)</sup>
Millage Levy Required to Produce 1.00x Coverage of Maximum Annual Lease Payments represented by the Prior Certificates, the Series 2003A Certificates and the Series 2003B Certificates	1.21 mills <sup>(2)(3)</sup>

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

- (1) Preliminary 2003 tax year assessed valuation; subject to final validation.
- (2) This number calculated using 95% of the net taxable assessed valuation and assuming only 75% of the Local Option Capital Outlay Millage levy is available to make payments represented by the Prior Certificates, the Series 2003A Certificates and the Series 2003B Certificates.
- (3) Assumes (i) scheduled payment of the interest on the Series 2002E Prior Certificates prior to the crossover dates (August 1, 2005 and August 1, 2006) from amounts on deposit in the Series 2002E Lease Payment Account, (ii) that the Refunded Series 1995A Certificates and Refunded Series 1996A Certificates are fully prepaid on their respective Crossover Dates, and (iii) that \$124,295,000 of the Series 2003B Certificates are issued and the District enters into an interest rate exchange agreement with respect to the total principal amount of the Series 2003B Certificates with an all inclusive swap rate (including remarketing and liquidity fees) of 4.19%.

General Obligation Debt. In addition to the School Board-set levies, qualified electors, by referendum, may vote an additional millage levy for District operation and capital outlay purposes, as prescribed by the Florida constitution and applicable statutes. Qualified electors within the District may authorize issuance of general obligation bonds to be retired by a millage levy. In 1986, the voters of the County approved the issuance of up to \$317,000,000 of general obligation bonds for school construction and renovation. The bonds were sold in two installments. The Series A Bonds, in the amount of \$250,000,000, were issued on September 3, 1987. The Series B Bonds, in the amount of \$67,000,000, were issued on June 28, 1989. In 1992, the District issued \$184,215,000 of general obligation refunding bonds to advance refund a portion of the outstanding Series A Bonds, a portion of which 1992 general obligation bonds were, in turn, refunded with the proceeds of 2002 general obligation refunding bonds issued on May 7, 2002. In 1993 the District issued \$65,315,000 of the general obligation refunding bonds to advance refund all of the outstanding Series B Bonds, all of which 1993 general obligation bonds were, in turn, refunded with the proceeds of 2002A general obligation refunding bonds issued on May 16, 2002. The District currently has no issuance capacity remaining under its general obligation school bond authorization for new projects. The approval of the majority of the qualified electors voting in a new referendum would be required to issue additional general obligation debt for school construction and renovation. Principal and interest on the authorized and outstanding general obligation bonds is paid from ad valorem school district taxes levied on all taxable real and personal property within the District, excluding exempt property as required by Florida law. See "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Liabilities."

## **Financial Results**

The financial and accounting procedures of the District are designed to conform to generally accepted accounting principles applied to governmental units. The District's accounting system is organized on the basis of funds and accounts groups. Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The accounts for the governmental and agency fund types are maintained on a 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, if measurable, except unmatured interest on general long term debt, which is recognized when the interest is due. The internal service funds are maintained on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

## General Fund Revenue Sources

The following table sets forth general fund revenue sources for the past four complete fiscal years and the forecasted numbers for the current fiscal year.

### The School District of Palm Beach County, Florida General Fund Revenue Sources<sup>(1)</sup>

Fiscal Year End(ed)(ing) <u>June 30</u>	Federal <u>Funds<sup>(2)</sup></u>	State <u>Funds</u>	Local <u>Funds<sup>(3)</sup></u>	Total <u>Revenue</u>
2003 <sup>(4)</sup>	\$5,200,000	\$377,600,000	\$579,400,000	\$962,200,000
2002	4,900,000	350,900,000	546,700,000	902,500,000
2001	3,400,000	364,100,000	489,600,000	857,100,000
2000	3,000,000	324,400,000	476,200,000	803,600,000
1999	2,400,000	320,300,000	478,000,000	800,700,000

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

- (1) Rounded.
- (2) Includes direct federal funds and federal funds received through the State.
- (3) Includes other sources of revenue.
- (4) Unaudited.

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## General Fund Operations

The following table summarizes results of operations for the general fund, special revenue fund and capital projects fund of the District for the Fiscal Years ended June 30, 1999 through June 30, 2002 and budgeted results of operations for Fiscal Year ending June 30, 2003.

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

	Results of Operations				Tentative Budget
	1999	2000	2001	2002	2003
Beginning Fund Balance:					
Encumbered	\$24.0	\$30.5	\$31.1	47.4	48.7
Categoricals	18.6	10.6	9.9	10.6	4.7
Unencumbered	<u>21.0</u>	<u>23.8</u>	<u>21.7</u>	<u>3.8</u>	<u>35.2</u>
Total	<u>\$63.6</u>	<u>\$64.9</u>	<u>\$62.7</u>	<u>\$61.8</u>	<u>\$88.6</u>
Revenues:					
Local Sources:					
Ad Valorem Taxes	\$437.8	431.4	452.2	503.2	539.4
Interest Income	23.6	27.4	19.6	6.1	6.5
Other Revenue	16.6	17.4	17.8	37.4	33.5
Transfers In	<u>37.5</u>	<u>37.6</u>	<u>38.6</u>	<u>34.7</u>	<u>32.9</u>
Total Local Sources	<u>\$515.5</u>	<u>\$513.8</u>	<u>\$528.2</u>	<u>\$581.4</u>	<u>\$612.3</u>
State Sources:					
FL Educ. Finance Pro. & Lottery	\$217.4	\$218.5	\$273.9	\$ 242.1	\$ 286.4
Categorical Grants	102.9	105.9	90.2	88.0	90.4
Other	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>20.8</u>	<u>0.8</u>
Total State sources	<u>\$320.3</u>	<u>\$324.4</u>	<u>\$364.1</u>	<u>\$ 350.9</u>	<u>\$ 377.6</u>
Federal Sources	<u>2.4</u>	<u>3.0</u>	<u>3.4</u>	<u>4.9</u>	<u>5.2</u>
Total Revenues	<u>\$838.2</u>	<u>\$841.2</u>	<u>\$895.7</u>	<u>\$ 937.2</u>	<u>\$ 995.1</u>
Adjustments to Fund Balances	-	-	-	33.7	-
Total Rev. & Fund Balance	<u>\$901.8</u>	<u>\$906.1</u>	<u>\$958.4</u>	<u>\$1,032.7</u>	<u>\$1,083.7</u>
Expenditures:					
Salaries	\$578.4	\$547.6	\$579.9	\$625.0	\$ 662.8
Employee Benefits	127.0	150.8	162.6	166.6	181.2
Purchased Services	63.4	45.7	47.5	55.9	66.2
Other Non-personnel	67.1	98.5	106.6	96.5	106.9
Transfer Out	<u>1.0</u>	<u>.8</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
Total Expenditures	<u>\$836.9</u>	<u>\$843.4</u>	<u>\$896.6</u>	<u>\$944.1</u>	<u>\$1,017.1</u>
Excess of Revenues Over (Under) Expenditures	1.3	(2.2)	(0.9)	(6.9)	(22.0)
Ending Fund Balance:					
Encumbered	\$ 9.8	\$ 7.1	\$ 5.6	\$ 6.4	\$ 25.0
Reserved for Inventory	8.3	11.0	12.5	13.0	0.0
Reserved for Board Contingency	12.4	13.0	29.3	29.3	31.6
Reserved for Carryover Programs	6.3	3.6	4.9	4.7	0.0
Designed for Local Categoricals	4.3	6.3	5.7	0.0	0.0
Unencumbered	<u>23.8</u>	<u>21.7</u>	<u>3.8</u>	<u>35.2</u>	<u>10.0</u>
Total Fund Balance	<u>\$64.9</u>	<u>\$62.7</u>	<u>\$61.8</u>	<u>\$88.6</u>	<u>\$66.6</u>
Total Expenditure & Fund Balance	\$901.8	\$906.1	\$958.4	\$1,032.7	\$1,083.7

Source: Results of operations derived from the Superintendent's Annual Financial Report of the School District of Palm Beach County, Florida for the 1999-2002 Fiscal Years.

**The School District of Palm Beach County, Florida**  
**Summary of Special Revenue Fund**  
**(Amount in Millions)**

	Results of Operations				Tentative Budget
	1999	2000	2001	2002	2003
<b>REVENUES:</b>					
Local Sources:					
Food service sales	\$ 14.3	\$ 15.2	\$ 17.1	\$ 18.6	\$21.3
Interest income and other	<u>2.2</u>	<u>4.7</u>	<u>7.3</u>	<u>10.4</u>	<u>3.5</u>
Total Local Sources	<u>\$ 16.5</u>	<u>\$ 19.9</u>	<u>\$ 24.4</u>	<u>\$ 29.0</u>	<u>\$ 24.8</u>
State Sources					
food service	2.3		0.9	0.9	0.9
grants		<u>3.9</u>	<u>5.8</u>	<u>0.3</u>	<u>6.1</u>
Total State Sources	<u>2.3</u>	<u>3.9</u>	<u>6.7</u>	<u>1.2</u>	<u>7.0</u>
Federal Sources:					
Federal grants	\$ 69.3	\$ 81.8	89.2	\$ 92.7	98.1
Food service	<u>23.9</u>	<u>24.5</u>	<u>25.4</u>	<u>27.2</u>	<u>32.0</u>
Total Federal Sources	<u>\$ 93.2</u>	<u>\$106.3</u>	<u>\$114.6</u>	<u>\$120.0</u>	<u>\$ 130.1</u>
<b>TOTAL REVENUES</b>	<u><b>\$112.0</b></u>	<u><b>\$130.1</b></u>	<u><b>\$145.7</b></u>	<u><b>\$150.2</b></u>	<u><b>\$161.9</b></u>
<b>EXPENDITURES:</b>					
Current:					
Instructional services	\$ 17.7	\$ 24.0	\$ 37.4	\$ 33.1	\$52.6
Instructional support services	29.8	29.6	24.1	24.4	37.4
Pupil transportation services	0.1	0.0	0.2	0.2	0.1
Operation and maintenance of plant	0.3	0.3	0.8	1.0	6.7
School administration	0.3	0.6	0.2	0.2	0.7
General administration	1.5	1.8	2.0	2.4	5.9
Food service	22.5	39.6	43.8	45.7	52.7
Community services and other	35.8	32.3	35.3	40.3	5.0
Capital Outlay:					
Facilities acquisition and construction	0.0	0.0	0.1	0.0	0.0
Other capital outlay	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>2.5</u>	<u>1.5</u>
Total Expenditures	<u>\$108.2</u>	<u>\$128.3</u>	<u>\$143.9</u>	<u>\$149.8</u>	<u>\$162.6</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	3.8	1.8	1.8	0.4	(0.7)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	0.6	0.0	0.0	0.1	0.0
Transfers out	<u>(0.5)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Other Financing Sources (Uses)	<u>(0.1)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	3.9	1.8	1.8	0.5	(0.7)
Beginning Fund Balances	<u>5.5</u>	<u>9.4</u>	<u>11.2</u>	<u>13.1</u>	<u>13.6</u>
Ending Fund Balances	<u>\$ 9.4</u>	<u>\$ 11.2</u>	<u>\$ 13.0</u>	<u>\$ 13.6</u>	<u>\$12.9</u>

Source: Results of operations derived from the Superintendent's Annual Financial Report of the School District of Palm Beach County, Florida for the 1999-2002 Fiscal Years.

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

	Results of Operations				Tentative Budget
	1999	2000	2001	2002	2003
<b>REVENUES:</b>					
Local Sources:					
Ad valorem taxes	\$121.9	\$130.9	\$139.4	153.7	168.2
Interest income and other	<u>11.5</u>	<u>37.0</u>	<u>28.2</u>	<u>31.7</u>	<u>17.0</u>
Total Local Sources	<u>\$133.4</u>	<u>\$167.9</u>	<u>\$167.6</u>	<u>\$185.4</u>	<u>\$185.2</u>
State Sources:					
Capital outlay distributed to					
District - net	\$ 0.9	\$ 0.8	\$ 0.8	\$ 1.5	0.7
Public education capital outlay	9.7	6.7	2.3	32.6	22.5
Classrooms first program	17.3	69.8	42.9	3.8	0.0
School infrastructure thrift	5.2	0.5	1.9	0.0	2.0
Interest and other	<u>0.1</u>	<u>0.2</u>	<u>2.3</u>	<u>9.7</u>	<u>0.0</u>
Total State Sources	<u>\$ 33.2</u>	<u>\$ 78.0</u>	<u>\$ 50.2</u>	<u>\$ 47.6</u>	<u>\$ 25.2</u>
<b>TOTAL REVENUES</b>	<u><b>\$166.6</b></u>	<u><b>\$245.9</b></u>	<u><b>\$217.8</b></u>	<u><b>\$233.0</b></u>	<u><b>210.4</b></u>
<b>EXPENDITURES:</b>					
Facilities acquisition and construction:					
Land	\$ 9.7	\$ 7.6	\$ 19.7	\$ 29.0	\$ 45.2
Buildings	90.1	143.4	156.3	254.5	285.0
Improvements	<u>2.7</u>	<u>1.9</u>	<u>4.1</u>	<u>6.5</u>	<u>8.4</u>
Total facilities acquisition & construction	\$102.5	\$152.9	\$180.1	\$290.0	\$338.6
Other capital outlay:					
Furniture, fixtures and equipment	28.0	26.7	30.7	\$ 32.9	\$ 91.0
Interest	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>4.2</u>	<u>0.0</u>
<b>TOTAL EXPENDITURES</b>	<u><b>\$130.5</b></u>	<u><b>\$179.6</b></u>	<u><b>\$210.8</b></u>	<u><b>\$327.1</b></u>	<u><b>\$429.6</b></u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	36.1	66.3	7.0	(94.1)	(219.2)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers out	(56.3)	(60.3)	(69.2)	(79.5)	(100.0)
Proceeds from sale of land	2.6	0.0	0.0	0.4	0.0
Proceeds from issuance of long-term debt	<u>0.0</u>	<u>155.7</u>	<u>134.1</u>	<u>396.9</u>	<u>177.8</u>
Total Other Financing Sources (Uses)	<u>53.7</u>	<u>95.4</u>	<u>64.9</u>	<u>317.8</u>	<u>77.8</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	(17.6)	161.7	71.9	223.7	(141.4)
Beginning Fund Balances	166.2	148.5	310.2	382.1	606.0
Adjustment to fund balance	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>
Ending Fund Balances	<u><b>\$148.6</b></u>	<u><b>\$310.2</b></u>	<u><b>\$382.1</b></u>	<u><b>\$606.0</b></u>	<u><b>\$464.6</b></u>

Source: Results of operations derived from the Superintendent's Annual Financial Report of the School District of Palm Beach County, Florida for the 1999-2002 Fiscal Years.



## **Ad Valorem Tax Procedures, Assessed Valuations and Collections**

General. Ad valorem taxes may be levied only by counties, school districts, municipalities and certain special districts. No ad valorem taxes may be levied by the State upon real estate or tangible personal property. Real and personal property valuation is determined as of January 1 by the County Property Appraiser. Except as noted below, all taxable real and tangible personal property must be assessed at 100 percent of fair market value.

The following uses of real property are generally exempt from ad valorem taxation; religious, educational, charitable, scientific, literary and governmental. In addition, there are special exemptions for widows, hospitals, homesteads and homes for the aged and disabled veterans. The "homestead exemption" exempts from taxation the first \$25,000 of the assessed valuation of a residence occupied by the owner on a permanent basis, as of January 1 of the year of valuation. Agricultural land, noncommercial recreational land, inventory and livestock are assessed at less than 100 percent of fair market value.

Constitutional Amendment. By voter referendum held on November 2, 1992, Article VII, Section 4 of the Florida Constitution was amended by adding thereto a subsection which, in effect, limits the increases in assessed just value of homestead property to the lesser of: (1) three percent of the assessment for the prior year; or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967-100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. Further, the amendment provides that: (1) no assessment shall exceed just value; (2) after any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status; (3) new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead; and (4) changes, additions, reductions or improvements to homestead shall initially be assessed as provided for by general law, and thereafter as provided in the amendment. The amendment became effective commencing January 1, 1995. Because of the offsetting impact of new residential construction within the County on assessed just value of homestead property, the amount of the adverse impact of such amendment on the collection of ad valorem taxes cannot be accurately ascertained.

Procedure for Ad Valorem Tax Collections. All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector based on the valuation as of January 1 of such year. On or about November 1 of the year of valuation, the County Tax Collector mails to each property owner on the assessment roll a notice of taxes levied by the

County, the District and other taxing authorities. Taxes may be paid upon receipt of such notice with discounts at the rate of four percent if paid in the month of November, three percent if paid in the month of December, two percent if paid in the month of January and one percent if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible personal property become delinquent on April 1 of the year following the year in which taxes were levied or within sixty days after the mailing of the original tax notice of the final assessment rate, whichever is later. All taxes collected are remitted by the County Tax Collector to the governmental unit levying the taxes.

Delinquent real property taxes bear interest at the rate of one and one-half percent (1½%) per month from April 1, or within sixty (60) days after the mailing of the original tax notice of the final assessment rate, whichever is later, until a tax certificate is sold at auction, from which time the interest rate shall be as bid by the buyer of the tax certificate. Delinquent tangible personal property taxes also bear interest at the rate of one and one-half percent (1½%) per month from April 1 until paid. Tax certificates for delinquent personal property taxes must be advertised within forty-five (45) days after delinquency, and after May 1 the property is subject to warrant, levy, seizure and sale.

Florida law provides that real property tax liens and personal property tax liens are superior to all other liens, except prior United States Internal Revenue Service liens. The County Tax Collector advertises once each week for four weeks and sells tax certificates to the lowest bidder, based on the interest rate bid, commencing on or about June 1 of each year on substantially all real property with taxes due. Tax certificates not sold at auction revert to the County.

If the owner of real property subject to a tax certificate does not redeem the certificate within two years, the holder of the certificate is entitled to apply for a tax deed of sale. The highest bidder at such sale receives a tax deed for the property subject to the tax certificate. To redeem a tax certificate, the owner of the property must pay all delinquent taxes, the interest that accrued prior to the date of the sale of the tax certificate, charges incurred in connection with the sale of the tax certificate, omitted taxes, if any, and interest at the rate bid on the tax certificate from the date of the sale of the tax certificate to the date of redemption. The interest rate on a tax certificate is a minimum of five percent, unless the interest bid on the certificate is a lower rate.

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)**

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Gross Assessed</u> <u>Value<sup>(1)</sup></u>	<u>Total Taxable Value for</u> <u>Operating Millages</u>	<u>% Taxable to Total</u> <u>Assessed Value</u>
2002 <sup>(2)</sup>	\$114,045,351	\$88,507,776	77.61%
2001	101,011,370	79,634,180	78.85
2000	93,138,129	72,128,814	77.44
1999	85,425,333	67,531,963	79.05
1998	79,872,734	63,246,633	79.18

Source: The School District of Palm Beach County, Florida Final Budget for the Fiscal Year Ending June 30, 2002.

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

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The following table sets forth millage rates for the District for Fiscal Year 2003 and for the last four years.

**The School District of Palm Beach County, Florida  
Historical Tax Rates  
(in millions)**

	Fiscal Year Ended June 30				Fiscal Year Ending June 30, 2003
	1999	2000	2001	2002	
<b><u>General Fund</u></b>					
District School Tax:					
State - Required Local Effort	6.549	5.962	5.867	5.935	5.819
Local - Discretionary	<u>0.630</u>	<u>0.625</u>	<u>0.620</u>	<u>0.612</u>	<u>0.608</u>
Sub-total	7.179	6.587	6.487	6.547	6.427
<b><u>Capital Projects Funds</u></b>					
Local Option Capital Outlay Millage	<u>2.000</u>	<u>2.000</u>	<u>2.000</u>	<u>2.000</u>	<u>2.000</u>
Sub-total	9.177	8.587	8.487	8.547	8.427
<b><u>Debt Service - Interest and Sinking Funds</u></b>					
	<u>0.503</u>	<u>0.456</u>	<u>0.431</u>	<u>0.401</u>	<u>0.352</u>
<b>TOTAL MILLAGE LEVY</b>	<u><u>9.682</u></u>	<u><u>9.043</u></u>	<u><u>8.918</u></u>	<u><u>8.948</u></u>	<u><u>8.779</u></u>

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

**The School District of Palm Beach County  
Tax Levies and Tax Collections  
(in thousands)**

<u>Fiscal Year Ended June 30,</u>	<u>Property Taxes Levied</u>	<u>Current Tax Collections</u>	<u>Total Tax Collections</u>	<u>% of Current Tax Collected to Property Taxes Levied</u>
2002	\$ 521,365	\$ 489,176	\$ 490,811	93.83%
2001	467,900	425,422	439,243	90.92
2000	444,833	418,800	421,179	94.15
1999	454,048	436,742	449,491	96.19
1998	424,796	397,313	411,660	93.53
1997	415,349	377,188	399,906	90.81

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2002.

**Palm Beach County, Florida  
Ten Largest Taxpayers  
(in thousands)  
For the Fiscal Year Ending June 30, 2002**

<u>Taxpayer</u>	<u>Taxes Paid</u>	<u>Percentage of Total Taxes Levied</u>
Florida Power & Light	\$ 18,135	1.00%
BellSouth Telecommunications	12,144	0.67
U.S. Sugar Corporation	5,646	0.31
Town Center	4,083	0.23
Breakers Palm Beach, Inc.	3,733	0.21
Panthers BRHC LTD	3,538	0.20
Okeelanta Co	3,494	0.19
West Palm Beach CRA Lessor	3,344	0.18
Lawrence L. Landry	3,265	0.18
Boynton JCP Assoc. Ltd.	2,192	0.12
Total of Top 10	<u>\$ 59,574</u>	<u>3.28%</u>
Total Taxes Levied	\$1,813,825	100.00%

Source: School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2002.

## 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)

DIRECT DEBT (As of June 30, 2002)	<u>General Obligation</u>	<u>Non-Self Supporting Revenue Debt<sup>(1)</sup></u>
<u>State of Florida</u>		
State Board of Education Capital Outlay Bonds, Series 1991-A		\$ 0
State Board of Education Capital Outlay Bonds, Series 1992-A		0
State Board of Education Capital Outlay Bonds, Series 1994-A		4,540
State Board of Education Capital Outlay Bonds, Series 1995-A		3,315
State Board of Education Capital Outlay Bonds, Series 1996-A		21,245
State Board of Education Capital Outlay Bonds, Series 1996-B		0
State Board of Education Capital Outlay Bonds, Series 1997-A		5,745
State Board of Education Capital Outlay Bonds, Series 1998-A		2,245
State Board of Education Capital Outlay Bonds, Series 1999-A		2,425
State Board of Education Capital Outlay Bonds, Series 2000-A		1,560
State Board of Education Capital Outlay Bonds, Series 2001B		7,045
State Board of Education Capital Outlay Bonds, Series 2002A		2,845
<u>District Bonds</u>		
General Obligation Refunding Bonds, Series 1992	\$ 16,820	
General Obligation Refunding Bonds, Series 2002	98,490	
General Obligation Refunding Bonds, Series 2002A	<u>28,200</u>	
TOTAL DIRECT DEBT	\$143,510	<u>\$50,965</u>

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2002.

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

**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)  
(continued)**

OVERLAPPING DEBT (COUNTY)	<u>General Obligation</u>	<u>Non-Self Supporting Revenue Debt</u>	<u>Self Supporting Revenue Debt</u>
Total General Obligations Bonds	\$253,845		
Total Non-self Supporting Debt		\$454,619	
Total Self Supporting Debt	_____	_____	<u>\$593,185</u>
<b>TOTAL COUNTY DIRECT DEBT</b>	<b>\$253,845</b>	<b>\$454,619</b>	<b>\$593,185</b>
TOTAL DISTRICT DEBT <sup>(1)</sup>	\$143,510	\$ 50,965	
<b>TOTAL DIRECT AND OVERLAPPING DEBT</b>	<u><b>\$397,355</b></u>	<u><b>\$505,584</b></u>	<u><b>\$593,185</b></u>

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2002.

(1) From prior page.

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

1.	Population (2002)	1,183,197
2.	Total Taxable Valuation (2002)	\$88,507,775,931
3.	Direct General Obligation Debt	\$253,845,000
	a) As a Percent of Taxable Valuation	.29%
	b) Per Capita	\$214.54
4.	Direct and Overlapping General Obligation Debt	\$397,355,000
	a) As a percent of Taxable Valuation	.45%
	b) Per Capita	\$335.83
5.	Direct Non-Self Supporting Revenue and Direct General Obligation Debt	\$759,429,000
	a) As a percent of Taxable Valuation	.86%
	b) Per Capita	\$641.85
6.	Direct and Overlapping General Obligation and Direct Non-Self Supporting Revenue Debt	\$902,939
	a) As a percent of Taxable Valuation	0%
	b) Per Capita	\$0.76

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Sources: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2002 and Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2002.

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 2003B Lease or any other Leases.



Florida Retirement System. The State has established the State of Florida Retirement System ("FRS") for state, county, municipal and school district employees. All employees hired after 1970, and those employed prior to 1970 who elected to be enrolled, are covered by the FRS. Accordingly, substantially all employees of the District are covered by the FRS. The Division of Retirement, Department of Administration of the State of Florida administers the FRS. Contribution rates are established by law for all participating governmental units. State law provides that employers, such as the District, are obligated to contribute 5.76% of the salary of regular members, 11.86% of the salary of School Board members, and 16.01% of the salary of special risk members. For the Fiscal Year ended June 30, 2002, the District contributed \$51,656,915 for employees of all funds.

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. The District's contribution for the Fiscal Year ended June 30, 2002, was \$176,495.

## **RISK FACTORS**

Each purchaser of Series 2003B Certificates is subject to certain risk and each prospective purchaser of Series 2003B 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 2003B Certificates to an extent that cannot be determined.

### **Annual Right of the School Board to Terminate the Series 2003B Lease**

Although the School Board has determined that the Series 2003B Facilities are necessary to its operations and currently intends to continue the Series 2003B Lease in force and effect for the Lease Term and has covenanted in the Series 2003B Lease that the Superintendent will include a sufficient amount in the tentative budget to enable the School Board to make the Lease Payments due in each Fiscal Year, the School Board is not required to appropriate funds for Basic 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 Prior Leases, the Series 2003A Lease, the Series 2003B Lease or any Additional Lease, or if no final budget is adopted as of the last day upon which a final budget is required to have been adopted under Florida law for payment of its obligations under the

Series 2003B Lease, the Master Lease shall terminate as of the date of adoption of the final official budget, or such last day, whichever is earlier.

**THE LIKELIHOOD THAT THE SERIES 2003B LEASE WILL BE TERMINATED AS THE RESULT OF AN EVENT OF NON-APPROPRIATION IS DEPENDENT UPON CERTAIN FACTORS THAT ARE BEYOND THE CONTROL OF THE SERIES 2003B CERTIFICATE HOLDERS, INCLUDING THE CONTINUING FUTURE UTILITY OF THE SERIES 2003B FACILITIES AND OTHER FACILITIES OF THE SCHOOL BOARD AND CHANGES IN POPULATION OR DEMOGRAPHICS WITHIN THE DISTRICT.**

### **Limitation Upon Disposition; Ability to Sell or Relet**

Following an event of default under the Series 2003B Lease or an event of non-appropriation, the Trustee as assignee of the Corporation may take possession of the Series 2003B Facilities and sell or re-let the leasehold interests therein. The Trustee's ability to actually achieve such a disposition of the Series 2003B Facilities is limited by its inability to convey fee simple title to the Series 2003B Facilities and by the governmental nature of the Series 2003B 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 2003B 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 2003B Facilities will produce sufficient amounts to make timely payments of the principal and interest portions due on the outstanding Series 2003B Certificates.

### **No Right of Certificate Holders to Direct Remedies**

Unless the Insurer is in default of its obligations under the Policy, the Insurer is entitled to control and direct any of the rights or remedies of the Trustee including the right to direct the Trustee as to whether or not to re-let or sell the Series 2003B Facilities. However, the Insurer has no fiduciary responsibility to the Series 2003B Certificate holders with respect to the direction of such remedies and has no obligation to preserve the exclusion from gross income for federal income tax purposes, of amounts paid to Series 2003B Certificate holders by the Insurer and designated as interest.

### **Tax Treatment**

Upon termination of the Series 2003B Lease, there is no assurance that payments made by the Trustee or the Insurer with respect to the Series 2003B Certificates and

designated as interest will be excludable from gross income for federal income tax purposes or that the ownership or disposition of the Series 2003B Certificates will not be subject to Florida's intangible personal property tax. See "TAX TREATMENT."

### **Applicability of Securities Laws**

After termination of the Series 2003B Lease, the transfer of a Series 2003B 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 2003B Certificates will not be impaired following termination of the Series 2003B Lease.

### **Capital Outlay Millage Revenue**

The amount which can be realized by the District derived from the levy of the Local Option Capital Outlay Millage can be affected by a variety of factors not within the control of the District or the School Board including, without limitation, fluctuations in the level of the assessed valuation of property within the District. See "DISTRICT REVENUE, FINANCIAL RESULTS AND LIABILITIES - District Revenues for Capital Projects - Local Capital Outlay Sources."

### **State Revenues**

A large portion of the District's funding is derived from State sources. See "REVENUE, 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 has experienced some significant shortfalls in sales tax revenues in recent years, and especially during the 2001 and 2002 calendar years, which have resulted in significant budget cuts.

### **Additional Leases**

Pursuant to the Master Lease, the School Board may enter into other Leases in addition to the Prior Leases, the Series 2003A Lease and the Series 2003B Lease. Failure to appropriate funds to make Lease Payments under any such Lease will, and an event of default under any such Lease may, result in the termination of all Leases, including the Series 2003B Lease. Upon any such termination of all Leases, the School Board must surrender all Facilities, including the Series 2003B 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 2003B Certificates have any interest in or right to any proceeds of the disposition of Facilities financed with the proceeds of another Series of Certificates. There can be no assurance that the remedies available to the Trustee upon any such termination of all Leases and the disposition of the Series 2003B Facilities will produce sufficient amounts to pay the outstanding Series 2003B Certificates or reimburse the Insurer for paying such sums.

### **Additional Indebtedness**

The School Board may issue additional indebtedness other than in connection with the Master Lease secured by or payable from available revenues without the consent of the Owners of the Series 2003B Certificates. Incurring such additional indebtedness may adversely affect the School Board's ability to make Lease Payments under the Master Lease.

### **Interest Rate Exchange Agreements**

In connection with the issuance of the Series 2002B Certificates the School Board authorized the execution and delivery of an International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement between Citigroup Financial Products Inc. (formerly Salomon Brothers Holding Company Inc.) ("CFPI") and the School Board (together with all schedules and confirmations hereto, the "2002B Interest Rate Exchange Agreement"). The 2002B Interest Rate Exchange Agreement provides for payment by the School Board of a fixed rate of interest on a notional amount (\$115,350,000). In return CFPI pays the School Board a variable rate of interest approximating the rate on the Series 2002B Certificates. CFPI has an option to cancel the Agreement in 2007.

In connection with the issuance of the Series 2002D Certificates the School Board authorized the execution and delivery of an ISDA Master Agreement between Citibank, N.A. ("Citibank") and the School Board (together with all schedules and confirmations thereto, the "2002D Interest Rate Exchange Agreement"). The 2002D Interest Rate Exchange Agreement provides for payment by the School Board to Citibank of interest on a notional amount (\$100,000,000) calculated at a variable rate based on The Bond Market Association Municipal Swap Index, provided by Municipal Market Data, a Thomson Financial Company. In return, Citibank will be required to pay the School Board a variable rate based on "USD LIBOR - BBA" (as defined in the 1992 ISDA U.S. Municipal Counterparty Definitions).

In connection with the issuance of the Series 2003B Certificates the School Board intends to enter into an ISDA Master Agreement between UBS AG ("UBS") and the School Board (together with all schedules and confirmations thereto, the "2003B Interest Rate Exchange Agreement"). The 2003B Interest Rate Exchange Agreement will provide for

payment by the School Board to UBS of a fixed rate of interest on an estimated amortizing notional amount of \$124,295,000. In return UBS pays the School Board a variable rate based on The Bond Market Association Municipal Swap Index ("BMA Index"), provided by Municipal Market Data, a Thompson Financial Company. UBS will have the option to cancel the 2003B Interest Rate Exchange Agreement if the BMA Index exceeds a certain interest rate specified in such Agreement for 180 consecutive days.

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 notional amounts relate. 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 made lease payments.

## **LITIGATION**

There is no litigation now pending or threatened: (i) to restrain or enjoin the issuance or sale of the Series 2003B Certificates; (ii) questioning or affecting the validity of the Series 2003B Lease or the obligation of the School Board to make Lease Payments; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2003B Certificates.

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

## **RATINGS**

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services ("S&P") and Fitch Ratings ("Fitch") are expected to assign ratings of "Aaa/VMIG-1," "AAA/A-1+" and "AAA/F-1+," respectively, to the Series 2003B Certificates with the understanding that upon delivery of the Series 2003B Certificates, the Insurer will issue its Policy insuring the payments of the Basic Lease Payments represented by the Series 2003B Certificates when due. Moody's, S&P and Fitch have also assigned underlying ratings of "A1," "AA-" and "A+," respectively, to the Series 2003B Certificates without regard to the Policy. An

explanation of the rating given by Moody's may be obtained from Moody's at 99 Church Street, New York, New York 10007, (212) 553-0470. An explanation of the rating given by S&P may be obtained from S&P at 25 Broadway, New York, New York 10004, (212) 208-8000. 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 2003B Certificates, the School Board and the District were furnished to Moody's, S&P 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 2003B 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.

### **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, execution, delivery and sale of the Series 2003B Certificates are subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida and Edwards & Carstarphen, Miami, Florida, Co-Special Tax Counsel. The proposed form of such opinion is included herein as Appendix D. Certain legal matters will be passed upon for the School Board and the Corporation by the Office of General Counsel of the District. Certain legal matters will be passed upon for the Underwriters by their counsel Nabors, Giblin & Nickerson, P.A., Tampa, Florida.

### **UNDERWRITING**

The Underwriters set forth on the cover page hereof have agreed to purchase the Series 2003B Certificates at a price of \$123,989,388.55 (which represents the \$124,295,000 principal amount of the Series 2003B Certificates, less an underwriters' discount of \$305,611.45). The Underwriters will purchase all of the Series 2003B Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions contained in the Purchase Contract and the approval of certain legal matters by counsel.

The Underwriters may offer and sell the Series 2003B Certificates to certain dealers and others at prices lower than the respective public offering prices stated herein. After the initial public offering, the respective offering prices may be changed from time to time by the Underwriters.

## **TAX TREATMENT**

The Internal Revenue Code of 1986, as amended (the "Code"), includes certain requirements which the School Board must continue to meet subsequent to the issuance and delivery of the Series 2003B Certificates such that the portion of the Basic Lease Payments designated and paid as interest to the Series 2003B Certificateholders be and remain excluded from gross income from federal income tax purposes. Non-compliance may cause the portion of the Basic Lease Payments designated and paid as interest to the Series 2003B Certificate holders to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Series 2003B Certificates, regardless of the date on which such non-compliance occurs or is ascertained. The School Board has covenanted in the Series 2003B Lease to comply with such requirements in order to maintain the exclusion from federal gross income of the portion of the Basic Lease Payments designated and paid as interest to the Series 2003B Certificate holders.

In the opinion of Co-Special Tax Counsel, assuming continuing compliance by the School Board with the aforementioned covenants, under existing statutes, regulations, rulings and judicial decisions, prior to the termination of the Master Lease resulting from an Event of Non-Appropriation or Event of Default thereunder, the portion of the Basic Lease Payments designated and paid as interest to the Series 2003B Certificate holders is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. However, the portion of the Basic Lease Payments designated and paid as interest to the Series 2003B Certificate holders is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. However, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2003B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an Event of Default thereunder.

Co-Special Tax Counsel is further of the opinion that the Series 2003B Lease and Series 2003B Certificates are exempt from the Florida intangible personal property tax. However, no opinion is expressed with respect to the payment or reporting of intangible personal property tax following termination of the Master Lease.

Except as described above, Co-Special Tax Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the portion of the Basic Lease Payments designated and paid as interest to the Series 2003B Certificate holders, or the ownership or disposition of the Series 2003B Certificates. Prospective purchasers of Series 2003B Certificates should be aware that the ownership of Series 2003B Certificates may result in other collateral federal tax consequences, including the following: (i) the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2003B Certificates or, in the case of a financial institution, that portion of the owner's interest expense allocable to the portion of the Basic Lease Payments designated and paid as interest to the Series 2003B Certificate holders; (ii) with respect to certain property and casualty insurance companies, the Code reduces the deduction for loss reserves by fifteen percent (15%) of the sum of certain items, including the portion of the Basic Lease Payments designated and paid as interest to Series 2003B Certificate holders; (iii) the portion of the Basic Lease Payments designated and paid as interest to certain foreign corporate Series 2003B Certificate holders doing business in the United States could be subject to a branch profits tax imposed by the Code; (iv) passive investment income, including the portion of the Basic Lease Payments designated and paid as interest to Series 2003B Certificate holders may be subject to federal income taxation for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than twenty-five percent (25%) of the gross receipts of such Subchapter S corporation is passive investment income; and (v) the Code requires recipients of certain Social Security and Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts and accruals of the portion of the Basic Lease Payments designated and paid as interest to the Series 2003B Certificate holders.

### **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 2003B Certificates and provided other advice. The Financial Advisor did not engage in any underwriting activities with regard to the sale of the Series 2003B Certificates.

### **BASIC FINANCIAL STATEMENTS**

The basic financial statements of the District for the Fiscal Year ended June 30, 2002, included in this Offering Statement have been audited by KPMG LLP, independent certified public accountants, as stated in their report appearing in Appendix B.



## **CONTINUING DISCLOSURE**

The School Board is exempt under Rule 15c2-12(d) of the Securities and Exchange Act of 1934 (the "Rule") and is not required to provide any continuing disclosure from the date of this Offering Statement unless and until the Series 2002B Certificates convert to a Rate Period requiring such disclosure in accordance with the Rule. However, the School Board has voluntarily covenanted and undertaken for the benefit of the Series 2003B Certificate holders to provide certain financial information and operating data relating to the District and the Series 2003B Certificates in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. Such covenant shall only apply so long as the Series 2003B Certificates remain Outstanding under the Series 2003B Lease, the Series 2003B Lease have been terminated or there has occurred an event of Non-Appropriation resulting in a termination. The agreement shall also terminate upon the termination of the continuing disclosure requirements of S.E.C. Rule 15c2-12(b)(5) (the "Rule") by legislative, judicial or administration action. The Annual Report will be filed by the School Board with each Nationally Recognized Municipal Securities Information Repository (the "NRMSIRs") described in the Form of Continuing Disclosure Certificate attached hereto as Appendix F, as well as any state information depository that is subsequently established in the State of Florida (the "SID"). The notices of material events will be filed by the School Board with the Municipal Securities Rulemaking Board or the NRMSIRs and with the SID. The specific nature of the information to be contained in the Annual Report and the notices of material events are described in "APPENDIX F - FORM OF CONTINUING DISCLOSURE CERTIFICATE" dated and delivered at the time of issuance of the Series 2003B Certificates. These undertakings have been made in order to assist the Underwriters in complying with the Rule.

With respect to the Series 2003B Certificates, no party other than the School Board is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the aforementioned Rule. The School Board has never failed to comply in any material respects with any previous undertaking pursuant to the Rule.

## **MISCELLANEOUS**

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as representation by the Underwriters. 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 2003B 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/Thomas E. Lynch*  
Chairman

By: */s/Dr. Art Johnson*  
Superintendent of Schools

**APPENDIX A**

**INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA**

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## APPENDIX A

### INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

#### General Information

Palm Beach County was founded in 1909 and encompasses an area of 2,023 square miles. It is located on the lower east coast of the Florida peninsula with 46 miles of Atlantic ocean frontage and 25 miles of frontage on Lake Okeechobee. The County has a semi-tropical climate with an average temperature of 75.5F degrees and an average rainfall of 60.77 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, nine 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, with a 2002 population of 1,183,197.

#### Population

In 2002, Palm Beach County was the third largest county in the State in terms of population. Its population increased 65.3% in the 1970 - 1980 decade, 49.7% in the 1980 - 1990 decade and 23.1% in the period 1990 - 2000.

#### Population Growth

Year	Palm Beach County		Florida		United States	
	Population	Change	Population	Change	Population <sup>(1)</sup>	Change
1994	937,190	2.1%	13,878,905	2.0%	259,718,000	1.0%
1995	962,802	2.7	14,149,317	1.9	262,176,000	.9
1996	981,793	2.0	14,411,563	1.9	266,538,000	1.7
1997	1,003,798	2.2	14,712,365	2.1	267,636,000	.4
1998	1,020,521	1.7	15,475,000	5.2	270,733,000	1.2
1999	1,042,196	2.1	15,322,000	(1.0)	272,190,000	.5
2000 <sup>(1)</sup>	1,131,184	8.5	15,982,378	4.3	275,860,949	1.3
2001	1,154,464	2.1	16,331,739	2.2	285,371,621	3.4
2002	1,183,197	2.5	16,674,608	2.1	290,299,949	1.7

(1) Due to the Census, there was an adjustment for the population of Palm Beach County.

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2002; Bureau of Economic and Business Research, Florida Estimates of Population, 2001; U.S. Census

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

**Palm Beach County  
Population Distribution by Age Group**

<u>Age Group</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
0-14	18%	18%	18%	18%	18%	18%
15-64	59	59	59	58	58	58
65+	23	23	23	24	24	24

Source: U.S. Bureau of the Census

**Income**

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

**Per Capita Personal Income**

	<u>Palm Beach County</u>			<u>Florida</u>		<u>U.S.</u>
	<u>Dollars</u>	<u>% of Fla.</u>	<u>% of U.S.</u>	<u>Dollars</u>	<u>% of U.S.</u>	<u>Dollars</u>
1993	\$33,124	158.0%	159.2%	\$20,961	100.7%	20,812%
1994	34,138	156.8	157.3	21,767	100.3	21,696
1995	36,213	156.5	155.0	23,139	99.1	23,359
1996	38,081	157.4	155.9	24,198	99.0	24,436
1997	38,272	149.2	147.6	25,645	98.9	25,924
1998(1)	39,182	149.8	145.7	26,161	97.3	26,893
1999(1)	39,545	148.7	142.0	26,593	95.5	27,843
2000	41,007	147.7	139.2	27,764	94.2	29,469

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2002.

(1) Data was changed for 1998 and 1999.

## 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 economic sector.

### Palm Beach County Estimated Average Annual Non-Agricultural Employment by Economic Sector

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1997</u>	<u>1996</u>
All Industries	440,853	424,501	394,919	380,821	367,398
Agriculture Forestry and Fisheries	17,586	17,328	18,619	18,091	17,850
Mining	30	18	13	22	24
Construction	32,221	30,415	26,136	24,824	24,068
Manufacturing	28,363	30,715	30,638	30,007	28,980
Transportation Communications and Public Utilities	17,895	16,481	15,680	15,480	15,316
Wholesale Trade	24,432	23,004	21,786	20,315	19,132
Retail Trade	100,946	94,608	91,326	89,150	88,086
Finance Insurance and Real Estate	35,902	33,333	31,714	29,403	27,830
Services	182,640	176,641	156,630	150,843	143,853
Other	838	1,918	2,373	2,687	2,259

Source: University of Florida, Bureau of Economic and Business Research, based upon data from U.S. Bureau of the Census; 1996-2002 Florida Statistical Abstracts.

The data on County unemployment in the following table represents annual averages.

**Palm Beach County  
Annual Average Labor Force and Unemployment Estimates**

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rates</u>		
		<u>Palm Beach County</u>	<u>Florida</u>	<u>United States</u>
1997	482,883	6.9	5.2	5.2
1998	509,648	5.9	4.3	4.5
1999	517,910	4.9	3.9	4.1
2000	524,708	4.1	3.6	4.0
2001	541,377	5.9	4.5	4.7
2002	579,667	5.9	5.5	5.8

Source: Florida Department of Labor and Employment Security, Bureau of Labor Market Information, Local Area Unemployment Statistics Program.

**Largest Employers**

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

	<u>No. of Employees</u>
Florida Power & Light Company (Utilities) .....	2,800
Boca Raton Resort & Club (Hotel) .....	2,380
Applied Card Systems (Financial - Credit Cards) .....	1,800
Office Depot (Retail-Office Supplies) .....	1,500
The Breakers (Hotel) .....	1,500
Siemens Companies (PBX Systems) .....	1,500
Palm Beach Newspapers, Inc. (Newspaper Publishing) .....	1,350
Rexall Sundown (Pharmaceutical) .....	1,350
Pratt & Whitney Aircraft (Jet Engines) .....	1,300
BellSouth (Utilities) .....	1,200

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2002.

**Tourism**

Visitors to the Palm Beaches have a significant economic impact on the County. According to the Florida Department of Business 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 over three million people visit the County annually and spend approximately \$1.1 billion.

### **Agriculture**

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

### **Banking**

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

#### **Total Bank Deposits (in thousands)**

<u>Fiscal Year</u>	<u>Commercial Banks</u>	<u>Federal Savings and Loan Associations</u>
1995	\$ 9,055,476	\$ 7,606,601
1996	9,545,424	6,578,158
1997	9,911,930	5,941,909
1998	10,715,881	6,949,839
1999	13,283,898	7,243,923
2000	12,843,897	7,646,519
2001	13,841,347	8,571,953
2002	14,484,675	10,449,461

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Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2002.

## Construction

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

**Building Permit Activity  
County of Palm Beach, Florida  
(Dollars in Thousands)  
1996 - 2001**

<u>Calendar Year</u>	<u>Number of Units</u>		<u>Residential Valuation</u>
	<u>Single Family</u>	<u>Multi- Family</u>	
1997	6,189	2,788	\$ 966,631
1998	6,328	3,346	1,045,622
1999	5,319	3,015	941,435
2000	5,869	2,996	1,070,918
2001	7,577	3,163	1,452,476
2002	9,143	3,909	1,835,023

---

Source: University of Florida, College of Business Administration, Bureau of Economic and Business Research, Building Permit Activity in Florida, 1997-2002.

## Retail Sales

Total retail sales in the County for the last five calendar years have been as follows for the years indicated:

**Retail Sales**

<u>Year</u>	<u>Retail Sales</u>
1997	\$27,600,033,550
1998	27,828,417,249
1999	30,213,935,156
2000	34,393,335,408
2001	34,994,715,333

---

Source: State of Florida, Department of Revenue.

## Sales Tax Collections

The following table sets forth historic data relative to the collection of sales taxes for the State of Florida and the County.

### Historic Sales Tax Collections 1996-2001

<u>Calendar Year</u>	<u>State</u>	<u>% Change</u>	<u>Palm Beach County</u>	<u>% Change</u>
*With Communications Services				
1996	\$11,362,706,202	4.06	\$ 828,062,334	4.71
1997	12,413,088,825	6.05	905,094,278	6.55
1998	13,306,339,390	7.20	962,361,902	6.33
1999	14,383,302,923	8.09	1,025,692,885	6.58
2000	15,407,538,088	7.12	1,102,943,524	7.53
2001*	15,837,955,908	2.79	1,145,987,626	3.90

Source: State of Florida, Department of Revenue.

\*Communications Services Tax is added into Sales Tax.

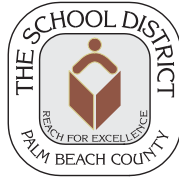
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**APPENDIX B**

**BASIC FINANCIAL STATEMENTS  
OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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# BASIC FINANCIAL STATEMENTS



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2002**  
**(amounts expressed in thousands)**

	<u>GENERAL</u> <u>FUND</u>	<u>PECO</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 132,081	\$ 4,012
Taxes receivable (net of uncollectible taxes)	13,253	-
Accounts and interest receivable	438	-
Due from other agencies	2,861	22,394
Due from other funds	5,085	-
Inventories	13,002	-
<b>TOTAL ASSETS</b>	<u>\$ 166,720</u>	<u>\$ 26,406</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts and contracts payable	\$ 12,589	\$ 2,419
Accrued payroll and payroll deductions	16,490	-
Due to other funds	-	-
Due to other agencies	355	-
Retainage payable on contracts	-	480
Tax anticipation notes payable	45,000	-
Deposits payable	2,165	-
Interest payable	797	-
Deferred revenue	721	23,368
<b>TOTAL LIABILITIES</b>	<u>78,117</u>	<u>26,267</u>
 <b>FUND BALANCES</b>		
Fund balances reserved:		
Reserved for encumbrances	6,443	13,650
Reserved for inventory	13,002	-
Reserved for board contingency	29,252	-
Reserved for categorical carryover programs	4,664	-
Reserved for debt service	-	-
Fund balances unreserved:		
Designated for capital projects	-	-
Undesignated	35,242	(13,511)
<b>TOTAL FUND BALANCES</b>	<u>88,603</u>	<u>139</u>
 <b>TOTAL LIABILITIES AND FUND BALANCES</b>	 <u>\$ 166,720</u>	 <u>\$ 26,406</u>

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



<b>CAPITAL IMPROVEMENT</b>	<b>COPS</b>	<b>EFFORT INDEX</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
\$ 104,818	\$ 478,314	\$ 831	\$ 110,343	\$ 830,399
4,047	-	-	813	18,113
-	-	-	340	778
-	-	19,650	30,095	75,000
-	-	-	-	5,085
-	-	-	1,596	14,598
<u>\$ 108,865</u>	<u>\$ 478,314</u>	<u>\$ 20,481</u>	<u>\$ 143,187</u>	<u>\$ 943,973</u>
\$ 1,555	\$ 19,537	\$ 558	\$ 5,404	\$ 42,062
-	-	-	-	16,490
-	-	-	4,854	4,854
-	2,839	-	321	3,515
609	8,046	143	2,643	11,921
-	-	-	-	45,000
-	-	-	-	2,165
-	-	-	2,580	3,377
-	-	19,780	7,158	51,027
<u>2,164</u>	<u>30,422</u>	<u>20,481</u>	<u>22,960</u>	<u>180,411</u>
22,403	188,530	19,089	20,057	270,172
-	-	-	616	13,618
-	-	-	-	29,252
-	-	-	-	4,664
-	-	-	55,211	55,211
84,298	259,362	-	34,113	377,773
-	-	(19,089)	10,230	12,872
<u>106,701</u>	<u>447,892</u>	<u>-</u>	<u>120,227</u>	<u>763,562</u>
<u>\$ 108,865</u>	<u>\$ 478,314</u>	<u>\$ 20,481</u>	<u>\$ 143,187</u>	<u>\$ 943,973</u>

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2002  
(amounts expressed in thousands)**

**Total Fund Balances - Governmental Funds** \$ 763,562

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

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

Cost of the assets	2,221,407	
Accumulated depreciation	<u>(611,568)</u>	1,609,839

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 10,146

An internal service fund is used by management to charge the costs of maintenance activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 3

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	193,458	
Compensated absences	119,269	
Certificates of Participation payable	875,766	
Long-term claims payable	40,664	
Accrued interest on long-term debt	<u>15,266</u>	<u>(1,244,423)</u>

**Total Net Assets - Governmental Activities** \$ 1,139,127

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

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**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, 2002**  
**(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>PECO</u>	<u>CAPITAL IMPROVEMENT</u>
<b>REVENUES:</b>			
Local sources:			
Ad valorem taxes	\$ 503,198	\$ -	\$ 153,724
Interest income and other	6,081	-	3,067
Food service sales	-	-	-
Impact fees	-	-	-
Local grants and other	29,753	48	29
Total local sources	<u>539,032</u>	<u>48</u>	<u>156,820</u>
State sources:			
Florida education finance program	242,133	-	-
Capital outlay and debt service	98	-	-
Food service	-	-	-
Transportation	27,594	-	-
Public education capital outlay	-	32,605	-
Effort index	-	-	-
Classrooms first program	-	-	-
Class size reduction	-	-	-
State grants and entitlements	81,068	-	-
Total state sources	<u>350,893</u>	<u>32,605</u>	<u>-</u>
Federal sources:			
Federal grants and entitlements	4,906	-	-
National school lunch act	-	-	-
Total federal sources	<u>4,906</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>894,831</u>	<u>32,653</u>	<u>156,820</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
Instruction	594,708	-	-
Instructional support services	91,112	-	-
Board	3,339	-	-
General administration	6,571	-	-
School administration	66,685	-	-
Facilities acquisition and construction	724	-	-
Fiscal services	4,116	-	-
Food services	-	-	-
Central services	17,354	-	-
Pupil transportation services	30,432	-	-
Operation of plant	89,556	-	-
Maintenance of plant	18,432	-	-
Community services	18,431	-	-
<b>Total Current Expenditures</b>	<u>941,460</u>	<u>-</u>	<u>-</u>

<b>COPS</b>	<b>EFFORT INDEX</b>	<b>OTHER GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
\$ -	\$ -	\$ 30,828	\$ 687,750
13,137	-	2,276	24,561
-	-	18,649	18,649
-	-	13,500	13,500
-	-	10,789	40,619
<u>13,137</u>	<u>-</u>	<u>76,042</u>	<u>785,079</u>
-	-	-	242,133
-	-	6,587	6,685
-	-	886	886
-	-	-	27,594
-	-	-	32,605
-	3,920	-	3,920
-	-	3,790	3,790
-	-	5,763	5,763
-	-	336	81,404
<u>-</u>	<u>3,920</u>	<u>17,362</u>	<u>404,780</u>
-	-	92,728	97,634
<u>-</u>	<u>-</u>	<u>27,232</u>	<u>27,232</u>
<u>-</u>	<u>-</u>	<u>119,960</u>	<u>124,866</u>
<u>13,137</u>	<u>3,920</u>	<u>213,364</u>	<u>1,314,725</u>
-	-	33,109	627,817
-	-	24,395	115,507
-	-	-	3,339
-	-	2,444	9,015
-	-	240	66,925
-	-	254	978
-	-	92	4,208
-	-	45,738	45,738
-	-	187	17,541
-	-	230	30,662
-	-	1,007	90,563
-	-	6	18,438
-	-	39,587	58,018
<u>-</u>	<u>-</u>	<u>147,289</u>	<u>1,088,749</u>

(Continued)

**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, 2002  
(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>PECO</u>	<u>CAPITAL IMPROVEMENT</u>
<b>Capital outlay</b>	1,602	32,605	85,256
<b>Debt service:</b>			
Retirement of principal	-	-	-
Interest	1,014	-	-
Fiscal charges	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>944,076</u>	<u>32,605</u>	<u>85,256</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(49,245)</u>	<u>\$ 48</u>	<u>\$ 71,564</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	34,700	-	-
Transfers out	(63)	-	(72,035)
Proceeds from issuance of refunding debt	-	-	-
Payments to refunded debt escrow agent	-	-	-
Proceeds from issuance of long-term debt	-	-	-
Premium (discount) from issuance of long-term and refunded debt	6,142	-	-
Proceeds from sale of fixed assets and other	1,517	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>42,296</u>	<u>-</u>	<u>(72,035)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(6,949)	48	(471)
<b>FUND BALANCES, JULY 1, 2001 AS RESTATED</b>	<u>95,552</u>	<u>91</u>	<u>107,172</u>
<b>FUND BALANCES, JUNE 30, 2002</b>	<u>\$ 88,603</u>	<u>\$ 139</u>	<u>\$ 106,701</u>

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

<u>COPS</u>	<u>EFFORT INDEX</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
176,365	3,920	27,179	326,927
-	-	32,105	32,105
-	-	38,631	39,645
4,188	-	3,355	7,543
<u>180,553</u>	<u>3,920</u>	<u>248,559</u>	<u>1,494,969</u>
<u>(167,416)</u>	<u>-</u>	<u>(35,195)</u>	<u>\$ (180,244)</u>
-	-	44,912	79,612
(7,514)	-	-	(79,612)
-	-	296,135	296,135
-	-	(300,941)	(300,941)
392,640	-	2,871	395,511
1,422	-	1,965	9,529
-	-	477	1,994
<u>386,548</u>	<u>-</u>	<u>45,419</u>	<u>402,228</u>
219,132	-	10,224	221,984
<u>228,760</u>	<u>-</u>	<u>110,003</u>	<u>541,578</u>
<u>\$ 447,892</u>	<u>\$ -</u>	<u>\$ 120,227</u>	<u>\$ 763,562</u>

**(Concluded)**

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2002  
(amounts expressed in thousands)**

**Total net change in fund balances - governmental funds** \$ 221,984

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlays (\$272,556) exceed depreciation expense (\$57,393) in the period.	215,163
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(395,465)
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.	(5,583)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	32,105
Bond refunding proceeds provide current financial resources to governmental funds. Bond refunding payments are expenditures in the governmental funds. This is the amount by which refunding payments (\$300,941) exceed refunding proceeds (\$296,135) in the current period.	4,806
The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.	(4,001)
Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds.	(7,656)
An internal service fund is used by management to charge the costs of maintenance activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.	(294)

**Change in net assets of governmental activities** \$ 61,059

**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, 2002**  
(amounts expressed in thousands)

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variances - Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>		<b>Original to Final</b>	<b>Final to Actual</b>
<b>REVENUES:</b>					
Local sources	\$ 535,544	\$ 537,057	\$ 539,032	\$ 1,513	\$ 1,975
State sources	351,747	351,385	350,893	(362)	(492)
Federal sources	3,610	4,819	4,906	1,209	87
<b>TOTAL REVENUES</b>	<u>890,901</u>	<u>893,261</u>	<u>894,831</u>	<u>2,360</u>	<u>1,570</u>
<b>EXPENDITURES:</b>					
Instruction	621,794	618,983	598,570	2,811	20,413
Instructional support services	92,220	94,255	91,654	(2,035)	2,601
Board	5,923	5,505	3,781	418	1,724
General administration	6,738	7,100	6,715	(362)	385
School administration	65,934	67,044	66,849	(1,110)	195
Facilities acquisition and construction	1,099	1,206	813	(107)	393
Fiscal services	4,492	4,464	4,251	28	213
Central services	19,121	19,449	17,798	(328)	1,651
Pupil transportation services	29,980	30,897	30,586	(917)	311
Operation of plant	86,942	90,705	90,171	(3,763)	534
Maintenance of plant	20,783	20,069	19,536	714	533
Community services	18,386	23,664	18,781	(5,278)	4,883
Debt service	1,667	1,667	1,014	-	653
<b>TOTAL EXPENDITURES</b>	<u>975,079</u>	<u>985,008</u>	<u>950,519</u>	<u>(9,929)</u>	<u>34,489</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(84,178)</u>	<u>(91,747)</u>	<u>(55,688)</u>	<u>(7,569)</u>	<u>36,059</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	34,700	34,700	34,700	-	-
Transfers out	-	(63)	(63)	(63)	-
Premium (discount) from issuance of long-term and refunded debt	-	6,142	6,142	6,142	-
Proceeds from sale of fixed assets and other	-	1,490	1,517	1,490	27
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>34,700</u>	<u>42,269</u>	<u>42,296</u>	<u>7,569</u>	<u>27</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (49,478)</u>	<u>\$ (49,478)</u>	<u>(13,392)</u>	<u>\$ -</u>	<u>\$ 36,086</u>
<b>FUND BALANCE, JULY 1, 2001 (GAAP BASIS) AS RESTATED</b>			<u>95,552</u>		
<b>FUND BALANCE, JUNE 30, 2002 (BUDGETARY BASIS)</b>			82,160		
<b>Adjustment To Conform With GAAP:</b>					
Elimination of encumbrances			<u>6,443</u>		
<b>FUND BALANCE, JUNE 30, 2002 (GAAP BASIS)</b>			<u>\$ 88,603</u>		

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
**JUNE 30, 2002**  
**(amounts expressed in thousands)**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Cash, cash equivalents and investments	\$ 3
Total assets	<u>\$ 3</u>
<b>NET ASSETS</b>	
Unrestricted	\$ 3
Total net assets	<u>\$ 3</u>

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED JUNE 30, 2002  
(amounts expressed in thousands)**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUES:</b>	
Service revenue	\$ 19,377
<b>TOTAL OPERATING REVENUES</b>	<u>19,377</u>
<b>OPERATING EXPENSES:</b>	
Salaries	15,391
Benefits	4,276
Purchased services	22
<b>TOTAL OPERATING EXPENSES</b>	<u>19,689</u>
<b>OPERATING LOSS</b>	(312)
<b>NONOPERATING REVENUES:</b>	
Interest and other income	18
<b>TOTAL NONOPERATING REVENUES</b>	<u>18</u>
<b>CHANGE IN NET ASSETS</b>	(294)
<b>NET ASSETS - Beginning of year</b>	<u>297</u>
<b>NET ASSETS - End of year</b>	<u>\$ 3</u>

**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 FUND**  
**FOR THE YEAR ENDED JUNE 30, 2002**  
**(amounts expressed in thousands)**

	<b>Governmental Activities</b>
	<b>Internal Service Funds</b>
	<hr/>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash receipts from services provided to other funds	\$ 19,670
Cash payments to suppliers for goods and services	(95)
Cash payments for salaries, benefits, and other expenses	(19,667)
Net cash used in operating activities	<hr/> <u>(92)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest earnings on investments	18
Net cash provided by investing activities	<hr/> <u>18</u>
Net decrease in cash and cash equivalents	(74)
Cash and cash equivalents, beginning of year	<hr/> <u>77</u>
Cash and cash equivalents, end of year	<hr/> <u>\$ 3</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>	
Operating loss	\$ (312)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Decrease in due from other funds	293
Decrease in due to other funds	(73)
Total adjustments	<hr/> <u>220</u>
Net cash used in operating activities	<hr/> <u>\$ (92)</u>

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2002**  
(amounts expressed in thousands)

	<u>PRIVATE- PURPOSE TRUST FUND</u>	<u>AGENCY FUND</u>
	<u>FLORIDA FUTURE EDUCATORS OF AMERICA</u>	<u>SCHOOL INTERNAL FUNDS</u>
<b>ASSETS</b>		
Cash, cash equivalents and investments	\$ 431	\$ 11,684
Accounts receivable	-	620
	<u>431</u>	<u>12,304</u>
<b>TOTAL ASSETS</b>	<u>431</u>	<u>\$ 12,304</u>
<b>LIABILITIES</b>		
Accounts payable	-	\$ 48
Due to other funds	-	231
Due to student organizations	-	12,025
	<u>-</u>	<u>12,304</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 12,304</u>
<b>NET ASSETS</b>		
Held in trust for scholarships	<u>431</u>	
<b>TOTAL NET ASSETS</b>	<u>\$ 431</u>	

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2002**  
**(amounts expressed in thousands)**

	<b>PRIVATE- PURPOSE TRUST FUND</b>
	<b>FLORIDA FUTURE EDUCATORS OF AMERICA</b>
<b>ADDITIONS</b>	
Investment earnings	\$ 4
Donations	78
<b>TOTAL ADDITIONS</b>	<u>82</u>
<b>DEDUCTIONS</b>	
Scholarship disbursements	<u>72</u>
<b>TOTAL DEDUCTIONS</b>	<u>72</u>
<b>CHANGE IN NET ASSETS</b>	10
<b>NET ASSETS - Beginning of year</b>	<u>421</u>
<b>NET ASSETS - End of year</b>	<u><u>\$ 431</u></u>

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

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**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 to Accounting Principles Generally Accepted in the United State 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 by countywide vote for overlapping four-year terms. The Superintendent is appointed by the Board to act as executive officer of the District.

The accompanying financial statements include all of the operations of the District over which the Board exercises significant oversight responsibilities, manifested through control by or dependence on the Board. Such control by or dependence on the Board was determined on the basis of the Board's ability to significantly influence operations, select the governing authority, participate in the fiscal management of the entity, exercise budgetary authority, provide taxing authority, finance any deficits that may occur, provide significant subsidies, as well as determine the scope of services to be provided to the community. Applying this definition, District management has determined that the component units and/or joint ventures reportable within the accompanying financial statements under the requirements of GASB 14, "The Financial Reporting Entity," are the Palm Beach School Board Leasing Corporation, (the "Corporation") and twelve of the fifteen Charter Schools operating within the District. The other three District Charter Schools are component units of other entities.

*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 of if it were part of the District) with those of the District.

*Discretely Presented Component Units* - Florida State Statute 1002.33 authorized the establishment of Charter Schools as part of the State's education program. All Charter Schools are fully recognized as public schools. 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. Currently, there are twelve Charter Schools operating within the School District of Palm Beach County meeting the criteria for presentation as a discretely presented component unit.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

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The twelve individual Charter Schools are listed below. Further, complete financial statements of the individual component units can be obtained from their administrative offices. These schools include:

Delray Beach Academy Charter School  
1101 N.W. 2<sup>nd</sup> Street  
Delray Beach, Florida 33444

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

Academy School of Florida, Inc.  
23078 Sandalfoot Plaza Drive  
Boca Raton, Florida 33428

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

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

Renaissance Learning Center  
11980 Alternate A1A  
Palm Beach Gardens, Florida 33410

Chancellor Charter School at Lantana  
600 South East Coast Avenue  
Lantana, Florida 33462

Toussaint L' Ouverture  
95 N.E. 1<sup>st</sup> Avenue  
Delray Beach, Florida 33444

Glades Academy  
1200 East Main Street  
Pahokee, Florida 33476

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

Noah's Ark International  
21 West 22<sup>nd</sup> Street  
Riviera Beach, Florida 33404

Survivors  
1310 North Congress Avenue  
West Palm Beach, Florida 33409

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.

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

***Government-wide Financial Statements***

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2002**

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offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

***Fund Financial Statements***

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Nonmajor funds are aggregated and presented in a single column. All of the component units are nonmajor and are aggregated and presented in a single column. The internal service fund is 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 Equity for the Proprietary Fund reports increases and decreases in total economic net worth. The fiduciary funds are 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.

***Public Education Capital Outlay (PECO) Capital Projects Fund***

The PECO capital projects fund accounts for annual funds received from the State of Florida designated for approved projects.

***Local Capital Improvements Capital Projects Fund***

The local capital improvements 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.

***Certificates of Participation (COPS) Capital Projects Fund***

The COPS capital projects fund accounts for construction projects and equipment purchases financed by the sale of certificates of participation.

***Effort Index Capital Projects Fund***

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The effort index capital projects fund accounts for the construction projects for educational facilities from revenue received through effort index grants.

***Other Governmental Funds***

The other governmental funds are a summarization of all the non-major governmental funds.

**PROPRIETARY FUNDS**

Proprietary funds are used to account for ongoing organizations and activities, which are operated and financed in a manner similar to those found in the private sector. The measurement focus is upon the determination of net income. The only proprietary fund that the District has is an internal service fund.

***Internal Service Fund***

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's only internal service fund accounts for the District's maintenance services.

**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 ad valorem taxes as available if they are collected within sixty (60) days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recognized in the accounting period in which the liability is incurred. However, exceptions include the

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amount of unmatured principal and interest on general long-term debt and compensated absences which are recognized when due.

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. 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 or due from other agencies.

***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 Section 236.081, 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.

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 PECO, Classrooms First, Effort index grant and Class size reduction projects from the State of Florida. For state reporting purposes, PECO, Classrooms First, Effort index grant and Class size reduction revenue is recognized at the time authorization is approved by the State. For financial reporting purposes however, as there is no assurance that all funds made available will be spent and since authorizations are made available for several years, revenue is not recognized until the expenditure is incurred in both the government-wide financial statements and the fund financial statements.

***Property Taxes***

Property tax revenue is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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

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**C. Budgetary Policies**

Revenues and expenditures are controlled by budgetary systems in accordance with various legal and administrative requirements that govern the District's operations. The budget represents a process through which policy decisions are made, implemented and controlled. The budget is adopted on a basis consistent with generally accepted accounting principles, except for encumbrances. The budgetary process includes encumbrances in the current year budget.

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 through September 18, 2002, 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.
6. 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. All budget amendments that are categorized as federal or state grants must have state approval as well as Board approval. The Board is not legally authorized to approve expenditures that exceed appropriations; therefore, during fiscal year 2002, budget amendments were approved as necessary to comply with legal requirements.

Unreserved appropriations are canceled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Undesignated fund balances at June 30, 2002 for funds under budgetary control have been reappropriated for the fiscal year 2003 operating budget within the appropriate fund. Programs reserved for carryover include all state categorical grants required to be expended on specific programs and District approved carryover programs.

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**D. Compliance with finance related legal and contractual provisions**

The District has no violations of finance related legal and contractual provisions.

**E. Encumbrances**

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

**F. 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. Investments consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, and money market funds investing in U.S. Treasury Securities. 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.

**G. 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. Inventoriable 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 (except for USDA commodities) at year-end to indicate the portion of the governmental fund balances that are not available for appropriation and expenditure. The amount of unused USDA commodities at year-end is reported as deferred revenue.

**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 capitalized at cost on the government-wide statement of net assets. In the case of gifts or contributions, such assets are recorded at fair market value at the time received.

The District's capitalization levels are \$750 on tangible personal property, \$100,000 on building improvements and \$50,000 on improvements other than buildings. Other costs incurred for repairs and maintenance are expensed as incurred. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 – 15 years
Motor Vehicles	5 – 10 years

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Audio/Video Materials & Software	3 – 5 years
Buildings and Improvements	15 – 50 years
Improvements Other Than Buildings	15 years

**I. Application of FASB Pronouncements to Proprietary Funds**

The District has elected not to apply those Financial Accounting Standards Board (FASB) interpretations and statements issued subsequent to November 30, 1989 to its Proprietary Fund.

**J. Self Insurance**

The District is self-insured for portions of its general and automobile liability insurance and workers' compensation. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See Note 7).

**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 is payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement. The costs of vacation and sick leave benefits are budgeted and expended in the respective operating funds when payments are made to employees.

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 current portion is the amount estimated to be used in the following year. Consistent with GAAP guidelines, for the governmental funds, in the fund financial statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represents a reconciling item between the fund level and government-wide presentations.

**L. Reserves of Fund Equity**

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

**M. Accounting Estimates**

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

**N. Reporting Change**

GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments - Omnibus*, Statement No. 38, *Certain Financial Statement*

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*Note Disclosures* and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, have all been implemented for fiscal year ended June 30, 2002. These Statements and Interpretation provide for the most significant change in financial reporting in over twenty years.

These pronouncements create new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which had been the mode of presentation in previously issued financial statements. Nonmajor funds are presented in total in one column in the fund financial statements.

Prior to the current fiscal year, the District accounted for its self-insurance programs, central printing, legal and capital project administrative services in internal service funds. In addition, the District's administrative cafeteria was accounted for as an enterprise fund. Effective July 1, 2001, the District closed these internal service funds and the enterprise fund and combined the assets, liabilities and fund equity with the General Fund (except for the administrative services fund which was combined with the Other Governmental Funds). A restatement of fund balance was necessary to convert the internal service funds and the enterprise fund from the accrual basis of accounting to the modified accrual basis of accounting and close them to the General Fund and the Other Governmental Funds. The effect of this change in accounting principle was to increase beginning fund balance in the General Fund by \$33,715,643 and increase the beginning fund balance in the Other Governmental Funds by \$175,745.

## **2. AD VALOREM TAXES**

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

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

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 8.948 mills and the total assessed value on which the 2001-02 levy was based was \$79,634,179,766. Gross taxes levied were \$712,566,641. Total revenue, net of discounts, was \$687,750,738. 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 Section 236.25, Florida Statutes. For fiscal year 2002, the maintenance transfer amounted to \$34,700,000.

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**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, 2002, the carrying amount of the District's cash deposits was \$69,849,011 and the bank balance was \$79,487,687. The carrying amount of the School Internal Funds cash deposits was \$11,683,910.

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

**Investments**

As prescribed by GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements", District investments are categorized into risk classifications to provide an indication of the level of risk assumed by the entity at year end. The three classifications of risk defined by GASB 3 are as follows:

- (1) Insured or registered securities or those held by the District or its agent in the District's name.
- (2) Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.
- (3) Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the District's name.

Florida Statutes allow the School District to purchase individual or pooled investments through the State Board of Administration (the "SBA"). Funds invested with the SBA are invested in the Local Government Surplus Funds Trust Fund Investment Pool (the "Pool"). Regulatory oversight of the Pool is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. The fair value of the District's position in the Pool is the same as the value of the District's Pool shares. The District invests idle cash of individual funds in three different ways. First, overnight balances in the School District's master account are held in interest bearing accounts at a qualified public depository. Second, liquidity needs are met by investing in the SBA. Third, investments are purchased as allowed by Statute and the District's investment policy. All investments are held in the District's name in a third party safekeeping



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account. The District makes interest payments on District debt obligations to a corporate trustee in advance of the actual payment of interest to investors. While these monies are held in trust, the District directs their investment through the trustee. These investments are in accordance with the District's investment policy.

Investments in the SBA, funds held in trust by the State for State Board of Education – COBI Bonds, and funds held by trustee are not categorized, either because they are not evidenced by securities that exist in physical or book entry form, or because they are subject to control solely of the fiscal agent. All other cash and investments at June 30, 2002 are classified as Credit Risk Category 1.

The District's cash, cash equivalents and investments at June 30, 2002 are as follows:

	<b>Carrying Amount @ Fair Value</b>
<b>Cash and Cash Equivalents:</b>	
Deposits	\$ 69,849,011
Investments in SBA	210,202,336
Funds held by Trustee - Certificates of Participation for Debt Service	29,451,462
Funds held by Trustee - District Bonds for Debt Service	408,546
Funds held by Trustee - Certificates of Participation issued by the Corporation	219,705,013
Total Cash and Cash Equivalents	529,616,368
<b>Investments:</b>	
Investments in Government Securities	50,730,567
Funds held by Trustee - Certificates of Participation issued by the Corporation	247,068,332
Funds held in trust by the State	1,285,595
Total Investments	299,084,494
<b>Total Cash, Cash Equivalents and Investments</b>	<b>\$ 828,700,862</b>

The bank balances of the Charter Schools (discretely presented component units) as of June 30, 2002, are insured or collateralized with securities held by the Charter Schools or by their agents in the Charter School's name.

**4. DUE FROM OTHER AGENCIES**

At June 30, 2002, the District had a total of \$75,230,969 in "Due from other agencies". Approximately \$12 million is due from federal, state and local governments for various grant programs. Approximately \$14 million is due from Palm Beach County for impact fees. Approximately \$20 million and \$22 million is

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due from the state of Florida for the Effort Index Grants and Public Education Capital Outlay, respectively. Another \$4 million of this total is from the Classrooms First Program. This program was bonded from lottery proceeds and is to be used for the construction of new classrooms.

**5. INTERFUND ACTIVITIES**

Due to/from other funds consisted of the following balances at June 30, 2002:

	Interfund Receivables	Interfund Payables
General Fund	\$ 5,085,173	\$ -
Other Governmental Funds	-	4,853,983
Agency Fund	-	231,190
Total Interfund	<u>\$ 5,085,173</u>	<u>\$ 5,085,173</u>

The amount payable by other governmental funds to the General Fund is to cover temporary cash shortages in the other governmental funds. The amount payable by the Agency fund is for supplemental payroll, bus trips and warehouse orders charged to the General Fund but owed by the Agency Fund.

A summary of interfund transfers as of June 30, 2002 is as follows:

Transfers from:	Transfers to:		
	General Fund	Other Governmental Funds	Total
General Fund	\$ -	\$ 63,067	\$ 63,067
Local Capital Improvement Fund	34,700,000	37,335,097	72,035,097
Certificates of Participation Fund	-	7,514,139	7,514,139
Other Governmental Funds	-	-	-
Total	<u>\$ 34,700,000</u>	<u>\$ 44,912,303</u>	<u>\$ 79,612,303</u>

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

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**6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2002 is as follows (in thousands):

**Primary Government**

	Balance July 1, 2001	Additions **	Retirements	Adjustments/ Reclassifications	Balance June 30, 2002
<b><u>Non-Depreciable Assets:</u></b>					
Land	\$ 144,354	\$ 32,503	\$ -	\$ (5,495)	\$ 171,362
Construction in Progress	231,084	217,470	(248,098)	11,454	211,910
<b>Total Non-Depreciable Assets</b>	<b>375,438</b>	<b>249,973</b>	<b>(248,098)</b>	<b>5,959</b>	<b>383,272</b>
<b><u>Depreciable Assets:</u></b>					
Improvements Other Than Buildings	45,312	1,361	-	(45,312)	1,361
Buildings and Improvements	1,356,124	246,737	(17,399)	(7,800)	1,577,662
Furniture, Fixtures & Equipment	174,506	17,481	(14,723)	(2,404)	174,860
Motor Vehicles	53,455	7,501	(4,442)	1,172	57,686
Audio/Video Materials & Software	26,478	1,332	(842)	(402)	26,566
<b>Total Depreciable Assets</b>	<b>1,655,875</b>	<b>274,412</b>	<b>(37,406)</b>	<b>(54,746)</b>	<b>1,838,135</b>
<b><u>Less Depreciation For:</u></b>					
Improvements Other Than Buildings	-	(91)	-	-	(91)
Buildings and Improvements	(427,423)	(32,087)	15,139	369	(444,002)
Furniture, Fixtures & Equipment	(114,230)	(17,522)	11,038	3,174	(117,540)
Motor Vehicles	(26,912)	(4,962)	3,030	(604)	(29,448)
Audio/Video Materials & Software	(18,602)	(2,731)	467	379	(20,487)
<b>Total Accumulated Depreciation</b>	<b>(587,167)</b>	<b>(57,393)</b>	<b>29,674</b>	<b>3,318</b>	<b>(611,568)</b>
<b>Capital Assets, Net</b>	<b>\$ 1,444,146</b>	<b>\$ 466,992</b>	<b>\$ (255,830)</b>	<b>\$ (45,469)</b>	<b>\$ 1,609,839</b>

\*\* Capital asset additions include donations of \$3,731 (in thousands).

Depreciation expense for the year ended June 30, 2002 of approximately \$57,393,000 was not allocated to

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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.

Capital asset activity for the fiscal year ended June 30, 2002 is as follows (in thousands):

**Discretely presented component units**

	Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002
<b><u>Non-Depreciable Assets:</u></b>				
Construction in Progress	\$ -	\$ 25	\$ -	\$ 25
Total Non-Depreciable Assets	-	25	-	25
<b><u>Depreciable Assets:</u></b>				
Improvements Other Than Buildings	1	-	-	1
Buildings and Improvements	316	715	-	1,031
Furniture, Fixtures & Equipment	308	256	-	564
Motor Vehicles	60	19	-	79
Property under Capital Leases	-	18	-	18
Audio/Video Materials & Software	13	34	-	47
Total Depreciable Assets	698	1,042	-	1,740
<b>Less: Accumulated Depreciation</b>	(33)	(187)	-	(220)
<b>Capital Assets, Net</b>	<b>\$ 665</b>	<b>\$ 880</b>	<b>\$ -</b>	<b>\$ 1,545</b>

**7. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and students; natural disasters. The District is self-insured for automobile and general liability claims for the first \$500,000 per person per accident. The workers' compensation program is self-insured up to \$500,000 per injury to satisfy indemnity and medical costs. These self-insured funds are administered by a third party. The District purchases commercial insurance for certain risks in excess of coverage and certain other risks of loss.

The claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2002 using a discounted rate factor of 5.0%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2002, the liability for insurance claims consisted of \$6,029,000 for auto and general liability and \$24,778,000 for workers' compensation.

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

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	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001
Beginning Balance	\$ 29,813,000	\$ 29,181,000
Additions:		
Current year claims and changes in estimates	16,701,526	13,968,209
Reductions:		
Claim payments	(15,707,526)	(13,336,209)
Ending Balance	<u>\$ 30,807,000</u>	<u>\$ 29,813,000</u>

The District maintains insurance coverage for other areas of risk. Other than a \$10,000,000 deductible on property insurance due to the events of September 11, 2001, there have been no significant reductions in insurance coverage. There have been no settlements that exceeded the District's coverage for fiscal years ended June 30, 2000 and 2001. However, for fiscal year ended June 30, 2002, there was a legislative settlement that exceeded the District's coverage by \$600,000.

**8. TAX ANTICIPATION NOTES PAYABLE**

On October 30, 2001, the District issued Tax Anticipation Notes ("TANS"), Series 2001. This \$45,000,000 issue was sold at a coupon interest rate of 2.75 percent with an effective yield of 1.96 percent. Interest costs incurred on this issue for the year ended June 30, 2002, were \$572,612 net of a premium of \$224,888. Note proceeds were used to pay fiscal year 2002 District operating expenditures prior to the receipt of ad valorem taxes. TANS are subject to arbitrage rebate. There was no arbitrage rebate due on the TANS, Series 2001. The notes are due September 26, 2002. (See Note 13).

Short-term debt activity for the year ended June 30, 2002 was as follows:

	Beginning Balance <u>June 30, 2001</u>	<u>Issued</u>	<u>Redeemed</u>	Ending Balance <u>June 30, 2002</u>
Tax anticipation notes	\$42,000,000	\$45,000,000	\$(42,000,000)	\$45,000,000

**9. LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2002, is as follows (in thousands):

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	Beginning Balance 6/30/01	Additions	Reductions	Ending Balance 6/30/02	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Leases Payable:					
Capital Outlay Bond Issue	\$ 50,860	10,795	(10,690)	\$ 50,965	\$ 2,960
General Obligation Bonds	170,220	126,690	(153,400)	143,510	16,820
Certificates of Participation	485,255	562,085	(163,875)	883,465	12,240
	706,335	699,570	(327,965)	1,077,940	32,020
Plus (Less) Issuance Premium (Discount)	(2,211)	9,528	(732)	6,585	-
Less Deferred Amount on Refundings	(2,948)	(13,051)	698	(15,301)	-
<b>Total Bonds and Leases Payable</b>	<b>701,176</b>	<b>696,047</b>	<b>(327,999)</b>	<b>1,069,224</b>	<b>32,020</b>
Other Liabilities:					
Compensated Absences	110,801	15,789	(7,321)	119,269	7,717
Claims and Judgments	29,813	16,702	(15,708)	30,807	7,755
Post Retirement Benefits	11,964	-	(2,107)	9,857	1,835
<b>Total Other Liabilities</b>	<b>152,578</b>	<b>32,491</b>	<b>(25,136)</b>	<b>159,933</b>	<b>17,307</b>
<b>Total Governmental Activities</b>					
<b>Long-Term Liabilities</b>	<b>\$ 853,754</b>	<b>\$ 728,538</b>	<b>\$ (353,135)</b>	<b>\$ 1,229,157</b>	<b>\$ 49,327</b>

**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 4.00 percent to 6.625 percent. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

**General Obligation Bond Issues**

On May 7, 2002 and May 16, 2002, the District issued series 2002 and 2002A general obligation refunding bonds in the amounts of \$98,490,000 and \$28,200,000, respectively to advance refund and defease a portion of the series 1992 general obligation bonds and all of the series 1993 general obligation bonds. (See Defeased Debt.) Both general obligation refunding issues series 2002 and 2002A are fully registered without coupons and carry interest rates ranging from 3.5% - 5.0%. Interest is payable semiannually on February 1 and August 1. Bonds are due in varying amounts through 2007 and are not

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redeemable prior to maturity. The bonds constitute general obligations of the District and are payable from ad valorem taxes levied on all taxable property within the District without limitation as to rate or amount. All bonds issued are subject to arbitrage rebate, however, at June 30, 2002, the arbitrage was zero.

**Defeased Debt**

On July 24, 2001, the District issued certificates of participation of \$169,445,000 (par value) with interest rates ranging from 2.70% - 5.375% to advance refund certificate payments with interest rates ranging from 5.75% - 6.25% and a par value of \$155,000,000. The certificates mature on August 1, 2025. The certificates were issued at a net discount of \$2,868,161 and, after paying issuance costs of \$1,626,925, the net proceeds were \$164,949,914. The net proceeds from the issuance of the certificates were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the certificates are called. The advance refunding meets the requirements of an in-substance debt defeasance and the liability for the certificates was removed from the District's financial statements in fiscal year 2002. As a result of this advance refunding, the District reduced its total debt service requirements by \$7,985,328, which resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$4,666,048.

On May 7, 2002, the District issued general obligation series 2002 refunding bonds with a par amount of \$98,490,000 bearing a 5% interest rate to advance refund \$99,950,000 of the outstanding general obligation series 1992 refunding bonds maturing after August 1, 2002 with interest rates ranging from 5.8% - 6.0%. The bonds were issued at a premium of \$3,918,611 and, after paying issuance costs of \$640,094, the net proceeds were \$101,768,517. The net proceeds plus an additional \$1,479,503 of series 1992 sinking fund monies were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. The advance refunding meets the requirements of an in-substance debt defeasance and the liability for the portion refunded of the series 1992 bonds was removed from the District's financial statements in fiscal year 2002. As a result of this advance refunding, the District reduced its total debt service requirements by \$5,062,190, which resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$4,545,087.

On May 16, 2002, the District issued general obligation series 2002A refunding bonds with a par amount of \$28,200,000 with interest rates ranging from 3.5% - 5.0% to advance refund \$32,940,000 of the outstanding general obligation series 1993 refunding bonds with interest rates ranging from 4.9% - 5.25%. The bonds were issued at a premium of \$909,019 and, after paying issuance costs of \$236,262, the net proceeds were \$28,872,756. The net proceeds plus an additional \$5,349,786 of series 1993 sinking fund monies were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are called. The advance refunding meets the requirements of an in-substance debt defeasance and the liability for the series 1993 bonds was removed from the District's financial statements in fiscal year 2002. As a result of this advance refunding, the District reduced its total debt service requirements by \$882,747, which resulted in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$779,526.

In prior years, the District defeased certain certificates of participation and general obligation bonds 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

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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, 2002, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to \$330,440,000.

**Annual Debt Service Requirements**

Annual requirements to amortize all bond issues outstanding as of June 30, 2002 are as follows (in thousands):

Year Ended June 30	Capital Outlay Bonds	General Obligation Bonds	Total Interest	Total Principal and Interest
2003	\$ 2,960	\$ 16,820	\$ 8,031	\$ 27,811
2004	3,125	23,025	7,966	34,116
2005	3,280	24,110	6,697	34,087
2006	3,460	25,280	5,342	34,082
2007	3,650	26,510	3,932	34,092
2008-2012	15,655	27,765	7,926	51,346
2013-2017	16,615	-	2,784	19,399
2018-2022	2,220	-	272	2,492
Total	<u>\$ 50,965</u>	<u>\$ 143,510</u>	<u>\$ 42,950</u>	<u>\$ 237,425</u>

The District is subject to state laws that limit the amount of debt outstanding to 10% of the non-exempt assessed valuation. At June 30, 2002, the statutory limit for the District was approximately \$8.0 billion, providing additional debt capacity of approximately \$7.8 billion.

**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. On November 1, 1994, June 1, 1995, May 1, 1996, February 1, 2000, April 1, 2001, February 1, 2002, March 21, 2002, and May 15, 2002 the Corporation issued Certificates of Participation ("Certificates") Series 1994A, Series 1995A, Series 1996A, Series 2000A, Series 2001A, Series 2002A, Series 2002B, and Series 2002C in the amounts of \$62,095,000, \$133,600,000, \$32,155,000, \$155,000,000, \$135,500,000, \$115,250,000, \$115,350,000 and \$161,090,000 respectively, 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 as lessor entered into Ground Leases with the Corporation for the Series 1994A, Series 1995A,



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Series 1996A, Series 2000A, Series 2001A, Series 2002A, Series 2002B and Series 2002C Facilities sites. On September 1, 1997 the District issued \$47,145,000 of Certificates of Participation Series 1997A to advance refund and defease a portion of the Series 1994A Certificates of Participation which mature on or after August 1, 2005. In addition, on July 24, 2001 the District issued \$169,445,000 of Certificates of Participation Series 2001B to advance refund and defease the Series 2000A Certificates of Participation. These refunding issues were done in order to achieve debt service savings. (See Defeased Debt.)

On June 11, 2002, the District sold Certificates of Participation, Series 2002 Qualified Zone Academy Bonds ("QZAB") in an aggregate principal amount of \$950,000. Issuance costs incurred were \$60,000.

The QZAB program is a new financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. Interest on QZAB's 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 principal of the Series 2002-QZAB certificates are payable on July 16, 2016, which is the maximum 14 year term currently permitted for "qualified zone academy bonds" pursuant to the QZAB rules at the time of sale. The District deposits funds annually in an escrow, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.

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

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<u>Certificates</u>	<u>Ground Lease Term</u>
Series 1994A	June 30, 2020
Series 1995A	June 30, 2020
Series 1996A	August 1, 2021
Series 2001A	August 1, 2031
Series 2002A	August 1, 2023
Series 2002B	August 1, 2032
Series 2002C	August 1, 2032

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, 2002, \$176,364,660 was expended for capital outlay in the Certificates of Participation Capital Projects Funds.

**Interest Rate Swap:** In connection with the issuance of the \$115,350,000 variable-rate Certificates of Participation Series 2002B, the District entered into a floating-to-fixed cancelable interest rate swap, effective through August 1, 2027, to hedge against future increases in interest rates. The swap will effectively convert the Certificates into 25 year synthetic fixed rate debt obligations with a coupon of 4.22%. In exchange for an upfront premium payment of \$6,142,000 received by the District, the swap counterparty has the right to cancel the swap on any date on or after February 1, 2007. In the event the swap is terminated, the District will be exposed to potentially higher interest rate payments on the Certificates. In exchange for an additional reduction in the fixed rate paid by the District on the swap, the counterparty has the right to pay a lower Alternate Floating Rate equal to 67% of 1 month LIBOR. The counterparty can pay this lower Alternate Rate if the 180-day average of the BMA/LIBOR ratio exceeds 67%. The most likely cause of an increase in the tax-exempt/taxable yield relationship would be legislation reducing the tax advantage of municipal debt, i.e. a tax cut. The Certificates and swap together create low cost, long-term synthetic fixed-rate debt for the District. On the fund level financial statements, the premium payment is recorded as other financing sources. On the government-wide financial

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statements, the premium is being amortized as income over the life of the agreement.

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

Year ended June 30	Series 1994 A	Series 1995-A	Series 1996-A	Series 1997-A	Series 2001-A	Series 2001-B	Series 2002-A
2003	\$ 2,380	\$ 5,345	\$ 1,240	\$ 325	\$ 355	\$ 355	\$ 2,240
2004	2,515	5,585	1,300	340	360	530	5,365
2005	2,660	5,840	1,360	355	2,100	545	5,630
2006	-	6,115	1,430	3,185	1,995	565	5,840
2007	-	6,480	1,500	3,320	1,400	580	6,015
2008-2012	-	38,050	8,735	19,085	3,450	3,260	33,140
2013-2017	-	38,390	11,380	18,965	9,620	13,495	40,705
2018-2022	-	-	-	-	43,735	75,195	16,315
2023-2028	-	-	-	-	72,485	74,920	-
Total	<u>\$ 7,555</u>	<u>\$ 105,805</u>	<u>\$ 26,945</u>	<u>\$ 45,575</u>	<u>\$ 135,500</u>	<u>\$ 169,445</u>	<u>\$ 115,250</u>

Year ended June 30	Series 2002-B	Series 2002-C	Series 2002- QZAB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2003	\$ -	\$ -	\$ -	\$ 12,240	\$ 39,831	\$ 52,071
2004	-	-	68	16,063	42,218	58,281
2005	-	1,280	68	19,838	41,408	61,246
2006	-	1,495	68	20,693	40,541	61,234
2007	-	2,220	68	21,583	39,629	61,212
2008-2012	-	16,720	339	122,779	182,941	305,720
2013-2017	-	22,055	339	154,949	149,513	304,462
2018-2022	35,645	28,890	-	199,780	103,486	303,266
2023-2028	79,705	88,430	-	315,540	48,599	364,139
Total	<u>\$ 115,350</u>	<u>\$ 161,090</u>	<u>\$ 950</u>	<u>\$ 883,465</u>	<u>\$ 688,166</u>	<u>\$ 1,571,631</u>

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**10. RETIREMENT PLANS**

Plan Description: The District contributes to the Florida Retirement System (the “System”), a cost-sharing multiple-employer defined benefit 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, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Funding Policy: The system is non-contributory for employees and the District is required to contribute an actuarially determined rate. During the fiscal year the rates ranged from 7.30% to 18.44% 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 contributions of the District are established and may be amended by the State Legislature. The District’s contributions for both plans to the System are equal to the required contributions for each year as follows:

	<u>June 30, 2000</u>	<u>June 30, 2001</u>	<u>June 30, 2002</u>
Florida Retirement System	\$ 61,510,873	\$ 59,288,004	\$ 51,656,915
Teachers' Retirement System			
Plan E: Employer	297,096	197,413	176,495

**11. POST RETIREMENT BENEFITS**

In addition to the retirement benefits described in Note 10, the District has authorized various early retirement incentives to provide financial assistance for the purchase of health and life insurance to our retirees. In all cases, employees who retire from the District may purchase health and life insurance through the District. The newly retired employee must send a payment each month to cover the cost of the insurance premiums.

For those eligible employees who qualify for one of the Retirement Incentive Programs (“RIP”), listed below are brief descriptions and eligibility criteria of the various Plans:

*RIP 1992* – Eligibility criteria included being a member of the Florida Retirement System (FRS), Teachers’ Retirement System (TRS) or County Officers and Employee’s Retirement System (SCOERS) who met the following conditions:

- Age 56 but under normal retirement age
- 5 years of service with the District
- 25 years of service with applicable retirement system

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Under this Plan, the District offered to provide up to ten years of District paid health insurance. To participate, the retired employees agreed to assign their insurance supplement received from Florida Retirement System to the District. The District then pays the insurance premium for the retiree.

*RIP 1993* – Eligibility criteria included being a FRS member who was eligible to retire at the end of fiscal year 1994. Under this Plan, the District pays an annual insurance subsidy of \$500 for each eligible retiree for a period up to ten years. The retiree may purchase insurance through any vendor.

*RIP 1996* – Eligibility criteria included being an administrator of any age with at least 25 years of service with the District. The District pays an annual insurance subsidy for up to ten years. The subsidy amount depends on the age of the retiree. For instance, the retiree receives an annual amount of \$2,300 until the fiscal year following the retiree’s 65<sup>th</sup> birthday, wherein the annual amount changes to \$1,500. The retiree may purchase insurance through the District or another vendor if they choose. In addition, the eligible retiree receives a life insurance benefit of \$50,000 for up to ten years or the age of 70, which ever comes first.

*RIP 1999* – Eligibility criteria include the following:

- 30 years of service with the Palm Beach County School District or
- Age 62 or higher (60 or higher if in TRS) with at least 10 years of service with the Palm Beach County School District or
- Employees whose age plus years of service equal or exceed 80 and
- Employees must retire between April 21, 1999 and June 30, 2000.

The District pays an annual insurance subsidy for up to ten years beginning at \$2,400 and increasing 3% each year thereafter. Payments for this subsidy began August 1999 and are paid each August thereafter.

The government-wide financial statements recognize a liability for these post-retirement benefits. Consistent with GAAP guidelines, in the Governmental Funds statements no expenditure or liability is recognized until the benefits are due. A summary of the total expenditures for the fiscal year ended June 30, 2002 is as follows:

	Number of Participants	Health Insurance*	Life Insurance	Insurance Subsidy	Incentive	Total Paid FY 2002
RIP 92	194	\$ 268,462	\$ 6,317	\$ -	\$ -	\$ 274,779
RIP 93	11	-	-	5,500	-	5,500
RIP 96	27	-	-	53,700	-	53,700
RIP 99	114	-	-	282,920	1,489,988	1,772,908
Total	346	\$ 268,462	\$ 6,317	\$ 342,120	\$ 1,489,988	\$ 2,106,887

\* Net of Florida Retirement System subsidy if applicable

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**12. COMMITMENTS AND CONTINGENCIES**

The District receives funding from the state that is based, in part, on a computation of the number of full time equivalent ("FTE") students enrolled in different types of instructional programs. The accuracy of data compiled by individual schools supporting the FTE count is subject to state audit and, if found to be in error, could result in refunds or in decreases in future funding allocations. It is the opinion of management that the amount of revenue which may be remitted back to the state due to errors in the FTE count or the amount of grant expenditures which may be disallowed by granting agencies, if any, will not be material to the financial position of the District.

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District.

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimate liability for insurance risks and pending claims in the accompanying financial statement, 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; 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, 2002, the District had construction commitments of approximately \$255 million.

**13. SUBSEQUENT EVENTS**

On September 25, 2002, the District issued certificates of participation (Series 2002E) of \$93,350,000 (par value) with interest rates ranging from 4.00% - 5.375% to advance refund certificate payments with interest rates ranging from 5.00% - 5.50% and a total par value of \$96,555,000. The certificates final maturity is on August 1, 2016. The certificates were issued at a net premium of \$11,405,146 and, after paying issuance costs of \$1,014,728, the net proceeds were \$103,740,418. The net proceeds from the issuance of the certificates are being used to provide funds for the purpose of funding an escrow deposit, the proceeds of which will be applied to (i) fully prepay on August 1, 2005 all or a portion of the Series 1995A certificates maturing on or after August 1, 2007; (ii) pay interest through August 1, 2005 on that portion of the Series 2002E certificates the proceeds of which will be applied to prepay the Refunded Series 1995A certificates; (iii) fully prepay on August 1, 2006 all or a portion of the Series 1996A certificates maturing on or after August 1, 2007; (iv) pay interest through August 1, 2006 on that portion of the Series 2002E the proceeds of which will be applied to prepay the Refunded Series 1996A certificates. On August 1, 2005 and August 1, 2006 the advance refunding will meet the requirements of an in-substance debt defeasance and the liability for the Refunded Series 1995A certificates and Refunded Series 1996A certificates, respectively, will be removed from the District's financial statements.

As a result of the advance refunding, the District will reduce its total debt service requirements by \$5,114,684, which will result in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$3,753,554.

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On September 26, 2002, \$45,000,000 of Tax Anticipation Notes Series 2001 were paid. (See Note 8).

On October 1, 2002, the District issued Tax Anticipation Notes ("TANS") Series 2002. This \$45,000,000 issue was sold at a coupon rate of 3.00% with an effective yield of 1.464%. The notes are dated October 1, 2002, and are due September 30, 2003.

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**APPENDIX C**

**FORMS OF CERTAIN LEGAL DOCUMENTS**

**The Master Lease**

**Schedule 2003B**

**The Series 2003B Ground Lease**

**The Master Trust Agreement**

**The Series 2003B Supplemental Trust Agreement**

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MASTER LEASE PURCHASE AGREEMENT

PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessor

AND

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
acting as the governing body of
the School District of Palm Beach County, Florida

Dated as of November 1, 1994

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MASTER LEASE PURCHASE AGREEMENT

THIS MASTER LEASE PURCHASE AGREEMENT dated as of November 1, 1994 (this "Master Lease"), between the School Board of Palm Beach County, Florida, acting as the governing body of the School District of Palm Beach County, Florida (the "District"), a body corporate pursuant to Article IX, Section 4(a) of the Florida Constitution (1968) and Chapter 230, Florida Statutes, as amended, as lessee (the "School Board"), and Palm Beach School Board Leasing Corp., a not-for-profit corporation organized and existing under and pursuant to Chapter 617 and Section 237.40, Florida Statutes, as amended, as lessor (the "Corporation").

W I T N E S S E T H

WHEREAS, the School Board has the power, under Section 230.23(2) Florida Statutes, to receive, purchase, acquire, lease sell, hold, transmit and convey title to real and personal property for educational purposes, and under Section 230.23(9) Florida Statutes, to enter into leases or lease-purchase agreements of grounds and educational facilities, or of educational facilities, including equipment built, installed or established therein or attached thereto for school purposes in accordance with the provisions of Chapter 235, Florida Statutes (collectively, the "Act"); and

WHEREAS, the Corporation is a "private corporation" within the meaning of Section 230.23(9)(b)5, Florida Statutes, as amended, and is a "direct support organization" within the meaning of Section 237.40, Florida Statutes, as amended; and

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

WHEREAS, pursuant to a resolution duly adopted by the School Board on October 19, 1994 the School Board has determined that it is in the best interest of the District for the School Board to enter into and execute this Master Lease and certain related documents thereto for the purpose of lease purchasing certain real property, buildings and improvements, and the equipment, fixtures and furnishings to be built, installed or established therein for educational purposes ("Facilities") from the Corporation from time to time, which Facilities must, to the extent required by Florida law, be listed on the Educational Plant Survey for Palm Beach County Schools conducted from time to time by the State Department of Education; and

WHEREAS, Facilities approved by the State Department of Education may be lease-purchased from time to time pursuant to Schedules substantially in the form of Exhibit A hereto

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(individually, a "Schedule"), each such Schedule upon execution and delivery by the School Board and the Corporation together with the provisions of the Master Lease to constitute a separate lease agreement (a "Lease"); and

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

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

WHEREAS, at the direction of the School Board, the Corporation will provide for the payment of the cost of acquiring, constructing and installing Facilities from time to time by entering into a Master Trust Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Trust Agreement") with NationsBank of Florida, N.A., Fort Lauderdale, Florida, as Trustee (the "Trustee") pursuant to which the Corporation shall (a) establish a trust and assign to the Trustee all of said Corporation's right, title and interest in and to this Master Lease and all Schedules hereto, (b) direct the Trustee to execute and deliver to the public from time to time, Series of Certificates of Participation representing undivided proportionate interests in the right to receive the Basic Lease Payments to be made by the School Board pursuant to each Lease relating thereto and (c) deposit the proceeds of each Series of Certificates with the Trustee and direct the Trustee to hold the proceeds of the sale of such Certificates in trust subject to application only to pay the costs of acquisition, construction and installation of the Facilities to be financed under the Lease relating thereto and identified on a Schedule and related costs including, without limitation, capitalized interest, accrued interest and costs of issuance and to make lease payments; and

WHEREAS, each Certificate of a Series shall represent an undivided proportionate interest in the principal portion of the Basic Lease Payments due and payable under one or more particular Leases relating to such Series on the maturity date or earlier prepayment date of such Certificate and in the interest portion of such Basic Lease Payments due and payable semiannually, to and including such maturity date or earlier prepayment date; and

WHEREAS, the relationship between the Corporation and the School Board under this Master Lease shall be a continuing one and Facilities may, from time to time, be added to or deleted from this Master Lease in accordance with the terms hereof and of the Schedule describing such Facilities; and

WHEREAS, the School Board intends for this Master Lease to remain in full force and effect until the last Lease Payment Date for any Project, unless sooner terminated in accordance with the terms provided herein; and

## ARTICLE I.

### DEFINITIONS AND EXHIBITS

**SECTION 1.1. Definitions.** The terms set forth in this Section shall have the meanings ascribed to them for all purposes of this Master Lease unless the context clearly indicates some other meaning, or unless otherwise provided in a particular Schedule. Terms used herein and not otherwise defined shall have the meaning given to them in the Trust Agreement.

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

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

"**Assignment Agreement**" shall mean any assignment agreement pursuant to which the Corporation shall have assigned to the Trustee all of its right, title and interest in and to a Ground Lease and the Lease or Leases created by one or more particular Schedules, including its right to receive Lease Payments under such Lease or Leases.

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

"**Authorized School Board Representative**" shall mean the Chairperson and any person or persons designated by the Chairperson and authorized to act on behalf of the School Board by a written certificate delivered to the Trustee signed on behalf of the School Board by the Chairperson containing the specimen signature of each such person.

"**Basic Lease Payment**" shall mean, with respect to each Lease, or each Facility financed under such Lease, as of each Lease Payment Date, the amount set forth in a Schedule to this Master Lease corresponding to such Lease Payment Date and designated as a Basic Lease Payment in such Schedule.

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

WHEREAS, Section 230.23(9), Florida Statutes, as amended, provides that the provisions of this Master Lease shall be subject to approval by the Florida Department of Education, which approval has been received; and

WHEREAS, Section 235.056(3)(c)3, Florida Statutes, as amended, provides that no lease purchase agreement entered into pursuant thereto shall constitute a debt, liability or obligation of the State of Florida or the School Board or shall be a pledge of the faith and credit of the State or the School Board, all as further provided in Section 3.1 hereof;

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

"**Certificate**" or "**Certificates**" shall mean the Certificates of Participation executed and delivered from time to time by the Trustee pursuant to the Trust Agreement and any Supplemental Trust Agreement. Each Series of Certificates issued under the Trust Agreement and any Supplemental Trust Agreement shall bear a Series designation to identify such Series of Certificates to a particular Schedule to this Master Lease.

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

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

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

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

"**Commencement Date**" shall mean the date set forth in each Schedule hereto which is the effective date of such Schedule.

"**Completion Date**" shall mean, with respect to the Facilities described in a particular Schedule, the date specified by the School Board in a Certificate of Acceptance as the date of completion of acquisition, construction and installation of such Facilities.

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

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

"**Cost**" shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to (i) costs and expenses of the acquisition of the title to or other interest in real property, including leasehold interests, easements, rights-of-way and licenses, including, without limitation, lease payments to be made by the Corporation under the terms of a Ground Lease until the expected acceptance of the Facilities related thereto as described herein, (ii) costs and expenses incurred for labor and materials and payments to contractors, builders, materialmen and vendors, for the acquisition, construction and installation of the Facilities, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be advisable or necessary

prior to completion of any of the Facilities which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction and installation of Facilities, (v) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Facilities, (vi) all costs which the School Board shall be required to pay for or in connection with additions to, and expansions of Facilities, (vii) all costs which the School Board shall be required to pay to provide improvements, including offsite improvements, necessary for the use and occupancy of Facilities, including roads, walkways, water, sewer, electric, fire alarms and other utilities, (viii) any sums required to reimburse the School Board for advances made by it for any of the above items or for other costs incurred and for work done by it in connection with Facilities, (ix) deposits into any Reserve Account established pursuant to Section 401 of the Trust Agreement and any Supplemental Trust Agreement and any recurring amounts payable to a provider of a Reserve Account Letter of Credit/Insurance Policy, (x) fees, expenses and liabilities of the School Board, if any, incurred in connection with the acquisition, construction and installation of Facilities, (xi) Costs of Issuance, and (xii) interest during construction and for a reasonable period of time up to six (6) months thereafter.

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

“**Costs of Issuance Subaccount**” shall mean a Costs of Issuance Subaccount within an Acquisition Account established pursuant to Section 401 of the Trust Agreement and in any Supplemental Trust Agreement in connection with the issuance of a Series of Certificates.

“**Credit Facility**” shall mean, with respect to a Series of Certificates, the letter of credit, insurance policy, guaranty, surety bond or other irrevocable security device, if any, supporting the obligations of the School Board to make Basic Lease Payments relating to such Series of Certificates.

“**Credit Facility Issuer**” shall mean, with respect to a Series of Certificates, the issuer of the Credit Facility, if any, for such Series of Certificates.

“**District**” shall mean the School District of Palm Beach County, Florida.

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received as a result of investments of amounts described in (i); (iii) amounts treated as transferred proceeds of such Certificates in accordance with the Code; (iv) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds; (v) securities or obligations pledged, if any, as security for payment of Basic Lease Payments under the Master Lease (which amounts are limited in accordance with Sections 235.056(3) and 236.25(2)(e), Florida Statutes, as amended); (vi) amounts received with respect to obligations acquired with Gross Proceeds; (vii) amounts used to pay the principal and interest portions of Basic Lease Payments represented by such Certificates; (viii) amounts in any Reserve Account established pursuant to the Trust Agreement and a Supplemental Trust Agreement; and (ix) amounts received as a result of the investment of Gross Proceeds not described in (i) above.

“**Ground Lease**” shall mean one or more ground leases, between the School Board and the Corporation, as amended and supplemented from time to time, pursuant to which the School Board shall ground lease one or more Facility Sites to the Corporation.

“**Instructions to Bidders and the General Conditions**” shall mean the Instructions to Bidders and the General Conditions of the School Board as in effect from time to time.

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

“**Lease**” shall mean each separate Schedule to this Master Lease executed and delivered by the School Board and the Corporation, together with the terms and provisions of this Master Lease.

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

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

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

“**Lease Term**” shall mean, with respect to each Lease, the period from the date of the Lease through the end of the then current Fiscal Year plus each annual or lesser renewal period thereafter during which such Lease is maintained in effect in accordance therewith, with the maximum number of renewals being specified in the Schedule corresponding to such Lease.

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“**Event of Extraordinary Prepayment**” shall mean one or more of the events so designated in Section 7.2 hereof.

“**Excess Earnings**” shall mean, with respect to each Series of Certificates, the amount by which the earnings on the Gross Proceeds of such Certificates exceeds the amount which would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on the interest portion of the Basic Lease Payments represented by such Certificates, as such yield is determined in accordance with the Code and amounts earned on the investment of earnings on the Gross Proceeds of such Certificates.

“**Facility**” or “**Facilities**” shall mean “educational facilities” as defined in Section 235.011(5), Florida Statutes, as amended, to be acquired from the proceeds of a Series of Certificates, consisting of real property, if any, buildings and improvements, and the equipment, fixtures and furnishings which are to be built, installed or established on such buildings or improvements, and all appurtenances thereto and interests therein, all as set forth on a Schedule or Schedules from time to time.

“**Facility Site**” shall mean the real property (together with all buildings, structures and improvements erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements located on, or used in connection with, or attached or made to, such land) either (i) owned by the School Board at the time of the issuance of a Series of Certificates to finance Facilities relating thereto or (ii) to be acquired by the School Board subsequent thereto but not paid for out of the proceeds of such Series of Certificates, upon which a Facility is to be located within the District and more particularly described in a Ground Lease.

“**Fiscal Year**” shall mean the twelve month fiscal period of the School Board which under current law commences on July 1 in every year and ends on June 30 of the succeeding year.

“**Government Obligations**” shall mean any obligations which as to both principal and interest constitute non-callable direct obligations of, or non-callable obligations fully and unconditionally guaranteed by, the full faith and credit of the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the full faith and credit of the United States of America.

“**Gross Proceeds**” shall mean, with respect to each Series of Certificates, unless inconsistent with the provisions of the Code, in which case as provided in the Code, (i) amounts received by or on behalf of the Corporation from the sale of such Certificates; (ii) amounts

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“**Master Lease**” shall mean this Master Lease Purchase Agreement dated as of November 1, 1994, between the Corporation and the School Board and any and all modifications, alterations, amendments and supplements hereto.

“**Net Proceeds**” shall mean, with respect to one or more Facilities financed under a Lease, proceeds from any insurance, condemnation, performance bond, Federal or State flood disaster assistance, or any other financial guaranty (other than a Credit Facility Issuer) paid with respect to such Facilities remaining after payment therefrom of all expenses, including attorneys’ fees, incurred in the collection thereof; and, with respect to insurance, to the extent that the School Board elects to self-insure under Section 5.3 hereof, any moneys payable from any appropriation made by the School Board in connection with such self-insurance.

“**Opinion of Counsel**” shall mean an opinion signed by an attorney or firm of attorneys of recognized standing and who are qualified to pass on the legality of the particular matter (who may be counsel to the School Board or Special Tax Counsel) selected by the School Board.

“**Outstanding**” when used with reference to the Certificates, shall mean, as of any date, Certificates theretofore or thereupon being authenticated and delivered under the Trust Agreement except:

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

(ii) Certificates (or portions of Certificates) for the payment or prepayment of which moneys, equal to the principal portion or Prepayment Price thereof, as the case may be, with interest to the date of maturity or Prepayment Date, shall be held in trust under the Trust Agreement and set aside for such payment or prepayment, (whether at or prior to the maturity or Prepayment Date), provided that if such Certificates (or portions of Certificates) are to be prepaid, notice of such prepayment shall have been given as provided in Article III of the Trust Agreement;

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

(iv) Certificates deemed to have been paid as provided in subsection (b) of Section 801 of the Trust Agreement.

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

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

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(i) the Lease relating thereto and any liens and encumbrances created or permitted thereby;

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

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

(iv) any Ground Lease applicable thereto and any liens and encumbrances created or permitted thereby;

(v) subject to the provisions of Section 6.2 of the Master Lease, any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the provisions of the Master Lease.

(vi) (a) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law; (b) any liens for taxes, assessments, levies, fees, water and sewer rents or charges and other government and similar charges, which are not due and payable or which are not delinquent or the amount or validity of which are being contested and execution thereon is stayed; (c) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances and irregularities in the title to any property which, in the opinion of the School Board, do not materially impair the use of such property or materially and adversely affect the value thereof; and (d) rights reserved to or vested in any municipality or public authority to control or regulate any property or to use such property in any manner that do not in the Opinion of Counsel, materially affect the use of the Facility Site for educational purposes or the benefits enjoyed by any Permitted Transferee in the Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement; and

(vii) any other liens or encumbrances permitted by the Schedule relating to such Facility Site, provided such lien or encumbrance shall not, as expressed in an Opinion of Counsel, materially adversely affect the intended use of such Facility Site by the School Board for educational purposes or the benefits enjoyed by any Permitted Transferee in the Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement, and such liens and encumbrances are approved by the Credit Facility Issuer for the Series of Certificates relating to such Facility Site.

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

**"Prepayment Date"** shall mean the date on which optional prepayment, extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a

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Series of Certificates Outstanding shall be made pursuant to the Trust Agreement and any Supplemental Trust Agreement.

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

**"Project"** shall mean the lease-purchase financing and construction or refinancing of the Facilities set forth on a particular Schedule and, if all or a portion of such Facilities shall be comprised of real property, the ground leasing of the related Facility Site by the School Board to the Corporation and the subleasing of such Facility Site back to the School Board.

**"Project Fund"** shall mean the trust fund designated as the "Project Fund" created and established in Section 401 of the Trust Agreement.

**"Purchase Option Price"** shall mean, with respect to any Facility financed under a Lease, as of each Lease Payment Date, the Basic Lease Payment then due plus the amount so designated and set forth on the Schedule for such Facility as the remaining principal portion of the Purchase Option Price, minus any credits pursuant to the provisions of Section 3.2 hereof, plus, an amount equal to the interest to accrue with respect to the Certificates to be prepaid as a result of the release of such Facility from the Lease, from such Lease Payment Date to the next available date for prepaying such Certificates, unless such prepayment shall occur on such Lease Payment Date, plus an amount equal to a pro rata portion of any Additional Lease Payments and Supplemental Payments then due and owing under the Lease relating to such Facility, including any prepayment premiums payable on the Certificates prepaid.

**"Qualified Financial Institution"** shall mean a bank, trust company, national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or the Federal National Mortgage Association or any insurance company or other corporation (i) whose unsecured obligations or uncollateralized long term debt obligations have been assigned a rating by a Rating Agency which is not lower than AA/Aa, or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated; or (ii) which collateralizes its obligations at all times at levels in compliance with the requirements of the Rating Agencies for ratings not lower than AA/Aa.

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

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

**"Reserve Account"** shall mean any Reserve Account established pursuant to Section 405 of the Trust Agreement and in any Supplemental Trust Agreement.

**"Reserve Account Letter of Credit/Insurance Policy"** shall mean the irrevocable letter or line of credit, insurance policy, surety bond or guarantee agreement issued by a Qualified Financial Institution in favor of the Trustee which is to be deposited into a Reserve Account in order to fulfill the Reserve Account Requirement relating thereto.

**"Reserve Account Requirement"** shall mean, in regard to a Reserve Account to secure a Series of Certificates, such amounts, if any, as shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Series and in the Schedule relating thereto, provided such Reserve Account Requirement shall not exceed the least of (i) the maximum annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, (ii) 125% of the average annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Years, and (iii) 10% of the stated principal amount (or issue price net of accrued interest if the issue has more than a de minimis part of original issue discount or premium) of such Series of Certificates.

**"Schedule"** shall mean a schedule, as amended and supplemented from time to time, to this Master Lease to be executed and delivered by the School Board and the Corporation for each Project, substantially in the form of Exhibit A hereto.

**"School Board"** shall mean the School Board of Palm Beach County, Florida, a body corporate and the governing body of the District.

**"Series" or "Series of Certificates"** shall mean the aggregate amount of each series of Certificates evidencing an undivided proportionate interest of the owners thereof in a particular Lease and the Basic Lease Payments thereunder, issued pursuant to the Trust Agreement or a Supplemental Trust Agreement.

**"Special Tax Counsel"** shall mean Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida, Cunningham & Self, West Palm Beach, Florida and Michael B. Brown, P.A., West Palm Beach, Florida or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

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**"State"** shall mean the State of Florida.

**"Superintendent"** shall mean the Superintendent of Schools of the District.

**"Supplemental Payments"** shall mean all amounts due under a Lease other than Basic Lease Payments and Additional Lease Payments.

**"Supplemental Trust Agreement"** shall mean any agreement supplemental or amendatory of the Trust Agreement.

**"Trust Agreement"** shall mean the Master Trust Agreement dated as of November 1, 1994 entered into by and between the Corporation and the Trustee, and any Supplemental Trust Agreement.

**"Trustee"** shall mean NationsBank of Florida, N.A., Fort Lauderdale, Florida and its successors or assigns which may at any time be substituted in its place pursuant to the provisions of the Trust Agreement.

**SECTION 1.2. Rules of Construction.** Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies as well as natural persons.

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

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ARTICLE II.

LEASE AND SUBLEASE OF FACILITIES AND FACILITY SITES

SECTION 2.1. Lease and Sublease of Facilities and Facility Site. The Corporation hereby agrees to demise, lease and sublease to the School Board, and the School Board hereby agrees to hire, take, lease and sublease from the Corporation, the right, title and interest of the Corporation in and to the Facilities and Facility Sites, listed on each Schedule hereto, on the terms and conditions set forth in this Master Lease. For purposes of each Lease, all materials and services in respect of which amounts are paid by the Trustee for the acquisition, construction and installation of a Facility (including monies disbursed for Costs of Issuance) shall be deemed accepted by the School Board hereunder upon execution of a requisition by the School Board directing payment therefor under Section 402 of the Trust Agreement. The School Board hereby agrees that it has received valuable consideration for the portion of Basic Lease Payments representing Costs of Issuance and will pay the Lease Payments in respect of same, subject to the provisions hereof.

SECTION 2.2. Lease Term. This Master Lease shall be for an original Term commencing on the date hereof through and including June 30, 1995, and automatically renewable annually thereafter through the last 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, at the expense of the School Board, shall execute and deliver such documents, if any, as shall be necessary to evidence such termination. The useful life of the Facilities shall extend beyond the last date set forth on the particular Schedule relating to such Facilities.

SECTION 2.3. Acquisition of Facilities. The School Board shall be responsible for acquisition, construction and installation of the Facilities, as agent for the Corporation, pursuant to the specifications of the School Board, including the letting of all contracts for the acquisition, construction and installation of the Facilities and for supervising the acquisition, construction and installation of the Facilities.

Contracts in connection with the acquisition, construction and installation of the Facilities shall be let in accordance with the competitive bidding policies of the School Board and laws applicable to school boards, including where applicable the requirements of Sections 235.056(3) and 235.26, Florida Statutes, as amended, Chapters 234 and 237, Florida Statutes, as amended, and regulations promulgated by the State Department of Education thereunder, including Rule 6A-2 FAC, and § 6A-1.013 FAC regarding pool purchases, and in accordance with the Instructions to Bidders and General Conditions. All rules and regulations of the State Department of Education applicable to acquisition and construction of educational facilities by

the School Board shall apply to the same extent to the acquisition and construction of the Facilities by the School Board acting in its capacity as agent for the Corporation.

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

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

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

The School Board may determine not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or may determine to substitute one or more of the Facilities relating to a particular Lease for other approved Facilities. Upon determination by the School Board not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or to substitute one or more of the Facilities relating to a particular Lease, the School Board may amend the related Lease and Ground Lease for the purpose of deleting or substituting such Facilities.

SECTION 2.4. School Board's Liability. As between the Corporation and the School Board, the School Board assumes liability for all risks of loss with respect to the Facilities. The School Board shall maintain in force during the entire acquisition, construction and installation period of any Facilities, property damage insurance as required by Section 5.3 hereof and (for the benefit of Certificate holders), as assignee of the Corporation, the Trustee shall be named as an additional insured and loss payee thereon. In the event the School Board or

Corporation receives any damages or other moneys from any contractor, manufacturer or supplier of any portion of the Facilities or its surety pursuant to this Section 2.4 or Section 5.3, such moneys shall be paid to the Trustee for disposition in accordance with Section 5.4 hereof.

SECTION 2.5. Possession and Enjoyment. From and after the acceptance by the School Board of any Facilities in accordance with the terms of this Master Lease, the Corporation agrees that it will not interfere with the quiet use and enjoyment of the Facilities by the School Board during the Lease Term relating to such Facilities and that the School Board shall during such Lease Term peaceably and quietly have and hold and enjoy such Facilities, without hindrance or molestation from the Corporation, except as expressly set forth herein. At the request of the School Board and at the School Board's cost, the Corporation shall join in any legal action in which the School Board asserts its right to such possession and enjoyment to the extent the Corporation lawfully may do so. Upon expiration or termination of the Lease Term other than as a result of nonappropriation or default, the School Board shall enjoy full right, title and interest in and to the Facilities, unless the Facilities are otherwise disposed of in accordance with the terms of this Master Lease.

SECTION 2.6. Trustee Access to Facilities. During the Lease Term of each Lease the School Board agrees that the Trustee, as assignee of the Corporation or its agents, shall have the right during the School Board's normal working hours on the School Board's normal working days to examine and inspect the Facilities for the purpose of assuring that the Facilities are being properly maintained, preserved, and kept in good repair and condition.

SECTION 2.7. Disclaimer of Warranties. The School Board acknowledges that each of the Corporation, the Trustee, the Certificate holders and any Credit Facility Issuer or issuer of a Reserve Account Letter of Credit/Insurance Policy MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE TITLE TO, VALUE, DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY FACILITIES OR ANY PORTION THEREOF, OR AS TO THE QUALITY OR CAPACITY OF THE MATERIAL OR WORKMANSHIP IN SUCH FACILITIES OR ANY WARRANTY THAT SUCH FACILITIES WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. In no event shall the Corporation, the Trustee, the Certificate holders or any Credit Facility Issuer or issuer of a Reserve Account Letter of Credit/Insurance Policy be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Master Lease or the existence, furnishing, functioning or School Board's use of the Facilities, or any item, product or service provided for in this Master Lease.

SECTION 2.8. Warranties of the Facilities. The Corporation hereby appoints the School Board its agent and attorney-in-fact during the Lease Term to assert from time to time

whatever claims and rights, including warranties of the Facilities, which the Corporation or the School Board may have against the contractor, manufacturer or supplier of any Facilities or portion thereof.

SECTION 2.9. Compliance with Law. The School Board and the Corporation each represents, warrants and covenants that it has complied and will comply throughout the Lease Term of each Lease with the requirements of Sections 235.056(3) and 286.011, as well as Chapter 119, Florida Statutes relating to public access to its records and the openness of its meetings to the public.

SECTION 2.10. Representations, Covenants and Warranties of the School Board. The School Board represents, covenants and warrants as follows:

(a) The School Board is the governing body of the District, a body corporate pursuant to Article IX, Section 4(a) of the Florida Constitution (1968) and Chapter 230, Florida Statutes, has power to enter into this Master Lease and each Schedule hereto and has duly authorized and taken the necessary acts required prior to (including all required approvals) the execution and delivery of this Master Lease. The School Board warrants that this Master Lease, upon the execution and delivery hereof, is a valid, legal and binding limited obligation of the School Board, payable from current or other funds authorized by law and appropriated for such purpose as provided in Section 3.1 hereof.

(b) Neither the execution and delivery of this Master Lease nor of any Schedule nor the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions hereof and thereof conflicts with or results in a breach of the terms, conditions, or provisions of any restriction or any agreement or instrument to which the School Board is now a party or by which the School Board is bound or constitutes a default under any of the foregoing, nor conflicts with or results in a violation of any provision of law governing the School Board and no representation, covenant and warranty herein is false, misleading or erroneous in any material respect.

(c) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, known to be pending or threatened against or affecting the School Board nor to the best of the knowledge of the School Board is there any basis therefor, wherein an unfavorable decision, ruling, or finding would materially and adversely affect the transactions contemplated by the School Board or which would adversely affect, in any way, the validity or enforceability of this Master Lease or any material agreement or instrument to which the School Board is a party, used or contemplated for use in the consummation of the transactions contemplated hereby.

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

(e) The moneys in each Acquisition Account and any investment earnings thereon will be used only for payment of Cost of the Facilities, including payment of Basic Lease Payments.

(f) The School Board shall have fee simple title to all Facility Sites, subject only to Permitted Encumbrances, prior to entering into any Ground Lease with respect to such Facility Sites or amending any Ground Lease to add Facility Sites.

(g) In its use of the Facilities, the School Board shall comply with all applicable Federal, State and local governmental laws, regulations, ordinances, rules, orders, standards and codes and with all hazard insurance underwriters' standards applicable to the Facilities.

(h) Adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the Facilities.

(i) The School Board intends, and will intend upon execution and delivery of each Schedule that this Master Lease shall remain in full force and effect until the last Lease Payment Date for any Facility hereunder.

(j) Each of the Facilities set forth on a Schedule will be listed on the Educational Plant Survey for Palm Beach County Schools (or a spot survey) conducted from time to time by the State of Florida Department of Education and will have been approved for lease purchase by said Department.

(k) The School Board shall comply with all continuing disclosure requirements which may be applicable to it from time to time.

**SECTION 2.11. Representations, Covenants and Warranties of Corporation.**  
The Corporation represents, covenants and warrants as follows:

(a) The Corporation is a Florida not-for-profit corporation duly created, existing and in good standing under the laws of the State, is duly qualified to do business in the State, has all necessary power to enter into this Master Lease and each Schedule hereto, is possessed of full power to own, lease and hold real and personal property and to lease and sell the same as lessor, and has duly authorized the execution and delivery of

this Master Lease and this Master Lease, upon execution and delivery hereof, is a valid, legal and binding non-recourse obligation of the Corporation.

(b) Neither the execution and delivery hereof nor of any Schedule hereto, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.

(c) To the knowledge of the Corporation, there is no litigation or proceeding pending or threatened against the Corporation or any other person affecting the right of the Corporation to execute or deliver this Master Lease or to comply with its obligations under this Master Lease. Neither the execution and delivery of this Master Lease by the Corporation, nor compliance by the Corporation with its obligations under this Master Lease, require the approval of any regulatory body, any parent company, or any other entity, which approval has not been obtained.

**ARTICLE III.**

**LEASE PAYMENTS**

**SECTION 3.1. Payment of Lease Payments.** Subject to the conditions stated herein, the School Board agrees to pay the Basic Lease Payments stated on each particular Schedule hereto and agrees to pay and discharge Additional Lease Payments, including all other amounts, liabilities and obligations which the School Board assumes or agrees to pay to the Corporation or to others as provided herein and on each Schedule hereto, together with interest on any overdue amount, PROVIDED HOWEVER, THAT NEITHER THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION THEREOF, SHALL BE OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE HEREUNDER FROM ANY SOURCE OF TAXATION AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE HEREUNDER AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NEITHER THE CORPORATION, THE TRUSTEE, NOR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD TO PAY THE LEASE PAYMENTS HEREUNDER. All Basic Lease Payments, Additional Lease Payments and all Supplemental Payments shall be made from current or other funds authorized by law and appropriated for such purpose by the School Board.

On each Lease Payment Date, the School Board shall pay to the Trustee, in lawful money of the United States of America, the Basic Lease Payments for such Lease Payment Date, less any credits as contemplated by Section 3.2 hereof, and less any reductions as contemplated by Section 4.2 hereof. The School Board agrees to deposit such amounts with the Trustee on each Lease Payment Date in order to assure that sufficient moneys will be available to the Trustee to make timely distribution thereof to the Certificate holders, or to reimburse any Credit Facility Issuer as provided in the following paragraph, all in accordance with the Trust Agreement. In the event that the Trustee has not received such Basic Lease Payments on such Lease Payment Date, the Trustee shall notify the School Board on the Business Day following the day payment was due that such Basic Lease Payments have not been received; provided, however, that such notice is for the purpose of convenience only and the School Board's obligation to make such payments shall in no way be conditioned by the giving or receipt of such notice. Once established under the initial Schedule, Lease Payment Dates shall be the same under all future Lease Schedules.

THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE FUNDS TO MAKE LEASE PAYMENTS SELECTIVELY ON A LEASE BY LEASE BASIS, BUT MUST APPROPRIATE FUNDS FOR ALL LEASES OR NONE OF THEM.

The School Board shall also pay, when due, directly to the party entitled thereto, Additional Lease Payments and Supplemental Payments in accordance with the terms of this Master Lease and each Schedule hereto and the Trust Agreement. Additional Lease Payments for each separate Lease entered into under this Master Lease include, without limitation, optional prepayment premiums, Trustee fees and expenses, Corporation expenses, Credit Facility Issuer fees and expenses, if any, and all other amounts due the Trustee under the Trust Agreement or this Master Lease and a Credit Facility Issuer under any Reimbursement Agreement, all as set forth on a particular Schedule hereto. Supplemental Payments for each separate Lease hereunder include, without limitation, amounts required to be paid under Sections 5.1, 5.2, 5.6, 5.10 and 6.2 hereof, and amounts necessary to restore the balance in the Reserve Account for a particular Series of Certificates to the Reserve Account Requirement for such Series as provided in Section 405(b) of the Trust Agreement, or recurring amounts payable to a provider of a Reserve Account Letter of Credit/Insurance Policy.

The School Board hereby authorizes the Trustee, as assignee of the Corporation, (i) to create a Reserve Account to be held by the Trustee under the Trust Agreement for each Series of Certificates unless otherwise provided by the Schedule relating thereto, (ii) to deposit in each Reserve Account a portion of the proceeds from the sale of the Series of Certificates relating thereto, or in lieu thereof, or in substitution for the full amounts then on deposit therein or in an amount equal to the difference between the amount required to be deposited and the sum, if any, on deposit in a Reserve Account, to provide a Reserve Account Letter of Credit/Insurance Policy equal to the Reserve Account Requirement relating to such Series, or combination of a portion of the proceeds from the sale of a Series of Certificates and a Reserve Account Letter of

Credit/Insurance Policy, and (iii) to use such amounts or amounts drawn on the Reserve Account Letter of Credit/Insurance Policy deposited in each sub-account of the Reserve Account as set forth in Section 405 of the Trust Agreement. In the event the aggregate amount of any cash, the value of any Investment Securities and the stated amount of any Reserve Account Letter of Credit/Insurance Policy in a Reserve Account shall be less than the Reserve Account Requirement provided therefor, the School Board shall pay to the Trustee from moneys budgeted and appropriated as Basic Lease Payments during the current Fiscal Year as Supplemental Payments an amount equal to such deficiency within thirty (30) days of receipt of notice of the deficiency from the Trustee. In the event the Trustee makes a draw on a Reserve Account Letter of Credit/Insurance Policy to pay amounts equal to Basic Lease Payments represented by a Series of Certificates, the School Board shall cause the amount which the Trustee can draw upon such Reserve Account Letter of Credit/Insurance Policy (or its original stated amount, if the School Board shall have deposited into the related Reserve Account a Letter of Credit/Insurance Policy pursuant to this Section) to be reinstated. In the event a Reserve Account Letter of Credit/Insurance Policy on deposit in a Reserve Account expires or is terminated, the School Board shall, simultaneously with such expiration or termination, either replace such Letter of Credit/Insurance Policy with a subsequent Reserve Account Letter of Credit/Insurance Policy with a stated amount equal to the Reserve Account Requirement or transfer to the Trustee, for deposit in such Reserve Account in which such Policy had been deposited, an amount of cash equal to the Reserve Account Requirement.

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

(a) The Trustee shall deposit into the Lease Payment Account established with respect to each Lease, interest income in accordance with the Trust Agreement, amounts in excess of the Reserve Account Requirement transferred to the Lease Payment Account pursuant to Section 405(d) of the Trust Agreement and amounts transferred from the Capitalized Interest Account to the Lease Payment Account pursuant to Section 403 of the Trust Agreement, and apply such amounts as provided therein.

(b) Unless otherwise provided in the Schedule related thereto, upon the completion of acquisition and construction of the Facilities financed under a particular Lease and payment of all Costs of such Facilities or upon the termination of the Lease Term of a particular Lease pursuant to Section 4.1 hereof, the amounts, if any, on deposit in the Acquisition Account for the related Series of Certificates shall be transferred to the Lease Payment Account for such Series, to be applied to Basic Lease Payments next coming due under the Lease; provided, however, that if, upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Facilities financed under a particular Lease (including the failure of the School Board to acquire any component of such Facilities), there shall remain in the related Acquisition Account an amount greater



than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, the entire remaining amount shall be transferred to the related Prepayment Account in accordance with Section 7.2(b) hereof.

(c) There shall be deposited in the Lease Payment Account or the Prepayment Account for a Series of Certificates, as the case may be, Net Proceeds realized in the event of damage, destruction or condemnation to be applied to Basic Lease Payments under the related Lease, or to the Prepayment Price of such Series of Certificates, all as provided for in Section 5.4(b) hereof.

**SECTION 3.3. Basic Lease Payment Components.** A portion of each Basic Lease Payment is paid as and represents the payment of interest and the balance of each Basic Lease Payment is paid as and represents the payment of principal. Each Schedule hereto shall set forth such components of each Basic Lease Payment for each Facility or Facilities financed hereunder. The interest portion of each Basic Lease Payment shall be calculated on the basis of a 360 day year consisting of twelve 30 day months.

**SECTION 3.4. Lease Payments to be Unconditional.** Subject to Sections 3.1 and 3.5 hereof the obligations of the School Board to make Lease Payments and to pay all other amounts provided for herein and in each Schedule and to perform its obligations under this Master Lease and each Schedule, shall be absolute and unconditional, and such Lease Payments and other amounts shall be payable without abatement or any rights of set-off, recoupment or counterclaim the School Board might have against any supplier, contractor, the Corporation, the Trustee or any other person and whether or not the Facilities are accepted for use or used by the School Board or available for use by the School Board, whether as a result of damage, destruction, condemnation, defect in title or failure of consideration or otherwise. This Master Lease shall be deemed and construed to be a "net lease".

**SECTION 3.5. Non-Appropriation.** Notwithstanding anything in this Master Lease to the contrary, the cost and expense of the performance by the School Board of its obligations under this Master Lease and each Schedule hereto and the incurring of any liabilities of the School Board hereunder and under each Schedule hereto including, without limitation, the payment of all Lease Payments and all other amounts required to be paid by the School Board under this Master Lease and each Schedule hereto, shall be subject to and dependent upon appropriations being duly made from time to time by the School Board for such purposes. Under no circumstances shall the failure of the School Board to appropriate sufficient funds constitute a default or require payment of a penalty, or in any way limit the right of the School Board to purchase or utilize educational facilities similar in function to those leased hereunder.

Unless the School Board, at a public meeting held prior to the end of the then current Fiscal Year, shall give notice of its intent not to appropriate the funds necessary to make all

Lease Payments coming due in the following Fiscal Year under this Master Lease and each Schedule hereto, the Superintendent shall include in the Superintendent's tentative budget proposal the funds necessary to make such Lease Payments, and the Lease Term of all Leases shall be automatically renewed on June 30 of the current Fiscal Year, for the following Fiscal Year, subject to appropriation being made by the School Board in the final official budget. If Lease Payments are due hereunder during the period prior to the adoption of the School Board's final official budget for an ensuing Fiscal Year, the Lease Term of all Leases shall be deemed extended only if the tentative budget or extension of the prior budget (whether by Board action or operation of law) makes available to the School Board monies which may be legally used to make the Lease Payments due hereunder during such period. If no such appropriation is made in the final official budget, or if no official budget is adopted as of the last day upon which a final budget is required to have been adopted under Chapter 237, Florida Statutes and applicable regulations thereunder, the Lease Term of all Leases shall terminate as of the date of adoption of the final official budget, or such last day, whichever is earlier.

If the School Board declares its intent at such public meeting prior to the end of the then current Fiscal Year not to appropriate the funds, the Lease Term of all Leases shall not be automatically renewed for the following Fiscal Year, but shall terminate on June 30th of the current Fiscal Year. The final Lease Term may be for a period which is less than a full Fiscal Year.

The School Board shall provide written notice of any nonappropriation of funds described herein to the Trustee, any Credit Facility Issuer and any issuer of a Reserve Account Letter of Credit/Insurance Policy within three (3) Business Days thereafter.

THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE FUNDS TO MAKE LEASE PAYMENTS SELECTIVELY ON A LEASE BY LEASE BASIS, BUT MUST APPROPRIATE FUNDS FOR ALL LEASES OR NONE OF THEM.

**SECTION 3.6. Surrender of Facilities.** (A) Upon the termination of the Lease Term of all Leases prior to the payment of all Lease Payments scheduled therefor or without the payment of the then applicable Purchase Option Price of the Facilities financed under such Lease, or (B) as provided in Section 8.2 hereof upon the occurrence of an event of default, the School Board shall immediately surrender and deliver possession of all the Facilities financed under this Master Lease and all Schedules hereto to the Trustee as assignee of the Corporation or any person designated by it, in the condition, state of repair and appearance required under this Master Lease, in accordance with the instructions of the Corporation. Upon such surrender, the transferee shall sell or lease the Facilities if then practicable in such manner and to such person or persons for any lawful purpose or purposes, as it shall, in its sole discretion, determine to be appropriate. The proceeds derived by such transferee from any such sale or lease of Facilities shall be applied first to the payment in full of the Series of Certificates relating to such Facilities (including all amounts owing under the applicable Lease) and then to the payment of any

accrued but unpaid obligations of the Corporation under Section 3 of the Ground Lease relating to such Facilities. Any excess after all such payments shall be paid to the School Board.

If the School Board shall refuse or fail to voluntarily deliver possession of the Facilities to the Corporation or its assignee as above provided, the Corporation or its assignee may enter into and upon the Facilities, or any part thereof, and repossess the same and thereby restore the Corporation or its assignee to its former possessory estate as lessee under the related Ground Lease and lessor hereunder and expel the School Board and remove its effects forcefully, if necessary, without being taken or deemed to be guilty in any manner of trespass in order that the Corporation or its assignee may sell or re-let the leasehold interest in the Facilities, subject to Permitted Encumbrances, for any lawful purpose or purposes, for the remainder of the term of the related Ground Lease, if applicable, and the School Board shall have no further possessory right whatsoever in the Facilities, for the remainder of the term of the respective Ground Lease; the Corporation or its assignee may exercise all available remedies at law or in equity to evict the School Board and to enjoy its possessory rights to all Facility Sites under one or more Ground Leases; and the School Board shall be responsible for the payment of damages in an amount equal to the Lease Payments which would have accrued hereunder, calculated on a daily basis, for any period during which the School Board fails to surrender the Facilities or for any other loss suffered by the Corporation or its assignee as a result of the School Board's failure to surrender the Facilities, all without prejudice to any remedy which might otherwise be available to the Corporation or its assignee for arrears of Lease Payments or for any breach of the School Board's covenants herein contained.

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

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

#### ARTICLE IV.

##### TERMINATION

**SECTION 4.1. Termination of Lease Term.** The Lease Term will terminate upon the earliest of any of the following events:

(a) with respect to all Leases, on the latest Lease Payment Date set forth in any Schedule attached to this Master Lease;

(b) with respect to all Leases, in the event of nonappropriation of funds for payment of Lease Payments as provided in Sections 3.1, 3.4 and 3.5 of this Master Lease;

(c) with respect to all Leases, upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to Section 8.2(1) of this Master Lease;

(d) with respect to a particular Lease, upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease, or upon provision for such payment pursuant to Section 7.3 hereof, provided, however, that upon such provision for payment the obligation to make Lease Payments under such Lease shall continue to be payable solely from such provision for payment.

##### SECTION 4.2. Effect of Termination.

(a) Upon the termination of the Lease Term for the reason referred to in Section 4.1(b) or (c) hereof, the provisions of Section 3.6 shall be applicable. Upon such termination for the reason referred to in Section 4.1(c) hereof, the provisions of Sections 8.2 and 8.3 shall also be applicable.

(b) In the event of termination of the Lease Term for the reason referred to in Section 4.1(d) hereof, there shall be applied solely from the amounts deposited pursuant to Section 7.3 hereof as a reduction against such Basic Lease Payments to become due after such termination an amount equal to the Basic Lease Payments applicable to the Facilities.

(c) Notwithstanding the termination of the Lease Term pursuant to Section 4.1 hereof, the representations of the School Board set forth in Section 2.10 hereof and the provisions of Sections 5.7 and 5.10 hereof shall survive such termination.

#### ARTICLE V.

##### COVENANTS OF SCHOOL BOARD

**SECTION 5.1. Maintenance of the Facilities by the School Board.** The School Board agrees that at all times during each Lease Term, the School Board will, at the School Board's own cost and expense, maintain, preserve and keep the Facilities in good repair and condition, and that the School Board will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals, interior and exterior, thereto. The Corporation shall have no obligation in any of these matters, or for the making of repairs, improvements or additions to the Facilities. If the School Board fails to perform such obligations the Trustee may perform the School Board's obligations or perform work resulting from the School Board's actions or omissions and the cost thereof (together with interest until reimbursed) shall be immediately due and payable as Supplemental Payments.

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

**SECTION 5.3. Provisions Regarding Insurance.** During acquisition, construction and installation of the Facilities the School Board shall require any contractor to provide Workers' Compensation, Comprehensive General Liability Insurance, Property Insurance, Property coverage for contractor's equipment, Professional Liability Insurance, Builders Risk Insurance, Automobile Liability Insurance, and other insurance pursuant to the terms of the Instructions to Bidders and the General Conditions of the School Board. Contractors shall be required to provide builders' all risk property damage insurance in an amount not less than the full value of all work in place and materials and equipment provided or delivered by each supplier. The Trustee and the Corporation shall be named as additional insureds and loss payees wherever the School Board is to be so named, and shall be entitled to written notice of cancellation to the same extent as the School Board.

The School Board shall, during the Lease Term, purchase and maintain property insurance coverage in an amount not less than \$85,000,000 per occurrence, to the extent such insurance is available at commercially reasonable costs, covering the replacement cost of its

property including the Facilities insuring against the perils of FIRE, LIGHTNING, WINDSTORM, HAIL, HURRICANE, WINDBLOWN RAIN, DAMAGE FROM WATER, EXPLOSION, AIRCRAFT, VEHICLES, SMOKE, VANDALISM AND MALICIOUS MISCHIEF, TRANSPORTATION HAZARDS, THEFT AND BURGLARY. The School Board shall maintain a self-insurance program for its combined general and automobile liability insurance coverage in an amount not less than \$200,000 per occurrence pursuant to the provisions contained within Florida Statute 768.28. The School Board shall also purchase and maintain, or cause to be purchased and maintained, boiler & machinery insurance coverage (including air conditioning equipment) in an amount not less than \$20,000,000 per accident.

The adequacy of the School Board's property insurance coverage shall be reviewed annually by the Insurance Consultant, and the School Board shall follow the recommendations of the Insurance Consultant so long as the recommended insurance is available at commercially reasonable costs and otherwise satisfies the criteria set forth herein. The School Board shall maintain eligibility for assistance by the Federal Emergency Management Agency.

The School Board may elect to self-insure for any such damage or liability, as provided above, upon the following terms and conditions:

- (a) the self-insurance program shall be approved by the Insurance Consultant;
- (b) The self-insurance program shall include a sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated at least annually by the Insurance Consultant; and any deficiencies in the fund shall be remedied in accordance with the recommendations of the Insurance Consultant;
- (c) The self-insurance claims reserve fund shall be held in a bank account created for the purpose of maintaining such self-insurance funds, which bank account may be under the control of the School Board and may not be commingled with other School Board moneys; and
- (d) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund shall be maintained.

The School Board may also self-insure for the amount of the deductible portion of the above described insurance coverage. The School Board's present maximum self-insured limits are \$100,000 per occurrence for property coverage not including wind, and a maximum of \$10,000,000 and a minimum of \$10,000,000 per occurrence resulting from wind damage; \$200,000/\$200,000 per occurrence for combined general and automobile liability coverage; \$10,000 per accident for boiler & machinery (including air conditioning equipment). If the School Board revises such limits such that its self-insured retention exceeds 10% of the amount of property insurance recommended by the Insurance Consultant, the School Board will cause

the adequacy of its self-insurance reserve fund to be reviewed by the Insurance Consultant on an annual basis.

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

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

Any insurance policy issued pursuant to this Section 5.3 shall provide that the Corporation and the Trustee shall be notified of any proposed cancellation of such policy thirty (30) days prior to the date set for cancellation. Any policy of all risk property insurance must be obtained from a commercial insurance company or companies rated A by A.M. Best Company or in one of the two highest rating categories of Moody's and S&P, or otherwise approved by the Credit Facility Issuer. The School Board and the Trustee shall be named as insureds and loss payees.

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

In the event of any loss, damage, injury, accident, theft or condemnation involving the Facilities, the School Board shall promptly provide or cause to be provided to the Corporation and the Trustee written notice thereof, and make available or cause to be made available to the Corporation and the Trustee all information and documentation relating thereto.

Any insurance policy maintained pursuant to this Section 5.3 shall be so written or endorsed to provide that the Trustee (on behalf of the Certificate holders), and the Corporation are named as additional insureds, and the Trustee, the Corporation and the School Board are named as loss payees as their interests may appear and the Net Proceeds of any appropriation made in connection with a self-insurance election shall be payable to the School Board, the Corporation and the Trustee (on behalf of the Certificate holders) as their respective interests may appear. The Net Proceeds of the insurance required in this Section 5.3 or the Net Proceeds

of any appropriation in connection with a self-insurance election shall be applied as provided in Section 5.4(a) and Section 5.4(b) hereof.

**SECTION 5.4. Damage, Destruction or Condemnation.** If prior to the termination of the Lease Term under a particular Lease, the Facilities financed under such Lease or any portion thereof are destroyed or are damaged by fire or other casualty, or title to, or the temporary use of such Facilities or any portion thereof shall be taken under the exercise of the power of eminent domain, the School Board shall, within sixty (60) days after such damage, destruction or condemnation elect one of the following two options by written notice from an Authorized School Board Representative of such election to the Corporation and the Trustee:

(a) **Option A - Repair, Restoration or Replacement.** Except as provided below, the School Board will cause the Net Proceeds of any insurance or the Net Proceeds of any appropriation made in connection with a self-insurance election, or the Net Proceeds of any claim or condemnation award to be applied to the prompt repair, restoration, or replacement (in which case such replacement shall become subject to the provisions of the related Lease as fully as if it were the originally leased Facilities) of such Facilities. Any such Net Proceeds received by the Trustee shall be deposited in the related Acquisition Account and be applied by the Trustee toward the payment of the Cost of such repair, restoration or replacement, utilizing the same requisition process set forth in the Trust Agreement for the payment of the Cost of the Facilities from such Acquisition Account.

(b) **Option B - Partial Prepayment.** If the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Facilities so damaged, destroyed or condemned, then the School Board shall not be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are equal to less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities, such Net Proceeds shall be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2 (c) hereof. If the Net Proceeds are equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities, such Net Proceeds shall be deposited in the Prepayment Account for the Series of Certificates relating to such Facilities to be applied to the prepayment in part of the principal portion and accrued interest portion of Basic Lease Payments relating to such Facilities represented by the Certificates in accordance with Section 7.2 hereof.

**SECTION 5.5. Insufficiency of Net Proceeds.** If the School Board elects to repair, restore or replace the Facilities under the terms of Section 5.4(a) hereof and the Net Proceeds therefor are insufficient to pay in full the Cost of such repair, restoration or

replacement, the School Board shall complete the work and pay any Cost in excess of the amount of the Net Proceeds, and the School Board agrees that, if by reason of any such insufficiency of the Net Proceeds the School Board shall make any payments pursuant to the provisions of this Section, the School Board shall not be entitled to any reimbursement therefor from the Corporation or the Trustee nor shall the School Board be entitled to any diminution of the amounts payable under the related Lease.

**SECTION 5.6. Advances.** In the event the School Board shall not elect to self-insure any risk that would otherwise require the maintenance of insurance coverage hereunder, and shall fail to maintain the full insurance coverage required hereunder, the Corporation may, but shall be under no obligation to, purchase the required policies of insurance and pay the premiums on the same, or if the School Board shall fail to keep the Facilities in good repair and operating condition, the Corporation may, but shall be under no obligation to, make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Corporation shall become immediately due and payable as a Supplemental Payment under the Lease relating to such Facilities which amounts, together with interest thereon (at an annual interest rate equal to the interest portion of the Basic Lease Payments, expressed as an annual interest rate) until paid, the School Board agrees to pay.

**SECTION 5.7. Release and Indemnification.** To the extent permitted by Florida law, including the provisions of Section 768.28 Florida Statutes, the School Board shall indemnify and save the Corporation and the Trustee harmless from and against any and all liability, obligations, claims and damages, including consequential damages and reasonable legal fees and expenses, arising out of, or in connection with, the transactions contemplated by this Master Lease, all Schedules hereto, any Ground Lease, any Assignment Agreement and the Trust Agreement including, without limitation, the issuance of Certificates, except in the case of liability, obligations, claims and damages arising out of their own negligence or willful misconduct.

**SECTION 5.8. Payment and Performance Bonds and other Guaranty.** The School Board agrees to cause any contractor to provide performance, payment and guarantee and any additional bonds or surety bonds, if and when required pursuant to the Instructions to Bidders and the General Conditions and the provisions of Section 255.05, Florida Statutes, and other applicable provisions of Florida Law. Such bonds or other surety shall be in dual obligee form, naming the School Board and the Trustee as dual obligees.

**SECTION 5.9. Essential Governmental Functions.** The School Board represents and warrants that the services to be provided by or from the Facilities are essential to the delivery of the School Board's essential governmental services, and covenants that during the Lease Term it will use the Facilities to perform essential governmental functions relating to its statutory responsibility of providing for public education throughout the District. The School Board represents and covenants that it has an immediate need for the Facilities, that it does not

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expect such need to diminish during the Lease Term and that it intends to use the Facilities for public school educational purposes throughout each Lease Term.

**SECTION 5.10. Tax Exemption; Rebates.** In order to maintain the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments paid to the Certificate holders, the School Board shall comply with the provisions of the Code applicable to this Master Lease and each Schedule thereto and each Series of Certificates issued under the Trust Agreement, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of each Series of Certificates, reporting of earnings on the Gross Proceeds of each Series of Certificates, and rebating Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the School Board shall comply with the letter of instructions as to compliance with the Code with respect to each Lease and each Series of Certificates, to be delivered by Special Tax Counsel at the time each Series of Certificates is issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The School Board shall not take any action or fail to take any action which would cause a Lease and the Series of Certificates relating thereto to be "arbitrage bonds" within the meaning of Section 148(a) of the Code or which would otherwise cause the portion of Basic Lease Payments under such Lease representing the payment of interest as set forth in Section 3.3 hereof to be includable in the gross income of the Certificate holders.

In the event that the School Board shall fail to rebate such Excess Earnings when due, the Corporation or its assignee may, but shall be under no obligation to, pay amounts due to the Treasury; and all amounts so advanced by the Corporation or its assignee shall become immediately due and payable as a Supplemental Payment under the Lease relating to such Series of Certificates which amounts, together with interest thereon (at an annual interest rate equal to the interest portion of the Basic Lease Payments relating thereto expressed as an annual interest rate) until paid, the School Board agrees to pay.

**SECTION 5.11. Budget and Tax Levy.** The School Board covenants that it shall cause the Superintendent to prepare and submit the budget recommendation in accordance with Section 3.5 hereof including provision for discretionary capital outlay millage under Section 236.25, Florida Statutes, as amended, and that the School Board will act on such recommendation, will hold public hearings, will adopt tentative and final official budgets, and will submit such budgets to the Department of Education for approval, all pursuant to the requirements of the laws of Florida and the regulations of the Department of Education as in effect from time to time.

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Subject to the right of non-appropriation set forth in Sections 3.1 and 3.5 hereof the School Board expects that its legally available revenues will be sufficient to meet its Lease Payment obligations under the Master Lease in each Fiscal Year.

**SECTION 5.12. Compliance with Law, Regulations, Etc.**

(a) The School Board has, after due inquiry, no knowledge and has not given or received any written notice indicating that its Facilities and Facility Sites or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Facilities (collectively, "Laws and Regulations"). Without limiting the generality of the foregoing, neither the School Board nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of any of the Facilities and Facility Sites has, other than as set forth in subsections (a) and (b) of this Section or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA, FRPA and Title III (as such term is defined in subsection (e)), and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the School Board, any of the Facilities or Facility Sites or the business operations conducted by the School Board thereon (collectively, "Hazardous Materials") on, from or beneath its Facilities or Facility Sites, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath its Facilities or Facility Sites, or (iii) stored any material amount of petroleum products at its Facility Sites in underground storage tanks.

(b) Excluded from the representations and warranties in subsection (a) hereof with respect to Hazardous Materials are those amounts ordinarily found in the inventory of or used in the maintenance of public schools and related facilities, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all Laws and Regulations.

(c) No Facilities or Facility Sites located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used

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for any purpose other than the corporation or support of the improvements to the Facilities.

(d) The School Board has not received any notice from any insurance company which has issued a policy with respect to the Facilities or Facility Sites or from the applicable state or local government agency responsible for insurance standards (or any other body exercising similar functions) requiring the performance of any repairs, alterations or other work, which repairs, alterations or other work have not been completed at the Facilities or Facility Sites. The School Board has not received any notice of default or breach which has not been cured under any covenant, condition, restriction, right-of-way, reciprocal easement agreement or other easement affecting its Facilities or Facility Sites which is to be performed or complied with by it.

(e) For purposes of this Section and Section 5.13 hereafter, the following terms shall have the following meanings:

"Asbestos Containing Materials" shall mean material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (riebeckite); (c) amosite (cummington-tegrinerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

"Environmental Regulations" shall mean all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, *et seq.*) (together with the regulations promulgated thereunder, "CERCLA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, *et seq.*) (together with the regulations promulgated thereunder, "RCRA"), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, *et seq.*) (together with the regulations promulgated thereunder, "Title III"), the Clean Water Act, as amended (33 U.S.C. Section 1321, *et seq.*) (together with the regulations promulgated thereunder, "CWA"), the Clean Air Act, as amended (42 U.S.C. Section 7401, *et seq.*) (together with the regulations promulgated thereunder, "CAA"), the Florida Radiation Protection Act, as amended (Fla. Stat. Chapter 404) (together with all regulations promulgated thereunder, "FRPA") and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 *et seq.*) (together with the regulations promulgated thereunder, "TSCA"), and any state or local similar laws and regulations and any so-called local, state or federal "superfund" or "superlien" law.

**SECTION 5.13. Environmental Compliance.**

(a) The School Board shall not use or permit the Facilities or Facility Sites or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the

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extent, if necessary to maintain the improvements on the Facilities or Facility Sites and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor shall it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of or used in the maintenance of public schools and related facilities, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the School Board shall promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Corporation all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials, so released, on, from or beneath the Facilities or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained herein, underground storage tanks shall only be permitted subject to compliance with subsection (d) of this Section and only to the extent necessary to maintain the improvements on the Facilities or Facility Sites.

(b) The School Board shall comply with, and shall cause its tenants, subtenants, licensees, guests, invitees, contractors, employees and agents to comply with, all Environmental Regulations, and shall keep the Facility Sites free and clear of any liens imposed pursuant thereto (provided, however, that any such liens, if not discharged, may be bonded). The School Board shall cause each tenant under any lease, and use its best efforts to cause all of such tenant's subtenants, agents, licensees, employees, contractors, guests and invitees and the guests and invitees of all of the foregoing to comply with all Environmental Regulations with respect to the Facilities and Facility Sites; provided, however, that notwithstanding that a portion of this covenant is limited to the School Board's use of its best efforts, the School Board shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the School Board's obligations contained in subsection (c) hereof as provided in subsection (c) hereof. Upon receipt of any notice from any Person with regard to the Release of Hazardous Materials on, from or beneath the Facilities and Facility Sites, the School Board shall give prompt written notice thereof to the Trustee, the Corporation and the Credit Facility Issuer (and, in any event, prior to the expiration of any period in which to respond to such notice under any Environmental Regulations).

(c) Irrespective of whether any representation or warranty contained in Section 5.12 is not true or correct, the School Board shall defend, indemnify and hold harmless the Corporation, the Trustee and the Credit Facility Issuer, its partners, depositors and each of its and their employees, agents, officers, directors, trustees,

successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in this Section 5.13), consultants' fees, investigation and laboratory fees, liabilities, settlements (five (5) Business Days' prior notice of which the Corporation, the Trustee or the Credit Facility Issuer, as appropriate, shall have delivered to the School Board), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, Release, threat of Release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Facilities or Facility Sites, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five (5) Business Days' prior notice of which the Corporation, the Trustee or the Credit Facility Issuer, as appropriate, shall have delivered to the School Board) or governmental order relating to Hazardous Materials on, from or beneath any of the Facilities or Facility Sites, (iv) any violation of Environmental Regulations or subsection (a) or (b) hereof by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the School Board is strictly liable under any Environmental Regulation, its obligation to the Corporation, the Trustee and the Credit Facility Issuer and the other indemnitees under the foregoing indemnification shall likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The School Board's obligations and liabilities under this Section 5.13(c) shall survive the termination of this Master Lease.

(d) The School Board shall conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and shall maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

#### SECTION 5.14. Prosecution and Defense of Suits.

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

(b) The School Board shall defend, or cause to be defended against every suit, action or proceeding at any time brought against the Corporation, or its directors, officers and employees upon any claim arising out of the receipt, application or disbursement of any moneys held by the Trustee or arising out of the construction of Facilities comprising any Project and involving the rights of the Corporation, or its directors, officers and employees under this Master Lease or any act or omission of the directors, officers and employees done or omitted to be done within the scope of their respective office or employment, other than an act or omission which is the result of misconduct or negligence by such parties; provided, that the Corporation, at its election, may appear in and defend any such suit, action or proceeding. To the extent permitted and limited by applicable law and only from moneys legally available for such purpose, the School Board shall indemnify or cause to be indemnified the Corporation, against any and all claims, demands, costs or liability claimed or asserted by any person, arising out of such receipt, application or disbursement.

**SECTION 5.15. Waiver of Laws.** The School Board shall not at any time insist upon or plead in any manner whatsoever, or claim or suffer or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may adversely affect the covenants and agreements contained in this Master Lease and the benefit and advantage of any such law or laws is hereby expressly waived by the School Board to the extent that the School Board may legally make such waiver.

## ARTICLE VI.

### TITLE

**SECTION 6.1. Title to Facility Sites and Facilities.** Throughout the term of each Ground Lease, fee title to the Facility Sites described therein shall be in the name of the School Board, subject to Permitted Encumbrances. Until the earlier of the date on which payment in full, or provision for payment of all Lease Payments under a particular Lease or payment of the then applicable Purchase Option Price of one or more Facilities financed under such Lease, as provided in Sections 7.2 or 7.3 hereof, has been made, or until substitution of comparable Facilities for Facilities financed under a Lease as provided in Section 6.4 hereof, title to such Facilities shall remain vested in the Corporation (except as otherwise provided in the related Schedule), subject to Permitted Encumbrances. At such time as payment, or provision for payment as provided in Section 7.2 or 7.3 hereof, of all Lease Payments or the then applicable Purchase Option Price of one or more Facilities has been made in full, the School Board shall be deemed to have exercised an option to purchase such Facilities and fee simple title to such Facilities free and clear of all encumbrances, except Permitted Encumbrances, shall vest in the School Board. Upon substitution of other Facilities for Facilities financed under a Lease as herein provided, fee simple title to the Facilities for which substitution has been made, shall vest in the School Board free and clear of all encumbrances except Permitted Encumbrances. The Corporation hereby appoints the School Board as its agent to prepare and file or record in appropriate offices such documents as may be necessary to cause record title to such Facilities to vest in the School Board. The Corporation agrees to immediately execute a warranty deed for the Facilities and a written surrender and release and an assignment without recourse or warranty of all its right, title, and interest under the related Lease and Ground Lease to the School Board, or shall execute amendments to the Lease Schedule, if appropriate in the case of the purchase of portions of the Facilities financed under a Lease, as well as all other instruments necessary to vest good and marketable fee simple title to the Facilities in the School Board and relinquish the Corporation's interest therein, subject only to Permitted Encumbrances. The related Ground Lease shall then be terminated, or modified, as provided therein. The Corporation shall request the execution of such instruments by the Trustee as necessary to effect the conveyances described herein.

There shall be no merger of a Lease or of the leasehold estate thereby created in any Facilities or Facility Sites with the fee estate in such Facilities or Facility Sites by reason of the fact that the same person may acquire or hold, directly or indirectly, a Lease or leasehold estate therein created or any interest therein, and the fee estate in the Facilities or Facility Sites relating to such Lease or any interest in such fee estate.

If required by a Credit Facility Issuer the School Board shall provide one or more policies of title insurance naming the School Board, the Corporation and the Trustee as insureds, as their interests may appear, in amounts as required by such Credit Facility Issuer. Proceeds of any

payment under a title insurance policy shall be paid to the Trustee and held for application (at the direction of the School Board prior to the occurrence of an Event of Default or a nonappropriation hereunder) first, to cure any defect in title, and second, in accordance with the priorities set forth in Section 504(a) of the Trust Agreement. The execution of each Ground Lease and each amendment thereto adding or modifying a Facility Site shall be subject to the approval of the related Credit Facility Issuer (no approval shall be required to add a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Ground Lease), if any, and at the time of such execution there shall be delivered by the School Board to the Trustee an Opinion of Counsel with respect to each Facility Site to the effect that there are no liens or encumbrances thereon that are not Permitted Encumbrances under the Master Lease, and that there shall be no merger of the fee estate of the School Board in the Facility Sites with the leasehold estates created therein by a Ground Lease or this Master Lease, notwithstanding the fact that the same person may hold one or more leasehold estates and such fee estate.

**SECTION 6.2. Liens.** Except as permitted under this Master Lease, during the Lease Term each of the Corporation and the School Board shall not, directly or indirectly, create, incur, assume or suffer to exist any security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein, other than the respective rights of the Trustee, the Corporation and the School Board as herein provided. If such security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein shall exist, it shall be the duty of the School Board, within ninety (90) days after the School Board shall have been given written notice of such security interest, pledge, lien, charge, encumbrance, or claim being filed, to cause the Facilities or Facility Sites to be released from such security interest, pledge, lien, charge, encumbrance, or claim either by payment or by posting of a bond or by the payment into a court of competent jurisdiction of the amount necessary to relieve and release the Facilities or Facility Sites from such security interest, pledge, lien, charge, encumbrance, or claim or in any other manner which, as a matter of law, will result within such period of ninety (90) days in releasing the Corporation and the title of the Corporation from such security interest, pledge, lien, charge, encumbrance or claim; provided, however, that if such security interest, pledge, lien, charge, encumbrance or claim cannot, with due diligence, be discharged or removed within such ninety (90) day period and the School Board has diligently commenced to discharge or remove such security interest, pledge, lien, charge, encumbrance or claim within such period, the School Board shall have a reasonable period of time to discharge or remove such security interest, pledge, lien, charge, encumbrance or claim. The School Board shall reimburse the Corporation or the Trustee for any expense incurred by the Corporation or the Trustee in order to discharge or remove any such security interest, pledge, lien, charge, encumbrance or claim, provided, however, that neither the Corporation nor the Trustee is under any obligation to incur such expense without having been provided, in advance, with any amounts needed to pay such expense.

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

**SECTION 6.4. Substitution of Facilities.** To the extent permitted by law, the School Board may substitute for any Facilities other facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of substantially equal utility as the Facilities to be replaced and meet the requirement of Section 5.9 hereof, (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved for substitution by the State Department of Education. To the extent that the facilities to be substituted serve a different educational function from the Facilities for which they are to be substituted, such substitution must also be approved by the Credit Facility Issuer, if any, for the Series of Certificates from which the Facilities to be replaced were originally financed. In order to effect such substitution, the Facilities to be replaced shall be released from the encumbrance of the related Lease and Ground Lease by appropriate instrument executed by the School Board and the Corporation (or Trustee as assignee of the Corporation) in form sufficient to leave good and marketable fee simple title to such Facilities in the School Board subject only to Permitted Encumbrances, and the Facilities to be substituted shall likewise be incorporated in the appropriate Lease and Ground Lease modifications. The related Schedule shall be appropriately amended, and the related Ground Lease shall be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel addressed to the School Board, the Corporation, the Trustee and any Credit Facility Issuer as to the legality and validity of such substitution under the laws of the State and that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments paid to the related Certificate holders, a policy of title insurance (if required by the applicable Credit Facility Issuer) and an opinion of Counsel as described in Section 6.1 hereof with respect to the substitute Facility Site.

For purposes hereof, "fair market value" shall be determined on the basis of an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee.

## ARTICLE VII.

### ASSIGNMENT, OPTION TO PURCHASE, AND PREPAYMENT

#### SECTION 7.1. Assignments; Subleasing.

(A) It is understood that substantially all right, title and interest of the Corporation in and to each Lease including the right to receive Basic Lease Payments thereunder, is to be assigned by the Corporation to the Trustee for the benefit of the holders of the Series of Certificates relating thereto, pursuant to the Assignment Agreement relating to such Lease. The School Board consents to such assignment and agrees that upon such assignment the Trustee shall have all of the rights of the Corporation thereunder, and shall be deemed to be the Corporation for all purposes of such Lease and the School Board agrees to pay to the Trustee at its principal corporate trust office all payments payable by the School Board to the Corporation pursuant to such Lease, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Lease or otherwise) that the School Board may from time to time have against the Corporation or any person or entity associated or affiliated therewith.

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

(i) Such Facilities may be subleased for educational or other purposes, in whole or in part, subject to the rules and regulations of the State Department of Education, only to an agency or department or political subdivision of the State, or to another entity or entities if, in the opinion of Special Tax Counsel, such sublease will not impair the exclusion from federal income tax of the designated interest component of Basic Lease Payments payable by the School Board under the Lease relating to such Facilities;

(ii) This Master Lease, and the obligations of the School Board hereunder and under each Schedule hereto, shall, at all times during each Lease Term, remain obligations of the School Board, and the School Board shall maintain its direct relationships with the Corporation and its assignee, notwithstanding any sublease;

(iii) The School Board shall furnish or cause to be furnished to the Corporation and its assignee a copy of any sublease agreement;

(iv) No sublease by the School Board shall cause the Facilities to be used for any purpose which would adversely affect the exclusion from federal income taxation of the designated interest component of the Basic Lease Payments payable by the School Board under the Lease relating to such Facilities, or which would violate the

Constitution, statutes or laws of the State, or the rules and regulations of the State Department of Education; and

(v) The term of any sublease cannot extend beyond the end of the then current Lease Term, and shall be subject to immediate cancellation upon the occurrence of a nonappropriation or event of default hereunder.

**SECTION 7.2. Prepayment.**

(A) Optional. The principal portion of the Basic Lease Payments due under a particular Lease represented by a Series of Certificates shall be subject to prepayment at the option of the School Board, in the manner and at the times set forth in the Schedule to this Master Lease relating to such Series.

(B) Extraordinary. In the event that:

(a) there shall remain in the Acquisition Account relating to a particular Series of Certificates upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Facilities financed under a Lease relating to such Series of Certificates (including the failure of the School Board to acquire any component of such Facilities) an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, or

(b) there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to Facilities financed under a particular Lease, as a result of damage to or destruction or condemnation of any portion of such Facilities, and an election is made by the School Board in accordance with Section 5.4(b) hereof to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to such Facilities, or

(c) the Lease Term is terminated for the reasons referred to in Sections 4.1(b) or 4.1(c) hereof;

then, in each case, same shall constitute an "Event of Extraordinary Prepayment".

Each Event of Extraordinary Prepayment shall result in the following action, respectively:

(i) With respect to (a) and (b) above, the Corporation and the School Board shall pay such remaining Acquisition Account monies and Net Proceeds to the Trustee,

and the Trustee shall deposit such funds in the respective Prepayment Accounts applicable to each Series of Certificates relating to such Leases to be used to prepay such Series of Certificates in the manner provided in the Trust Agreement; and

(ii) With respect to (c) above, at the election of a Credit Facility Issuer the Purchase Option Price of all Facilities shall become immediately due and payable, and the Trustee shall credit the balance remaining in all Funds and Accounts for each Series of Certificates to the Prepayment Account for such Series, and upon receipt of the Purchase Option Price of all Facilities, shall deposit such moneys to the credit of the related Prepayment Account for the Series relating to each such Facilities, to be used to prepay such Series of Certificates in the manner provided in the Trust Agreement.

In the event of prepayment in part under a particular Lease, the School Board will provide the Trustee a revised Schedule of Lease Payments reflecting said partial prepayment.

In the event of a payment in full of the Purchase Option Price of all Facilities financed hereunder, all covenants, agreements and other obligations of the School Board under this Master Lease shall cease, terminate and become void and be discharged and satisfied except as otherwise provided in Section 4.1(d) hereof. In such event the Trustee and the Corporation shall execute and deliver to the School Board all such instruments in recordable form at the School Board's expense as may be desirable to evidence such discharge and satisfaction.

**SECTION 7.3. Prepayment Deposit.** Notwithstanding any other provision of this Master Lease, the School Board may on any date secure the payment of all or a portion of the Purchase Option Price of all Facilities under a particular Schedule hereto and the related Series of Certificates, or with the prior consent of the Credit Facility Issuer, if any, for the Series of Certificates from which the Facilities in question were originally financed, the Purchase Option Price under a Schedule relating to all or a portion of one or more particular Facilities set forth on such Schedule and a corresponding amount of Certificates of the Series relating thereto, by a deposit with the Trustee as escrow holder under an escrow deposit agreement of amounts as set forth in Section 801 of the Trust Agreement.

In such event all covenants, agreements and other obligations of the School Board under the related Lease, or with respect to a portion of the Purchase Option Price of all Facilities under such Lease, or with respect to one or more particular Facilities financed under such Lease, shall cease, terminate and become void and be discharged and satisfied in accordance with the provisions of Section 4.1(d) hereof (or, in the case of a deposit for a portion of a Facility, modified accordingly), except the obligation of the School Board to make or cause to be made, Basic Lease Payments and any Additional Lease Payments under such Lease from the deposit made by the School Board pursuant to this Section, and except as provided in Section 4.2(c) hereof. In such event, the Trustee shall provide statements for such period or periods as shall be requested by the School Board to be prepared and filed with the School Board and, upon the

request of the School Board, the Corporation or the Trustee, as appropriate, shall execute and deliver to the School Board all such instruments in recordable form at the School Board's expense as may be desirable to evidence such discharge and satisfaction.

**SECTION 7.4. Refunding Certificates.** The Corporation shall direct the Trustee, when directed to do so by the School Board, to issue one or more Series of refunding Certificates under a Supplemental Trust Agreement for the purpose of providing for the payment of all or a portion of Outstanding Series of Certificates, the funding of a Reserve Account, if any, and the payment of the costs of issuance in connection with such Series of refunding Certificates. Simultaneously with the issuance and delivery of such Series of refunding Certificates the applicable proceeds thereof shall be deposited with the Trustee as escrow holder under an escrow deposit agreement in such amount as set forth in Section 801 of the Trust Agreement. Upon the deposit as aforesaid, the Trustee and the School Board shall enter into an amendment to the related Lease Schedule at the School Board's expense, in order to adjust the Lease Payments to be made under such Lease to an amount sufficient to pay, as and when the same mature and become due, the principal and interest portions of the Basic Lease Payments represented by the Series of refunding Certificates and by the original Series of Certificates to the extent that such Series has not been refunded (except to such extent as the same may be payable out of moneys or Government Obligations deposited pursuant to Section 7.3 hereof).

**ARTICLE VIII.**

**EVENTS OF DEFAULT AND REMEDIES**

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

(a) Failure by the School Board to pay in full any Basic Lease Payment with respect to any Lease at the time and in the manner specified herein;

(b) Failure by the School Board to pay in full any Additional Lease Payment or Supplemental Payment with respect to any Lease at the time and in the manner specified herein, and such failure shall continue for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, if any, provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, if any, in writing that such default cannot with due diligence be cured within such thirty (30) day period and that the School Board has diligently commenced to cure such default within such period, the School Board shall have a reasonable period not exceeding sixty (60) days after written notice (unless further extended by the Credit Facility Issuer, or if there be none, the Trustee) to cure such default;

(c) Failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in Section 8.1(a) or (b) for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, or any representation of the School Board in this Lease Purchase Agreement shall have been untrue when made; provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, in writing that such default cannot with due diligence be cured within such sixty (60) day period and that the School Board has diligently commenced to cure such default within such period, the School Board shall have a reasonable period to cure such default; or

(d) the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding by or against the School Board under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect, and, in the case of involuntary proceedings, the failure of the same to be dismissed within one hundred eighty (180) days of the filing thereof.

ARTICLE IX.

MISCELLANEOUS

If by reason of force majeure the School Board is unable in whole or in part to carry out the agreements on its part herein contained, other than the obligations on the part of the School Board contained in Article III hereof, the School Board shall not be deemed in default during the continuance of such inability. The Term "force majeure" as used herein shall mean, without limitation, the following: acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies, orders or restraints of any kind of the government of the United States of America or any of its departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; hurricanes; fires; storms; droughts; floods; or explosions.

Notwithstanding anything contained in this Section 8.1 to the contrary, a failure by the School Board to pay when due any payment required to be made under this Master Lease and any Schedule hereto or a failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Master Lease, resulting from a failure by the School Board to appropriate moneys as contemplated by Sections 3.5 and 5.11 hereof, shall not constitute an event of default under this Section 8.1.

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

(a) upon written notice to the School Board, terminate the Lease Term of all Leases and, whether or not the Lease Term is terminated, exercise all available remedies at law or in equity as described in Section 3.6 hereof; or

(b) take whatever action at law or in equity as may appear necessary or desirable to collect all Lease Payments or other payments then due and thereafter to become due for the remainder of the then current Lease Term, or the Purchase Option Price then due, or to enforce performance and observance of any obligation, agreement or covenant of the School Board under this Master Lease.

**SECTION 8.3. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Master Lease or now or hereafter existing at law or in equity, subject to any limitations set forth in Section 3.6 hereof.

**SECTION 9.1. Notices.** All notices, certificates, requests or other communications (other than payments by the School Board) hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or three (3) Business Days after being mailed by first class mail, postage prepaid, to the parties at their respective places of business as follows (or to such other address as shall be designated by any party in writing to all other parties):

- Corporation: 3340 Forest Hill Boulevard  
West Palm Beach, Florida 33406  
Attention: President
- School Board: 3340 Forest Hill Boulevard  
West Palm Beach, Florida 33406  
Attention: Superintendent of Schools
- Trustee: One Financial Plaza, 13th Floor  
Fort Lauderdale, Florida 33394  
Attention: Corporate Trust Department

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

Notice shall also be given by the School Board to the Rating Agencies of the occurrence of any one or more of the following: (i) the appointment of a Successor Trustee, (ii) the expiration or termination of a Credit Facility, (iii) the prepayment or defeasance of any of the Outstanding Certificates in accordance with Section 801 or 802 of the Trust Agreement or (iv) a material modification of or amendment to the Trust Agreement, this Master Lease, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility.

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

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

**SECTION 9.4. Amendments.** The terms of this Master Lease and any Lease Schedule shall not be waived, altered, modified, 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 Issuer for the purpose of adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Lease Schedule.

**SECTION 9.5. Execution in Counterparts.** This Master Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 9.6. Captions.** The captions or headings in this Master Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Master Lease.

**SECTION 9.7. Interest.** All interest calculations hereunder shall be made on the basis of a 360-day year consisting of twelve 30-day months (unless otherwise provided with respect to Additional Lease Payments on a Schedule hereto).

**SECTION 9.8. Compliance with Trust Agreement.** The School Board hereby approves and agrees to the provisions of the Trust Agreement. The Corporation hereby agrees not to amend or modify the Trust Agreement in any way without the written consent of the School Board so long as this Master Lease shall be in effect. The School Board agrees to do all things within its power in order to enable the Corporation to comply with all requirements and to fulfill all covenants of the Trust Agreement which require the Corporation to comply with requests or obligations so that the Corporation will not be in default in the performance of any covenant, condition, agreement or provision of the Trust Agreement, and the School Board further agrees to comply with and perform any obligations to be complied with or performed by the School Board pursuant to the Trust Agreement.

**SECTION 9.9. Memorandum of Lease.** Simultaneously with the execution of this Master Lease and each Schedule hereto, and thereafter simultaneously with the execution of any Schedule, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to the Master Lease and such Schedule. Said Memorandum of Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of such instrument.

**SECTION 9.10. Applicable Law.** This Master Lease shall be governed by and construed in accordance with the laws of the State of Florida.

**SECTION 9.11. Waiver of Choice of Remedies.** The School Board hereby waives any right it may have to cause the Corporation to choose any remedy and pursue such remedy to fruition, and agrees and consents that the Corporation may simultaneously and contemporaneously pursue two or more of the several remedies available to the Corporation, all of which are agreed to be concurrent and not alternative in any way, to the end that the Corporation may exercise any self help remedy under this Master Lease as to any Lease and may file and pursue to final judgment and final collection, actions (i) to eject the School Board and reclaim possession of any and all of the Projects, and (ii) against the School Board for money damages and (iii) against the School Board for performance of any covenants, all at the same time, in any combination, in one action and in several actions, and any of them, all at the same time, in any combination, provided only that the Corporation may not ultimately recover more than the total amount provided herein plus such expenses and reimbursements as provided herein for preserving, maintaining and realizing on this Master Lease and the Leases.

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

[SEAL]

**PALM BEACH SCHOOL BOARD LEASING CORP.**

By: \_\_\_\_\_  
C. Monica Uhlhorn  
Secretary

By: \_\_\_\_\_  
Jody Gleason  
Vice President

Date: November 16, 1994

Date: November 16, 1995

[SEAL]

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

By: \_\_\_\_\_  
C. Monica Uhlhorn  
Secretary

By: \_\_\_\_\_  
Jody Gleason  
Vice President

Date: November 16, 1994

Date: November 16, 1995

STATE OF FLORIDA )  
) SS:  
COUNTY OF PALM BEACH )

I, \_\_\_\_\_, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

\_\_\_\_\_  
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC  
SEAL OF OFFICE:

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
- Produced identification: \_\_\_\_\_  
(Type of Identification Produced)
- DID take an oath, or DID NOT  take an oath.

STATE OF FLORIDA )  
) SS:  
COUNTY OF PALM BEACH )

I, \_\_\_\_\_, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice Chairman and Secretary, respectively of THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

\_\_\_\_\_  
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC  
SEAL OF OFFICE:

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
- Produced identification: \_\_\_\_\_  
(Type of Identification Produced)
- DID take an oath, or DID NOT  take an oath.

**EXHIBIT A  
FORM OF SCHEDULE TO MASTER LEASE  
PURCHASE AGREEMENT**

**SCHEDULE NO. \_\_\_\_\_  
dated \_\_\_\_\_  
to \_\_\_\_\_**

**Master Lease Purchase Agreement dated as of  
November 1, 1994 between  
Palm Beach School Board Leasing Corp.,  
as Lessor (the "Corporation")**

**and**

**The School Board of Palm Beach County, Florida  
as Lessee (the "School Board")**

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

**Section 1. Definitions.** For purposes of the Series \_\_\_\_\_ Lease the following terms have the meaning set forth below.

"Assignment Agreement" shall mean the Series \_\_\_\_\_ Assignment Agreement dated as of \_\_\_\_\_, \_\_\_\_\_, between the Corporation and the Trustee.

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

"Commencement Date" for the Series \_\_\_\_\_ Lease is \_\_\_\_\_.

"Series \_\_\_\_\_ Credit Facility" shall mean \_\_\_\_\_.

"Series \_\_\_\_\_ Credit Facility Issuer" shall mean \_\_\_\_\_.



"Series \_\_\_\_\_ Facilities" shall mean the Facilities described in this Schedule No. \_\_\_\_\_.

"Series \_\_\_\_\_ Facility Sites" shall mean the Facility Sites described in this Schedule No. \_\_\_\_\_, to be ground leased by the School Board to the Corporation, as the same may be amended or supplemented from time to time.

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

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

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

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

- A. General Description of the Series \_\_\_\_\_ Facilities to be Lease Purchased:
- B. Estimated Costs of the Series \_\_\_\_\_ Facilities:

Facility	Facility Site	Planning	Construction	Project Cost
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SECTION 4. Series \_\_\_\_\_ Facility Site(s) to be Ground Leased to the Corporation and Permitted Encumbrances. The legal description of the Series \_\_\_\_\_ Facility Site(s) to be Ground Leased to the Corporation and Permitted Encumbrances in addition to those specified in the Master Lease is (are) as follows:

SECTION 5. Application of Certain Proceeds of Series \_\_\_\_\_ Certificates. The Trustee shall deposit the following sums in the following accounts from the proceeds of the Series \_\_\_\_\_ Certificates:

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MIAMI-GANGRE/1068449/mw/001.DOC/6/19/03/12528.012900

SECTION 7. Additional Lease Payments. Additional Lease Payments with respect to the Series \_\_\_\_\_ Certificates consist of the following:

- 1. Trustee Fees:
- 2. Trustee Expenses:

SECTION 8. Prepayment Provisions. In addition to [or in lieu of] the prepayment provisions of Section 7.2 of the Master Lease, the principal portion of the Basic Lease Payments due as provided in Section 6 of this Schedule are subject to the following prepayment provisions:

- A. Optional Prepayment
- B. Extraordinary Prepayment

SECTION 9. Other Special Provisions.

A. The School Board hereby confirms its representations, covenants and warranties set forth in Section 2.10 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule No. \_\_\_\_\_, and except as otherwise provided below. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule No. \_\_\_\_\_, and except as otherwise provided below.

B. Notices. Copies of all matters required to be given to a Credit Facility Issuer pursuant to the Master Lease shall be given to the Series \_\_\_\_\_ Credit Facility Issuer at the following address:

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Amount	Account
\$ _____	Series _____ Acquisition Account
\$ _____	Series _____ Cost of Issuance Subaccount
\$ _____	Series _____ Reserve Account
\$ _____*	Series _____ Lease Payment Account

\*Represents accrued interest.

SECTION 6. Basic Lease Payments. The principal portion and the interest portion of the Basic Lease Payments, the Payment Dates and the Remaining Principal Portion with respect to the Series \_\_\_\_\_ Facilities to be lease purchased and the Series \_\_\_\_\_ Certificates attributable to such Facilities are set forth below. If, upon delivery of the Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series \_\_\_\_\_ Facilities, or if the School Board determines not to acquire one or more components of the Series \_\_\_\_\_ Facilities, it is determined that the cost of, and consequently the actual amount of Basic Lease Payments for a Series \_\_\_\_\_ Facility is different from the amount set forth herein at closing, this Section shall be revised as necessary to reflect the adjusted Schedule of Basic Lease Payments for all Series \_\_\_\_\_ Facilities to be lease purchased, and for each individual Series \_\_\_\_\_ Facility or group of Series \_\_\_\_\_ Facilities to be lease purchased.

The interest portion of the Basic Lease Payments represented by the Series \_\_\_\_\_ Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 215.84, Florida Statutes, since the Series \_\_\_\_\_ Certificates are rated within the three highest rating categories by a nationally recognized rating service.

SERIES _____ FACILITIES (COMPOSITE)				
PAYMENT DATE	BASIC LEASE PAYMENT	PRINCIPAL PORTION	INTEREST PORTION	REMAINING PRINCIPAL PORTION

Provide Basic Lease Payment Schedule for each Facility or group of Facilities financed hereunder]

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IN WITNESS WHEREOF, the Corporation has caused this Schedule No. \_\_\_\_ to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule No. \_\_\_\_ to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all of the day and year first written above.

[SEAL] **PALM BEACH SCHOOL BOARD LEASING CORP.**  
 Attest:  
 By: \_\_\_\_\_ By: \_\_\_\_\_

[SEAL] **THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA**  
 Attest:  
 By: \_\_\_\_\_ By: \_\_\_\_\_

**EXHIBIT B  
SCHOOL BOARD'S CERTIFICATE**

I, the undersigned Chairperson of the School Board of Palm Beach County, Florida (the "School Board"), do hereby certify pursuant to the terms of the Master Lease Purchase Agreement between the School Board and Palm Beach School Board Leasing Corp. (the "Corporation") dated as of November 1, 1994 and Schedule No. \_\_\_\_\_ thereto dated \_\_\_\_\_ (collectively, the "Lease"), as follows:

1. The School Board has, as agent for the Corporation, acquired the Series \_\_\_\_\_ Facilities described in Schedule No. \_\_\_\_\_
2. Such Series \_\_\_\_\_ Facilities meet the School Board's specifications therefor, and have been acquired to the School Board's satisfaction. This certificate constitutes the acceptance certificate for such Series \_\_\_\_\_ Facilities required by Section 2.3 of the Master Lease and Section 402 of the Master Trust Agreement dated as of November 1, 1994 between the Corporation and \_\_\_\_\_ Florida, as Trustee.
3. The actual cost of such Series \_\_\_\_\_ Facilities is as follows:
4. The Completion Date for such Series \_\_\_\_\_ Facilities is:
5. Terms defined in the Master Lease and Schedule No. \_\_\_\_\_ thereto and used in this certificate have the same meanings in this certificate as are ascribed to such terms in the Master Lease and Schedule No. \_\_\_\_\_ thereto.

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

By: \_\_\_\_\_  
Name:  
Title: Chairperson  
Date: \_\_\_\_\_

**PALM BEACH SCHOOL BOARD LEASING  
CORP.**

By: \_\_\_\_\_  
Name:  
Title: President  
Date: \_\_\_\_\_

**SCHEDULE 2003B  
dated as of June 15, 2003  
to the  
Master Lease Purchase Agreement dated as of  
November 1, 1994, between  
Palm Beach School Board Leasing Corp.  
as Lessor (the "Corporation")**

and  
**The School Board of Palm Beach County, Florida,  
as Lessee (the "School Board")**

THIS SCHEDULE 2003B (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 finance the lease purchase into 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 2003B Facilities herein described. The Corporation hereby demises, leases and subleases to the School Board, and the School Board hereby hires, takes, leases and subleases from the Corporation, the Series 2003B Facilities and the Series 2003B Facility Sites described herein. The Master Lease with respect to this Schedule and as modified and supplemented hereby, is referred to herein as the "Series 2003B Lease". All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

**Section 1. Definitions.** For purposes of the Series 2003B Lease the following terms have the meaning set forth below. Unless otherwise defined herein, terms used herein and not otherwise defined herein shall have the meanings given to them in the Master Lease or the Trust Agreement, including the Series 2003B Supplemental Trust Agreement, as appropriate.

"Assignment Agreement" shall mean the Series 2003B Assignment Agreement dated as of June 15, 2003, between the Corporation and the Trustee.

"Certificates" or "Series of Certificates" shall mean the [PRINCIPAL AMOUNT] Certificates of Participation, Series 2003B dated as of June 26, 2003, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Commencement Date" for the Series 2003B Lease is June 26, 2003.

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"Conversion Date" shall mean a date determined by the School Board in accordance with the Series 2003B Supplemental Trust Agreement as the effective date of a change in the method of calculation of the interest portion of Basic Lease Payments.

"Interest Reserve Portion" shall mean as of any Lease Payment Date while the interest portion of the Series 2003B Certificates is calculated at a Daily Rate or a Weekly Rate, the amount of interest accrued at the applicable rates during the period commencing on a Lease Payment Date and ending on (and including) the day preceding the next succeeding Interest Payment Date.

"Lease Payment Dates" shall mean with respect to the Series 2003B Lease,

(a) as to the principal portion of Basic Lease Payments, each June 30, commencing June 30, 2021; and

(b) as to the interest portion of Basic Lease Payments,

(i) When the rate for the interest portion of Basic Lease Payments is determined at the Daily, Weekly or Monthly Rate, each January 5 and June 30;

(ii) When the rate for the interest portion of Basic Lease Payments is determined at the Quarterly Rate, the last Business Day which is at least five days prior to the first Business Day of the third calendar month following the Quarterly Rate Conversion Date and subsequently the last Business Day which is at least five days prior to the first Business Day of each third calendar month thereafter;

(iii) When the rate for the interest portion of Basic Lease Payments is determined at the Semiannual or Extended Rate, the last Business Day which is at least five days prior to the first Business Day of the sixth month following the Semiannual or Extended Rate Conversion Date and subsequently the last Business Day which is at least five days prior to each sixth calendar month thereafter;

(iv) When the rate for the interest portion of Basic Lease Payments is determined at the Fixed Rate, each December 30 and June 30 after the Fixed Rate Conversion Date, commencing with the December 30 or June 30 designated by the School Board;

(v) When the rate for the interest portion of Basic Lease Payments is determined at the Commercial Paper Rate, the last Business Day which is at least five days prior to each day following the last day of the Interest Period therefor;

(vi) When the rate for the interest portion of Basic Lease Payments is determined at the Auction Rate, the last Business Day which is at least five days prior to each day following the last day of the Interest Period therefor; and

(vii) When the Series 2003B Certificates constitute Provider Certificates, each date on which interest on the Provider Certificates is due and payable in accordance with

the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Liquidity Provider.

"Series 2003B Credit Facility" shall mean the financial guaranty insurance policy issued by the Series 2003B Credit Facility Issuer on June 26, 2003, insuring payment of the principal and interest in respect of the Series 2003B Certificates when due.

"Series 2003B Credit Facility Issuer" shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto or assignee thereof.

"Series 2003B Facilities" shall mean the Facilities described in this Schedule 2003B.

"Series 2003B Facility Sites" shall mean the Facility Sites described in this Schedule 2003B to be ground leased by the School Board to the Corporation, as the same may be amended or supplemented from time to time.

"Series 2003B Ground Lease" shall mean the Series 2003B Ground Lease dated as of June 15, 2003, between the School Board as Lessor and the Corporation as Lessee, as the same may be amended or supplemented from time to time.

"Series 2003B Supplemental Trust Agreement" shall mean the Series 2003B Supplemental Trust Agreement dated as of June 15, 2003, between the Corporation and the Trustee.

"Standby Agreement" shall mean the Standby Certificate Purchase Agreement dated June 26, 2003, by and among the School Board, the Tender Agent and the Standby Purchaser which will expire on June 26, 2008, unless extended pursuant to its terms, as amended and supplemented from time to time.

"Standby Purchaser" shall mean Dexia Credit Local, acting through its New York Agency, its successors and assigns.

"Tender Agent" shall mean The Bank of New York Trust Company of Florida, N.A., a national banking association, or any successor or successors appointed in accordance with Section 5.06 of the Series 2003B Supplemental Trust Agreement.

"Tender Agent Agreement" shall mean the Tender Agent Agreement dated as of even date herewith between the School Board and the Tender Agent.

**Section 2. Lease Term.** The total of all Lease Terms of the Series 2003B Lease is expected to be approximately twenty-six (26) years and one month consisting of an "Original Term" from June 26, 2003, through and including June 30, 2003, and twenty-six (26) Renewal Terms, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2003, and ending June 30, 2004, and the last Renewal Term of approximately one (1) month from July 1, 2029, to August 1, 2029, provided that on such date

no Certificates are "Outstanding" under the Trust Agreement. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.

**Section 3. Series 2003B Facilities to be Lease Purchased.** The Series 2003B Facilities to be lease-purchased under the Series 2003B Lease are described in **Exhibit A** hereto.

**Section 4. Series 2003B Facility Sites to be Ground Leased to the Corporation and Permitted Encumbrances.** The legal description of the Series 2003B Facility Sites to be ground leased to the Corporation and Permitted Encumbrances (in addition to those specified in the Master Lease) are set forth in **Exhibit B** hereto.

**Section 5. Application of Certain Proceeds of Series 2003B Certificates.** Pursuant to the provisions of Section 402 of the Series 2003B Supplemental Trust Agreement the Trustee will deposit the following sums attributable to the Series 2003B Facility to be lease purchased hereunder in the following accounts from the proceeds of the Series 2003B Certificates:

<u>Amount</u>	<u>Account</u>
\$	Series 2003B Acquisition Account
\$	Series 2003B Cost of Issuance Subaccount
\$	Interest Reserve Subaccount of the Series 2003B Lease Payment Account

**Section 6. Basic Lease Payments.**

(a) The principal portion of the Basic Lease Payments, the Lease Payment Dates (June 30) with respect to the principal portion and the remaining principal portion with respect to the Series 2003B Facilities to be lease purchased and the Series 2003B Certificates related to such Facilities are set forth in **Exhibit C**. The Schedule of Basic Lease Payments shall be no less than the principal payments with respect to the Series 2003B 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 the Series 2003B Certificates pursuant to Section 7.2 or 7.3 of the Master Lease, and prepayment or defeasance of a portion of Series 2003B Certificates pursuant to Section 301 or 303 of the Series 2003B Supplemental Trust Agreement or Section 801 of the Master Trust Agreement.

(b) The interest portion of the Basic Lease Payments shall initially be calculated at a Weekly Rate as determined in accordance with Section 1.2(d) of Appendix A to the Series 2003B Supplemental Trust Agreement. At the election of the School Board in accordance with the provisions of the Series 2003B Supplemental Trust Agreement, the interest portion of Basic Lease Payments may be converted to calculation at a Daily, Monthly, Quarterly, Semiannual, Extended, Fixed, Commercial Paper or Auction Rate. Lease Payment Dates for the interest portion of the Basic Lease Payments shall be the dates set forth in part (b) of the definition of Lease Payment Dates, as applicable for the Rate Period then in effect. Except as otherwise provided in Section 6(c) hereof, the amount of the interest portion due on each Lease Payment Date shall be the actual interest accruing on the principal portion of Basic Lease Payments during the applicable Rate Period, calculated at the applicable rate or rates then in effect

determined in accordance with the Series 2003B Supplemental Trust Agreement or as provided in the Series 2003B Supplemental Trust Agreement with respect to Provider Certificates. The interest portion of the Basic Lease Payments represented by the Series 2003B Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 215.84, Florida Statutes, since the Series 2003B Certificates are rated within the three highest rating categories by a nationally recognized rating service.

(c) The amount due on each Lease Payment Date (excluding the first Lease Payment Date after the Closing Date) during any period when the interest portion of Basic Lease Payments is calculated at a Daily Rate or Weekly Rate shall be the sum of (i) the actual amount of interest accrued during the period commencing on the prior Interest Payment Date and ending on (and including) the day next preceding such Lease Payment Date, and (ii) the Interest Reserve Portion accruing from the prior Lease Payment Date and ending on (and including) the day preceding the prior Interest Payment Date. The amount due on the first Lease Payment Date following the Closing Date shall be the amount of interest accrued during the period commencing on the Closing Date and ending on (and including) the day next preceding the first Lease Payment Date. [The initial Interest Reserve Portion shall be paid from amounts deposited by the School Board to the Interest Reserve Subaccount of the Series 2003B Lease Payment Account on the Closing Date.]

**Section 7. Additional Lease Payments.** Additional Lease Payments with respect to the Series 2003B Lease consist of the following amounts to be paid, except as otherwise provided herein, by the School Board on the following dates:

- Trustee Fees: Acceptance Fee of \$\_\_\_\_\_. Annual fee \$\_\_\_\_\_, payable annually in advance. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.
- Trustee Expenses: Expenses to be billed at cost. Legal fee for Trustee counsel at closing of \$\_\_\_\_\_. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.
- Credit Facility Issuer Payment: \$\_\_\_\_\_ to be paid to the Series 2003B Credit Facility Issuer upon issuance of the Series 2003B Certificates with respect to the Series 2003B Credit Facility.
- Remarketing Agent Fee: During any period in which the Remarketing Agent is acting under the Trust Agreement, an annual fee initially equal to 0.08% per annum during a Variable Rate Period other than a Daily Rate Period (0.10% per annum for a Daily Rate Period) of the average daily principal portion of the Basic Lease Payment with respect to Series 2003B Certificates then outstanding, payable by the Trustee solely out of Lease Payments to the initial Remarketing Agent on the first

Business Day of each quarter, commencing October 1, 2003, and any annual fee of any successor Remarketing Agent.

- Liquidity Provider Fee:
  - \$25,000.00 to be paid to the Liquidity Provider upon issuance of the Series 2003B Certificates as an issuance fee;
  - Closing expense not to exceed \$3,000. Legal fee for counsel at closing of \$28,000, plus disbursements;
  - During the term of the Standby Agreement, an annual fee equal to .20% of the average daily amount of the Available Commitment (as defined in the Standby Agreement), payable by the Trustee solely out of Lease Payments to the Standby Purchaser on the first day of each quarter, commencing October 1, 2003, and the fee payable to the provider of an Alternate Liquidity Facility; and
  - Without duplication of the above, the fees and expenses set forth in Section 2.05 of the Standby Agreement and any comparable provisions of an agreement with the provider of an Alternate Liquidity Facility.
- Counterparty Payments: Any payment due to the Swap Provider under the Swap Agreement and any other payments due pursuant to any other Hedge Agreement.
- Auction Agent Fee: During any period in which the interest portion of Basic Lease Payments is determined at an Auction Rate, the fee payable to the Auction Agent.
- Broker-Dealer Fee: During any period in which the interest portion of Basic Lease Payments is determined at an Auction Rate, the fee payable to the Broker-Dealers.

**Section 8. Prepayment Provisions.** In addition to or in lieu of the prepayment provisions of Section 7.2 of the Master Lease, the principal portions of the Basic Lease Payments due as provided in Section 6 of Schedule 2003B are subject to the following prepayment provisions:

**A. Optional Prepayment**

(i) During any period in which the interest portion of Basic Lease Payments is determined at Daily, Weekly or Monthly Rates, upon request of the School Board the principal portion of Basic Lease Payments is subject to optional prepayment at any time in whole or in part in such amounts and from such due dates as the School Board shall direct, at a price equal to the principal portion of Basic Lease Payments to be prepaid, without premium, plus the interest portion of Basic Lease Payments accrued with respect to such prepaid principal portion to the prepayment date.

(ii) During any period in which the interest portion of Basic Lease Payments is determined at Quarterly, Semiannual, Auction, Commercial Paper or Extended Rates (but only if the Extended Rate Period is one year in duration), the principal portion of Basic Lease Payments is subject to optional prepayment upon request of the School Board in whole or in part in such amounts and from such due dates as the School Board shall direct, on the last day of the applicable Rate Period at a price equal to the principal portion of Basic Lease Payments to be prepaid, without premium, plus the interest portion of Basic Lease Payments accrued with respect to such prepaid principal portion to the prepayment date.

(iii) During any period in which the interest portion of Basic Lease Payments is determined at Extended Rates (but only if the Extended Rate Period is more than one year in duration) or the Fixed Rate, the principal portion of Basic Lease Payments is subject to optional prepayment upon request of the School Board in whole or in part at the times and at the prices set forth below, and in such amounts and from such due dates as the School Board shall direct, plus the interest portion of Basic Lease Payments accrued with respect to such prepaid principal portion to the prepayment date:

Years from Conversion Date until end of Extended Rate Period or Final Maturity of Series 2003B Certificates in the Fixed Rate Period	First Day of Prepayment Period	Prepayment Price
More than fifteen	Tenth anniversary of Conversion Date	100%
More than seven but not more than fifteen	Seventh anniversary of Conversion Date	100%
More than five but not more than seven	Fourth anniversary of Conversion Date	100%
Five or fewer	Second anniversary of Conversion Date	100%

Notwithstanding any provision in this Series 2003B Lease, this Schedule 2003B may be amended as of the Conversion Date upon the request of the School Board, to change the prepayment provisions applicable during an Extended Rate Period or the Fixed Rate Period to

such prepayment provisions as are recommended by the Remarketing Agent as conforming to then current market practices and acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee.

**B. Extraordinary Prepayment**

1. The principal portion of Basic Lease Payments due under the Series 2003B Lease, shall be subject to prepayment in whole or in part on any date at the option of the School Board, and if in part, from such due dates and in such amounts as shall be designated by the School Board to be prepaid if there are Net Proceeds equal to or greater than 10% of the remaining principal portion of the Basic Lease Payments relating to the Series 2003B Facilities, as a result of damage, destruction or condemnation of any portion of the Series 2003B Facilities, and an election is made by the School Board under Section 5.4(b) of the Master Lease to apply the amount to the prepayment in part of the principal portion of Basic Lease Payments relating to the Series 2003B Facilities and represented by the Series 2003B Certificates.

2. The principal portion of Basic Lease Payments due under the Series 2003B Lease shall be subject to prepayment in the event the Series 2003B 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 Trust Agreement or the Series 2003B Credit Facility Issuer exercises its option under the Series 2003B Lease to direct the Trustee to declare all or a portion of the Purchase Option Price payable, to the extent and subject to the limitations provided in the Master Lease, and has directed the Trustee to prepay the principal amount of the Series 2003B Certificates in whole.

**Section 9. Other Special Provisions.**

**A. Representations**

(1) The School Board hereby represents, covenants and warrants that adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the Series 2003B Facility Sites, or the cost of making them available is included in the School Board's acquisition and construction budget for the Series 2003B Facility Sites.

(2) The School Board hereby confirms its representations, covenants and warranties set forth in Section 2.10, 5.12 and 5.13 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 2003B, and except as otherwise provided below. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2003B, and except as otherwise provided below.

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IN WITNESS WHEREOF, the Corporation has caused this Schedule 2003B to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule 2003B to be executed in its name by its duly authorized members or officers, all as of the day and year first written above.

[SEAL] PALM BEACH SCHOOL BOARD LEASING CORP.

Attest:

By: Art Johnson Secretary By: Thomas E. Lynch President

[SEAL] THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

Attest:

By: Art Johnson Secretary By: Thomas E. Lynch Chairman

(3) The Corporation hereby represents that the Master Lease is in effect and that to its knowledge there are no defaults on the date of execution of this Schedule 2003B under any Lease, Ground Lease or the Trust Agreement.

**B. 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 2003B Credit Facility Issuer and the Standby Purchaser at the following addresses:

As to the Series 2003B Credit Facility Issuer: Ambac Assurance Corporation One State Street Plaza 17th Floor New York, New York 10004 Attention: Surveillance

As to the Standby Purchaser: Dexia Credit Local New York Agency 445 Park Avenue New York, New York 10022

For administration: Attention: First Vice President and Manager, Public Finance Telephone: (212) 515-7003 Facsimile: (212) 753-5516

For operations and funding: Attention: Operations Officer Telephone: (212) 515-7007 Facsimile: (212) 753-7522

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SERIES 2003B GROUND LEASE

Dated as of June 15, 2003

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 2003B Facility Sites)

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(Series 2003B Facility Sites)

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EXHIBIT A - SERIES 2003B FACILITY SITES	

**THIS SERIES 2003B GROUND LEASE** dated as of June 15, 2003, between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District"), as Lessor and PALM BEACH SCHOOL BOARD LEASING CORP. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617 and Section 237.40, Florida Statutes, as Lessee.

**WITNESSETH:**

**WHEREAS**, the School Board has the power, under Section 1001.42(2) Florida Statutes, as amended, to receive, purchase, acquire, lease, sell, hold, transmit and convey title to real and personal property for educational purposes, and under Section 1001.42(9) Florida Statutes, as amended, to enter into leases or lease-purchase agreements of grounds and educational facilities, or of educational facilities for school purposes; and

**WHEREAS**, the Corporation has the authority to acquire educational facilities by lease or deed for the benefit of the School Board; and

**WHEREAS**, the Corporation is a "private corporation" within the meaning of Section 1001.42(9)(b)5, Florida Statutes, as amended, and is a "direct support organization" within the meaning of Section 1001.453, Florida Statutes, as amended; and

**WHEREAS**, in order to carry out its powers and authority to acquire facilities and equipment, the School Board and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended and supplemented from time to time, the "Master Lease"); and

**WHEREAS**, the School Board is the owner of certain real property located in Palm Beach County, Florida, and described in Exhibit A attached hereto (which real property, together with all buildings, structures and improvements now or hereafter erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, now or hereafter located in, on or used in connection with or attached or made to such land is hereinafter referred to as a "Series 2003B Facility Site" or, in the case of separate parcels, such parcels are herein collectively referred to as the "Series 2003B Facility Sites"); and

**WHEREAS**, the School Board desires to lease-purchase one or more particular educational facilities to be located on the Series 2003B Facility Sites (individually and collectively, the "Series 2003B Facilities"), pursuant to Schedule 2003B to the Master Lease (which schedule, upon being executed and delivered by the School Board and the Corporation, together with the terms and provisions of the Master Lease, constitutes a separate lease, as the same may be amended or supplemented from time to time, the "Series 2003B Lease"); and

**WHEREAS**, it is possible that a portion of the Series 2003B Facilities may be attached to one or more existing structures of the School Board adjacent to the Series 2003B Facility Sites; may be dependent upon adjacent property of the School Board for pedestrian and vehicular ingress, egress and access to and from and between the Series 2003B Facility Sites and the public roads adjoining the adjacent property of the School Board ("Access"); and may further be dependent upon the School Board's adjacent property for utility and other services which would be necessary for the full use and enjoyment of the Series 2003B Facility Sites including, but not limited to, drainage, sewer and water service, electric, telephone and gas service and parking of vehicles (collectively, "Services"); and

**WHEREAS**, the Corporation desires to acquire from the School Board, pursuant to this Series 2003B 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 the Series 2003B Facilities to the adjacent property of the School Board; and

**WHEREAS**, the ground leasing of the Series 2003B Facility Sites, the sub-leasing of the Series 2003B Facility Sites back to the School Board and the lease-purchase financing and construction of the Series 2003B Facilities are herein collectively referred to as the "Series 2003B Project"; and

**WHEREAS**, the School Board has on May 21, 2003, after due notice as required by law, held an open, public meeting on the proposal of entering into this Series 2003B Ground Lease, at which meeting a copy of this Series 2003B 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 2003B Facilities have been made by (a) establishing a trust pursuant to the Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2003B Supplemental Trust Agreement dated as of June 15, 2003 (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 of Florida, N.A., as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), Jacksonville, Florida, as Trustee (the "Trustee"), and irrevocably assigning to the Trustee without recourse all of the Corporation's right, title and interest in and to this Series 2003B Ground Lease and the Series 2003B Lease, as defined in the Trust Agreement, except for certain rights to indemnification, to hold title to the Series 2003B Facilities and to receive notices, (b) directing the Trustee for such trust to execute and deliver to the public certificates of participation (the "Series 2003B 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 2003B Lease and (c) directing the Trustee to hold the proceeds of sale of the Series 2003B Certificates in trust subject to application only to pay the costs of acquisition and construction of the Series 2003B Facilities (as defined in the Trust Agreement) (the "Series 2003B Facilities"); and

**WHEREAS**, each Series 2003B Certificate represents an undivided proportionate interest in the principal portion of the Basic Lease Payments set forth in Schedule 2003B due and

payable on the maturity date or earlier prepayment date of the Series 2003B Certificates and in the interest portion of the Basic Lease Payments set forth in Schedule 2003B due and payable semiannually, to and including such maturity date or earlier prepayment date; and

**WHEREAS**, the Corporation will assign to the Trustee all of its right, title and interest in and to this Series 2003B Ground Lease, the Series 2003B Lease and the Series 2003B Lease Payments (except for certain indemnification rights, to hold title to the Series 2003B Facilities and the right of the Corporation to receive notices), pursuant to the Series 2003B Assignment Agreement dated as of June 15, 2003 (as the same may be amended or supplemented from time to time, the "Series 2003B Assignment Agreement"); and

**WHEREAS**, the School Board intends for the Series 2003B Lease to remain in full force and effect until August 1, 2029, until payment in full of the Series 2003B Certificates, unless sooner terminated in accordance with the terms provided therein; and

**WHEREAS**, the School Board intends for this Series 2003B Ground Lease to remain in full force and effect until the termination of the Lease Term, as provided below.

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

**Section 1. Lease of Series 2003B Facility Sites.** Subject to Permitted Encumbrances (as described in Exhibit A attached hereto and made a part hereof), the School Board hereby demises and leases the Series 2003B Facility Sites, more particularly described in Exhibit A, to the Corporation, and the Corporation hereby hires, takes and leases the Series 2003B Facility Sites from the School Board, for the term, at the rental and on the conditions herein set forth. Such demising and leasing shall include the following rights:

(i) The right to utilize the adjacent property of the School Board for Access and for the Services reasonably necessary to the full use and enjoyment of the Series 2003B Facility Sites; provided that the locations on the adjacent property of the School Board utilized for such purposes shall be reasonably agreed upon by the Corporation and the School Board; and provided, further, that the rights shall include, but not necessarily be limited to, the right to utilize for such purposes any portion of the adjacent property of the School Board (e.g., the rights shall include, but not necessarily be limited to, the right to utilize for appropriate purposes, any drives, parking areas, drainage facilities or sewer, water, gas, electric or telephone lines from time to time located upon the adjacent property of the School Board, together with the right to "tie-in" or "connect" thereto). If the Lease Term of the Series 2003B Lease terminates prior to the termination of the term of this Series 2003B Ground Lease, the School Board and the Corporation shall each have the right to install such meters or submeters as may be reasonably appropriate to the end that the Corporation is charged for consumption of such utilities on the Series 2003B Facility Sites.

(ii) The adjacent property of the School Board and the Series 2003B Facilities may contain certain elements, features or parts which are structural elements of both the adjacent property of the School Board and the Series 2003B Facilities. Such

adjacent property structural elements include, but are not necessarily limited to, the following:

(A) All utility lines, ducts, conduits, pipes and other utility fixtures and appurtenances which are located on or within either the Series 2003B Facility Sites or Series 2003B 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 2003B Facilities and the adjacent property of the School Board upon the common line between the Series 2003B Facility Sites and the adjacent property of the School Board (hereinafter referred to as the "Lot Line") provided that the mere fact that such a division wall is found not to be on the Lot Line shall not preclude that division wall from being a Party Wall.

(C) The roof and all roof support structures and any and all appurtenances to such roof and roof support structures including, without limitation, the roof covering, roof trim and roof drainage fixtures (collectively the "Roofing") to the extent interrelated between the Series 2003B Facilities and the adjacent property of the School Board. Should the Roofing of any Series 2003B Facilities extend beyond the Lot Line, the right therefor is hereby granted and should the Roofing of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2003B Facility Sites, the right therefor is hereby reserved.

(D) The entire concrete floor slab or wood floor system if utilized in lieu thereof and all foundational and support structures and appurtenances thereto to the extent interrelated between the Series 2003B Facilities and the adjacent property of the School Board (collectively referred to as "Flooring"). Should the Flooring of the Series 2003B Facilities extend beyond the Lot Line, the right therefor is hereby granted and should the Flooring of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2003B Facility Sites, the right therefor is hereby reserved.

(iii) The Series 2003B Facility Sites rights further include the right of the Series 2003B Facilities to encroach upon the adjacent property of the School Board as a result of minor inaccuracies in survey, construction or reconstruction or due to settlement or movement. The encroaching Series 2003B Facilities shall remain undisturbed for as long as same exist and, for so long as such encroachment exists, that portion of the adjacent property of the School Board on which same exists shall be deemed to be a part of the Series 2003B Facility Sites. In addition, the Series 2003B Facility Sites rights include the right to utilize that portion of the adjacent property of the School Board as may be reasonably necessary in order to maintain and repair the Series 2003B Facilities. The Series 2003B Facility Sites rights further include cross rights of support and use over, upon, across, under, through and into the common structural elements in favor of the Corporation (and like rights are hereby reserved unto the School Board) for the continued use, benefit and enjoyment and continued support, service, maintenance and repair of all such common structural elements.

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the sum of one dollar (\$1.00) per annum, which sum shall be due in advance on the Commencement Date (pro rated) and annually thereafter on the first day of each renewal Lease Term. At the option of the Corporation, the Corporation may prepay all or a portion of the Ground Rent payable hereunder for the entire initial lease term hereof from the proceeds of sale of the Certificates or otherwise.

(b) From and after the date on which the Lease Term shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay as and for rental for the Series 2003B Facility Sites an amount determined by an M.A.I. appraisal to be the fair market rental for the Series 2003B Facility Sites (the "Appraisal"), which Appraisal shall be prepared by an appraiser selected by the Trustee as assignee of the Corporation (the cost of such Appraisal to be paid by the Trustee and reimbursed as provided in Article VI of the Trust Agreement); provided, however, that such fair market rental and the payment thereof shall be subject to the following adjustments and conditions:

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

(iii) the fair market rental due in any year shall be paid in the current year only to the extent that the moneys received by the Trustee as assignee of the Corporation from the exercise of the remedies permitted under the Series 2003B Lease during the preceding twelve months prior to such July 1 exceeded the principal and interest portions of Basic Lease Payments under the Series 2003B Lease payable for such preceding twelve months and other amounts described in Section 504 of the Trust Agreement; provided, however, that any portion of such fair market rental not paid in any year due to the provisions of this clause (iii) shall remain due and payable and shall accumulate from year to year and shall be paid in any future year to the extent that moneys received in such year from the exercise of the remedies permitted by the Series 2003B Lease exceed the principal and interest portions of Basic Lease Payments under the Series 2003B Lease and other amounts described in Section 504 of the Trust Agreement and the fair market rental due in such years; and

(iv) the failure to pay any portion of the fair market rental in any year due to insufficiencies of moneys realized from the exercise of the remedies permitted under the Series 2003B 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

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The School Board, at its sole expense, shall bring or cause to be brought to the Series 2003B Facility Sites adequate connections for water, electrical power, telephone, storm sewerage and sewerage, and shall arrange with the appropriate utility companies for furnishing such services and shall provide to the Series 2003B Facility Sites water services and capacity sufficient for the contemplated operation of the Series 2003B Facilities thereon; including, but not limited to, heating, ventilation and air conditioning equipment. Either the School Board or the Corporation shall have the right, at its own expense, to request and receive telephone and communication services from the utility companies furnishing such services subject to the customary rules and regulations of said utility companies whether the companies deliver such services directly through their own conduits or pipes, or through conduits and pipes owned by the School Board. The School Board agrees to grant such utility companies rights of access over, under and across the remaining property of the School Board adjoining the Series 2003B Facility Sites, if any, as shall be necessary and convenient for the efficient operation of the Series 2003B Facility Sites, and which do not materially impair the present and future uses of such remaining property of the School Board, if any.

**Section 2. Ground Lease Term; Option to Renew.** The initial Ground Lease Term for the Series 2003B Facility Sites shall commence simultaneously with the commencement of the Series 2003B Lease (the "Commencement Date") and shall end on August 1, 2034. If, upon the termination of the Lease Term as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation or the Trustee as the assignee of the Corporation excludes the School Board from possession of the Series 2003B Facility Sites and Series 2003B Facilities, the School Board grants to the Corporation the right and option to renew this Series 2003B Ground Lease for an additional term not to exceed five (5) years, at a fair market rental to be determined, adjusted and paid in the manner set forth in Section 3 of this Series 2003B Ground Lease.

Notwithstanding the foregoing, this Series 2003B Ground Lease may be terminated by the School Board on any date prior to the end of the initial term or any renewal term hereof, which date is at least one (1) day after the date of termination of the Series 2003B Lease, upon not less than ten (10) days prior written notice to the Corporation, (a) upon payment of the Purchase Option Price, pursuant to Section 7.2 of the Master Lease, with respect to the Series 2003B Facilities, and full performance and satisfaction of the School Board's obligations under the Series 2003B Lease, or (b) upon the provision for payment of all Lease Payments under the Series 2003B Lease pursuant to Section 7.3 of the Master Lease, together in each case with payment of the sum of \$1.00. This Series 2003B Ground Lease may likewise be modified at the request of the School Board at any time, upon similar notice and modification of the Series 2003B Lease (a) to reflect the substitution of all or a portion of one or more particular Series 2003B Facilities and Series 2003B Facility Sites in accordance with Section 6.4 of the Master Lease, or (b) upon payment or provision for payment of the Purchase Option Price of all or a portion of the Series 2003B Facilities pursuant to Section 7.3 of the Master Lease, to reflect the release of one or more portions of the Series 2003B Facility Sites from this Series 2003B 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 2003B Facility Sites

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2003B Ground Lease by the Corporation or the Trustee as the assignee of the Corporation. The Trustee as assignee of the Corporation shall be obligated for payment of Ground Rent only to the extent of funds provided by the School Board, the Corporation, the Certificate holders, the Series 2003B Credit Facility Issuer or any Permitted Transferee (hereinafter defined).

**Section 4. Title to Series 2003B Facility Sites; Possession.** (a) Upon the Commencement Date and throughout the term of this Series 2003B Ground Lease, fee title to the Series 2003B Facility Sites shall be in the name of the School Board, subject to Permitted Encumbrances; title to the Series 2003B Facilities constructed on the Series 2003B Facility Sites shall be in the name of the Corporation, but shall remain severed from title to the Series 2003B Facility Sites until the earlier of (i) payment in full, or provision for payment, of all Lease Payments under the Series 2003B Lease or payment of the then applicable Purchase Option Price of the Series 2003B Facilities, in accordance with Sections 7.2 or 7.3 of the Master Lease and Section 2 hereof, or (ii) the end of the term of this Series 2003B Ground Lease.

(b) The Corporation shall at all times during the term of this Series 2003B Ground Lease have a leasehold estate in the Series 2003B Facility Sites with full right to vest the use, enjoyment and possession of such leasehold estate therein in a Permitted Transferee (as defined herein).

(c) Possession and use of the Series 2003B Facility Sites, together with all improvements thereon, shall, upon the last day of the term of this Series 2003B Ground Lease or earlier termination of this Series 2003B Ground Lease pursuant to Section 2 hereof, automatically revert to the School Board free and clear of liens and encumbrances other than Permitted Encumbrances without necessity of any act by the Corporation or any Permitted Transferee. Upon such termination of this Series 2003B Ground Lease, the Corporation shall peaceably and quietly surrender to the School Board the Series 2003B Facility Sites together with any improvements located in or upon the Series 2003B Facility Sites. Upon such surrender of the Series 2003B Facility Sites, the Corporation or any Permitted Transferee, at the reasonable request of the School Board, shall execute an instrument in recordable form evidencing such surrender and shall deliver to the School Board all books, records, construction plans, surveys, permits and other documents relating to, and necessary or convenient for, the operation of the Series 2003B Facility Sites in the possession of the Corporation or any Permitted Transferee.

(d) Any personal property of the Corporation, any Permitted Transferee or any Person which shall remain on the Series 2003B Facility Sites after expiration or earlier termination of the term of this Series 2003B Ground Lease and for thirty (30) days after request by the School Board for removal, shall, at the option of the School Board, be deemed to have been abandoned and may be retained by the School Board and the same may be disposed of, without accountability, in such manner as the School Board may see fit.

(e) If the Corporation or any Permitted Transferee holds over or refuses to surrender possession of the Series 2003B Facility Sites after expiration or earlier termination of this Series 2003B Ground Lease, the Corporation or any Permitted

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Transferee shall be a tenant at sufferance and shall pay rent equal to the fair market rental of the Series 2003B Facility Sites determined in the manner provided in Section 3(b) hereof.

**Section 5. Use of Series 2003B Facility Sites; Assignments and Subleases.** The Corporation may use the Series 2003B Facility Sites for any lawful purpose; however, the parties agree that unless the Series 2003B Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Series 2003B Facility Sites shall be used solely for educational purposes. Unless the Series 2003B Lease shall have been so terminated, no assignment of this Series 2003B Ground Lease or subletting of the Series 2003B Facility Sites may be made except as provided in the Series 2003B Assignment Agreement, the Series 2003B Lease, the Trust Agreement and in any agreement with a Credit Facility Issuer (as defined in the Trust Agreement), if any, without the prior written consent of the School Board. In the event that the Series 2003B 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 2003B Ground Lease may be assigned by the Trustee to any third party, including a Credit Facility Issuer (a "Permitted Transferee"), who may alter, modify, add to or delete from the Series 2003B Facilities existing from time to time on the Series 2003B Facility Sites.

The School Board represents and covenants that the Series 2003B Facility Sites are presently zoned to allow government use, and that the School Board shall take no action with respect to zoning or other land use regulation applicable to the Series 2003B Facility Sites except as directed by the Corporation. The School Board shall do everything in its power to assist the Corporation in obtaining such building permits, subdivision approvals, or zoning changes or variances as the Corporation may deem necessary or desirable or such other permits, licenses, approvals or other actions which the Corporation deems necessary or desirable in order to enable the Corporation to use the Series 2003B Facility Sites for such purposes as the Corporation shall determine, provided, however, that neither the Corporation nor any Permitted Transferee shall use or permit the Series 2003B Facility Sites to be used in violation of any valid present or future laws, ordinances, rules or regulations of any public or governmental authority at any time applicable thereto.

It is understood that all right, title and interest of the Corporation in and to this Series 2003B Ground Lease is to be irrevocably assigned by the Corporation to the Trustee pursuant to the Series 2003B Assignment Agreement, except that the Corporation shall continue to hold title to the Series 2003B Facilities as described in Section 4 hereof and in the Series 2003B Lease. The School Board agrees that upon such assignment the Trustee shall have all of the rights of the Corporation hereunder assigned to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Series 2003B Ground Lease or otherwise) that the School Board may from time to time have against the Corporation or any person or entity associated or affiliated therewith. The School Board acknowledges that the Trustee is acting on behalf of the Series 2003B Certificate holders, and may, under certain circumstances assign this Series 2003B Ground Lease to a Permitted Transferee.

Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Series 2003B Ground Lease or any of the transactions contemplated

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(b) After the end of the Lease Term of the Series 2003B Lease, (i) if such person acquires title to such a substantial portion of the Series 2003B Facility Sites that the Corporation determines that it cannot economically make use of the residue thereof for the lawful purposes intended or permitted by this Series 2003B Ground Lease, such acquisition of title or payment of such claim shall terminate the Ground Lease Term, effective as of the date on which the condemning party takes possession thereof or on the date of payment of such claim, as applicable, and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests may appear; and (ii) if such person acquires title to a portion of the Series 2003B Facility Sites such that the Corporation determines that it can economically make beneficial use of the residue thereof for the purposes intended by this Series 2003B Ground Lease, then this Series 2003B Ground Lease shall continue in full force and effect and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests appear.

(c) Any taking of any portion of the Series 2003B Facilities shall be deemed substantial hereunder.

(d) It is understood that the foregoing provisions of this Section 10 shall not in any way restrict the right of the School Board or the Corporation to appeal the award made by any court or other public agency in any condemnation proceeding.

**Section 11. Estoppel Certificates.** The School Board, at any time and from time to time, upon not less than thirty (30) days prior written notice from the Corporation, will execute, acknowledge and deliver to the Corporation, or to whomsoever it may direct, a certificate of the School Board certifying that this Series 2003B Ground Lease is unmodified (or, if there have been any modifications, identifying the same), that this Series 2003B Ground Lease is in full force and effect and that there is no default hereunder (or, if so, specifying the default). It is intended that any such certificate may be relied upon by any Person.

**Section 12. Amendments.** No amendment may be made to this Series 2003B Ground Lease without the prior written consent of the Trustee and the Series 2003B Credit Facility Issuer. Notwithstanding the foregoing, this Series 2003B Ground Lease may be amended without the prior written consent of the Trustee and the Series 2003B Credit Facility Issuer for the purpose of adding or modifying a legal description and/or the permitted encumbrances for any designated Series 2003B Facility Site. Copies of all amendments hereto shall be provided to the Rating Agencies (as defined in the Trust Agreement), whether effected pursuant to Section 702 or Section 703 of the Trust Agreement.

**Section 13. Binding Effect.** This Series 2003B Ground Lease shall inure to the benefit of and shall be binding upon the Corporation and the School Board and their respective successors and assigns, provided, however, that the Trustee is entitled to the benefits of the provisions hereof.

**Section 14. No Merger of Leasehold Estate.** There shall be no merger of this Series 2003B Ground Lease or of the leasehold estate hereby created with the fee estate in the Series 2003B Facility Sites by reason of the fact that, through the exercise of remedies hereunder or

hereby, the parties hereto acknowledge and agree that upon the assignment by the Corporation of its rights hereunder to the Trustee pursuant to the Series 2003B Assignment Agreement, the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto nor its successors or assigns shall look to the Corporation for any damages, expenses, fees, charges or claims with respect to the failure of any obligations hereunder to be performed.

**Section 6. Right of Entry.** Unless the Series 2003B 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 2003B Facility Sites at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

**Section 7. Default.** In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Series 2003B Ground Lease, which default continues for sixty (60) days following notice and demand for correction thereof to the Corporation, the School Board may exercise any and all remedies granted by law; provided, however, that so long as any Series 2003B Certificates are outstanding and except as provided in Section 2 herein, this Series 2003B Ground Lease shall not be terminated. The School Board shall have recourse solely against the leasehold estate of the Corporation in the Series 2003B Facility Sites, and any proceeds thereof, for the payment of any liabilities of the Corporation hereunder. The rights of the School Board under this Section 7 shall be subordinate in all respects to the rights of the holders of the Series 2003B Certificates.

**Section 8. Quiet Enjoyment.** The Corporation at all times during the term of this Series 2003B Ground Lease shall peacefully and quietly have, hold and enjoy the Series 2003B Facility Sites, without hindrance or molestation subject to the provisions hereof and of the Series 2003B Lease, the Series 2003B Assignment Agreement and the Trust Agreement.

**Section 9. Liens.** Unless the Series 2003B Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, neither the School Board nor the Corporation shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to such Series 2003B 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 2003B Lease as provided above, the Corporation, the Trustee and any Permitted Transferee may enter into a mortgage or other encumbrance of its leasehold estate in the Series 2003B Facility Sites, provided, however, that the School Board's title to the Series 2003B Facility Sites shall not be subject to or encumbered by any such mortgage or other encumbrance, including without limitation any mechanic's or materialman's liens.

**Section 10. Condemnation.** In the event that any person, public or private, shall by virtue of eminent domain or condemnation proceedings, or by purchase in lieu thereof, at any time during the Ground Lease Term acquire title to the Series 2003B Facility Sites:

(a) So long as the Series 2003B Lease is in effect, the Net Proceeds resulting therefrom shall be applied pursuant to the Master Lease.

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otherwise, the same person may acquire or hold, directly or indirectly, this Series 2003B Ground Lease or leasehold estate hereby created or any interest herein or therein, and the fee estate in the Series 2003B Facility Sites or any interest in such fee estate. There shall be no merger of this Series 2003B Ground Lease with the Series 2003B Lease by reason of the fact that the School Board is the owner of the fee title to the Series 2003B Facility Sites and the leasehold estate in the Series 2003B Facilities created under the Series 2003B Lease or by reason of the fact that the Corporation is the owner of the leasehold estate in the Series 2003B Facility Sites created hereby and is the owner of the fee title in the Series 2003B Facilities as provided in the Series 2003B 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, Suite A-334 West Palm Beach, Florida 33406 Attention: President
School Board:	3300 Forest Hill Boulevard, Suite A-334 West Palm Beach, Florida 33406 Attention: Superintendent of Schools
Series 2003B Credit Facility Issuer:	Ambac Assurance Corporation One State Street Plaza 17 <sup>th</sup> Floor New York, New York 10004 Attention: Surveillance

**Section 16. Severability.** In the event any provision of this Series 2003B 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 2003B Ground Lease shall be governed by and construed in accordance with the laws of the State of Florida.

**Section 18. Execution in Counterparts.** This Series 2003B 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 2003B Ground Lease, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to this Series 2003B Ground Lease. Said Memorandum of Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of this Series 2003B Ground Lease.

Upon the modification of this Series 2003B Ground Lease as provided in Section 2 hereof, the Memorandum of Lease shall be appropriately amended.

**Section 20. No Personal Liability.** No covenant or agreement contained in this Series 2003B Ground Lease shall be deemed to be the covenant or agreement of any member of the School Board or the Corporation or any officer, employee or agent of the School Board or the Corporation, or of any successor thereto, in an individual capacity, and neither the members of the School Board or the Corporation executing this Series 2003B 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 2003B Credit Facility Issuer shall be deemed to be a third party beneficiary of this Series 2003B Ground Lease.

[Remainder of Page Intentionally Left Blank]

**IN WITNESS WHEREOF**, the Corporation has caused this Series 2003B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers and the School Board has caused this Series 2003B Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials, all as of the date first above written.

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

[SEAL]

By: \_\_\_\_\_  
Thomas E. Lynch  
Chairman

Attest:

By: \_\_\_\_\_  
Art Johnson, Secretary

**PALM BEACH SCHOOL BOARD LEASING CORP.**

[SEAL]

By: \_\_\_\_\_  
Thomas E. Lynch  
President

Attest:

By: \_\_\_\_\_  
Art Johnson, Secretary

STATE OF FLORIDA )  
 ) SS:  
COUNTY OF PALM BEACH )

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said School Board and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this \_\_\_\_ day of June, 2003.

NOTARY PUBLIC  
SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

\_\_\_\_\_  
(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
- Produced identification:  
(Type of Identification Produced)
- DID take an oath, or
- DID NOT take an oath.

STATE OF FLORIDA )  
 ) SS:  
COUNTY OF PALM BEACH )

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch 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 therein set forth.

GIVEN under my hand and notarial seal this \_\_\_\_ day of June, 2003.

NOTARY PUBLIC  
SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

\_\_\_\_\_  
(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
- Produced identification:  
(Type of Identification Produced)
- DID take an oath, or
- DID NOT take an oath.



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**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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## MASTER TRUST AGREEMENT

**THIS MASTER TRUST AGREEMENT** is dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, this "Trust Agreement"), and is between NATIONSBANK OF FLORIDA, N.A., a national banking association with its designated corporate trust office in Fort Lauderdale, Florida (the "Trustee"), and PALM BEACH SCHOOL BOARD LEASING CORP., a not-for-profit corporation, duly organized and existing under the laws of the State of Florida, as lessor under the within mentioned Master Lease (the "Corporation");

### WITNESSETH:

**WHEREAS**, the School Board of Palm Beach County, Florida (the "School Board") desires to lease-purchase certain real property, buildings and improvements and the equipment, fixtures and furnishings to be built, installed or established therein for educational purposes ("Facilities") by entering into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), between the Corporation, as lessor, and the School Board, as lessee; and

**WHEREAS**, pursuant to Section 2.1 of the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease (each hereinafter referred to as a "Schedule"), direct the Corporation to acquire and lease-purchase to the School Board the Facilities described in such Schedule to the Master Lease; and

**WHEREAS**, Facilities may be added to the Master Lease by execution of Schedules thereto from time to time; and

**WHEREAS**, the Master Lease and the terms and conditions thereof with respect to the particular Facilities described on a Schedule are sometimes referred to herein as a "Lease" and the Schedule describing such Facilities is sometimes referred to as "Schedule No. \_\_\_\_" or "Schedule \_\_\_\_"; and

**WHEREAS**, certain of the Facilities will be located on certain real property located within the School District of Palm Beach County, Florida (the "District") (each such location, or all locations on a single Schedule, together with all buildings, structures and improvements erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, on or used in connection with or attached or made to such land, a "Facility Site") to be leased by the School Board to the Corporation pursuant to a ground lease; and

**WHEREAS**, the relationship between the Corporation and School Board under the Master Lease is to be a continuing one and Facilities may be added to or deleted from the Master Lease from time to time in accordance with the terms thereof and of the Schedule describing such Facilities; and

**WHEREAS**, pursuant to Section 7.1 of the Master Lease, the Corporation, with the consent of the School Board, has the right to assign all of its right, title and interest in and to a particular Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its

right to hold title to the Facilities under Section 6.1 of the Master Lease and its right to receive notices under the Master Lease) to the Trustee including the rights to receive Basic Lease Payments (as hereinafter defined) due under such Lease; and

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

**WHEREAS**, upon receipt by the Trustee from the Corporation of the corresponding Assignment Agreement and satisfaction of the conditions set forth in Section 304 hereof, the Trustee shall issue a Series of Certificates that shall correspond to the Lease or Leases created by a particular Schedule or Schedules; and

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

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

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

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## **ARTICLE I DEFINITIONS AND RULES OF CONSTRUCTION**

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

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

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

**"Assignment Agreement"** shall mean any assignment agreement pursuant to which the Corporation shall have assigned to the Trustee all of its right, title and interest in and to a Ground Lease and the Lease or Leases created by one or more particular Schedules, including its right to receive Lease Payments under such Lease or Leases.

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

**"Authorized Newspaper"** shall mean a newspaper containing financial matters, customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language, and of general circulation in the Borough of Manhattan, City and State of New York.

**"Authorized School Board Representative"** shall mean the Chairperson and any person or persons designated by the Chairperson and authorized to act on behalf of the School Board by a written certificate delivered to the Trustee signed on behalf of the School Board by the Chairperson containing the specimen signature of each such person.

**"Basic Lease Payment"** shall mean, with respect to each Lease or each Facility financed under such Lease, as of each Lease Payment Date, the amount set forth on the appropriate Schedule of the Master Lease corresponding to such Lease Payment Date and designated as a Basic Lease Payment in such Schedule.

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

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

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

**"Certificate or Certificates"** shall mean the certificates of participation, executed and delivered from time to time by the Trustee pursuant to this Trust Agreement and any Supplemental Trust Agreement. Each Series of Certificates issued under this Trust Agreement and any Supplemental Trust Agreement shall bear a Series designation to identify such Series of Certificates to a particular Schedule to the Master Lease.

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

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

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

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

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

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

**"Cost"** shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including leasehold interests, easements, rights-of-way and licenses, including, without limitation, lease payments to be made by the Corporation under the terms of a Ground Lease until the expected acceptance of the Facilities related thereto as described herein, (ii) cost and expenses incurred for labor and materials and payments to contractors, builders, materialmen and vendors for the acquisition, construction and installation of the Facilities, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be advisable or necessary prior to completion of any of the Facilities, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction and installation of Facilities, (v) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Facilities, (vi) all costs which the School Board shall be required to pay for or in connection with additions to, and expansions of Facilities, (vii) all costs which the School Board shall be required to pay to provide improvements, including offsite improvements, necessary for the use and occupancy of Facilities, including road, walkways, water, sewer, electric, fire alarms and other utilities, (viii)

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any sums required to reimburse the School Board for advances made by it for any of the above items or for other costs incurred and for work done by it in connection with Facilities, (ix) deposits into any Reserve Account established pursuant to Section 401 of this Trust Agreement and in a Supplemental Trust Agreement and any recurring amounts payable to a provider of a Reserve Account Letter of Credit/Insurance Policy, (x) fees, expenses and liabilities of the School Board, if any, incurred in connection with the acquisition, construction and installation of Facilities (xi) Costs of Issuance and (xii) interest during construction and for a reasonable period of time up to six (6) months thereafter.

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

“**Costs of Issuance Subaccount**” shall mean a Costs of Issuance Subaccount within an Acquisition Account established under Section 401 hereof and in any Supplemental Trust Agreement in connection with the issuance of a Series of Certificates.

“**Credit Facility**” shall mean, with respect to a Series of Certificates, the letter of credit, insurance policy, guaranty, surety bond or other irrevocable security device, if any, supporting the obligations of the School Board to make Basic Lease Payments relating to such Certificates.

“**Credit Facility Issuer**” shall mean, with respect to a Series of Certificates, the issuer of the Credit Facility, if any, for such Series of Certificates.

“**Defeasance Securities**”, except as otherwise provided in a Supplemental Trust Agreement, shall mean cash or Government Obligations.

“**District**” shall mean the School District of Palm Beach County, Florida.

“**Event of Extraordinary Prepayment**” shall mean one or more of the events so designated in Section 7.2 of the Master Lease.

“**Earnings**” shall mean, with respect to each Series of Certificates, the amount by which the earnings on the Gross Proceeds of such Certificates exceeds the amount which would have been earned thereon if such Gross Proceeds were invested at a yield equal to the yield on the interest portion of the Basic Lease Payments represented by such Certificates, as such yield is determined in accordance with the Code and amounts earned on the investment of earnings on the Gross Proceeds of such Certificates.

“**Facility**” or “**Facilities**” shall mean “educational facilities” as defined in Section 235.011(5), Florida Statutes, as amended, to be acquired from the proceeds of a Series of Certificates consisting of real property, if any, buildings and improvements, and the equipment,

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“**Investment Agreement**” shall mean an agreement for the investment of moneys entered into by the Trustee with a Qualified Financial Institution whether such agreement is in the form of an interest-bearing time deposit, repurchase agreement or any similar arrangement and any note delivered by a Qualified Financial Institution pursuant to such agreement, which agreement shall have been approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

“**Investment Securities**” except as otherwise provided in a Supplemental Trust Agreement, shall mean any of the following securities, if and to the extent the same are at the time legal under State law for investment of the School Board’s funds:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below).

(b) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(c) Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA’s)
- Federal Housing Administration

(d) Senior debt obligations rated “AAA” by Standard & Poor’s Ratings Group and “Aaa” by Moody’s Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, and other senior debt obligations of other government-sponsored agencies approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

(e) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks (including the Trustee and any of its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor’s Ratings Group and “P-1” by Moody’s Investors Service and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(f) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by Standard & Poor’s Ratings Group and “P-1” by Moody’s Investors Service and which matures not more than 270 days after the date of purchase.

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fixtures and furnishings which are to be built, installed or established on such buildings or improvements, and all appurtenances thereto and interests therein, all as set forth on a Schedule or Schedules from time to time.

“**Facility Site**” shall mean the real property (together with all buildings, structures and improvements erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements located on, or used in connection with, or attached or made to such land) either (i) owned by the School Board at the time of the issuance of a Series of Certificates to finance Facilities relating thereto or (ii) to be acquired by the School Board subsequent thereto but not paid for out of the proceeds of such Series of Certificates, upon which a Facility is to be located within the District and more particularly described in a Ground Lease.

“**Fiscal Year**” shall mean the twelve month fiscal period of the School Board which under current law commences on July 1 in every year and ends on June 30 of the succeeding year.

“**Government Obligations**” shall mean any obligations which as to principal and interest, constitute non-callable direct obligations of, or non-callable obligations fully and unconditionally guaranteed by the full faith and credit of, the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America, to the extent unconditionally guaranteed by the full faith and credit of the United States of America.

“**Gross Proceeds**” shall mean, with respect to each Series of Certificates, unless inconsistent with the provisions of the Code, in which case as provided in the Code, (i) amounts received by or on behalf of the Corporation from the sale of such Certificates; (ii) amounts received as a result of investments of amounts described in (i); (iii) amounts treated as transferred proceeds of such Certificates in accordance with the Code; (iv) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds; (v) securities or obligations pledged, if any, as security for payment of Basic Lease Payments under the Master Lease (which amounts are limited in accordance with Sections 235.056(3) and 236.25(2)(e) Florida Statutes, as amended); (vi) amounts received with respect to obligations acquired with Gross Proceeds; (vii) amounts used to pay principal and interest portions of the Basic Lease Payments represented by such Certificates; (viii) amounts in any Reserve Account established pursuant to Section 401 of this Trust Agreement and in any Supplemental Trust Agreement; and (ix) amounts received as a result of the investment of Gross Proceeds not described in (i) above.

“**Ground Lease**” shall mean one or more ground leases between the School Board and the Corporation, as amended and supplemented from time to time, pursuant to which the School Board shall ground lease one or more Facility Sites to the Corporation.

“**Instructions to Bidders and General Conditions**” shall mean the Instructions to Bidders and General Conditions of the School Board as in effect from time to time.

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(g) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by Standard & Poor’s Ratings Group.

(h) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Standard & Poor’s Ratings Group and Moody’s Investors Service or any successors thereto; or

(2) (x) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date of dates pursuant to such irrevocable instructions, as appropriate, and (y) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of this subsection (2) hereof may not be used as Permitted Investments without prior written approval of Standard & Poor’s Ratings Group.

(i) Investment Agreements approved in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested (supported by appropriate opinions of counsel) with notice to Standard & Poor’s Ratings Group.

(j) Any other investment agreed to in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested with advance notice to Standard & Poor’s Ratings Group.

“**Lease**” shall mean each separate Schedule to the Master Lease executed and delivered by the School Board and the Corporation, together with the terms and provisions of the Master Lease.

“**Lease Payment Account**” shall mean any Lease Payment Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement.

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

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“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 a Lease through the end of the then current Fiscal Year plus each annual or lesser renewal period thereafter during which such Lease is maintained in effect in accordance therewith, with the maximum number of renewals being specified in the Schedule corresponding to such Lease.

“Master Lease” shall mean the Master Lease Purchase Agreement dated as of November 1, 1994, entered into by the Corporation and the School Board and any and all modifications, alterations, amendments and supplements thereto.

“Net Proceeds” shall mean, with respect to one or more Facilities financed under a Lease, proceeds from any insurance, condemnation, performance bond, Federal or State flood disaster assistance or any other financial guaranty (other than a Credit Facility Issuer) paid with respect to such Facilities remaining after payment therefrom of all expenses, including attorneys’ fees, incurred in the collection thereof; and, with respect to insurance, to the extent that the School Board elects to self-insure under Section 5.3 of the Master Lease, any moneys payable from any appropriation made by the School Board in connection with such self-insurance.

“Notice by Mail” shall mean a written notice meeting the requirements of this Trust Agreement mailed by first-class mail to the Certificate holders, at the addresses shown on the register maintained by the Trustee.

“Opinion of Counsel” shall mean an opinion signed by an attorney or firm of attorneys of recognized standing and who are qualified to pass on the legality of the particular matter (who may be counsel to the School Board or Special Tax Counsel) selected by the School Board.

“Outstanding” when used with reference to the Certificates, shall mean, as of any date, Certificates theretofore or thereupon being authenticated and delivered under this Trust Agreement except:

- (i) Certificates cancelled by, or duly surrendered for cancellation to, the Trustee at or prior to such date;
- (ii) Certificates (or portions of Certificates) for the payment or prepayment of which moneys, equal to the principal portion or Prepayment Price thereof, as the case may be, with interest to the date of maturity or Prepayment Date, shall be held in trust under this Trust Agreement and set aside for such payment or prepayment, (whether at or prior to the maturity or Prepayment Date), provided that if such Certificates (or portions of Certificates) are to be prepaid, notice of such prepayment shall have been given as provided in Article III of this Trust Agreement;
- (iii) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered pursuant to Article III hereof; and

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collateralizes its obligations at all times at levels in compliance with the requirements of the Rating Agencies for ratings not lower than AA/Aa.

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

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

“Reserve Account” shall mean any Reserve Account established pursuant to Section 401 of the Trust Agreement and in any Supplemental Trust Agreement.

“Reserve Account Letter of Credit/Insurance Policy” shall mean the irrevocable letter or line of credit, insurance policy, surety bond or guarantee agreement issued by a Qualified Financial Institution in favor of the Trustee which is to be deposited into a Reserve Account in order to fulfill the Reserve Account Requirement relating thereto.

“Reserve Account Requirement” shall mean, in regard to a Reserve Account to secure a Series of Certificates, such amounts, if any, as shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Series and in the Schedule relating thereto, provided such Reserve Account Requirement shall not exceed the least of (i) the maximum annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, (ii) 125% of the average annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Years, and (iii) 10% of the stated principal amount of such Series of Certificates.

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

“School Board” shall mean the School Board of Palm Beach County, Florida, a body corporate and the governing body of the District.

“Series” or “Series of Certificates” shall mean the aggregate amount of each series of Certificates evidencing an undivided proportionate interest of the owners thereof in a particular Lease and the Basic Lease Payments thereunder, issued pursuant to this Trust Agreement or a Supplemental Trust Agreement.

“Special Tax Counsel” shall mean Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida, Cunningham & Self, West Palm Beach, Florida and Michael B. Brown, P.A., West Palm Beach, Florida, or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest on obligations issued by states and political

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- (iv) Certificates deemed to have been paid as provided in subsection (b) of Section 801 hereof.

“Payment Date” shall mean a date on which the principal portion or the interest portion of Basic Lease Payments is scheduled to be paid to Certificate holders pursuant to the terms of such Certificates.

“Prepayment Account” shall mean any Prepayment Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement.

“Prepayment Date” shall mean the date on which optional prepayment or extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a Series of Certificates Outstanding shall be made pursuant to Section 312 hereof or pursuant to any Supplemental Trust Agreement.

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

“Project” shall mean the lease-purchase financing and construction or refinancing of the Facilities set forth on a particular Schedule and, if all or a portion of such Facilities shall be comprised of real property, the ground leasing of the related Facility Site by the School Board to the Corporation and the subleasing of such Facility Site back to the School Board.

“Project Fund” shall mean the trust fund designated as the “Project Fund” created and established in Section 401 hereof.

“Purchase Option Price” shall mean, with respect to any Facility financed under a Lease, as of each Lease Payment Date, the Basic Lease Payment then due plus the amount so designated and set forth on the Schedule for such Facility as the remaining principal portion of the Purchase Option Price minus any credits pursuant to the provisions of Section 3.2 of the Master Lease, plus, an amount equal to the interest to accrue with respect to the Certificates to the next available date for prepaying such Certificates, unless such prepayment shall occur on such Lease Payment Date, plus an amount equal to a pro-rata portion of any Additional Lease Payments and Supplemental Payments then due and owing under the Lease relating to such Facility, including any prepayment premiums payable on the Certificates prepaid.

“Qualified Financial Institution” shall mean a bank, trust company, national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or the Federal National Mortgage Association or any insurance company or other corporation (i) whose unsecured obligations or uncollateralized long term debt obligations have been assigned a rating by a Rating Agency which is not lower than AA/Aa, or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been so rated; or (ii) which

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subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“State” shall mean the State of Florida.

“Superintendent” shall mean the Superintendent of Schools of the District.

“Supplemental Payments” shall mean all amounts due under a Lease other than Basic Lease Payments and Additional Lease Payments.

“Supplemental Trust Agreement” shall mean any agreement supplemental or amendatory of this Trust Agreement.

“Trust Agreement” shall mean this Master Trust Agreement dated as of November 1, 1994, entered into by and between the Corporation and the Trustee, and any Supplemental Trust Agreement.

“Trust Estate” shall mean all estate, right, title and interest of the Trustee in and to (a) the Basic Lease Payments, the Master Lease, the Leases and each Assignment Agreement, and (b) (i) all amounts from time to time deposited in the funds and accounts created pursuant to this Trust Agreement and any Supplemental Trust Agreement in accordance with the provisions of the Master Lease, the Leases and this Trust Agreement, including investment earnings thereon; and (ii) any and all monies received by the Trustee pursuant to the provisions hereof and not required to be remitted to the School Board pursuant to the Master Lease or this Trust Agreement.

“Trustee” shall mean NationsBank of Florida, N.A., Fort Lauderdale, Florida, and its successors or assigns which may at any time be substituted in its place pursuant to the provisions hereof.

**102. Rules of Construction.** Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies as well as natural persons.

The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms, as used in this Trust Agreement, refer to this Trust Agreement.

**103. Exhibits.** The following Exhibits are attached hereto and by this reference made a part of this Trust Agreement:

- Exhibit A. FORM OF CERTIFICATE
- Exhibit B. FORM OF REQUISITION
- Exhibit C. FORM OF REQUISITION (COSTS OF ISSUANCE)

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**ARTICLE II  
ASSIGNMENT; DECLARATION OF TRUST; REPRESENTATIONS**

**201. Assignment Agreements.** The Corporation shall assign and transfer to the Trustee its rights under each Ground Lease and each Lease pursuant to and to the extent described in the corresponding Assignment Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee shall execute and deliver each Series of Certificates, evidencing an undivided proportionate interest of the Certificate holders in Basic Lease Payments under the corresponding Lease.

**202. Declaration of Trust by Trustee.** The Trustee hereby declares that it holds and will hold the Trust Estate conferred on it by the Corporation hereunder upon the trusts and apply the amounts as hereinafter set forth for the use and benefit of the Certificate holders, as more particularly set forth in Section 305 hereof.

**203. Representations.** In the Master Lease, the School Board has agreed to acquire, construct and install the Facilities as agent for the Corporation pursuant to specifications prepared by the School Board and that the School Board will be responsible for the letting of contracts for the acquisition, construction and installation of the Facilities and supervising the acquisition, construction and installation of the Facilities.

**204. Description and Estimated Costs of the Facilities.** The description of the Facilities to be acquired, constructed and installed and leased by the School Board from the Corporation pursuant to the Master Lease and each Schedule and the estimated Costs of such Facilities shall be set forth in the related Schedule to the Master Lease.

**205. Conditions Precedent Satisfied.** Each party hereto, represents with respect to itself that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and delivery of this Trust Agreement have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto each represents as to itself that it is now duly empowered to execute and deliver this Trust Agreement.

**ARTICLE III  
CERTIFICATES; TERMS AND PROVISIONS**

**301. Authorization of Certificates.**

(a) The number of Series of Certificates which may be created under this Trust Agreement is not limited. The aggregate principal amount of Certificates of each Series which may be issued, authenticated and delivered under this Trust Agreement is not limited except as set forth in the Supplemental Trust Agreement creating such Series.

(b) The Certificates issuable under this Trust Agreement shall be issued in such Series as may from time to time be created in connection with one or more Leases. Each Series shall be designated "Certificates of Participation, Series \_\_\_\_\_, Evidencing an Undivided Proportionate Interest of the Registered Owners thereof in Basic Lease Payments to be Made by

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(c) shall have such particular designations added to their title, and shall be in such form and denominations, as provided in the Supplemental Trust Agreement creating such Series of Certificates;

(d) shall be limited as to the maximum principal amount thereof which may be delivered by the Trustee or which may be at any time Outstanding, as provided in the Supplemental Trust Agreement creating such Series of Certificates;

(e) may contain provisions for the prepayment thereof at such Prepayment Price or Prices, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(f) may have provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificates, in such amounts, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease as shall be set forth in such Supplemental Trust Agreement;

(g) may contain such other provisions and such other special terms and conditions, not contrary to the provisions hereof, as may be provided in such Supplemental Trust Agreement;

(h) shall be payable from and secured by the Trust Estate, but solely to the extent provided in and subject to the limitations of Section 305 hereof.

**304. Conditions Precedent to Delivery of a Series of Certificates.** The Trustee shall execute and deliver one or more Series of Certificates for the purposes set forth in Section 302 hereof to the purchaser or purchasers thereof as requested and authorized by the Corporation in accordance with the provisions of this Section 304.

Prior to the delivery by the Trustee of any Series of Certificates there shall have been received by the Trustee:

(a) A Supplemental Trust Agreement providing for the terms and conditions upon which they shall be executed and delivered by the Trustee;

(b) An executed counterpart of a corresponding Schedule to the Master Lease (or amended Schedule in the case of Certificates issued for the purposes as described in Section 302(b) and (d) above) effective on or before the date of execution and delivery of such Series of Certificates, providing for (i) Lease Payments payable under such Schedule at least equal to the principal portion of, Prepayment Price, if any, and interest portion represented by such Series of Certificates, and (ii) the disposition of the proceeds of the sale of such Series of Certificates, including the acquisition, construction, equipping or improvement of the Facilities to be financed from the proceeds of such Series of Certificates or the payment or refunding of the Series of Certificates to be paid or refunded;

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the School Board of Palm Beach County, Florida, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor". The Certificates may, if and when authorized by this Trust Agreement, be designated with such further appropriate particular designations added to or incorporated in such title for the Certificates of any particular Series as the Board may determine and as may be necessary to distinguish such Certificates from the Certificates of any other Series.

**302. Execution and Delivery of Certificates.** Each Series of Certificates shall be authorized by the Corporation at the request of the School Board and executed and delivered by the Trustee for the purpose of (a) financing the cost of acquisition, construction and equipping of any Facilities, (b) financing the cost of completing the acquisition, construction, installation and equipping of any Facilities, (c) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities, (d) paying or providing for the payment of the principal portion and interest portion of the Basic Lease Payments with respect to, or the Purchase Option Price of, all or a portion of the Facilities financed from the proceeds of any Series of Certificates theretofore executed and delivered, (e) funding a Reserve Account in an amount equal to the Reserve Account Requirement applicable thereto, (f) capitalizing the interest portion of Basic Lease Payments during construction and (g) paying the Costs of Issuance applicable thereto.

Each Series of Certificates shall be substantially in the form set forth in Exhibit A hereto, with such appropriate variations, omissions and insertions as necessary to conform to the provisions of this Trust Agreement, including any use of a book-entry-only system as described in Section 317 hereof. All Certificates may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rule and regulations of any governmental authority or of any securities exchange on which the Certificates may be listed or any usage or requirement of law with respect thereto.

**303. Terms of Series of Certificates.** Certificates may be executed and delivered at any time and from time to time in one or more Series, upon such terms and conditions as may then be permitted by law and as shall be determined by the Corporation and provided in the respective Supplemental Trust Agreement under which such Series of Certificates are authorized. Certificates of any Series:

(a) shall be dated, shall represent interest at a rate not in excess of the maximum rate then permitted by applicable law (calculated on the basis of a 360 day year consisting of twelve 30 day months), and shall be payable and mature in such amounts and at such time or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(b) shall be payable, as to the principal portion, Prepayment Price, if any, and interest portion of such Series of Certificates, at such place or places in lawful money of the United States of America and may have such registration privileges and such exchange privileges as may be provided in the Supplemental Trust Agreement creating such Series of Certificates and allowable under then existing law;

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(c) An executed counterpart of an Assignment Agreement, effective on or before the date of execution and delivery of such Series of Certificates, assigning and transferring to the Trustee substantially all of the rights of the Corporation under the Lease relating to such Series of Certificates, except for the provisions with respect to release and indemnity of the Corporation and the right of the Corporation to hold title to various Facilities and to receive notices under the Master Lease;

(d) One or more opinions of Special Tax Counsel to the effect that (i) the Certificates evidence undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the corresponding Lease and (ii) the interest portion of the Basic Lease Payments represented by the Series of Certificates being issued is excludable from gross income for federal income tax purposes, and, in the case of refunding Certificates, that the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments represented by the Certificates being refunded will not be adversely affected by the issuance of the refunding Certificates being issued;

(e) A written order to the Trustee by an Authorized Corporation Representative to execute and deliver the Series of Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified sum;

(f) Certified copies of resolutions of the Corporation and the School Board authorizing the issuance of such Series of Certificates;

(g) Evidence of approval of the related Lease by the State Department of Education, or an opinion of Special Tax Counsel to the effect that such approval is not required;

(h) Such other documents and opinions as may be provided for in the Supplemental Trust Agreement referred to in subparagraph (a) hereof, including one or more Ground Leases (or amended Ground Leases in the case of Certificates issued for the purposes described in Section 302(b) above), or as may be required under Section 6.1 of the Master Lease;

(i) One or more Opinions of Counsel in form and substance satisfactory to each Credit Facility Issuer to the effect that the issuance of such Series of Certificates for the purposes set forth in Section 302 is authorized by law, and the execution and delivery thereof and of the other documents described in this Section have been duly authorized by the School Board and the Corporation, all conditions precedent to the delivery thereof have been fulfilled and to the further effect that the execution of the Supplemental Trust Agreement is authorized or permitted hereunder; and

(j) A certificate signed by an Authorized Corporation Representative to the effect that the Master Lease is in effect and to its knowledge there are no defaults at the time of issuance under any Lease, Ground Lease or this Trust Agreement.

The proceeds of such Series of Certificates shall be held and disbursed as provided in the Supplemental Trust Agreement providing for such Series of Certificates. The Trustee shall execute and deliver such Series of Certificates to the purchaser or purchasers thereof as directed and authorized in writing by an Authorized Corporation Representative.

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### 305. Payments from Trust Estate Only; Distribution of Trust Estate.

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

(b) Except as otherwise expressly provided in the immediately preceding paragraph and elsewhere herein, all amounts payable by the Trustee with respect to a Series of Certificates or to any Credit Facility Issuer who shall have issued a Credit Facility, if any, securing such Series pursuant to this Trust Agreement shall be paid only from the portion of the Trust Estate derived from Basic Lease Payments made pursuant to the Schedule corresponding to such Series and only to the extent that the Trustee shall have actually received sufficient income or proceeds from such portion of the Trust Estate to make such payments. Each Certificate holder agrees, and each such Credit Facility Issuer, by its execution and delivery of the Credit Facility shall be deemed to have agreed, except as otherwise expressly provided herein, to look solely to the income of and the proceeds from such portion of the Trust Estate to the extent available for distribution to such holder and each such Credit Facility Issuer as herein provided and that the Trustee is not personally liable to any Certificate holder or any such Credit Facility Issuer for any amounts payable under this Trust Agreement or subject to any liability under this Trust Agreement except liability under this Trust Agreement as a result of negligence or willful misconduct by the Trustee.

(c) So long as the Master Lease or related Ground Leases shall be in effect, all amounts of Lease Payments, insurance proceeds, indemnity payments and other payments of any kind constituting a part of the Trust Estate payable under this Trust Agreement or the Lease corresponding to such Series to the Trustee shall be paid directly to the Trustee for distribution, in accordance with Articles III, V, VI and VII of this Trust Agreement, to or for the Certificate holders or the related Credit Facility Issuer, as the case may be.

### 306. Execution.

The Certificates shall be executed in the name of, and by, the Trustee, solely as trustee under the Trust Agreement and not in its individual capacity, by the manual signature of any authorized signatory of the Trustee.

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Certificates to be prepaid until after the mailing of any notice of prepayment; or (b) to register the transfer of or exchange any Certificates called for prepayment.

**309. Certificates, Mutilated, Destroyed, Stolen or Lost.** In case any Certificates shall become mutilated or be destroyed, stolen or lost, the Trustee shall execute and deliver a new Certificate of the same series and of like maturity and principal amount as the Certificate so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Certificate, or in lieu of and substitution for the Certificate destroyed, stolen or lost, upon surrender of such mutilated Certificate or filing with the Trustee of evidence satisfactory to the Trustee that such Certificate has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Trustee with indemnity satisfactory to the Trustee and complying with such other reasonable regulations as the Trustee may prescribe and paying such expenses as the Trustee may incur. All Certificates so surrendered to the Trustee shall be cancelled by it. Any such new Certificates executed and delivered pursuant to this Section in substitution for Certificates alleged to be destroyed, stolen or lost shall be equally secured by and entitled to equal and proportionate benefits, with all other Certificates delivered under the Trust Agreement and Outstanding.

**310. Temporary Certificates.** Until the definitive Certificates are prepared, the Trustee may execute and deliver, in the same manner as is provided in Section 306, in lieu of definitive Certificates, one or more temporary Certificates of the same series and substantially of the tenor of the definitive Certificates in lieu of which such temporary Certificate or Certificates are issued, in denominations of \$5,000 or any multiples thereof, and with such omissions, insertions and variations as may be appropriate for temporary Certificates. The Trustee, at the expense and direction of the School Board, shall prepare and execute and, upon the surrender of such temporary Certificates, and the cancellation of such surrendered temporary Certificates, the Trustee shall without charge to the Holder thereof, in exchange therefor, deliver definitive Certificates of the same series, of the same aggregate principal amount and maturity as the temporary Certificates surrendered. Until so exchanged, the temporary Certificates shall in all respects be entitled to the same benefits and security as definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement.

**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 times, at such Prepayment Prices and upon such terms as specified in this Article III or in the Supplemental Trust Agreement authorizing the issuance of such Certificate.

**312. Prepayment.** Whenever by the terms of this Trust Agreement the Certificates are required to be prepaid, the Trustee shall select the Certificates to be prepaid in accordance with the provisions of Section 313 hereof. The Trustee shall select a Prepayment Date, and immediately give the notice of prepayment and pay the Prepayment Price thereof, plus interest accrued and unpaid to the Prepayment Date, in accordance with the terms of this Article III.

**313. Selection of Certificates to be Prepaid.** If less than all of the Certificates of a Series shall be called for prepayment, the particular Certificates or portions of Certificates to be prepaid shall be in multiples of \$5,000 and, except as otherwise provided in a Supplemental Trust Agreement, such Certificates or portions of Certificates shall be prepaid in such order of

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### 307. Negotiability, Transfer and Registration.

(a) The Trustee shall maintain, at its designated corporate trust office, a register of the names and addresses of all Certificate holders as of any particular time, and the Trustee shall, upon request of the School Board, furnish such information to the School Board.

(b) Each Certificate shall be transferable only upon the register maintained by the Trustee, by the Certificate holder in person or by his/her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Certificate holder or his/her attorney duly authorized in writing. Upon the registration of transfer of any such Certificate, the Trustee shall deliver in the name of the transferee a new Certificate or Certificates of the same series, aggregate principal amount and maturity as the surrendered Certificate.

(c) The person in whose name any Certificate shall be registered upon the books of the Trustee shall be treated as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal portion or Prepayment Price, if applicable, and interest portion represented by such Certificate and for all other purposes, and all such payments so made to any such Certificate holder or upon his/her order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Trustee, the Corporation and the School Board shall not be affected by any notice to the contrary.

(d) Certificates, upon surrender thereof at the designated corporate trust office of the Trustee, together with an assignment duly executed by the Certificate holder or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Certificate holder thereof and upon payment by such Certificate holder of any charges which the Trustee may make as provided in Section 308 hereof, be exchanged for an equal aggregate principal amount of Certificates of the same maturity and series, of any denomination or denominations authorized by this Trust Agreement, representing interest at the same rate, and in the same form as the Certificates surrendered for exchange.

(e) Upon the occurrence and continuance of an Event of Default which requires a Credit Facility Issuer to make payments under a Credit Facility, the Credit Facility Issuer and its designated agent shall be provided with access to inspect and copy the register of the Series of Certificate holders insured by its Credit Facility.

**308. Regulations With Respect to Exchanges and Transfers.** In all cases in which the privilege of exchanging Certificates or registering the transfer of Certificates is exercised, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Trust Agreement. All Certificates surrendered in any such exchanges or registrations of transfer shall forthwith be cancelled by the Trustee. For every such exchange or registration of transfer of Certificates, whether temporary or definitive, the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Trustee shall not be required (a) to register the transfer of or exchange Certificates for a period of fifteen (15) days preceding any Payment Date until such Payment Date, or for a period of fifteen (15) days preceding any selection of

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maturity as shall be designated by the School Board. If less than all of the Certificates of like maturity shall be called for prepayment, the particular Certificates or portions thereof to be prepaid shall be selected by lot by the Trustee in such manner as the Trustee shall deem fair and appropriate. The portion of any Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate to be prepaid in part by \$5,000.

**314. Notice of Prepayment.** When prepayment of Certificates is required pursuant to Section 312 hereof, the Trustee shall give notice of the prepayment of such Certificates, which notice shall specify the maturities of the Certificates to be prepaid, the 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 of a Series are to be prepaid, the letters and numbers or other distinguishing marks of such Certificates to be prepaid, and, in the case of Certificates to be prepaid in part only, such notice shall also specify the respective portions of the principal amounts thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable with respect to each Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof to be prepaid in part only, together with interest accrued to the Prepayment Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than 30 days before the Prepayment Date in the case of optional prepayment, extraordinary prepayment resulting from damage, destruction or condemnation of Facilities or mandatory sinking fund prepayment, and not less than 5 days nor more than 10 days before the Prepayment Date in the case of extraordinary prepayment resulting from termination of all Leases as a result of nonappropriation or default by the School Board, to the Holders of any Certificates or portions of Certificates which are to be prepaid, at their last addresses appearing upon the registry books, but any defect in the notice to a particular Certificate holder shall not affect the validity of the proceedings for the prepayment of other Certificates. Notwithstanding anything in this Section 314 to the contrary, the Trustee shall not give notice that the Certificates are subject to optional prepayment pursuant to a Supplemental Trust Agreement unless and until the School Board shall have deposited with the Trustee to the credit of the related Prepayment Account an amount sufficient to pay in full the principal of the Certificates subject to prepayment, plus accrued interest and premium, if any, on such Certificates to the date established for such prepayment. Notice of such prepayment shall be provided to any depository not less than two days prior to mailing of such notice, to the extent available.

**315. Payment of Prepaid Certificates.** Notice having been given in the manner provided in Section 314, the Prepayment Price of the Certificates or portions thereof so called for prepayment shall become due and payable on the Prepayment Date so designated at the Prepayment Price, plus the interest portion accrued and unpaid to the Prepayment Date, and, upon presentation and surrender thereof at the office specified in such notice such Prepayment Price of the Certificates, or portions thereof shall be paid. If there shall be selected for prepayment less than all of the Certificates, the Trustee shall execute and deliver, upon the

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surrender of such Certificates, without charge to the owner thereof, for the aggregate balance of the principal amount of the Outstanding Certificates so surrendered, at the option of the owner thereof, Certificates of like maturity in any of the authorized denominations. If, on the Prepayment Date, moneys for the payment of the Prepayment Price of all the Certificates of a Series or portions thereof of any like maturity to be prepaid, shall be held by the Trustee so as to be available therefor on the Prepayment Date and if notice of prepayment shall have been given as aforesaid, then, from and after the Prepayment Date the interest portion of the Certificates or portions thereof of such maturity so called for prepayment shall cease to accrue and become payable. If said moneys shall not be so available on the Prepayment Date, the principal portion represented by such Certificates or portions thereof shall continue to bear interest until paid at the same rate as would have accrued had it not been called for prepayment.

**316. Cancellation of Certificates.** All Certificates paid or prepaid, either at or before maturity, shall be delivered to the Trustee when such payment or prepayment is made, and such Certificates shall thereupon be promptly cancelled and destroyed. Upon the cancellation and deletion of any Certificates by the Trustee, the Trustee shall execute a certificate of cancellation in duplicate by the signature of one of its authorized officers describing the Certificates so cancelled, and executed certificates shall be filed with the School Board and the Corporation and the other executed certificate shall be retained by the Trustee.

**317. Qualification for The Depository Trust Company.** The Trustee is hereby authorized to take such actions as may be necessary from time to time to qualify any Series of Certificates for deposit with The Depository Trust Company of New York, including but not limited to wire transfers of interest and principal payments with respect to such Series of Certificates, utilization of electronic book-entry data received from The Depository Trust Company of New York in place of actual delivery of Certificates and provision of notices with respect to Certificates registered by The Depository Trust Company of New York (or any of its designees identified to the Trustee) by overnight delivery, courier service, telegram, teletype or other similar means of communication. No such arrangements with The Depository Trust Company of New York may adversely affect the interest of any of the beneficial owners of the Certificates, provided, however, that the Trustee shall not be liable with respect to any such arrangements it may make pursuant to this Section. Without limiting the foregoing, the Trustee may deliver a Series of Certificates to a bank or trust company serving as custodian (which may be the Trustee serving in the capacity of custodian) to provide for a book-entry or similar method for the registration and registration of transfers of such Series of Certificate; provided that the holders of such Series of Certificates always may receive upon request certificates evidencing their ownership of Certificates.

#### ARTICLE IV ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND ACCOUNTS; PREPAYMENT OF CERTIFICATES

**401. Establishment of Project Fund.** There is hereby established with the Trustee a special trust fund to be designated as the "Project Fund". The Trustee shall keep the Project Fund separate and apart from all other funds and moneys held by it. Within the Project Fund, the Trustee shall establish pursuant to each Supplemental Trust Agreement, as necessary, the following accounts and subaccounts for each Series of Certificates: (a) an Acquisition Account

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(i) Receipt by the Trustee and the related Credit Facility Issuer of a title insurance policy, if required by such related Credit Facility Issuer pursuant to Section 6.1 of the Master Lease (the Trustee shall be notified in writing of such requirement);

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

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

(iv) A "Phase I" environmental audit prepared by an independent engineer or other qualified consultant acceptable to the applicable Credit Facility Issuer and the School Board;

(v) A copy of a recent survey plat of the land in questions prepared, sealed and certified to the School Board and the Trustee by a licensed Florida surveyor, in form satisfactory to the School Board;

(vi) A report on soil conditions and an engineer's certification in form and substance acceptable to the School Board confirming the feasibility of the proposed construction; and

(vii) Certification by the School Board that adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the land, or the cost of making them available is included in the School Board's acquisition and construction budget.

Before payment is made pursuant to a requisition for real estate improvements, regardless of whether the underlying land was previously owned by the School Board or is being acquired with Certificate proceeds, there shall be provided to the Trustee items (i) through (vii) above with respect to the land underlying such real estate improvements, and in the case of underlying land previously owned by the School Board, there shall be provided to the Trustee a related Ground Lease or amendment to the related Ground Lease adding such parcel of land thereto.

(d) Costs of Issuance of Certificates shall be paid from the related Cost of Issuance Subaccount in the related Acquisition Account upon receipt by the Trustee of a requisition substantially in the form of Exhibit C hereto, signed by an Authorized School Board Representative stating with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm, corporation or agency to whom payment is due, (3) the amount to be paid and (4) that such payment obligation has been properly incurred, is a Cost of Issuance for the related Project and has not been the basis of a previous withdrawal.

(e) The completion of the acquisition, construction and installation of the Facilities comprising each Project financed under a particular Lease shall be evidenced by a Certificate of Acceptance of the School Board and the Corporation in the form attached as Exhibit B to the Master Lease, which Certificate of Acceptance shall be filed with the Trustee upon completion of acquisition of such Facilities. Upon the filing of such certificate any

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and a Cost of Issuance Subaccount therein, more particularly described in Section 402 hereof; (b) a Capitalized Interest Account more particularly described in Section 403 hereof; (c) a Lease Payment Account, more particularly described in Section 404 hereof; (d) a Reserve Account, more particularly described in Section 405 hereof; and (e) a Prepayment Account, more particularly described in Section 406 hereof. The Trustee shall establish separate Acquisition Accounts, Cost of Issuance Subaccounts, Capitalized Interest Accounts, Lease Payment Accounts, Reserve Accounts and Prepayment Accounts for each Project in the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates corresponding to each such Project. The Trustee may create additional Accounts and Subaccounts in any Supplemental Trust Agreement at the request of the School Board. Each such account and subaccount shall be designated by the Trustee with the Series of the Certificates to which they relate.

On the date of delivery of each Series of Certificates the Trustee shall deposit the proceeds thereof as provided in the Schedule or Schedules and the Supplemental Trust Agreement authorizing such Series of Certificates.

#### 402. Acquisition Account.

(a) There shall be paid into each Acquisition Account the amounts required to be so paid by the provisions hereof or by the provisions of the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(b) Pursuant to an election by the School Board under Section 5.4(a) of the Master Lease, Net Proceeds with respect to any Facilities, may be deposited into the Acquisition Account established under the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(c) The Cost (other than the Costs of Issuance) of the Facilities comprising each Project shall be paid from the amounts on deposit in the related Acquisition Account. Actual amounts paid for particular Facilities may be more or less than the estimated amounts set forth initially in a Schedule, so long as the certifications provided below can be made. The Trustee shall make such payments upon receipt of a requisition substantially in the form of Exhibit B hereto, signed by an Authorized School Board Representative certifying with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm, corporation or agency to whom payment is due or has been made, (3) the amount to be paid, (4) that each obligation, item of cost or expense mentioned therein has been properly incurred, is an item of Cost of the Facilities comprising the related Project and has not been the basis of any previous withdrawal, and (5) that the payment of the Cost of the Facilities comprising such Project will not cause the balance remaining in such Acquisition Account after such payment to be less than the amount necessary to pay the remaining estimated Costs to be paid from such account or that sufficient other moneys are available therefor. Payments may be made from such Acquisition Account in order to reimburse the School Board for payments previously made to pay the Costs of the Facilities comprising such Project.

Payments shall be made by the Trustee for Costs of land in accordance with the following:

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amounts remaining in the related Acquisition Account shall be either (a) transferred to the related Lease Payment Account and applied as a credit to Basic Lease Payments due under the particular Schedule with respect to which such surplus is applicable, in accordance with Section 3.2(b) of the Master Lease or (b) if there shall remain in the related Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, transferred to the related Prepayment Account and utilized to prepay the related Series of Certificates at a price of par plus interest accrued to the date of prepayment, in the manner provided in the related Supplemental Trust Agreement and Section 7.2(B) of the Master Lease.

(f) In the event that a Lease Term terminates under Section 4.1 of the Master Lease prior to the completion of the acquisition, construction and installation of the Facilities comprising the related Project as evidenced by the delivery of a Certificate of Acceptance, the Trustee shall transfer all amounts remaining in the related Acquisition Account to the related Lease Payment Account and apply such amounts pursuant to Section 504 hereof.

**403. Capitalized Interest Accounts.** Funds in each Capitalized Interest Account relating to a Series of Certificates shall be transferred to the related Lease Payment Account in an amount necessary to pay the interest portion of Lease Payments coming due during construction represented by such Series of Certificates. Such transfer shall be made on the Business Day before each Payment Date for such Series, until the amounts in such Capitalized Interest Account are exhausted.

#### 404. Lease Payment Accounts.

(a) In addition to the moneys required to be deposited in a Lease Payment Account pursuant to Sections 401, 402 and 408 hereof and except as provided in Section 406(b) hereof, all Basic Lease Payments for the Facilities financed under a Lease shall be deposited by the Trustee in the related Lease Payment Account immediately upon their receipt. The Trustee shall pay out of such Lease Payment Account, (i) on each Payment Date, the amount required for the interest portion of the Basic Lease Payment for such Facilities payable on such date to the related Certificate holders, (ii) on each Payment Date for principal the amount required for the principal portion of the Basic Lease Payments for such Facilities payable on such date to the related Certificate holders, and (iii) in the event of the termination of the related Lease Term pursuant to Section 4.1(d) of the Master Lease for deposit in the related Prepayment Account to be applied to the prepayment of the related Certificates pursuant to Section 315 hereof amounts on deposit in the related Lease Payment Account sufficient to pay the Prepayment Price of the related Certificates.

(b) Pursuant to an election by the School Board under Section 5.4(b) of the Master Lease, Net Proceeds with respect to any Facilities of less than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to such Facilities shall be deposited in the related Lease Payment Account to be credited against Basic Lease Payments next coming due under the related Schedule in accordance with Section 3.2(c) of the Master Lease.

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#### 405. Reserve Accounts.

Pursuant to the Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established and maintained a separate Reserve Account to secure the payment of the principal and/or interest portion of the Basic Lease Payments related to such Series of Certificates. Each such Reserve Account shall secure only the Series of Certificates for which it has been established.

(a) The Reserve Account shall be maintained by the Trustee at the Reserve Account Requirement until the Basic Lease Payments related to a Series of Certificates for which it was established are paid in full pursuant to the terms of the Master Lease and the related Schedule, or the School Board has prepaid all such Basic Lease Payments in accordance with Section 7.2 or Section 7.3 of the Master Lease, or the Trust Agreement is terminated. The Trustee shall apply moneys in a Reserve Account as provided in this Section 405 or as provided in a Supplemental Trust Agreement.

(b) If on any Lease Payment Date (after taking into account Basic Lease Payments made to the Trustee on such Lease Payment Date) immediately preceding a Payment Date the amount in any Lease Payment Account shall be less than the amount required to pay the interest portion and principal portion of the Basic Lease Payments then due in relation to a Series of Certificates for which it was established, the Trustee shall transfer from the Reserve Account established in relation to such Series of Certificates to such Lease Payment Account the amount necessary to make good the deficiency. Any amounts transferred from a Reserve Account pursuant to this subsection (b) shall, to the extent of such transfer, be deemed to satisfy the School Board's obligation to make such Basic Lease Payment. In the event of any such transfer, the Trustee shall, within five (5) days after making such transfer, provide written notice to the School Board of the amount and date of such transfer and the School Board shall, if the deficiency in any Lease Payment Account is not the result of a failure of the School Board to appropriate moneys as contemplated by Section 3.5 of the Master Lease, pay within thirty (30) days of receipt of notice of such transfer from the Trustee, as Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto. In the event of any deficiency in the value of the Reserve Account pursuant to Section 409 hereof, the Trustee shall, within five (5) days of such valuation, provide written notice to the School Board of such deficiency and the School Board shall pay within thirty (30) days of receipt of notice of such deficiency from the Trustee, as Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto.

(c) Whenever the amount in any Reserve Account, together with the amount in the related Lease Payment Account, is sufficient to pay in full the interest portion and principal portion of the Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms, the funds on deposit in such Reserve Account shall be transferred to the related Lease Payment Account. Any provision of the Trust Agreement to the contrary notwithstanding, so long as there shall be held in any Lease Payment Account an amount sufficient to pay in full the interest portion and principal portion of all Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms,

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and, if after such application a deficiency still exists, the Trustee shall make up the balance of the deficiency by drawing on the Reserve Account Letter of Credit/Insurance Policy, as provided in this sentence. Amounts drawn on the Reserve Account Letter of Credit/Insurance Policy shall be applied as set forth in Section 4.05(b). Any amounts drawn under a Reserve Account Letter of Credit/Insurance Policy shall be reimbursed to the provider thereof in accordance with the terms and provisions of the reimbursement or other agreement governing such Reserve Account Letter of Credit/Insurance Policy.

#### 406. Prepayment Accounts.

407. Except as may be otherwise provided in the Supplemental Trust Agreement authorizing the issuance of a Series of Certificates, the Trustee shall apply moneys in each Prepayment Account as provided in this Section 406. Amounts in a Prepayment Account shall be applied within 35 days after deposit therein, to the prepayment of Certificates of the related Series.

408. The Trustee shall deposit in each Prepayment Account as received, all moneys, if any, paid to it for such purpose by the School Board pursuant to provisions of Section 7.2 of the Master Lease. In the event of the occurrence of an Event of Mandatory Prepayment pursuant to an election under Section 5.4(b) of the Master Lease, the Trustee shall deposit in the related Prepayment Account Net Proceeds for such purpose. Also, in the event of the occurrence of an Event of Mandatory Prepayment at the election of a Credit Facility Issuer as a result of termination of all Leases for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease, the Trustee shall deposit in the related Prepayment Account moneys paid by the School Board and the related Credit Facility Issuer for such purpose, and shall transfer to the related Prepayment Account moneys on hand in the related Lease Payment Account and not needed to pay the principal portion and interest portion due or past due represented by the related Series of Certificates, sufficient to pay the Prepayment Price of such Series of Certificates pursuant to Section 404 hereof. All of said moneys shall be set aside in the corresponding Prepayment Account for the purpose of prepaying a principal amount of the related Series of Certificates corresponding to the principal portion of Basic Lease Payments prepaid or to the principal portion of the Purchase Option Price of all or a portion of the related Facilities, and shall be applied on or after the Prepayment Date to the payment of such principal amount of the related Series of Certificates, together with the accrued interest relating thereto, upon presentation and surrender of such Certificates.

#### 409. Deposits of Money.

(a) All moneys deposited under the provisions of this Trust Agreement with the Trustee shall be held in trust and applied only in accordance with the provisions of this Trust Agreement, and the Project Fund established by this Trust Agreement shall be a trust fund for the purposes thereof.

(b) All moneys held under this Trust Agreement by the Trustee shall be invested in accordance with Section 408 hereof, provided, however, that it shall not be necessary for the Trustee to give or obtain security for the deposit of any moneys held in trust and set aside by it for the payment of the principal portion or Prepayment Price of or interest portion of the

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no deposits shall be required to be made into the Reserve Account established in relation to such Series.

(d) Any amounts on deposit in a Reserve Account in excess of the related Reserve Account Requirement applicable thereto shall be transferred to the Lease Payment Account relating to the Series of Certificates secured by such Reserve Account.

(e) Any income or interest earned by, or increment to any Reserve Account due to the investment thereof paid into the applicable Lease Payment Account established for the particular Series of Certificates secured by such Reserve Account pursuant to Section 408(b) hereof shall be credited toward the interest portion of Basic Lease Payments represented by such Series next coming due, and the Trustee shall (to the extent reasonably ascertainable) notify the School Board thirty (30) days before each Lease Payment Date of the funds to be available for such transfer.

(f) Notwithstanding the foregoing, in lieu of the required deposits into the related Reserve Account, the Trustee is hereby authorized to accept and the Issuer may cause to be deposited into the Reserve Account pursuant to Section 3.1 of the Master Lease, a Reserve Account Letter of Credit/Insurance Policy either in lieu of any cash amount required to be deposited therein in connection with the issuance of any Series of Certificates or in substitution for the full amounts then on deposit therein or in an amount equal to the difference between the amount required to be deposited and the sum, if any, then on deposit in the Reserve Account, which Reserve Account Letter of Credit/Insurance Policy shall be payable (upon the giving of notice as required thereunder) on any Payment Date on which a deficiency exists which cannot be remedied by moneys in any other fund or account held pursuant to the Trust Agreement and available for such purpose. If any such Reserve Account Letter of Credit/Insurance Policy is substituted for moneys on deposit in the Reserve Account, or if on a valuation date there are excess moneys in the Reserve Account, the excess moneys in the Reserve Account shall be transferred to and deposited in the related Lease Payment Account. If a disbursement is made from a Reserve Account Letter of Credit/Insurance Policy, the School Board shall be obligated to either reinstate the maximum limits of such Reserve Account Letter of Credit/Insurance Policy immediately following such disbursement or to deposit into the Reserve Account, as provided in Section 3.1 of the Master Lease for restoration of withdrawals from the Reserve Account, funds in the amount of the disbursement made under such Reserve Account Letter of Credit/Insurance Policy.

In the event that upon the occurrence of any deficiency in a Lease Payment Account, the Reserve Account is then funded with a Reserve Account Letter of Credit/Insurance Policy, the Trustee shall, on a Payment Date to which such deficiency relates, draw upon or cause to be paid under the Account Letter of Credit/Insurance Policy an amount sufficient to remedy such deficiency, in accordance with the terms and provisions of the Reserve Account Letter of Credit/Insurance Policy as applicable, and any corresponding reimbursement or other agreement governing the Reserve Account Letter of Credit/Insurance Policy; provided, however, that if at the time of such deficiency the Reserve Account is only partially funded with a Reserve Account Letter of Credit/Insurance Policy, prior to drawing on the Reserve Account Letter of Credit/Insurance Policy, as applicable, the Trustee shall first apply any cash and securities on deposit in the Reserve Account to remedy the deficiency in accordance with the Section 4.05(b)

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Basic Lease Payments represented by any Certificates, or to give security for any moneys which shall be represented by Investment Securities purchased as an investment of such moneys.

(c) All moneys deposited with the Trustee shall be credited to the particular account to which such moneys belong.

#### 410. Investment of Certain Accounts.

(a) Moneys held in each Acquisition Account, Capitalized Interest Account, Lease Payment Account, Reserve Account and Prepayment Account shall be invested and reinvested by the Trustee, solely as directed by an Authorized School Board Representative, to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Accounts, provided that moneys in each Acquisition Account shall not be invested in Investment Securities maturing more than three (3) years after the date of investment, and provided, further, that moneys in each Reserve Account shall be invested in Investment Securities with maturities not longer than five (5) years. The Trustee shall make all such investments of moneys held by it only as directed in accordance with instructions (which may be standing instructions) confirmed in writing, received from an Authorized School Board Representative and the Trustee shall have no responsibility for determining whether Investment Securities are legal under State law for investment of the School Board's funds.

(b) Subject to the first sentence of Section 409, interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investments and net of amounts deemed Excess Earnings) earned on any moneys or investments in an Acquisition Account shall be either (i) at the direction of an Authorized School Board Representative retained in such account until delivery of a Certificate of Acceptance, or (ii) automatically transferred to the related Lease Payment Account without need for any requisition or other direction and, together with interest earnings on investments in such Lease Payment Account, applied on the next occurring Lease Payment Date as a credit against the Basic Lease Payment then due on such date under the related Lease and deemed to be payment of the interest portion thereof. Interest earned on any moneys or investments in each Cost of Issuance Subaccount shall be deposited in the related Acquisition Account. Interest and other income received by the Trustee from investments of moneys on deposit in each Reserve Account (net of amounts deemed by the School Board to be Excess Earnings) and the related Capitalized Interest Account, if any, shall, prior to delivery of a Certificate of Acceptance, be deposited in the Acquisition Account, and after such date, be deposited in the related Lease Payment Account; provided, however, that all interest and other income received by the Trustee on investment of a Reserve Account shall be retained therein in the event that amounts on deposit in such Reserve Account are less than the Reserve Account Requirement applicable thereto. Interest earned on moneys and investments in a Prepayment Account shall be applied on the next ensuing Prepayment Date toward payment of amounts due to the related Certificate holders, in accordance with the provisions of Article III hereof. The School Board shall give written notice to the Trustee after each calculation period of amounts deemed by the School Board to be Excess Earnings and the Trustee may rely conclusively on such notice for purposes of determining the Excess Earnings amount hereunder.

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(c) Nothing in this Trust Agreement shall prevent any Investment Securities acquired as investments of funds held under this Trust Agreement from being issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

**411. Valuation and Sale of Investments.** Obligations purchased as an investment of moneys in any Account created under the provisions of this Trust Agreement shall be deemed at all times to be a part of such Account and any profit realized from the liquidation of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged to, the computation of net interest earned on the moneys and investments of such Account.

In computing the amount in any Account created under the provisions of this Trust Agreement for any purpose provided in this Trust Agreement, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations plus accrued interest. Such computation shall be determined as and when needed. Investments in the Reserve Account shall be valued annually.

Except as otherwise provided in this Trust Agreement, the Trustee shall sell at the best price reasonably obtainable or present for redemption or transfer as provided in the next sentence any obligation so purchased as an investment whenever it shall be requested in writing by the Authorized School Board Representative so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Account or subaccount 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

**501. Trustee to Perform each Lease.** The Trustee covenants and agrees with the Certificate holders and each Credit Facility Issuer, if any, to perform or cause to be performed all obligations and duties imposed on it as assignee of the Corporation of each Lease, and to enforce each Lease against the School Board.

**502. Notice of Nonpayment.** In the event of delinquency in the payment when due of Basic Lease Payments by the School Board pursuant to a Lease, the Trustee shall give notice to the School Board on the Business Day following the day payment was due, that such Basic Lease Payments have not been received. In the event of a delinquency in the payment when due of Additional Lease Payments or Supplemental Payments by the School Board pursuant to a Lease, the Trustee shall give notice to the School Board on the Business Day following the day payment was due (if payment was due to the Trustee) or on the Business Day following the date of receipt of notice of nonpayment from the party to whom such Additional Lease Payment or Supplemental Payment was due (if payment was due to a payee other than the Trustee).

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Fourth: To the payment to the persons entitled thereto of the unpaid principal portion or Prepayment Price of all Series of Certificates related to such Lease which shall have become due whether at maturity or by call for prepayment in the order of their due dates and, if the amount available shall not be sufficient to pay in full all Certificates due on any date, then to the payment thereof ratably, according to the amount of principal portion, or Prepayment Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

Fifth: To the payment of any ground rent or other amounts then due and payable under the corresponding Ground Lease, if any.

(b) If, at the election of a Credit Facility Issuer, an Event of Extraordinary Prepayment shall have occurred, the Trustee shall send notice of such extraordinary prepayment as required under Section 314 and shall apply all such moneys in accordance herewith and with the applicable Supplemental Trust Agreement.

Except as otherwise provided in Section 305(a) hereof, in the case of partial payment of Basic Lease Payments, whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on a Lease Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date.

##### 505. Account and Reports.

(a) The Trustee shall keep a copy of this Trust Agreement and all Supplemental Trust Agreements and proper books of record and account in which complete and correct entries shall be made of its transactions relating to each Project and each Account established under this Trust Agreement, which shall be subject to the inspection of the Corporation and the School Board during normal business hours and upon reasonable notice and which shall be maintained by the Trustee at the expense of the School Board for a period of six (6) years following termination of this Trust Agreement.

(b) The Trustee shall advise the Corporation and the School Board promptly after the end of each month of its transactions during such month relating to each Account held by it under this Trust Agreement.

**506. Liability to Certificate Holders for Payment.** Except as otherwise provided in this Trust Agreement, the Trustee shall have no obligation or liability to the Certificate holders with respect to the School Board's obligation to pay Basic Lease Payments when due, or with respect to the performance by the School Board of any other covenants made by it in the Master Lease. The Trustee shall not be liable or responsible because of the failure of the Corporation or

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

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

(b) Payment of any principal, whether at maturity or upon call for redemption, or any redemption premium with respect to any Certificate shall not be made when the same shall become due and payable; or

(c) An "Event of Default" shall occur and be continuing under Section 8.1 of the Master Lease.

**504. Remedies on Default or Non-Appropriation.** Upon the occurrence of an event of default by the School Board with respect to any Lease under Section 8.1 of the Master Lease, or upon termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee, with the consent or at the direction of each Credit Facility Issuer insuring a Series of Certificates, and upon receipt of indemnity, shall be entitled to enforce the rights and exercise the remedies provided in the Master Lease, as appropriate and shall pursue one or more of such remedies at the direction of the Holders of a majority in aggregate principal amount of the Certificates of each Series Outstanding which is affected by such remedies, subject to the provisions of Section 707 hereof.

Any amounts collected following an event of default or nonappropriation shall be applied in accordance with the provisions of this Section and if all amounts due on the Certificates or otherwise hereunder have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the School Board.

(a) All such moneys collected in connection with a particular Lease shall be deposited into one or more special accounts established by the Trustee for the Series of Certificates relating thereto and applied:

First: To the payment of the reasonable costs of the Trustee related to such Lease, including counsel fees, any disbursements of the Trustee and its reasonable compensation;

Second: To the payments related to such Lease, if any, required to be paid to the Treasury Department of the United States under the Code;

Third: To the payment to the persons entitled thereto of all installments of the interest then due represented by all Series of Certificates related to such Lease in the order of such maturity of the installments of such interest portion, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due represented by such installment, to the persons entitled thereto, without any discrimination or preference;

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the School Board or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Corporation or the School Board or because of the loss of any money arising through the insolvency or the act or default or omission of any depository. The Trustee shall not be responsible for the application of any of the proceeds of Certificates or any other money deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Trust Agreement. The immunities and exemption from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

**507. Possession and Enjoyment.** With respect to each Project, from and after the acceptance by the School Board of the Facilities comprising such Project in accordance with the terms of the Master Lease, the Trustee hereby agrees that it will not interfere with the Lease Terms and that the School Board shall, during such Lease Terms, peaceably and quietly have and hold and enjoy such Facilities, without suit, trouble or hindrance from the Trustee, except as expressly set forth in such Leases.

**508. Warranties.** THE TRUSTEE, BY ACCEPTANCE OF THE TRUST AGREEMENT, AND THE CORPORATION, BY DELIVERY OF THE LEASES, MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE TITLE TO, VALUE, DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY OF THE FACILITIES, OR PORTION THEREOF, OR AS TO WHETHER THE QUALITY OR CAPACITY OF THE MATERIAL OR WORKMANSHIP IN SUCH FACILITIES OR ANY WARRANTY THAT SUCH FACILITIES WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. In no event shall the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of any Lease or the existence, furnishing, functioning or the School Board's use of any item, product or service provided for in any Lease.

#### ARTICLE VI CONCERNING THE TRUSTEE

**601. Employment of Trustee.** In consideration of the recitals hereinabove set forth and for other valuable consideration, the Trustee hereby agrees to receive, hold, invest and disburse the moneys to be paid to it pursuant to the Master Lease for credit to the various funds and accounts established by this Trust Agreement; to prepare, execute, deliver and deal with the Certificates; and to apply and disburse the Trust Estate and other moneys received pursuant to the Master Lease to the Certificate holders subject to the limitations set forth in this Trust Agreement; and to perform certain other functions, all as expressly provided in and subject to the express terms and conditions of, this Trust Agreement. Prior to the occurrence of any Event of Default hereunder and after the curing of all such Events of Default that may have occurred, the Trustee shall perform only such duties of the Trustee as are specifically set forth in this Trust Agreement.

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## 602. Trustee Acceptance of Duties.

(a) The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Trust Agreement by executing and delivering this Trust Agreement, and by executing such acceptance the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Certificates thereafter to be delivered, but only, however, upon the express terms and conditions set forth herein.

(b) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect all books, papers and records of the School Board pertaining to each Project and each Lease, and to take such memoranda from and with regard thereto as may be desired.

(c) The Trustee shall not be required to give bond or surety in respect of the execution of said trusts powers or otherwise in respect of this Trust Agreement.

(d) Before taking any action referred to in Article V, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its failure to comply with the standard of care prescribed by Section 612 hereof or liability which is adjudicated to have resulted from its negligence or willful misconduct. Notwithstanding any other provision contained herein, the Trustee shall be under no obligation to institute any suit or to undertake any remedial proceeding in the Event of a Default under this Trust Agreement or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts hereby created or in the enforcement of any rights and powers hereunder, including its acceptance or possession of the Facilities, until it shall be indemnified to its reasonable satisfaction against any and all reasonable costs, expenses, outlays and reasonable counsel fees and other reasonable disbursements, and against all liability, including any liability in connection with any hazardous waste on any Facility Site.

(e) The Trustee shall not be liable for any error of judgment made in good faith by any officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(f) The recitals, statements and representations in this Trust Agreement or in the Certificates, save only the Trustee's execution of the Certificates, have been made by the Corporation and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof. The Trustee shall not be responsible for the validity, priority, recording or filing of this Trust Agreement, the Master Lease, or the Assignment Agreements, or for insuring the Facilities or collecting any insurance moneys, or for the validity of the execution by the Corporation of this Trust Agreement or of any supplements hereto or instruments of further assurance, or for the sufficiency of the Trust Estate, or for the value or title of the Facilities or as to the maintenance of the security hereof, except as otherwise expressly provided herein.

(g) Except as to the acceptance of the trusts created hereunder, the Trustee shall have no responsibility in respect of the due execution or acknowledgment of this Trust

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(g) No provision of this Trust Agreement shall be construed to relieve the Trustee from liability for its own negligent action, willful misconduct or negligent failure to act. However, in no event shall the Trustee be liable to any party: (i) for any losses on investments made in accordance with Section 408 hereof; (ii) for special, indirect or consequential damages including loss of profits or business, arising under or in connection with this Trust Agreement regardless of the form of action; (iii) for the use of the proceeds of sale of any Certificates; (iv) for compliance by the School Board with any covenant regarding the yield on investments made in accordance with Section 408 hereof.

(h) The Trustee may exercise any powers hereunder and perform any duties required of it through attorneys, agents, receivers, officers or employees, and shall be entitled to advice of counsel concerning its duties hereunder and all questions hereunder. Except as otherwise provided herein, the Trustee shall not be answerable for the exercise of any discretion or power hereunder nor for any act or failure to act in connection with the trust hereunder, except only its own willful misconduct or negligence.

**604. Compensation to Trustee.** The School Board has agreed in the Master Lease to pay to the Trustee reasonable fees and expenses as agreed to between the School Board and the Trustee. The Trustee shall have a lien for the foregoing on the Trust Estate.

**605. Resignation of Trustee.** The Trustee may at any time resign and be discharged of the duties and obligations created by this Trust Agreement by giving not less than 60 days written notice to the Corporation, the School Board and the Holders of all Certificates Outstanding, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the School Board or the Certificate holders as provided in Section 607, in which event such resignation shall take effect immediately on the appointment of such successor provided, however, that in the event no successor has been appointed, the Trustee shall continue to serve until such appointment. The Trustee may petition a court of competent jurisdiction for the appointment of a successor.

**606. Removal of Trustee.** Prior to the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be removed at any time by an instrument or concurrent instruments in writing appointing a successor, filed with the Trustee, and signed by the Corporation and the School Board, with cause, or by the Holders of a majority in principal amount of each Series of Certificates then Outstanding or their attorneys-in-fact duly authorized with or without cause, or by the Credit Facility Issuers insuring a majority in principal amount of each Series of Certificates then Outstanding with cause. After the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be so removed with or without cause by the Holders of a majority in principal amount of each Series of Certificates then Outstanding or their attorneys-in-fact duly authorized, or by the Credit Facility Issuers insuring a majority in principal amount of each Series of Certificates then Outstanding.

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Agreement by the Corporation, the validity or sufficiency of this Trust Agreement, or the validity of the Certificates or the issuance thereof.

## 603. Evidence on Which Trustee May Act.

(a) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of this Trust Agreement shall be protected in acting upon any such instrument reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may, but shall not be obligated to, consult with recognized counsel in the field of commercial banking and corporate trust administration, who may or may not be counsel to the School Board, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Trust Agreement in good faith and in accordance herewith.

(b) Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Trust Agreement, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized School Board Representative, and such certificate shall be full warranty for any action taken or suffered in good faith under the provisions of this Trust Agreement upon the faith thereof. But in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(c) Except as otherwise expressly provided hereunder, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the School Board to the Trustee shall be sufficiently executed in the name of the School Board by an Authorized School Board Representative.

(d) The Trustee shall not be deemed to have notice of any Event of Default hereunder except a default in the payment of Lease Payments, unless the Trustee shall have actual knowledge thereof or be specifically notified thereof in writing.

(e) The Trustee may buy, sell, own, hold and deal in any of the Certificates, and may join in any action which any Certificate holder may be entitled to take with like effect as if the Trustee were not a party to this Trust Agreement. The Trustee, either as principal or agent, may also engage in or have an interest in any financial or other transaction with the School Board or Corporation, and may act as depository, trustee, or agent for any committee or body of Certificate holders or other obligations of the School Board as freely as if it were not Trustee hereunder.

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

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## 607. Appointment of Successor Trustee.

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the School Board, as long as the School Board is not in default under the Master Lease and the Master Lease is in full force and effect. In the event that no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within 45 days after the Trustee shall have given to the School Board written notice as provided in Section 605 or after a vacancy in the office of the Trustee shall have occurred by reason of its removal as provided in Section 606 or by reason of its inability to act, a successor Trustee may be appointed by the Holders of a majority in principal amount of each Series of Certificates then Outstanding, excluding any Certificates held by or for the account of the School Board, by an instrument or concurrent instruments in writing signed and acknowledged by such Certificate holders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Corporation, the School Board and the predecessor. For purposes of this Article VI, "appointment" of a successor Trustee shall be deemed to occur upon designation, acceptance and commencement of performance of duties by the successor Trustee.

(b) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company or national banking association, having capital stock and surplus aggregating at least \$50,000,000, if there be such bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Trust Agreement.

(c) Each Credit Facility Issuer shall be furnished with written notice of the resignation or removal of the Trustee, Paying Agent and Registrar and of the appointment of, and acceptance of duties by, any successor thereto.

**608. Transfer of Rights in Property to Successor Trustee.** Any successor Trustee appointed under this Trust Agreement shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Corporation and the School Board an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Corporation, the School Board or the successor Trustee execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, assign and deliver to the successor Trustee any money or property subject to the trusts and conditions herein set forth together with any paid but unearned fees. Should any deed, conveyance or instrument in writing from the School Board and the Corporation be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, power and duties, any and all such deeds, conveyances

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and instruments in writing shall, on request, and as far as may be authorized by law, be executed, acknowledged and delivered by the School Board and the Corporation.

**609. Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of a state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Trust Agreement, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

**610. Addition of Authorized Signature.** In case any of the Certificates contemplated to be delivered under this Trust Agreement shall have been executed but not delivered, any successor Trustee may adopt the authorized signature of any predecessor Trustee so executing such Certificates and deliver such Certificates so executed; and in case any of the said Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Certificates or in this Trust Agreement provided that the certificate of the Trustee shall have.

**611. Indemnification to Trustee.** The School Board has in Section 5.7 of the Master Lease agreed, to the extent permitted by law, including the provisions of Section 768.28 Florida Statutes, to indemnify and save the Trustee harmless from and against all liabilities, including consequential damages and reasonable legal fees and expenses arising out of the administration of the Trust pursuant to this Trust Agreement, and all matters concerning the Trustee's duties and obligations with respect to the Leases and the Assignment Agreements including the issuance of the Certificates, except in the case of liability, obligations and damages arising out of the Trustee's negligence or willful misconduct.

**612. Obligation to Act on Defaults.** If any Event of Default shall have occurred and be continuing, the Trustee shall, subject to the provisions of Section 501, exercise such of the rights and remedies vested in it by this Trust Agreement and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

**613. Intervention by Trustee.** The Trustee may intervene, and upon the written request of Certificate holders of a majority in aggregate principal amount of each Series of Certificates then Outstanding and receipt of indemnity shall intervene, on behalf of Certificate holders or the related Credit Facility Issuer in any judicial proceeding to which the School Board or the Corporation is a party and which in the opinion of the Trustee and its attorneys has a substantial bearing on the interests of Certificate holders. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

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amendment, Certificates of any particular Series or maturity would be affected by any modification or amendment of this Trust Agreement. Copies of all amendments hereto shall be provided to the Rating Agencies, whether effected pursuant to Section 702 or Section 703 hereof.

**703. Consent of Certificate Holders.** The Trustee and the Corporation (at the direction of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder) may at any time enter into a Supplemental Trust Agreement making a modification or amendment permitted by the provisions of Section 702 to take effect when and as provided in this Section but subject to Section 707 hereof. A copy of such Supplemental Trust Agreement (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to affected Certificate holders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Trustee to such Certificate holders (but failure to mail such copy and request shall not affect the validity of the Supplemental Trust Agreement when consented to as provided in this Section). Such Supplemental Trust Agreement shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Certificates specified in Section 702 and (b) an Opinion of Counsel stating that such Supplemental Trust Agreement has been duly and lawfully entered into by the parties thereto and filed with the School Board, the Trustee and the Corporation in accordance with the provisions of this Trust Agreement, is authorized or permitted by this Trust Agreement, and is valid and binding upon the parties thereto in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the Holder, at the date of such consent, of the Certificates with respect to which such consent is given, which proof shall be such as is permitted by Section 802. A certificate or certificates executed by the Trustee and filed with the School Board and the Corporation stating that it has examined such proof and that such proof is sufficient in accordance with Section 802 shall be conclusive that the consents have been given by the Holders of the Certificates described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Certificates giving such consent and, anything in Section 802 to the contrary notwithstanding, upon any subsequent Holder of such Certificates and of any Certificates issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Certificates giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 703 provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the School Board and the Corporation to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages in principal amount of Certificates shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the School Board and the Corporation a written statement that the Holders of such required percentages in principal amount of Certificates have filed such consent. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Trust Agreement (which may be referred to as a Supplemental Trust Agreement entered into by the parties thereto on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages in principal amount of Certificates and will be effective as provided in this Section 703, may be given to Certificate holders by the Trustee by mailing such notice to Certificate holders (but failure to mail such

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**614. Third Party Beneficiaries.** Each Credit Facility Issuer is hereby expressly recognized as a third party beneficiary to this Trust Agreement and, so long as the Credit Facility issued by such Credit Facility Issuer is in effect and the Credit Facility Issuer is properly honoring drawings thereunder, it shall be entitled to enforce the obligations to the Credit Facility Issuer hereunder of the Corporation and the Trustee and of the School Board to the Credit Facility Issuer under the Master Lease.

## ARTICLE VII AMENDMENTS

**701. Mailing.** Any provision in this Article for the mailing of a notice or other paper to Certificate holders of a Series of Certificates shall be fully complied with if it is mailed postage prepaid only (i) to each Holder of Certificates of such Series then Outstanding at his/her address, if any, appearing upon the registry books of the Trustee, (ii) to the Credit Facility Issuer with respect to such Series of Certificates and (iii) to the Trustee.

**702. Power of Amendment.** The Trust Agreement and the rights and obligations provided hereby may be modified or amended at any time by a Supplemental Trust Agreement, entered into between the Trustee and the Corporation (with the written consent of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder) without the consent of any Certificate holders, but only (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Trust Agreement, or (2) to insert such provisions clarifying matters which they deem necessary or desirable and which are not contrary to or inconsistent with this Trust Agreement as theretofore in effect, or (3) to issue one or more Series of Certificates pursuant to Article III hereof, or (4) to permit a Series of Certificates to be issued in book-entry form with or without physical certificates, or (5) to make any other modification or amendment that in the judgment of the Trustee (upon the advice of counsel, if requested) will not have a material adverse effect on the interests of any of the Certificate holders. Any other modification or amendment of this Trust Agreement and of the rights and obligations of the Corporation and of the Holders of the Certificates hereunder, may be made by a Supplemental Trust Agreement, entered into between the Trustee and the Corporation with the written consent given, as provided in Section 703 hereof but subject to Section 707 hereof, of the Holders of at least a majority in principal amount of the Certificates Outstanding of each Series at the time such consent is given and who are affected by such modifications or amendments and the written consent of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder; provided, however, that if any such modification or amendment will, by its terms, not take effect so long as any affected Certificates remain Outstanding, the consent of the Holders of such Certificates shall not be required and such Certificates shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Certificates under this Section. No such modification or amendment shall permit a change in the terms of prepayment or maturity of the principal portion of any Outstanding Certificates or of any installment of the interest portion thereon or a reduction in the principal portion or the Prepayment Price thereof or in the interest portion thereon or in the consents required for such modifications or amendments without the consent of the Holders of such Certificates, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. The Trustee shall be entitled to receive an opinion of counsel as to whether or not, in accordance with the foregoing powers of

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notice shall not prevent such Supplemental Trust Agreement from becoming effective and binding as in this Section 703 provided). A record, consisting of the certificates or statements required or permitted by this Section 703 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Trust Agreement making such amendment or modification shall be deemed conclusively binding upon the School Board and the Corporation, the Trustee and the Holders of all Certificates affected by such Supplemental Trust Agreement at the expiration of forty (40) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Trust Agreement in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee, the School Board and the Corporation during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Trust Agreement as they may deem expedient.

**704. Modifications by Unanimous Consent.** The terms and provisions of this Trust Agreement applicable to a Series of Certificates and the rights and obligations of the Trustee and the Corporation and of the Holders of the Certificates of such Series hereunder may be modified or amended, with the written consent of the School Board in any respect upon entering into by the parties thereto of a Supplemental Trust Agreement and the consent of the Holders of all the Certificates then Outstanding of such Series, such consent to be given as provided in Section 703 except that no notice to Certificate holders by mailing shall be required.

**705. Exclusion of Certificates.** Certificates owned or held by or for the account of the School Board shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Certificates provided for in this Article VII, and the School Board shall not be entitled with respect to such Certificates to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the School Board shall furnish the Trustee a certificate of an Authorized School Board Representative, upon which the Trustee may rely, describing all Certificates so to be excluded.

**706. Notation on Certificates.** Certificates executed and delivered after the effective date of any action taken as in this Article VII provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the School Board, the Corporation and the Trustee as to such action, and in that case upon demand of the Holder of any Certificate Outstanding at such effective date and presentation of his/her Certificate for the purpose at the designated corporate trust office of the Trustee or upon any transfer or exchange of any Certificate Outstanding at such effective date, suitable notation shall be made on such Certificate or upon any Certificates issued upon any such transfer or exchange by the Trustee as to any such action. If the School Board, the Corporation and the Trustee shall so determine, new Certificates so modified as in the opinion of the Trustee, the Corporation and the School Board to conform to such action shall be prepared, executed and delivered, and upon demand of the Holder of any Certificate then Outstanding shall be exchanged, without cost to such Certificate holder, for Certificates of the same maturity then Outstanding, upon surrender of such Certificates.

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**707. Credit Facility Issuers Deemed Certificate Holders.** Notwithstanding any other provisions of this Trust Agreement, including without limitation this Article VII, whenever the consent of a Certificate holder shall be required under this Trust Agreement for any purpose except those modifications or amendments effecting a change in the terms of prepayment or maturity of the principal portion of any Outstanding Certificates or of any installment of the interest portion thereon or a reduction in the principal portion thereon or of the requirement that such modifications or amendments not be made without the consent of the Holders of such Certificates, any Certificate insured or guaranteed by a Credit Facility shall be deemed to be owned by the Credit Facility Issuer issuing such Credit Facility, so long as such Credit Facility Issuer has not defaulted on the obligations under its Credit Facility.

## ARTICLE VIII MISCELLANEOUS

### 801. Defeasance.

(a) If the principal portion or Prepayment Price of all Certificates, if applicable, and the interest portion due or to become due thereon, shall be paid at the times and in the manner stipulated in such Certificates and in this Trust Agreement, and all amounts owing to the Trustee under this Trust Agreement shall have been paid, then the pledge of the Trust Estate and all covenants, agreements and other obligations of the School Board under this Trust Agreement in favor of such Certificates shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause statements for such period or periods as shall be requested by the School Board to be prepared and filed with the School Board and, upon the request of the School Board, shall execute and deliver to the School Board all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the School Board all moneys or securities held by it pursuant to this Trust Agreement which are not required for the payment of the principal portion or Prepayment Price, if applicable, and interest portion due or to become due with respect to such Certificates not theretofore surrendered for such payment or prepayment or for the payment of amounts owing to any Credit Facility Issuer under a Reimbursement Agreement or as ground rent under any Ground Lease.

(b) Certificates for the payment or prepayment of which moneys shall have been set aside sufficient to pay the principal portion, the Prepayment Price, if applicable, and interest portion to become due to maturity or earlier prepayment, shall be held in trust by the Trustee as escrow holder (through deposit by the School Board of funds for such payment or prepayment of the Purchase Option Price of one or more Facilities pursuant to Section 7.3 of the Master Lease or otherwise) shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 801 except that the obligation of the School Board to make, or cause to be made, Basic Lease Payments from such set-aside amounts shall continue. Any Outstanding Certificates shall, prior to the maturity or Prepayment Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 801 if the Trustee shall receive an Opinion of Counsel to that effect and (a) in case any of said Certificates are to be prepaid on any date prior to their maturity, the School Board shall have given to the Trustee irrevocable instructions in writing from an Authorized School Board Representative to mail as provided in Article III a notice of prepayment of which

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cancelled to be applied against the obligation to prepay Certificates deemed paid in accordance with this Section 801 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Certificates as provided in this Section 801 the total amount of moneys and Defeasance Securities remaining on deposit with the Trustee under this Section 801 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Certificates in order to satisfy subclause (b) of this subsection of Section 801, the Trustee shall, if requested by the School Board, pay the amount of such excess to the School Board free and clear of any trust, lien, pledge or assignment securing said Certificates or otherwise existing under this Trust Agreement. Except as otherwise provided in this subsection of Section 801, neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section 801 nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal portion or Prepayment Price, if applicable, and interest portion represented by said Certificates; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, as verified by a certificate delivered to the Trustee by a firm of independent certified public accountants acceptable to the Trustee, shall be paid over to the School Board as received by the Trustee, free and clear of any trust, lien or pledge securing said Certificates or otherwise existing under this Trust Agreement, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Prepayment Price, if applicable, and interest represented by said Certificates on or prior to such prepayment date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the School Board, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Certificates or otherwise existing under this Trust Agreement.

(c) Anything in this Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment of any of the Certificates which remain unclaimed for six (6) years after the date when such Certificates have become due and payable, either at their stated maturity dates or by call for prepayment, if such moneys were held by the Trustee at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Certificates became due and payable, shall, at the written request of the School Board be repaid by the Trustee to the School Board, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Certificate holders shall look only to the School Board for the payment of such Certificates; provided, however, that before being required to make any such payment to the School Board, the Trustee shall, at the expense of the School Board, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the School Board.

### 802. Evidence of Signatures of Certificate Holders and Ownership of Certificates.

(a) Except as otherwise provided in Section 707 hereof, any request, consent, revocation of consent or other instrument which this Trust Agreement may require or permit to

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Certificates (other than Certificates which have been purchased by the Trustee at the direction of the School Board or purchased or otherwise acquired by the School Board and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of prepayment) on said date, (b) there shall have been deposited with the Trustee as escrow holder moneys consisting of either cash in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee as escrow holder at the same time, shall be sufficient, to pay when due the principal portion or Prepayment Price, if applicable, and interest portion due and to become due with respect to said Certificates on or prior to the prepayment date or maturity date thereof, as the case may be, and (c) in the event said Certificates are not by their terms subject to prepayment within the next succeeding 60 days, the School Board shall have given the Trustee in form satisfactory to it, instructions to mail a notice to the Holders of such Certificates that the deposit required by (b) above has been made with the Trustee as escrow holder and that said Certificates are deemed to have been paid in accordance with this Section 801 and stating such maturity or Prepayment Date upon which moneys are expected to be available for the payment of the principal or Prepayment Price, if applicable, of said Certificates, other than Certificates which have been purchased by the Trustee at the direction of the School Board or purchased or otherwise acquired by the School Board and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of prepayment referred to in clause (a) above. The Trustee shall, if so directed by the School Board (i) prior to the maturity date of Certificates deemed to have been paid in accordance with this Section 801 which are not to be prepaid prior to their maturity date or (ii) prior to the mailing of the notice of prepayment referred to in clause (a) above with respect to any Certificates deemed to have been paid in accordance with this Section 801 which are to be prepaid on any date prior to their maturity, apply moneys deposited with the Trustee as escrow holder in respect of such Certificates or sell Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Certificates and the Trustee shall immediately thereafter cancel all such Certificates so purchased; provided, however, that the moneys and Defeasance Securities remaining on deposit with the Trustee after the purchase and cancellation of such Certificates shall be sufficient to pay when due the principal or Prepayment Price, if applicable, of, and interest portion due or to become due with respect to all Certificates, in respect of which such moneys and Defeasance Securities are being held by the Trustee on or prior to the Prepayment Date or maturity date thereof, as the case may be. If, at any time (i) prior to the maturity date of Certificates deemed to have been paid in accordance with this Section 801 which are not to be prepaid prior to their maturity date or (ii) prior to the mailing of the notice of prepayment referred to in clause (a) with respect to any Certificates deemed to have been paid in accordance with this Section 801 which are to be prepaid on any date prior to their maturity, the School Board shall purchase or otherwise acquire any such Certificates and deliver such Certificates to the Trustee prior to their maturity date or Prepayment Date, as the case may be, the Trustee shall immediately cancel all such Certificates so delivered; such delivery of Certificates to the Trustee shall be accompanied by directions from the School Board to the Trustee as to the manner in which such Certificates are to be applied against the obligation to pay or prepay Certificates deemed paid in accordance with this Section 801. The directions given by the School Board to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Certificates so purchased or delivered and cancelled to be applied against the obligation to pay Certificates deemed paid in accordance with this Section 801 upon their maturity date or dates and the portion, if any, of such Certificates so purchased or delivered and

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be signed and executed by the Certificate holders may be in one or more instruments of similar tenor, and shall be signed or executed by such Certificate holders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Certificates, shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable: the fact and date of the execution by any Certificate holder or his/her attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a partner of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his/her authority.

(b) The ownership of Certificates and the amount, numbers and other identification, and date of holding the same shall be proved by the register maintained by the Trustee.

(c) Any request or consent by the Holder of any Certificate shall bind all future Holders of such Certificate or any Certificates issued in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the School Board, the Corporation or the Trustee in accordance therewith.

**803. Moneys Held for Particular Certificates.** Subject to Section 801(c) hereof, the amounts held by the Trustee for the payment of the interest portion, principal portion or Prepayment Price due on any date with respect to particular Certificates shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Certificates entitled thereto.

**804. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject during normal business hours and upon reasonable prior notice to the inspection of the School Board, the Corporation, and any Certificate holder and their agents and their representatives, any of whom may at their own expense make copies thereof.

**805. Parties Interest Herein.** Subject to Section 614, nothing herein, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Corporation, the Trustee and the Holders of the Certificates, remedies or claims under or by reason hereof or any covenant, condition or stipulation thereof; provided that with respect to the provisions hereof which require the Trustee to give notice to the School Board, obtain the School Board's consent, pay or deliver to the School Board any moneys held by the Trustee hereunder or grant to the School Board any right or privilege whatsoever, such provisions shall also be for the benefit of the School Board and, upon the failure of the Trustee to comply therewith, the School Board shall have such rights, remedies and claims as are provided

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hereunder or by reason hereof or by law. All covenants, stipulations, promises and agreements herein contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the School Board, the Corporation, the Trustee and the Holders of the Certificates.

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

**806. Severability.** If any one or more of the covenants or agreements provided in this Trust Agreement on the part of the Corporation or the Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Trust Agreement.

**807. Recording and Filing.** The School Board shall be responsible for the recording and filing of instruments or documents of further assurance, if any, as may be required by law in order to effectively convey the interests contemplated by this Trust Agreement.

**808. Notices.** Unless otherwise specified herein, all notices, requests, demands or other communications (other than payments by the School Board) to or upon the respective parties listed below shall be deemed to have been given (i) in the case of notice by letter, when delivered to the addressee by hand or on the third day after deposit in the mails, by first class mail, postage prepaid, return receipt requested, (ii) in the case of notice by cable, when delivered to the cable company, charges prepaid, (iii) in the case of notice by telex or bank wire, when sent, answer back received, and (iv) if given by telephone, when communicated to the person or to the holder of the office specified as the person or officeholder to whose attention communications are to be given, addressed to them as follows or to such other address as any of the parties may designate by written notice to the other party:

- Corporation: Palm Beach School Board Leasing Corp.  
3340 Forest Hill Boulevard  
West Palm Beach, Florida 33406  
Attention: President
- School Board: The School Board of Palm Beach County,  
Florida  
3340 Forest Hill Boulevard  
West Palm Beach, Florida 33406  
Attention: Superintendent of Schools
- Trustee: NationsBank of Florida, N.A.  
One Financial Plaza, 13th Floor  
Fort Lauderdale, Florida 33394  
Attention: Corporate Trust Department
- Rating Agencies: Moody's Investor Service, Inc.  
99 Church Street  
New York, New York  
Attention: Public Finance Department

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**IN WITNESS WHEREOF**, the parties have executed this Master Trust Agreement by their duly authorized officers as of the date and year first written above.

(SEAL) **PALM BEACH SCHOOL BOARD LEASING CORP.**

Attest: \_\_\_\_\_ By: \_\_\_\_\_  
C. Monica Uhlhorn Jody Gleason  
Secretary Vice President

(SEAL) **NATIONSBANK OF FLORIDA, N.A., as Trustee**

By: \_\_\_\_\_  
Michael J. Marra  
Assistant Vice President

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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 a Credit Facility, (iii) the prepayment or defeasance of any of the Outstanding Certificates in accordance with Section 801 or 802 hereof or (iv) a material modification of or amendment to this Trust Agreement, the Master Lease, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility.

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

**810. Binding on Successors.** This Trust Agreement shall be binding upon and inure to the benefit of the parties, the Certificate holders and each Credit Facility Issuer and their respective successors and assigns.

**811. Captions.** Captions preceding the text of the several Articles and Sections hereof, and the table of contents, are solely for convenience of reference and shall not constitute a part of this Trust Agreement or affect its meaning, construction or effect.

**812. Legal Holidays.** Unless otherwise provided herein if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Trust Agreement, is not a Business Day such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided herein, and no interest shall accrue on such payments for the period after such date.

**813. Execution in Counterparts.** This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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STATE OF FLORIDA )  
 ) SS:  
COUNTY OF PALM BEACH )

I, \_\_\_\_\_, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary, of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being hereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC  
SEAL OF OFFICE:

\_\_\_\_\_  
(Name of Notary Public, Print, Stamp or Type as Commissioned.)  
 Personally known to me, or  
 Produced identification: \_\_\_\_\_  
 Type of Identification Produced:  
 DID take an oath, or  DID NOT take an oath.

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STATE OF FLORIDA )  
 ) SS:  
COUNTY OF PALM BEACH )

EXHIBIT A  
**FORM OF CERTIFICATE OF PARTICIPATION**  
Front of Certificate

I, \_\_\_\_\_, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Michael J. Marra, personally known to me to be the same person whose name is, as Assistant Vice President of NationsBank of Florida, N.A., a national banking association, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she/he, being hereunto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said association and as her/his own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC  
SEAL OF OFFICE:

(Name of Notary Public, Print, Stamp or Type as Commissioned)  
 Personally known to me, or  
 Produced identification;  
 Type of Identification Produced;  
 DID take an oath, or  DID NOT take an oath.

REGISTERED NUMBER \_\_\_\_\_ REGISTERED \$ \_\_\_\_\_

**CERTIFICATE OF PARTICIPATION**  
**SERIES \_\_\_\_\_**  
Evidencing an Undivided Proportionate Interest of the Owner Hereof in Basic Lease Payments to be Made by **THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA** as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

INTEREST RATE \_\_\_\_\_ MATURITY DATE \_\_\_\_\_ ORIGINAL ISSUE DATE \_\_\_\_\_ CUSIP NO. \_\_\_\_\_

REGISTERED OWNER:

PRINCIPAL SUM: \_\_\_\_\_ DOLLARS

THIS IS TO CERTIFY THAT the registered owner named above is the owner of this Certificate of Participation, Series \_\_\_\_\_ (this "Certificate"), evidencing an undivided proportionate interest in Basic Lease Payments (as set forth in Schedule No. \_\_\_\_\_ to the hereinafter mentioned Master Lease Purchase Agreement (collectively, the "Series \_\_\_\_\_ Lease")) to be made by the School Board of Palm Beach County, Florida (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District") pursuant to the Master Lease Purchase Agreement, dated as of November 1, 1994 (the "Master Lease"), between Palm Beach School Board Leasing Corp., a not-for-profit corporation duly organized and existing under the laws of the State of Florida, as lessor (the "Corporation"), and the School Board, as lessee. Under a Series \_\_\_\_\_ Assignment Agreement dated as of \_\_\_\_\_ (the "Assignment Agreement") entered into by and between the Corporation and NationsBank of Florida, N.A., Fort Lauderdale, Florida, as trustee (such bank and any successor thereto hereinafter called the "Trustee"), the Corporation has transferred to the Trustee, for the benefit of the Certificate Holders, all of its rights under the Series \_\_\_\_\_ Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series \_\_\_\_\_ Facilities under Section 6.1 of the Master Lease and its right to receive notices under the Master Lease) including its rights to receive Basic Lease Payments thereunder, with respect to the Series \_\_\_\_\_ Facilities identified in said Schedule No. \_\_\_\_\_ (the "Series Facilities").

The registered owner of this Certificate ("Certificate Holder") is entitled to receive, subject to the terms of the Master Lease and the Trust Agreement (hereinafter defined), on the maturity date specified above (the "Maturity Date"), unless prepaid prior thereto as provided herein, the principal sum specified above, representing the portion of the Basic Lease Payments

designated as principal and coming due on the Maturity Date, and to receive on February 1 and August 1 of each year, commencing \_\_\_\_\_, \_\_\_\_\_, to and including the final Maturity Date or the date of prepayment, whichever is earlier, the interest portion of the Basic Lease Payments payable to Certificate Holders on such dates. Said amounts are payable in lawful money of the United States of America. The amounts representing principal portion and Prepayment Price shall be payable at the designated corporate trust office of the Trustee and the amounts representing interest portion shall be payable by check or draft of the Trustee mailed to the registered owner at the address of the registered owner as it shall appear on the registration books maintained by the Trustee as of the 15th day of the month next preceding the month in which such payment is due. Such interest portion may be paid by wire transfer to the registered owners of \$1,000,000 or more upon their request in writing received at least 15 days prior to any Payment Date.

The Basic Lease Payments are payable from funds appropriated by the School Board for such purpose from current or other funds authorized by law and regulations of the State of Florida Department of Education. The School Board is not legally required to appropriate moneys for this purpose. NEITHER THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY, EXCEPT FROM APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES \_\_\_\_\_ LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

THE TRUSTEE HAS NO OBLIGATION OR LIABILITY TO MAKE PAYMENTS WITH RESPECT TO THIS CERTIFICATE EXCEPT FROM FUNDS RECEIVED BY IT PURSUANT TO THE TRUST AGREEMENT REFERRED TO ON THE REVERSE HEREOF.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS CERTIFICATE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH 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 pursuant to the terms of the Series \_\_\_\_\_ Lease, (ii) all amounts from time to time deposited in the funds and accounts created under the Master Trust Agreement dated as of November 1, 1994, between the Corporation and the Trustee (as the same may be amended and supplemented from time to time, the "Trust Agreement"), including investment earnings; (iii) any proceeds received by the Trustee upon the sale, re-letting or other disposition of the Series \_\_\_\_\_ Facilities or the pursuit of any other remedy pursuant to the Master Lease, and (iv) Net Proceeds resulting from any insurance or other financial guaranty claim or payment or any claim or condemnation award payable with respect to the Series \_\_\_\_\_ Facilities pursuant to the Master Lease and the Trust Agreement, but only to the extent that the Trustee shall have actually received sufficient income or proceeds from the Trust Estate (defined in the Trust Agreement) to make such payments. It is provided in the Master Lease that the cost and expense of the performance by the School Board of its obligations thereunder including, without limitation, the payment of all Basic Lease Payments and all other amounts required to be paid by the School Board thereunder, shall be subject to and dependent upon appropriations being duly made from time to time by the School Board for such purposes or other amounts being lawfully available therefor. The payment of the principal portion and interest portion of the Basic Lease Payments represented by the Certificates is not a liability or charge upon the credit of the Trustee or the Corporation, and neither the Trustee nor the Corporation has any obligation to make such payments, other than the Trustee's obligation to make such payments from the income from and proceeds of the sources described above.

This Certificate has been executed by the Trustee pursuant to the Trust Agreement. Copies of the Trust Agreement and the Series \_\_\_\_\_ Lease are on file at the principal corporate trust office of the Trustee, and reference to the Trust Agreement and the Series \_\_\_\_\_ Lease and any and all supplements or amendments thereto is made for a description of the funds and accounts established under the Trust Agreement for the purpose of securing the Certificates, the agreements and covenants of the School Board in the Series \_\_\_\_\_ Lease with respect to the Series \_\_\_\_\_ Project and Basic Lease Payments to be made by the School Board, the nature, extent and manner of enforcement of such agreements and covenants, the rights and remedies of the Certificate Holders with respect thereto, certain limitations relating to the issuance of additional Series of Certificates under the Trust Agreement, the manner in which the terms of the Trust Agreement may be amended, and the other terms and conditions upon which the Certificates are delivered thereunder.

Reference is hereby made to the Trust Agreement and any and all supplements, modifications or amendments thereof for a description of the pledge of the Trust Estate and assignment and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Holders of the Certificates with respect thereto, the terms and conditions upon which the Holders of the Certificates shall cease to be entitled to any lien, benefit or security under the Trust Agreement and for the other terms and

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provisions thereof and the pledge of the Trust Estate and the terms and conditions upon which all covenants of the Trustee to the Holders of such Certificates shall thereupon cease, terminate and become void and be discharged and satisfied. All covenants, agreements and obligations of the School Board under the Series \_\_\_\_\_ Lease with respect to the Series \_\_\_\_\_ Facilities or a portion thereof may be discharged and satisfied prior to the maturity or prepayment of this Certificate if moneys or certain specified securities have been deposited with the Trustee in the manner provided in the Trust Agreement.

This Certificate shall be issued initially pursuant to a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"), which shall act as securities depository for the Certificates, with no physical distribution of certificates to be made. Any provisions of the Trust Agreement or this Certificate requiring physical delivery of Certificates shall, under the book-entry-only system, be deemed to be satisfied by a notation on the records maintained by DTC of ownership interests of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Certificates ("Beneficial Owners").

This Certificate shall initially be issued in the name of Cede & Co. as nominee for DTC, and so long as this Certificate is held in book-entry-only form Cede & Co. shall be considered the registered owner for all purposes hereof, including the payment of principal and interest portions of Basic Lease Payments represented by this Certificate. Payment to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to individual Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

This Certificate shall be transferable upon the registration books of the Trustee, which shall be kept at the principal corporate trust office of the Trustee upon payment of any charges required. Except when registration of the Certificates is being maintained by persons to a book-entry-only system, the Certificate Holder may transfer this Certificate in person or by such Certificate Holder's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Certificate Holder or such Certificate Holder's duly authorized attorney. Upon the transfer of this Certificate, the Trustee shall deliver in the name of the transferee a new Certificate or Certificates of the same aggregate principal amount and maturity as the surrendered Certificate. The Trustee may deem and treat the person in whose name this Certificate is registered upon the register of the Trustee as the absolute owner hereof for all purposes, and all such payments so made to any such Certificate Holder or upon such Certificate Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Trustee shall not be affected by any notice to the contrary.

The Certificates shall be delivered in registered form in the denominations of \$5,000 or any integral multiple of \$5,000. The Certificates, upon surrender thereof at the designated corporate trust office of the Trustee with a written instruction satisfactory to the Trustee, duly executed by the Certificate Holder or such Certificate Holder's attorney duly authorized in

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writing, may, at the option of the Certificate Holder and upon payment by such Certificate Holder of any charges which the Trustee may make as provided in the Trust Agreement, be exchanged for an equal aggregate principal amount of registered Certificates of the same maturity of any other authorized denominations.

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

Certificates maturing after August 1, \_\_\_\_\_, shall be subject to prepayment on or after August 1, \_\_\_\_\_, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series \_\_\_\_\_ Leases in whole at any time, or in part on any Interest Payment Date, and if in part, in such order of maturity of Certificates corresponding to the due dates of the principal portion of the Basic Lease Payments under the Series \_\_\_\_\_ Lease(s) as shall be designated by the School Board to be prepaid, and by lot within a maturity in such manner as the Trustee may determine, at the Prepayment Price expressed as a percentage of the principal portion of Basic Lease Payments represented by the Certificates or portions thereof to be prepaid as set forth opposite such period in the following table, plus the interest accrued to the Prepayment Date:

Prepayment Period (Both Dates Inclusive)	Prepayment Price %
August 1, _____ through July 31, _____	
August 1, _____ through July 31, _____	
August 1, _____ and thereafter	

**Extraordinary Prepayment:** (i) Certificates shall be subject to prepayment in whole or in part at any time and if in part, in inverse order of maturity or on a proportional basis, as shall be designated by the School Board, and by lot within a maturity in such manner as the Trustee shall determine to be fair and appropriate, in an amount equal to the principal portion of Basic Lease Payments prepaid under the Series \_\_\_\_\_ Lease(s), at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if (A) there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to the Series \_\_\_\_\_ Facilities as a result of damage, destruction or condemnation of any portion of the Series \_\_\_\_\_ Facilities and an election is made by the School Board under Section 5.4(b) of the Master Lease to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to the Series \_\_\_\_\_ Facilities and represented by the Certificates, or (B) there shall remain in the Series 1994A Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under the Series \_\_\_\_\_ Lease(s), upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series \_\_\_\_\_ Facilities.

(ii) At the election of the Series \_\_\_\_\_ Credit Facility Issuer, Certificates shall be subject to prepayment in whole at any time, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if the Lease Term of all Leases is terminated for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease.

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**Mandatory Sinking Fund Prepayment:** Certificates maturing on August 1, \_\_\_\_\_ are subject to mandatory prepayment prior to maturity in part, from payments of the principal portion of Basic Lease Payments as set forth in the Series \_\_\_\_\_ Lease, through the operation of a sinking fund on each August 1 in the years and in the following amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date.

August 1 of the Year	Principal Amount
_____	\$
_____	
_____	
_____*	

\* Final Maturity.

If less than all the Certificates of like maturity shall be called for prepayment, the particular Certificates or portions thereof to be prepaid shall be selected by lot by the Trustee in such manner as the Trustee shall deem fair and appropriate. The portion of any Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates in \$5,000 denominations which is obtained by dividing the principal amount of such Certificate to be prepaid in part by \$5,000. Interest represented by Certificates so prepaid shall be paid from the amount then available to prepay Certificates.

When prepayment of Certificates is required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of such Certificates, which notice shall specify the maturities of the Certificates to be prepaid, the CUSIP numbers (which shall be for informational purposes only and shall not affect the validity of such notice) the prepayment date and the place or places where amounts due upon such prepayment will be payable and, if less than all of the Certificates are to be prepaid, the letters and numbers or other distinguishing marks of such Certificates to be prepaid, and, in the case of Certificates to be prepaid in part only, such notice shall also specify the respective portions of the principal amount thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable upon each Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof in the case of Certificates to be prepaid in part only, together with interest accrued to the prepayment date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than 30 days before the prepayment date in the case of optional prepayment, extraordinary prepayment resulting from damage, destruction or condemnation of Facilities or mandatory sinking fund prepayment for the Certificates to be prepaid and not less than 5 days nor more than 10 days before the Prepayment Date in the case of extraordinary prepayment resulting from termination of all Leases as a result of nonappropriation or default by the School Board, to the Certificate Holders of any Certificates or portions thereof which are to be prepaid, at their last addresses appearing upon the registry books, but any defect in the notice to a

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particular Certificate Holder shall not affect the validity of the proceedings for the prepayment of other Certificates Notice, to the extent available, of such prepayment shall be provided to any depository not less than two days prior to mailing of such notice.

THE OBLIGATION OF THE SCHOOL BOARD TO MAKE BASIC LEASE PAYMENTS UNDER SCHEDULE NO. \_\_\_\_ OF THE MASTER LEASE IS A SPECIAL AND LIMITED OBLIGATION, SUBJECT TO ANNUAL APPROPRIATION BY THE SCHOOL BOARD, AS FURTHER PROVIDED ON THE FRONT OF THIS CERTIFICATE.

**Form of Opinion of Special Tax Counsel  
Statement of Insurance**

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**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		

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**ASSIGNMENT**

For value received \_\_\_\_\_ the undersigned does hereby sell, assign and transfer unto the within-mentioned Certificate and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney, to transfer the same on the Certificate register of the Trustee with full power of substitution in the premises.

Dated: \_\_\_\_\_  
Signature Guaranteed: \_\_\_\_\_

NOTE: The signature on this Assignment must correspond with the name as written on the face of the within-mentioned Certificate in every particular without alteration or enlargement or any change whatsoever

Social Security or Other  
Identifying Number of  
Transferee: \_\_\_\_\_

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

TEN COM - as tenants in common  
TEN ENT - as tenants by the entireties  
JT TEN - as joint tenants with the rights of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)  
under Uniform Gifts to Minors Act \_\_\_\_\_  
(State)

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

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The undersigned hereby certifies that (a) each obligation, item of cost or expense herein has been properly incurred, (b) each obligation, item of cost or expense herein is an item of the Cost of the Series \_\_\_\_\_ Facilities and has not been the basis of any previous withdrawal, and (c) such payment will not cause the balance remaining in the Series Acquisition Account after such payment to be less than the amount necessary to pay the remaining estimated Costs to be paid from the Series \_\_\_\_\_ Acquisition Account, or sufficient other moneys are available therefor.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Authorized School Board Representative

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**EXHIBIT C**

REQUISITION NO. \_\_\_\_\_

§ \_\_\_\_\_  
CERTIFICATES OF PARTICIPATION  
SERIES \_\_\_\_\_

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

TO: NationsBank of Florida, N.A.

Trustee under the Master Trust Agreement dated as of November 1, 1994, with  
Palm Beach School Board Leasing Corp. ("Trust Agreement")

This Requisition is made pursuant to Section 402(d) to pay Costs of Issuance of the  
Certificates.

The Trustee is hereby directed to pay sums out of the Cost of Issuance Subaccount in  
the Series \_\_\_\_\_ Acquisition Account as follows:

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

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**SERIES 2003B SUPPLEMENTAL TRUST AGREEMENT**

by and among

**PALM BEACH SCHOOL BOARD LEASING CORP.**

and

**THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.**  
as agent for The Bank of New York  
(Successor by acquisition to NationsBank of Florida, N.A.)

as Trustee

Dated as of June 15, 2003

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**APPENDIX I FORM OF NOTICE TO CERTIFICATE HOLDERS OF ALTERNATE  
LIQUIDITY FACILITY**

EXHIBIT A	PROVISIONS RELATING TO SERIES 2003B CERTIFICATES OUTSTANDING AS VARIABLE RATE CERTIFICATES OR FIXED RATE CERTIFICATES
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## SERIES 2003B SUPPLEMENTAL TRUST AGREEMENT

THIS SERIES 2003B SUPPLEMENTAL TRUST AGREEMENT, dated as of June 15, 2003 (the "Series 2003B Supplemental Trust Agreement"), supplementing the Master Trust Agreement, dated as of November 1, 1994 (the "Trust Agreement"), by and among **PALM BEACH SCHOOL BOARD LEASING CORP.** (the "Corporation"), a not-for-profit corporation, duly organized and existing under the laws of the State of Florida, as lessor under the within mentioned Master Lease, and **THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.**, a national banking association with its designated corporate trust office in Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), a bank organized under the laws of the State of New York with corporate trust powers qualified to accept trusts of the type set forth in the Trust Agreement, as trustee (the "Trustee").

### WITNESSETH:

WHEREAS, The School Board of Palm Beach County, Florida (the "School Board") has deemed it to be in its best interest to lease-purchase certain real and personal property from time to time and has entered into the Master Lease (as defined in the Trust Agreement) between the Corporation, as lessor, and the School Board, as lessee; and

WHEREAS, pursuant to the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease, direct the Corporation to acquire, construct and lease-purchase to the School Board the items of real or personal property described in such Schedule, (which items of property are collectively referred to herein as "Facilities"); and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing such Facilities may be made by the issuance and sale from time to time of one or more Series (as defined in the Trust Agreement) of Certificates of Participation issued under the Trust Agreement (the "Certificates"), which shall be secured by and be payable from Basic Lease Payments to be made by the School Board pursuant to the Master Lease and related Schedules; and

WHEREAS, on November 16, 1994, the Trustee, at the direction of the Corporation, issued \$62,095,000 Certificates of Participation, Series 1994A, to provide funds for the lease purchase financing of certain Facilities; and

WHEREAS, on October 1, 1997, the Trustee, at the direction of the Corporation, issued \$47,145,000 Certificates of Participation, Series 1997A, to provide funds to advance refund a portion of the outstanding Series 1994A Certificates; and

WHEREAS, on June 20, 1995, the Trustee, at the direction of the Corporation, issued \$133,600,000 Certificates of Participation, Series 1995A, to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, on June 4, 1996, the Trustee, at the direction of the Corporation, issued \$32,155,000 Certificates of Participation, Series 1996A, to provide funds for the lease purchase financing of certain additional Facilities; and

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pursuant to the Series 2003B Assignment Agreement, dated as of June 15, 2003 (the "Series 2003B Assignment Agreement"), between the Corporation and the Trustee; and

WHEREAS, the Trustee has received an order from an Authorized Corporation Representative relating to the issuance of \$[PRINCIPAL AMOUNT] aggregate principal amount of Certificates of Participation, Series 2003B Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by the School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor (the "Series 2003B Certificates"); and

WHEREAS, as of the date hereof, the School Board and the Corporation have also executed Schedule 2003A for the lease-purchase of a Facility described in such Schedule and in connection therewith the Trustee has received an order from an Authorized Corporation Representative relating to the issuance of \$60,865,000 aggregate principal amount of Certificates of Participation, Series 2003A 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; and

WHEREAS, the proceeds of the Series 2003B Certificates shall be used pursuant to the Trust Agreement, as supplemented hereby, to finance the acquisition, construction and installation of the Series 2003B Facilities and to pay costs of issuance of the Series 2003B Certificates; and

WHEREAS, the Series 2003B Certificates shall be secured in the manner provided in the Trust Agreement and shall have the terms and provisions contained in this Series 2003B Supplemental Trust Agreement; and

WHEREAS, all things necessary to make the Series 2003B Certificates, when executed by the Trustee and issued as provided herein and in the Trust Agreement, the valid, binding and legal obligations according to the terms thereof, have been done and performed, and the creation, execution and delivery of this Series 2003B Supplemental Trust Agreement, and the creation, execution and issuance of the Series 2003B Certificates subject to the terms thereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS SERIES 2003B SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:

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WHEREAS, on February 24, 2000, the Trustee, at the direction of the Corporation, issued \$155,000,000 Certificates of Participation, Series 2000A, to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, on April 24, 2001, the Trustee, at the direction of the Corporation, issued \$135,500,000 Certificates of Participation, Series 2001A, to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, on July 24, 2001, the Trustee, at the direction of the Corporation, issued \$169,445,000 Certificates of Participation, Series 2001B, to provide funds to advance refund all of the outstanding Series 2000A Certificates; and

WHEREAS, on March 20, 2002, the Trustee, at the direction of the Corporation, issued \$115,250,000 Certificates of Participation, Series 2002A and \$115,350,000 Certificates of Participation, Series 2002B to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, on May 15, 2002, the Trustee, at the direction of the Corporation, issued \$161,090,000 Certificates of Participation, Series 2002C to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, on June 11, 2002, the Trustee, at the direction of the Corporation, issued \$950,000 Certificates of Participation, Series 2002 QZAB to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, on September 25, 2002, the Trustee, at the direction of the Corporation, issued \$93,350,000 Certificates of Participation, Series 2002E to provide funds to provide funds to cross over refund a portion of its the outstanding Series 1995A Certificates and a portion of its outstanding Series 1996A Certificates; and

WHEREAS, on January 9, 2003, the Trustee, at the direction of the Corporation, issued \$191,215,000 Certificates of Participation, Series 2002D to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, the Trustee at the request of the Corporation has agreed to issue an additional Series of Certificates to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, each Series of Certificates shall be secured independently from each other Series of Certificates, except as otherwise provided in the Trust Agreement; and

WHEREAS, the School Board and the Corporation have executed Schedule 2003B, as of the date hereof, for the lease-purchase of the "Series 2003B Facilities" (as hereinafter defined); and

WHEREAS, the Corporation has assigned to the Trustee all of its right, title and interest in and to the Series 2003B Lease (as hereinafter defined) and the Lease Payments, other than its rights to indemnification, to hold title to the Series 2003B Facilities and to receive notices,

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## ARTICLE I

### DEFINITIONS

**SECTION 101. DEFINITIONS.** In addition to the words and terms defined in the Trust Agreement or the Master Lease or elsewhere defined in this Series 2003B Supplemental Trust Agreement, the following words and terms with respect to the Series 2003B Certificates shall have the following meaning unless the context or use indicates another or different meaning or intent:

"**Alternate Liquidity Facility**" shall mean each replacement letter of credit, line of credit, standby certificate purchase agreement or similar agreement, which letter of credit, line of credit or agreement, as amended, supplemented or extended from time to time under the Series 2003B Supplemental Trust Agreement (i) provides for the purchase of all or a portion of the Series 2003B Certificates during a Variable Rate Period or Commercial Paper Rate Period; (ii) is delivered in accordance with Section 503 of the Series 2003B Supplemental Trust Agreement by a financial institution which has a long term debt rating of at least "A" from Fitch and "A2" from Moody's and a short term debt rating of at least "F1" by Fitch and "VMIG-1" by Moody's or such other comparable rating by a Rating Agency if they are then rating the Series 2003B Certificates, and (iii) provides for cancellation in connection with replacement by an Alternate Liquidity Facility not less than 5 days after the Substitution Date.

"**Auction Period**" shall mean, with respect to any Auction Rate Certificates, commencing on the Conversion Date to an Auction Rate and each successive 35-day period thereafter, respectively, commencing on a Wednesday and ending on (and including) a Tuesday (or such other changed period), as the same may be changed pursuant to Section 1.22 of Exhibit B hereto.

"**Auction Rate**" shall mean the rate per annum at which the interest portion of Basic Lease Payments represented by the Auction Rate Certificates is determined on any Auction Date that results from the implementation of the Auction Procedures, as determined and described in Section 1.6(c)(ii) of Exhibit B hereto.

"**Auction Rate Certificates**" or "**ARCs**" shall mean the Series 2003B Certificates while the interest portion of Basic Lease Payments represented thereby is determined at the Auction Rate.

"**Authorized Denomination**" shall mean (i) while the interest portion of the Basic Lease Payments is calculated at a Daily, Weekly, Monthly or Commercial Paper Rate, \$100,000 and integral multiples of \$5,000 over \$100,000, (ii) while the interest portion of the Basic Lease Payments is calculated at a Quarterly, Semiannual, Extended or Fixed Rate, \$5,000 and integral multiples thereof, and (iii) while the interest portion of the Basic Lease Payments is calculated at an Auction Rate, \$25,000 and any integral multiple thereof.

"**Business Day**" shall mean a day other than (a) a Saturday, Sunday or day on which banks in the State of New York or banks located in each of the cities in which the principal office of the Trustee, the Tender Agent, the Remarketing Agent, if any, the Series 2003B Credit Facility Issuer, and the office of the Liquidity Facility Provider, if any, at which requests for

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funds under the Liquidity Facility will be made is located are required or authorized by law or executive order to close for business, (b) a day on which DTC or The New York Stock Exchange is closed and (c) for purposes of any Auction, a day other than April 14, April 15, December 30, December 31, and such other dates as may be agreed to in writing by the Market Agent, the Auction Agent, the Broker-Dealer and the School Board.

“**Commercial Paper Rate**” shall mean an interest rate determined under Section 1.2 of Exhibit C hereto.

“**Commercial Paper Rate Period**” shall mean while the rate for the interest portion represented by Series 2003B Certificates is determined at the Commercial Paper Rate, an interest period determined under Section 1.2 of Exhibit C hereto.

“**Conversion Date**” shall mean the date on which a new rate for the determination of the interest portion of Basic Lease Payments represented by Series 2003B Certificates becomes effective.

“**Counterparty**” shall mean the Person entering into a Hedge Agreement with the School Board.

“**Daily Rate**” shall mean the rate determined for the interest portion represented by Series 2003B Certificates for a Daily Rate Period pursuant to Section 1.2(c) of Exhibit A hereto.

“**Daily Rate Period**” shall mean, while the rate for the interest portion represented by Series 2003B Certificates is determined at the Daily Rate, the period commencing on each Business Day to but excluding the following Business Day.

“**Extended Rate**” shall mean the rate determined for the interest portion represented by the Series 2003B Certificates for an Extended Rate Period pursuant to Section 1.2(h) of Exhibit A hereto.

“**Extended Rate Period**” shall mean, while the rate for the interest portion represented by Series 2003B Certificates is determined at the Extended Rate, the period commencing on the Extended Rate Conversion Date and on the first Business Day of the calendar month following the last day of the prior Rate Period, extending for a period of one year or integral multiples of six months in excess of one year as established by the Remarketing Agent and ending on a day which is the last day preceding the first Business Day of a calendar month.

“**Favorable Opinion**” shall mean a written opinion of Special Tax Counsel, in form and substance satisfactory to the Trustee, and except as may be otherwise specifically set forth in the Trust Agreement, to the effect that the action proposed to be taken is authorized or permitted by the laws of the State and the Trust Agreement and will not adversely affect the validity of the Series 2003B Certificates under the laws of the State or the exclusion from gross income for federal income tax purposes of interest on any Series 2003B Certificates.

“**Fitch**” shall mean Fitch Ratings.

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(v) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Commercial Paper Rate, each day following the last day of the Interest Period therefor;

(vi) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Auction Rate, each day following the last day of the Interest Period therefor;

(vii) When the Series 2003B Certificates constitute Provider Certificates, each date on which interest on the Provider Certificates is due and payable in accordance with the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Liquidity Provider;

(viii) With respect to any Series 2003B Certificates which are to be prepaid, any date on which such prepayment is made, and

(ix) With respect to any Series 2003B Certificate, the Maturity Date.

“**Interest Reserve Portion**” shall mean as of any Lease Payment Date while the interest portion of the Series 2003B Certificates is calculated at a Daily Rate, a Weekly Rate or a Monthly Rate, the amount of interest accrued at the applicable rates during the period commencing on a Lease Payment Date and ending on (and including) the day preceding the next succeeding Interest Payment Date.

“**Lease Payment Dates**” shall have the meaning given to such term in Schedule 2003B.

“**Liquidity Facility**” shall mean the Standby Agreement and any Alternate Liquidity Facility delivered to or entered into and accepted by the Trustee and the Tender Agent.

“**Liquidity Provider**” shall mean initially the Standby Purchaser and thereafter any provider of an Alternate Liquidity Facility.

“**Maturity Date**” shall mean August 1, 2029.

“**Maximum Rate**” shall mean, with respect to the Series 2003B Certificates other than Provider Certificates, 12%.

“**Monthly Rate**” shall mean the rate determined for the interest portion represented by Series 2003B Certificates for a Monthly Rate Period pursuant to Section 1.2(e) of Exhibit A hereto.

“**Monthly Rate Period**” shall mean, while the rate for the interest portion represented by Series 2003B Certificates is determined at the Monthly Rate, the period commencing on the first Business Day of each month to but excluding the first Business Day of the following month.

“**Moody’s**” shall mean Moody’s Investors Service, Inc.

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“**Fixed Rate**” shall mean the rate determined for the interest portion represented by Series 2003B Certificates pursuant to Section 1.2(p) of Exhibit A hereto.

“**Fixed Rate Period**” shall mean the period of time during which the rate for the interest portion represented by Series 2003B Certificates is determined at a Fixed Rate.

“**Hedge Agreement**” shall mean an interest rate exchange agreement, an interest rate swap agreement, a forward purchase contract, a put option contract, a call option contract or any other financial product which is used by the School Board as a hedging device not for investment but with respect to its obligation to pay the interest portion of Basic Lease Payments represented by any of the Series 2003B Certificates, entered into between the School Board and a Counterparty, for the purpose of (1) reducing or otherwise managing the School Board’s risk of interest rate changes or (2) effectively converting the School Board’s interest rate exposure, in whole or in part, from a fixed rate exposure to a variable rate exposure, or from a variable rate exposure to a fixed rate exposure; provided that such arrangement shall be specifically designated in a certificate of an Authorized School Board Representative as a “Hedge Agreement” for purposes of this Series 2003B Supplemental Trust Agreement.

“**Hedge Obligations**” shall mean net payments required to be made by the School Board under a Hedge Agreement from time to time as a result of fluctuation in hedged interest rates, or fluctuation in the value of any index of payment.

“**Hedge Receipts**” shall mean net payments received by the School Board from a Counterparty under a Hedge Agreement.

“**Interest Payment Date**” shall mean, with respect to the Series 2003B Certificates:

(i) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at a Daily, Weekly or Monthly Rate, the first Business Day of each February and August;

(ii) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Quarterly Rate, the first Business Day of the third calendar month following the Quarterly Rate Conversion Date and subsequently the first Business Day of each third calendar month thereafter;

(iii) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Semiannual or Extended Rate, the first Business Day of the sixth month following the Semiannual or Extended Rate Conversion Date and subsequently the first Business Day of each sixth calendar month thereafter;

(iv) When the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Fixed Rate, each February 1 and August 1 after the Fixed Rate Conversion Date, commencing with the February 1 or August 1 indicated by the School Board in its notice of election to convert to a Fixed Rate;

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“**Person**” shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, unless the context shall otherwise indicate.

“**Provider Certificates**” shall mean Series 2003B Certificates purchased with funds made available under or pursuant to the Liquidity Facility, registered in the name of the Liquidity Provider or its nominee, designee or assignee.

“**Provider Rate**” shall mean the interest rate which Provider Certificates bear, from time to time, as determined in the accordance with the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Liquidity Provider.

“**Quarterly Rate**” shall mean the rate determined for the interest portion represented by Series 2003B Certificates for any Quarterly Rate Period pursuant to Section 1.2(f) of Exhibit A hereto.

“**Quarterly Rate Period**” shall mean, while the rate for the interest portion represented by Series 2003B Certificates is determined at the Quarterly Rate, the period commencing on the Quarterly Rate Conversion Date for the Series 2003B Certificates, and on the first Business Day of each third calendar month thereafter, to but excluding the first Business Day of the third calendar month thereafter.

“**Rate Period**” or “**Period**” shall mean, when used with respect to any particular rate of interest applicable to the interest portion of Basic Lease Payments represented by the Series 2003B Certificates (whether a Daily, Weekly, Monthly, Quarterly, Semiannual, Commercial Paper, Auction, Extended or Fixed Rate), the period during which such rate of interest will remain in effect pursuant to Exhibit A, B or C hereto, as the case may be.

“**Rating Agency**” shall mean each of S&P, Moody’s, Fitch, and any other nationally recognized rating service not unacceptable to the Series 2003B Credit Facility Issuer which, at the request of the School Board, shall have provided a rating on any Outstanding Series 2003B Certificates.

“**Record Date**” shall mean except with respect to Provider Certificates, (i) the Business Day immediately prior to the Interest Payment Date in question in the case of the Daily, Weekly and Monthly Rate Periods, (ii) the 15th day (whether or not a Business Day) of the calendar month immediately preceding such Interest Payment Date in the case of the Quarterly, Semiannual, Extended Rate or Fixed Rate Periods; (iii) with respect to Series 2003B Certificates outstanding as ARCs, one Business Day next preceding each Interest Payment Date; and (iv) in a Commercial Paper Rate Period, the day (whether or not a Business Day) next preceding each Interest Payment Date.

“**Remarketing Agent**” shall mean initially UBS Financial Services Inc. and any successor remarketing agent appointed by the School Board pursuant to Section 505 hereof.

“**Remarketing Agreement**” shall mean the Remarketing Agreement dated June 26, 2003, between the School Board and the Remarketing Agent.

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“S & P” shall mean Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.

“Semiannual Rate” shall mean the rate determined for the interest portion represented by Series 2003B Certificates for a Semiannual Rate Period pursuant to Section 1.2(g) of Exhibit A hereto.

“Semiannual Rate Period” shall mean, while the rate for the interest portion represented by Series 2003B Certificates is determined at the Semiannual Rate, the period commencing on the Semiannual Rate Conversion Date and on the first Business Day of each sixth calendar month thereafter, to but excluding the first Business Day of the sixth calendar month thereafter.

“Series 2003B Acquisition Account” shall mean the Series 2003B Acquisition Account established in Section 401 hereof.

“Series 2003B Assignment Agreement” shall mean the Series 2003B Assignment Agreement dated as of June 15, 2003, pursuant to which the Corporation has assigned to the Trustee all of its right, title and interest in and to the Series 2003B Ground Lease and the Series 2003B Lease, except as otherwise provided therein.

“Series 2003B Certificates” shall mean the \$[PRINCIPAL AMOUNT] Certificates of Participation, Series 2003B Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by the School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor.

“Series 2003B Cost of Issuance Subaccount” shall mean the Series 2003B Cost of Issuance Subaccount within the Series 2003B Acquisition Account established in Section 401 hereof.

“Series 2003B Credit Facility” shall mean the financial guaranty insurance policy issued by the Series 2003B Credit Facility Issuer on June 26, 2003, guaranteeing payment of the principal and interest in respect of the Series 2003B Certificates when due.

“Series 2003B Credit Facility Issuer” shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto or assignee thereof.

“Series 2003B Facilities” shall mean the Facilities described in Schedule 2003B to the Master Lease.

“Series 2003B Facility Sites” shall mean the Facility Sites to be ground leased by the School Board to the Corporation pursuant to the Series 2003B Ground Lease, as the same may be amended or supplemented from time to time.

“Series 2003B Ground Lease” shall mean the Series 2003B Ground Lease, dated as of June 15, 2003, between the School Board and the Corporation, as the same may be amended or supplemented from time to time with respect to the Series 2003B Facility Site.

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“Swap Provider” shall mean UBS AG.

“Tender Agent” shall mean The Bank of New York Trust Company of Florida, N.A., a national banking association, as agent for The Bank of New York, or any successor or successors appointed in accordance with Section 506 hereof.

“Tender Agent Agreement” shall mean the Tender Agent Agreement dated as of the date hereof between the School Board and the Tender Agent.

“Variable Rate” shall mean, as the context requires, the Daily, Weekly, Monthly, Quarterly, Semiannual or Extended Rate applicable to the Series 2003B Certificates.

“Variable Rate Period” shall mean, as the context requires, any or all of the Daily Rate Period, Weekly Rate Period, Monthly Rate Period, Quarterly Rate Period, Semiannual Rate Period or Extended Rate Period applicable to the Series 2003B Certificates.

“Weekly Rate” shall mean the rate for the interest portion represented by Series 2003B Certificates is determined for a Weekly Rate Period pursuant to Section 1.2(d) of Exhibit A hereto.

“Weekly Rate Period” shall mean, while the rate for the interest portion represented by Series 2003B Certificates is determined at the Weekly Rate, the period commencing on Thursday of each week to but excluding Thursday of the following week, except that (a) in the case of a conversion to a Weekly Rate Period from a different Variable Rate Period, the initial Weekly Rate Period shall be from and including the Weekly Rate Conversion Date to but excluding Thursday of the following week, and (b) in the case of a conversion of the Series 2003B Certificates from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period shall end on and exclude the Conversion Date.

## ARTICLE II

### THE SERIES 2003B CERTIFICATES

**SECTION 201. AUTHORIZATION, PURPOSE, TERMS OF SERIES 2003B CERTIFICATES.** (a) There is hereby created a Series of Certificates to be issued under the Trust Agreement to be known as “Certificates of Participation, Series 2003B, Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor”. The Series 2003B Certificates shall be issued for the purpose of (i) financing the acquisition, construction and installation of the Facilities described in Schedule 2003B, and (ii) paying Costs of Issuance of the Series 2003B Certificates.

(b) The principal portion of Basic Lease Payments represented by the Series 2003B Certificates due at maturity or upon prepayment thereof shall represent undivided proportionate interests in the principal portion of the Basic Lease Payments due on each of the Lease Payment Dates set forth on Schedule 2003B to the Master Lease.

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“Series 2003B Lease Payment Account” shall mean the Series 2003B Lease Payment Account established in Section 401 hereof.

“Series 2003B Lease” shall mean the Master Lease, as supplemented by Schedule 2003B.

“Series 2003B Prepayment Account” shall mean the Series 2003B Prepayment Account established in Section 401 hereof.

“Series 2003B Project” shall mean the lease purchase financing, acquisition, construction and installation of the Series 2003B Facilities, the leasing of the Series 2003B Facility Sites by the School Board to the Corporation pursuant to the Series 2003B Ground Lease and the subleasing of the Series 2003B Facility Sites, and the leasing of the Series 2003B Facilities to, the School Board pursuant to the Series 2003B Lease.

“Special Purchase Series 2003B Certificates” shall mean the Series 2003B Certificates to be purchased in lieu of prepayment in accordance with Section 304 hereof.

“Special Purchase Date” shall mean the date on which Series 2003B Certificates are scheduled to be purchased in lieu of prepayment pursuant to Section 304 hereof.

“Special Purchase Price” shall mean the amount equal to the prepayment amount which would have been due if the Series 2003B Certificates to be purchased in lieu of prepayment pursuant to Section 304 hereof were prepaid pursuant to Section 303 hereof.

“Standby Agreement” shall mean the Standby Certificate Purchase Agreement dated June 26, 2003, by and among the School Board, the Tender Agent and the Standby Purchaser which will expire on June 26, 2008, unless extended pursuant to its terms, as amended and supplemented from time to time.

“Standby Purchaser” shall mean Dexia Credit Local, acting through its New York Agency, its successors and assigns.

“Substitution Date” shall mean the date upon which an Alternate Liquidity Facility is accepted by the Trustee as a replacement for the Liquidity Facility.

“Swap Agreement” shall mean the ISDA Master Agreement, dated as of June 26, 2003, between the School Board and the Swap Provider including the schedule thereto and the confirmation with respect to the Series 2003B Certificates.

“Swap Policy” shall mean the financial guaranty issued by the Swap Policy Provider, insuring the contractual amounts due for payment by or on behalf of the School Board pursuant to the Swap Agreement.

“Swap Policy Provider” shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, or any successor thereto or assignee thereof, in its capacity as the provider of the Swap Policy.

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(c) Until converted to another Rate Period as provided herein, the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates shall be calculated at a Weekly Rate and be payable on each Interest Payment Date as set forth in Exhibit A hereto. Said interest shall represent an undivided proportionate interest in the interest portion of Basic Lease Payments due on each Lease Payment Date as provided in Schedule 2003B to the Master Lease, and to including the maturity or earlier prepayment date of each Series 2003B Certificate.

(d) Until converted to another Rate Period as provided herein, the Series 2003B Certificates initially shall be substantially in the form attached as Exhibit D hereto. Unless the Corporation shall otherwise direct, the Series 2003B Certificates shall be lettered and numbered in such manner as the Trustee shall deem adequate and appropriate.

(e) The Series 2003B Certificates shall bear an original issue date of June 26, 2003. The interest portion of Basic Lease Payments represented by the Series 2003B Certificates shall be payable from the date of authentication thereof. The Series 2003B Certificates shall initially represent an aggregate principal portion of Basic Lease Payments in the amount of [PRINCIPAL AMOUNT] in Authorized Denominations of \$100,000 and integral multiples of \$5,000 over \$100,000. Series 2003B Certificates shall mature on the Maturity Date subject to prepayment prior to maturity as described herein.

(f) The principal portion or prepayment price of the Series 2003B Certificates shall be payable 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 2003B Certificates, the interest portion of Basic Lease Payments represented by the Series 2003B Certificates shall be payable by check or draft of the Trustee mailed to the holder thereof at the address of the holder shown on the registration records maintained by the Trustee as of the Record Date next preceding the Interest Payment Date. Such interest portion may be paid by wire transfer within the United States to the registered owners of \$1,000,000 or more in aggregate principal amount of Series 2003B Certificates upon their request in writing received no later than the Record Date prior to any Interest Payment Date. The Trustee may charge a reasonable fee for the cost of the wire transfer.

(g) So long as there shall be maintained a book-entry-only system with respect to the Series 2003B Certificates, the following provisions shall apply:

The Series 2003B Certificates shall initially be issued in the name of Cede & Co. as nominee for The Depository Trust Company (“DTC”), which will act initially as securities depository for the Series 2003B Certificates and so long as the Series 2003B Certificates are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the Series 2003B Certificates shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interest of its participants (“DTC Participants”) and other institutions that clear through or maintain a custodial relationship with DTC Participants, either directly or indirectly (“Indirect Participants”). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Series 2003B Certificates (“Beneficial Owners”).

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The principal and interest portions of Basic Lease Payments represented by the Series 2003B Certificates at maturity shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

The Series 2003B Certificates shall initially be issued in the form of one fully registered Series 2003B Certificate for each maturity and shall be held in such form until maturity. Individuals may purchase beneficial interests in Authorized Denominations in book-entry-only form, without certificated Series 2003B Certificates, through DTC Participants and Indirect Participants.

During the period for which Cede & Co. is registered owner of the Series 2003B Certificates, any notice to be provided to any registered owner will be provided to Cede & Co. DTC shall be responsible for notice to DTC Participants and DTC Participants shall be responsible for notice to Indirect Participants, and DTC Participants and Indirect Participants shall be responsible for notice to individual purchasers of beneficial interests.

(i) Neither the School Board, the Trustee nor any of their respective affiliates shall have any responsibility or obligation with respect to:

(A) the accuracy of the records of DTC or any DTC Participant with respect to any beneficial ownership interest in the Series 2003B Certificates;

(B) the delivery to any DTC Participant, any beneficial owner of the Series 2003B Certificates or any other person, other than DTC, of any notice with respect to the Series 2003B Certificates; or

(C) the payment to any DTC Participant, any beneficial owner of the Series 2003B Certificates or any other person, other than DTC, of any amount with respect to the principal or interest portions represented by the Series 2003B Certificates.

(ii) So long as the certificates for the Series 2003B Certificates are issued pursuant to this subsection (g), the School Board and the Trustee may treat DTC as, and deem DTC to be, the absolute owner of the Series 2003B Certificates for all purposes whatsoever, including without limitation:

(A) the payment of the principal and interest portions represented by the Series 2003B Certificates;

(B) giving notices of prepayment, tender and other matters with respect to the Series 2003B Certificates;

(C) registering transfer with respect to the Series 2003B Certificates; and

(D) the selection of Series 2003B Certificates for prepayment.

The School Board and the Trustee have entered into a blanket letter of representations with DTC providing for such book-entry-only system. Such agreement may be terminated at any time by either DTC or the School Board. In the event of such termination, the School Board shall select another securities depository. If the School Board does not replace DTC, the Trustee will register and deliver to the Beneficial Owners replacement Series 2003B Certificates in the form of fully registered Series 2003B Certificates, in accordance with instructions from Cede & Co.

**SECTION 202. ISSUANCE OF SERIES 2003B CERTIFICATES.** The Series 2003B Certificates shall be issued upon delivery to the Trustee of the documents referred to in Section 304 of the Trust Agreement and the payment of the purchase price therefor, and upon delivery of the following additional documents:

(a) An Opinion of Counsel with respect to each Series 2003B Facility Site to the effect that there are no liens or encumbrances thereon that are not Permitted Encumbrances under the Master Lease, and that there shall be no merger of the fee estate of the School Board in the Series 2003B Facility Site with the leasehold estates created by the Series 2003B Ground Lease or the Series 2003B Lease, notwithstanding the fact that the same person may hold one or more leasehold estates and such fee estate. To the extent that the Series 2003B Facility Sites have not yet been acquired by the School Board at the time of execution hereof, the Series 2003B Ground Lease and Schedule 2003B shall be amended at the time of such acquisition to insert the legal description of such Series 2003B Facility Sites and Additional Permitted Encumbrances relating thereto, without the consent of the Series 2003B Credit Facility Issuer or the Certificate holders;

(b) An executed original of the Remarketing Agreement; and

(c) The Liquidity Facility and an opinion of counsel to the Liquidity Provider in form and substance satisfactory to Special Tax Counsel.

**SECTION 203. SERIES 2003B PROJECT.** Upon delivery of the Series 2003B Certificates, the Series 2003B Project shall be effectuated as provided in the Trust Agreement and the Series 2003B Lease.

**ARTICLE III**

**PREPAYMENTS**

**SECTION 301. EXTRAORDINARY PREPAYMENT OF SERIES 2003B CERTIFICATES**

(a) Series 2003B Certificates shall be subject to prepayment in whole or in part at any time and if in part, in inverse order of maturity or on a proportional basis, as shall be designated by the School Board, and by lot within a maturity in such manner as the Trustee shall determine to be fair and appropriate, in an amount equal to the principal portion of Basic Lease

Payments prepaid under the Series 2003B Lease, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to the Series 2003B Facilities as a result of damage, destruction or condemnation of any portion of the Series 2003B Facilities and an election is made by the School Board under Section 5.4(b) of the Master Lease with the consent of the Series 2003B Credit Facility Issuer to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to the Series 2003B Facilities and represented by the Series 2003B Certificates. Net Proceeds deposited with the Trustee for a prepayment pursuant to this Section 301(a) shall be invested in Government Obligations or shall be held uninvested.

(b) At the election of the Series 2003B Credit Facility Issuer, Series 2003B Certificates shall be subject to prepayment in whole at any time, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if the Lease Term of all Leases is terminated for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease. Prior to notice being given to the Owners of Series 2003B Certificates of any extraordinary prepayment of Series 2003B Certificates under this Section 301(b), 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 2003B Certificates, plus accrued interest to the prepayment date, or (ii) such notice shall state that the prepayment is conditioned on the receipt of moneys for such prepayment by the Trustee on or prior to the prepayment date. In the event that a conditional notice of prepayment is given and such moneys are not timely received, the prepayment for which such notice was given shall not be undertaken. Amounts deposited pursuant to this paragraph shall be kept by the Trustee in a trust account separate and segregated from all other moneys deposited under the Trust Agreement and shall be held uninvested unless invested at the direction of an Authorized Officer only in Government Obligations that mature on or before the prepayment date.

**SECTION 302. MANDATORY SINKING FUND PREPAYMENT.** Series 2003B Certificates are subject to mandatory prepayment prior to maturity in part, from payments of the principal portion of Basic Lease Payments as set forth in the Series 2003B Lease, through the operation of a sinking fund on the first Business Day of each August in the years and in the following amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date.

First Business Day of August of the Year	Principal Amount	First Business Day of August of the Year	Principal Amount
2021		2026	
2022		2027	
2023		2028	
2024		2029*	
2025			

\* Final Maturity.

Any Series 2003B Certificate subject to mandatory prepayment may be purchased by the School Board prior to the forty-fifth (45th) day preceding the respective Prepayment Date at a price (including any brokerage and other charges) not exceeding the principal amount thereof, plus accrued interest to the date of purchase. At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such applicable Prepayment Date, the School Board may receive a credit against its mandatory prepayment obligation for the applicable Series 2003B Certificates which prior to such date have been purchased by the School Board and presented to the Trustee for cancellation or prepaid (otherwise than through the operation of the sinking fund) and canceled by the Trustee and, not theretofore applied as a credit against any sinking fund prepayment obligation. Each Series 2003B Certificate so purchased, delivered or previously prepaid shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the School Board on such sinking fund prepayment date. Any excess over such obligation shall be credited against applicable future sinking fund prepayment obligations, or deposits with respect thereto, in chronological order, and the principal amount of such Series 2003B Certificates to be prepaid by operation of the mandatory sinking fund shall be accordingly reduced.

Notwithstanding the foregoing, mandatory sinking fund prepayments scheduled to occur during an Auction Period of less than ninety (90) days shall be made on the Interest Payment Date following the Auction Period during which such scheduled sinking fund prepayment would otherwise have occurred. Mandatory sinking fund prepayments scheduled to occur during an Auction Period of ninety (90) days or more shall be made on the scheduled sinking fund prepayment date. The Trustee shall provide notice to the Tender Agent, the Auction Agent and the Broker-Dealers of mandatory sinking fund prepayments which occur while the Series 2003B Certificates are Auction Rate Certificates.

**SECTION 303. OPTIONAL PREPAYMENT OF SERIES 2003B CERTIFICATES.** Series 2003B Certificates shall be subject to prepayment if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series 2003B Lease at the times, and in the amounts provided below.

(a) During any period in which the interest portion of Basic Lease Payments represented by the Series 2003B Certificates is determined at Daily, Weekly or Monthly Rates, the Series 2003B Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part on any date in such amounts and of such

maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct at a price equal to the principal portion of Basic Lease Payments represented thereby, without premium, plus the interest portion of Basic Lease Payments represented thereby accrued to the prepayment date.

(b) During any period in which the interest portion of Basic Lease Payments represented by the Series 2003B Certificates is determined at Quarterly, Semiannual, Auction, Commercial Paper or Extended Rates (but only if the Extended Rate Period is one year in duration) the Series 2003B Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part on the last day of the applicable Rate Period in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct at a price equal to the principal portion of Basic Lease Payments represented thereby, without premium, plus the interest portion of Basic Lease Payments represented thereby accrued to the prepayment date.

(c) During any period in which the interest portion of Basic Lease Payments represented by the Series 2003B Certificates is determined at Extended Rates (but only if the Extended Rate Period is more than one year in duration) or the Fixed Rate, the Series 2003B Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part at the times and at the prices set forth below, and in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct, plus the interest portion of Basic Lease Payments represented thereby accrued to the prepayment date:

Years from Conversion Date until end of Extended Rate Period or Final Maturity of Series 2003B Certificates in the Fixed Rate Period	First Day of Prepayment Period	Prepayment Price
More than fifteen	Tenth anniversary of Conversion Date	100%
More than seven but not more than fifteen	Seventh anniversary of Conversion Date	100%
More than five but not more than seven	Fourth anniversary of Conversion Date	100%
Five or fewer	Second anniversary of Conversion Date	100%

Notwithstanding any provision in the Trust Agreement or the Series 2003B Certificates to the contrary, this Series 2003B Supplemental Trust Agreement and the Series 2003B Certificates may be amended as of the Conversion Date upon the request of the School Board, without the consent of any of the Series 2003B Certificateholders, to change the prepayment provisions applicable during an Extended Rate Period or the Fixed Rate Period to such prepayment provisions as are recommended by the Remarketing Agent as conforming to then current market

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**ARTICLE IV**

**ESTABLISHMENT OF ACCOUNTS; APPLICATION OF SERIES 2003B CERTIFICATE PROCEEDS**

**SECTION 401. ESTABLISHMENT OF ACCOUNTS.**

(a) There are hereby established the following accounts and subaccount:

(i) within the Project Fund, the Series 2003B Acquisition Account and the Series 2003B Cost of Issuance Subaccount therein, more particularly described in Section 402 of the Trust Agreement;

(ii) the Series 2003B Lease Payment Account, more particularly described in Section 404 of the Trust Agreement and within such account, the Interest Reserve Subaccount and the Interest Portion Subaccount, more particularly described in paragraph (c) below; and

(iii) the Series 2003B Prepayment Account, more particularly described in Section 406 of the Trust Agreement.

(b) If on any Payment Date, the amount of all Basic Lease Payments represented by the Series 2003B Certificates due and payable exceeds the amount on hand in the Series 2003B Lease Payment Account, except as provided in Section 405(a) of the Trust Agreement, the Trustee shall apply the moneys on hand therein in accordance with the priorities set forth in Section 504 of the Trust Agreement.

(c) On the Closing Date, the Trustee shall deposit in the Interest Reserve Subaccount the amount provided by the School Board in accordance with Section 5 of Schedule 2003B. Thereafter while the interest portion of the Series 2003B Certificates is calculated at a Daily Rate, a Weekly Rate or a Monthly Rate, the Trustee shall deposit, upon receipt of each such payment, in the Interest Reserve Subaccount an amount from each Basic Lease Payment equal to the Interest Reserve Portion accruing from the prior Lease Payment Date and ending on (and including) the day preceding the prior Interest Payment Date.

On each Lease Payment Date while the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates is calculated at a Daily Rate, a Weekly Rate or a Monthly Rate, the Trustee shall deposit to the Interest Portion Subaccount from Basic Lease Payments provided by the School Board on such date an amount equal to the interest accrued during the period commencing on the prior Interest Payment Date and ending on (and including) the day next preceding such Lease Payment Date. On the fourth Business Day preceding each Interest Payment Date while the interest portion of the Series 2003B Certificates is calculated at a Daily Rate, a Weekly Rate or a Monthly Rate and the Swap Agreement is in effect, (i) the Trustee shall deposit to the Interest Portion Subaccount amounts received from the Swap Provider pursuant to the Swap Agreement, and (ii) the Trustee shall determine whether amounts in the Interest Portion Subaccount together with an amount from the Interest Reserve Subaccount equal to the Interest Reserve Portion are sufficient to pay on such Interest Payment Date (x) the accrued interest portion of Basic Lease Payments represented by the Series 2003B Certificates

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practices and acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee.

Prior to notice being given to the Owners of affected Series 2003B Certificates of any optional prepayment of Series 2003B Certificates under this Section 303, either (i) there shall be deposited with the Trustee an amount sufficient to pay the principal portion of the Basic Lease Payments represented by Series 2003B Certificates subject to prepayment, plus accrued interest to the prepayment date, plus any premium applicable to such prepayment, or (ii) such notice shall state that the prepayment is conditioned on the receipt of moneys for such prepayment by the Trustee on or prior to the prepayment date. In the event that a conditional notice of prepayment is given and such moneys are not timely received, the prepayment for which such notice was given shall not be undertaken. Amounts deposited pursuant to this paragraph shall be kept by the Trustee in a trust account separate and segregated from all other moneys deposited under the Trust Agreement and shall be held uninvested unless invested at the direction of an Authorized Officer only in Government Obligations that mature on or before the prepayment date.

(d) Provider Certificates are subject to prepayment prior to maturity at the option of the School Board as a whole or in part in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct on any date at the principal portion represented thereby, without premium, plus the accrued interest portion represented thereby to the prepayment date.

**SECTION 304. PURCHASE IN LIEU OF PREPAYMENT.** If all Series 2003B Certificates Outstanding are called for prepayment pursuant to Section 303 hereof, the Series 2003B Certificates may, in lieu of such prepayment, be purchased by the Trustee, at the written direction of the School Board to the Trustee, given not less than 10 days prior to the scheduled optional prepayment date. The Trustee shall give immediate notice of such direction to the Tender Agent, the Remarketing Agent, the Auction Agent, if any, and the Liquidity Provider, if any. Any purchase of Series 2003B Certificates pursuant to this Section 304 shall be in whole and not in part. Such purchase shall be made on the date the Special Purchase Series 2003B Certificates are otherwise scheduled to be prepaid at the Special Purchase Price from moneys on deposit or expected to be on deposit for such optional prepayment.

**SECTION 305. SELECTION OF CERTIFICATES FOR PREPAYMENT.** If less than all of the Series 2003B Certificates shall be called for prepayment, the particular Series 2003B Certificates or portions of Series 2003B Certificates to be prepaid shall be selected in accordance with Section 313 of the Trust Agreement, subject to the following order of priority of prepayment:

First: any Provider Certificate;

Second: any Series 2003B Certificates that have been tendered to the Tender Agent on the Prepayment Date; and

Third: any other Series 2003B Certificates.

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due on such Interest Payment Date, and (y) the amount due on such Interest Payment Date, if any, as a Hedge Obligation in accordance with the Swap Agreement or (z) the amount due on such Interest Payment Date, if any, as a Hedge Receipt in accordance with the Swap Agreement. In the event that amounts in the Lease Payment Account and amounts in the Interest Reserve Subaccount equal to the Interest Reserve Portion on the fourth Business Day preceding an Interest Payment Date are not sufficient to pay the amounts described in clauses (x) and (y) of the preceding sentence, the Trustee shall, not later than the next Business Day, notify the School Board of the amount of such deficiency and the School Board shall cure such deficiency. If the School Board has not cured such deficiency by the second Business Day preceding the Interest Payment Date, the Trustee shall make a claim under the Swap Policy in accordance with its terms in the amount of such deficiency. The amount, if any, described in clause (z) above shall remain in the Interest Portion Subaccount and serve as a credit against the interest portion of Basic Lease Payments due from the School Board on the next Interest Payment Date. On each Interest Payment Date while the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates is calculated at a Daily Rate, a Weekly Rate or a Monthly Rate, the Trustee shall pay to (i) Certificateholders the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates due on such Interest Payment Date (A) from amounts on deposit in the Interest Portion Subaccount an amount equal to the interest accrued during the period commencing on the prior Interest Payment Date and ending on (and including) the day next preceding the prior Lease Payment Date and (B) from amounts on deposit in the Interest Reserve Subaccount an amount equal to the Interest Reserve Portion and (ii) to the Swap Provider, the Hedge Obligation, if any, due on such Interest Payment Date in accordance with the Swap Agreement.

Upon Conversion to an interest rate mode other than a Daily Rate, Weekly Rate or Monthly Rate, amounts on deposit in the Interest Reserve Subaccount and the Interest Portion Subaccount shall be deposited to the Series 2003B Lease Payment Account and credited against Basic Lease Payments to be made by the School Board and the Interest Reserve Subaccount and the Interest Portion Subaccount shall be closed.

Interest earnings on amounts held in the Interest Portion Subaccount and Interest Reserve Subaccount shall be retained in the respective subaccount and shall be credited against the interest portion of Basic Lease Payments to be made by the School Board.

**SECTION 402. APPLICATION OF PROCEEDS OF SERIES 2003B CERTIFICATES.** The Trustee shall deposit in the Series 2003B Acquisition Account and the Series 2003B Cost of Issuance Subaccount therein the amounts of \$ \_\_\_\_\_ and \$ \_\_\_\_\_, respectively, from the proceeds of the sale of the Series 2003B Certificates. The sum of \$ \_\_\_\_\_ representing the premium for the Series 2003B Credit Facility shall be wire transferred by UBS Financial Services Inc. to the Series 2003B Credit Facility Issuer.

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ARTICLE V

LIQUIDITY FACILITY; REMARKETING AGENT;  
TENDER AGENT

SECTION 501. LIQUIDITY FACILITY.

(a) At all times during any Variable Rate Period or Commercial Paper Rate Period, the School Board shall cause to be provided to the Trustee for the benefit of the Certificateholders, a Liquidity Facility; provided however, no Liquidity Facility shall be required in any Rate Period during which the Series 2003B Certificates receive a rating from the Rating Agency in the highest short-term category without regard to gradations within such category which rating is not based on a Liquidity Facility; and provided, further that the suspension of a Liquidity Facility shall not be deemed a failure to provide a Liquidity Facility. The School Board shall give written notice to the Trustee not less than 20 calendar days prior to the effective date of termination of a Liquidity Facility at the School Board's option.

(b) The Trustee shall hold and maintain each Liquidity Facility for the benefit of the Certificateholders benefited thereby until such Liquidity Facility terminates or expires in accordance with its terms. If at any time during the term of a Liquidity Facility any successor Trustee shall be appointed and qualified under this Series 2003B Supplemental Trust Agreement, the resigning or removed Trustee shall request that the Liquidity Provider transfer the Liquidity Facility to the successor Trustee, to the extent such action is necessary, and shall comply with the applicable provisions of the Liquidity Facility. If the resigning or removed Trustee fails to make this request, the successor Trustee shall do so before accepting appointment. Upon the termination or expiration of a Liquidity Facility in accordance with its terms, the Trustee shall promptly surrender the Liquidity Facility then in effect to the Liquidity Provider. If a Liquidity Facility shall be about to expire or terminate in accordance with its terms, without being extended or replaced by an Alternate Liquidity Facility, then the School Board and the Remarketing Agent shall use their best efforts to convert the Series 2003B Certificates secured by such Liquidity Facility to a Fixed Rate or Auction Rate prior to such expiration or termination, and, in the event of such expiration or termination, as soon as possible thereafter.

**SECTION 502. ENFORCEMENT OF LIQUIDITY FACILITY.** (a) The School Board and the Trustee, for the benefit of the Owners of the Series 2003B Certificates benefited thereby, shall diligently enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and provisions of each Liquidity Facility as contemplated herein and therein. The Trustee shall not consent to or permit any amendment or modification of a Liquidity Facility or any credit or reimbursement agreement pursuant to which a Liquidity Facility has been issued which would materially adversely affect the rights or interests of the Owners of any of the Series 2003B Certificates without the written consent of the Owners of 100% in aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates, unless such amendment or modification shall take place simultaneously with a remarketing of all of the Series 2003B Certificates and the purchasers of the remarketed Series 2003B Certificates shall have had notice of such amendment or modification. The consent of the

Series 2003B Credit Facility Issuer shall be required for all amendments and modifications of the Liquidity Facility (other than an extension of the expiration date of the Liquidity Facility or an adjustment of fees payable by the School Board).

(b) Any provisions in this Series 2003B Supplemental Trust Agreement requiring notice to or from a Liquidity Provider or the consent thereof prior to any action by the Trustee or the School Board shall have no force or effect with respect to such Liquidity Provider (i) following the later of (1) the termination or expiration of such Liquidity Facility, and (2) the repayment of all amounts owed to such Liquidity Provider pursuant to the credit or reimbursement agreement pursuant to which such Liquidity Facility was issued or (ii) following the failure or wrongful refusal of such Liquidity Provider to honor a properly presented and conforming draw under such Liquidity Facility, except with respect to all rights accruing to the Liquidity Provider with respect to unreimbursed draws on the Liquidity Facility.

SECTION 503. ALTERNATE LIQUIDITY FACILITIES.

(a) With the prior written consent of the Series 2003B Credit Facility Issuer, an Alternate Liquidity Facility, in substitution for any Liquidity Facility then in effect, may be provided if the School Board shall give written notice not more than 60 nor less than 30 calendar days prior to the date such Alternate Liquidity Facility is to take effect to the Trustee, the Tender Agent, the Remarketing Agent, the Rating Agency, the Series 2003B Credit Facility Issuer and the Liquidity Provider stating its election to provide an Alternate Liquidity Facility. Any such Alternate Liquidity Facility must satisfy the requirements of this Series 2003B Supplemental Trust Agreement for a Liquidity Facility. Each proposed Substitution Date shall be identified by the School Board in the notice to be provided pursuant to the first sentence of this clause (a). Each proposed Substitution Date shall be a Business Day that is at least five days prior to the termination or expiration of the Liquidity Facility to be replaced.

(b) Upon the exercise of such option by the School Board, the Trustee shall send to the Certificateholders a Notice of Alternate Liquidity Facility in substantially the form of Appendix 1 hereto not later than 20 calendar days prior to the proposed Substitution Date. The Trustee shall not accept such Alternate Liquidity Facility unless the Trustee shall have received (i) prior to sending the Notice of Alternate Liquidity Facility, a Favorable Opinion, (ii) at the time of delivery of the Alternate Liquidity Facility, (A) a certificate from an Authorized Officer and a written acknowledgment by the Liquidity Provider stating that all amounts owing to the Liquidity Provider under the Liquidity Facility or any other reimbursement or similar agreement pursuant to which the Liquidity Facility to be replaced has been issued have been paid and that there are no Provider Certificates Outstanding or that all Provider Certificates have been purchased by the Alternate Liquidity Facility and (B) a letter from the Rating Agency confirming the rating of the Series 2003B Certificates upon the effective date of such Alternate Liquidity Facility.

**SECTION 504. REMARKETING AGENT.** The initial Remarketing Agent for the Series 2003B Certificates shall be UBS Financial Services Inc. The School Board may appoint a successor Remarketing Agent for the Series 2003B Certificates in compliance with the conditions set forth in Section 505 hereof. The Remarketing Agent shall designate to the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it

hereunder by entering into a Remarketing Agreement with the School Board under which the Remarketing Agent shall agree to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the School Board, the Trustee and the Tender Agent at all reasonable times.

**SECTION 505. QUALIFICATIONS OF REMARKETING AGENT.** Each Remarketing Agent shall be a member of the National Association of Securities Dealers, Inc., a national banking association or a commercial banking corporation and shall meet such capitalization and/or credit requirements as the School Board may determine from time to time, shall be appointed by the School Board and shall be authorized by law to perform all the duties imposed upon it by this Series 2003B Supplemental Trust Agreement. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Series 2003B Supplemental Trust Agreement by giving at least 60 days' written notice to the School Board, the Tender Agent, the Trustee, the Series 2003B Credit Facility Issuer and the Liquidity Provider. The Remarketing Agent may be removed at any time, with or without cause by the School Board, upon at least 30 days' written notice to the Remarketing Agent, by an instrument signed by an Authorized Officer, filed with the Trustee, the Series 2003B Credit Facility Issuer, the Liquidity Provider, the Tender Agent and the Remarketing Agent. Notwithstanding the foregoing, no removal or resignation shall take effect until the School Board has appointed a successor Remarketing Agent, with the prior written approval of the Series 2003B Credit Facility Issuer and the Liquidity Provider, and such successor Remarketing Agent has accepted such appointment.

**SECTION 506. TENDER AGENT.** The Trustee shall be the initial Tender Agent with respect to the Series 2003B Certificates. The Trustee hereby agrees to carry out its responsibilities as Tender Agent set forth in this Series 2003B Supplemental Trust Agreement. Any other Tender Agent that is not also the Trustee shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the School Board and the Trustee, under which the Tender Agent shall agree to particularly:

(i) hold all Series 2003B Certificates delivered to it for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Owners which have so delivered such Series 2003B Certificates until moneys representing the Purchase Price of such Series 2003B Certificates shall have been delivered to or for the account of or to the order of such Owners; and

(ii) as agent for the Trustee, to hold all moneys delivered to it for the purchase of Series 2003B Certificates in trust for the account of the person who shall have so delivered such moneys until the Series 2003B Certificates purchased with such moneys shall have been registered, authenticated and delivered to or to the order of such person; and

(iii) keep such books and records as shall be consistent with prudent industry practice, and make such books and records available for inspection by the other parties.

The parties hereto shall each cooperate to cause the necessary arrangements to be made and to be thereafter continued whereby funds from the sources specified herein will be made available for the purchase of Series 2003B Certificates presented at the designated office of the

Tender Agent, and to otherwise enable the Tender Agent to carry out its duties under this Series 2003B Supplemental Trust Agreement.

The Tender Agent, the Trustee and the Remarketing Agent shall cooperate to the extent necessary to permit the preparation, execution, issuance, authentication and delivery by the Tender Agent of replacement Series 2003B Certificates in connection with the tender and remarketing of Series 2003B Certificates under this Series 2003B Supplemental Trust Agreement.

The School Board and the Trustee acknowledge that, in carrying out its responsibilities hereunder, the Tender Agent shall be acting solely for the benefit of and as agent for the Owners from time to time of the Series 2003B Certificates. No delivery of the Series 2003B Certificates to the Tender Agent or any agent of the Tender Agent or purchase of Series 2003B Certificates by the Tender Agent shall constitute a prepayment of the Series 2003B Certificates or any extinguishment of the debt evidenced thereby.

The Tender Agent shall be a member of the National Association of Securities Dealers, Inc., a bank with trust powers, a trust company or a national banking association with trust powers and shall meet such capitalization and/or credit requirements as the School Board may determine from time to time, shall be appointed by the School Board and shall be authorized by law to perform all the duties imposed upon it by this Series 2003B Supplemental Trust Agreement. Any such bank or trust company shall be organized and existing under the laws of a state of the United States. The Tender Agent may resign and be discharged of the duties and obligation created by this Series 2003B Supplemental Trust Agreement by giving at least 60 days' notice by mail to the Trustee, the School Board, the Remarketing Agent, the Series 2003B Credit Facility Issuer and the Liquidity Provider, provided, however, that such resignation shall not take effect unless and until a successor Tender Agent shall be appointed by the School Board. The School Board shall use its best efforts to appoint a successor Tender Agent during such 60 day period and in the event a successor Tender Agent has not taken office prior to the expiration of such 60 day period, the Tender Agent may petition a court of applicable jurisdiction to appoint a successor Tender Agent. The Tender Agent may be removed at any time with or without cause by an instrument signed by an Authorized Officer and filed with the Series 2003B Credit Facility Issuer, the Liquidity Provider, the Tender Agent, the Remarketing Agent and the Trustee; provided, however, that such removal shall not take effect unless and until a successor Tender Agent shall be appointed by the School Board. In the event of the resignation or removal of the Tender Agent, the Tender Agent shall deliver any moneys and Series 2003B Certificates held by it to its successor, and if there be no successor, to the Trustee.

The Tender Agent shall have no lien or claim for payment of its compensation, expenses, disbursements, losses or liabilities upon the proceeds of the remarketing of the Series 2003B Certificates or amounts in its possession derived from a claim on the Liquidity Facility or Series 2003B Credit Facility.

ARTICLE VI

SERIES 2003B CREDIT FACILITY ISSUER; AMENDMENT OF TRUST AGREEMENT; MISCELLANEOUS PROVISIONS

**SECTION 601. SERIES 2003B CREDIT FACILITY.** The Series 2003B Certificates shall be further secured by a financial guaranty insurance policy issued by the Series 2003B Credit Facility Issuer. The Series 2003B Credit Facility Issuer shall have all the rights provided for such Credit Facility Issuer under the terms of the Trust Agreement. The Series 2003B Credit Facility shall not be cancelled, substituted, amended or modified without the prior written consent of the Standby Purchaser and the School Board and written confirmation from the Rating Agency.

**SECTION 602. SUPPLEMENTAL PROVISIONS REQUIRED BY SERIES 2003B CREDIT FACILITY ISSUER.** For purposes of the Series 2003B Certificates, unless otherwise waived in writing by the Series 2003B Credit Facility Issuer, the following provisions shall apply notwithstanding any provision to the contrary contained in the Trust Agreement, the Series 2003B Lease, the Series 2003B Ground Lease or the Series 2003B Assignment Agreement (sometimes referred to collectively, as the "Financing Documents"), any such contrary provisions being deemed superseded hereby to the fullest extent permitted by law.

(a) Series 2003B Credit Facility Issuer Consent

(i) Any provision of the Financing Documents expressly recognizing or granting rights in or to the Series 2003B Credit Facility Issuer may not be amended in any manner which affects the rights of the Series 2003B Credit Facility Issuer thereunder without the prior written consent of the Series 2003B Credit Facility Issuer.

(ii) Unless otherwise provided in this Section, the consent of the Series 2003B Credit Facility Issuer shall be required in addition to any required consent of the holders of the Series 2003B Certificates for the following purposes: (a) execution and delivery of any supplement or any amendment, change or modification to the Financing Documents that affects the Series 2003B Certificates; provided, however, that such consent shall not be required for any such supplement, amendment, change or modification limited to a Series of Certificates (including the issuance of a new Series of Certificates) other than the Series 2003B Certificates; and (b) initiation or approval of any action not described in (a) of this sub-paragraph which requires consent of the holders of the Series 2003B Certificates.

(iii) Any reorganization or liquidation plan with respect to the School Board must be acceptable to the Series 2003B Credit Facility Issuer. In the event of any reorganization or liquidation, the Series 2003B Credit Facility Issuer shall have the right to vote on behalf of all holders of the Series 2003B Certificates absent a default by the Series 2003B Credit Facility Issuer under the Series 2003B Credit Facility.

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(c) Permitted Investments.

(i) With respect to the Series 2003B Certificates, "Permitted Investment" means the following obligations, which may be used for all purposes, including defeasance investments in refunding escrow accounts and for all purposes for which "Investment Securities" may be used hereunder:

(A) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (ii) below); 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.

(ii) With respect to the Series 2003B Certificates, "Investment Securities" shall mean the following obligations, which may be used for all purposes for which "Investment Securities" may be used hereunder, other than defeasance investments in refunding escrow accounts:

(A) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Rural Economic Community Development Administration
- General Services Administration
- U. S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA), U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank

(B) senior debt obligations rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. Obligations of the Resolution Funding Corporation (REFCORP). Senior debt obligations of the Federal Home Loan Bank System. Senior debt obligations of other Government Sponsored Agencies approved by the Series 2003B Credit Facility Issuer.

(C) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date

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(b) Notices to be Given to the Series 2003B Credit Facility Issuer.

(i) While the Series 2003B Credit Facility is in effect, the School Board shall furnish to the Series 2003B Credit Facility Issuer to the attention of the Surveillance Department, unless otherwise indicated:

(A) as soon as practicable after the filing thereof, a copy of any financial statement of the School Board and a copy of any audit and annual report of the School Board;

(B) a copy of any notice to be given to the registered Owners of the Series 2003B Certificates, including, without limitation, notice of any redemption of or defeasance of Series 2003B Certificates, and any certificate rendered pursuant to the Trust Agreement or hereunder, relating to the security for the Series 2003B Certificates; and

(C) such additional information it may reasonably request.

(ii) The Trustee shall notify the Series 2003B Credit Facility Issuer of any failure of the School Board to provide relevant notices or certificates that are required to be given under the Trust Agreement or hereunder.

(iii) The School Board will permit the Series 2003B Credit Facility Issuer to discuss with appropriate officers of the School Board the affairs, finances and accounts of the School Board or any information the Series 2003B Credit Facility Issuer may reasonably request regarding the security for the Series 2003B Certificates. The School Board will permit the Series 2003B Credit Facility Issuer to have access to the Series 2003B Project and have access to and to make copies of all books and records relating to the School Board at any reasonable time.

(iv) The Series 2003B Credit Facility Issuer shall have the right to direct an accounting at the School Board's expense, and the School Board's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Series 2003B Credit Facility Issuer shall be deemed a default under the Trust Agreement and hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended as long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series 2003B Certificates.

(v) Notwithstanding any other provision of the Financing Documents or hereof, the Trustee shall immediately notify the Series 2003B Credit Facility Issuer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default in the payment of principal and interest represented by the Series 2003B Certificates under the Trust Agreement or hereunder.

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of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(D) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(E) investments in a money market fund rated "AAA" or "AAAM-G" or better by S&P;

(F) other obligations of funds permitted under the laws of the State for investing by the Board in trust with the State Board of Administration pursuant to Chapter 215, Florida Statutes, or successor provision;

(G) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

1. which are rated, based on an irrevocable escrow account or fund (the "Escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

2. a. which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (c)(ii) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and

b. which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate. Pre-refunded Municipal Obligations meeting the requirements of subsection (2) hereof may not be used as Investment Securities without the prior written approval of S&P;

3. Municipal obligations rated "Aaa/AAA" or general obligations of States with a rating of at least "Aa/A" or higher by both Moody's and S&P; and

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4. investment agreements approved in writing by the Series 2003B Credit Facility Issuer supported by appropriate opinions of counsel with notice to S&P; and

5. other forms of investments (including repurchase agreements) approved in writing by the Series 2003B Credit Facility Issuer with notice to S&P.

(iii) The value of Investment Securities shall be determined as of the end of each month, and shall be calculated as follows:

(H) For securities:

1. the closing bid price quoted by Interactive Data Systems, Inc.; or

2. a valuation performed by a nationally recognized and accepted pricing service acceptable to the Series 2003B Credit Facility Issuer whose valuation method consists of the composite average of various bid price quotes on the valuation date; or

3. the lower of two dealer bids on the valuation date. The dealers or their parent holding companies must be rated at least investment grade by Moody's and S&P and must be market makers in the securities being valued.

(I) as to certificates of deposit and bankers acceptances: the face amount thereof; plus accrued interest; and

(J) as to any investment not specified above: the value thereof established by prior agreement between the Board, the Trustee and the Series 2003B Credit Facility Issuer.

(d) Defeasance Provisions.

Notwithstanding anything herein to the contrary, in the event that the principal and interest portions of the Basic Lease Payments represented by the Series 2003B Certificates shall be paid by the Series 2003B Credit Facility Issuer pursuant to the Series 2003B Credit Facility, the Series 2003B Certificates shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the School Board, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the School Board to the registered holders of the Series 2003B Certificates shall continue to exist and shall run to the benefit of the Series 2003B Credit Facility Issuer, and the Series 2003B Credit Facility Issuer shall be subrogated to the rights of such holders.

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Facility Issuer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Series 2003B Credit Facility Issuer as provided in (a) above, make available the registration books of the School Board maintained by it and all records relating to the funds and accounts maintained under the Trust Agreement and hereunder to the Series 2003B Credit Facility Issuer and, at the direction of the Series 2003B Credit Facility Issuer, to the United States Trust Company of New York, as insurance trustee for the Series 2003B Credit Facility Issuer or any successor insurance trustee (the "Insurance Trustee").

(c) The Trustee shall provide the Series 2003B Credit Facility Issuer and the Insurance Trustee with a list of registered owners of the Series 2003B Certificates entitled to receive payments of the principal or interest portion of Basic Lease Payments represented by the Series 2003B Certificates under the terms of the Series 2003B Credit Facility, and shall make arrangements with the Insurance Trustee: (i) to mail checks or drafts to the registered owners of the Series 2003B Certificates entitled to receive full or partial interest payments from the Series 2003B Credit Facility Issuer; and (ii) to pay principal upon the Series 2003B Certificates surrendered to the Insurance Trustee by the registered owners of such Series 2003B Certificates entitled to receive full or partial principal payments from the Series 2003B Credit Facility Issuer.

(d) The Trustee shall, at the time it provides notice to the Series 2003B Credit Facility Issuer pursuant to (a) above, notify registered owners of the Series 2003B Certificates entitled to receive the payment of principal or interest thereon from the Series 2003B Credit Facility Issuer: (i) as to the fact of such entitlement; (ii) that the Series 2003B Credit Facility Issuer will remit to them all or part of the interest payments next coming due upon proof of the entitlement of the holder of the Series 2003B Certificates to interest payments, and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment; (iii) that should they be entitled to receive full payment of principal from the Series 2003B Credit Facility Issuer, they must surrender their Series 2003B Certificates (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 2003B Certificates to be registered in the name of the Series 2003B Credit Facility Issuer) for payment to the Insurance Trustee, and not the Trustee; and (iv) that should they be entitled to receive partial payment of principal from the Series 2003B Credit Facility Issuer, they must surrender their Series 2003B Certificates for payment thereon first to the Trustee who shall note on such Series 2003B Certificates the principal portion paid by the Trustee and then, along with the appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of the principal or interest portion of Basic Lease Payments represented by the Series 2003B Certificates which has become due for payment and which is made to a holder of Series 2003B Certificates by or on behalf of the School Board has been deemed a preferential transfer and therefore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, shall, at the time the Series 2003B Credit Facility Issuer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so

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(c) Trustee Provisions

(i) Every successor Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Florida, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to the Series 2003B Credit Facility Issuer and the Liquidity Provider.

(ii) Notwithstanding any other provision of the Trust Agreement or contained herein, in determining whether the rights of the Series 2003B Certificate holders will be adversely affected by any action taken pursuant to the terms and provisions of the Trust Agreement or hereof, the Trustee shall consider the effect on the Series 2003B Certificate holders as if there were no Series 2003B Credit Facility.

(f) Interested Parties.

(i) To the extent that the Financing Documents confer upon or give or grant to the Series 2003B Credit Facility Issuer any right, remedy or claim under or by reason of the Financing Documents, the Series 2003B Credit Facility Issuer is explicitly recognized as being a third-party beneficiary under the Financing Documents and may enforce any such right, remedy or claim conferred, given or granted under the Financing Documents.

(ii) Nothing in the Financing Documents expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the School Board, the Trustee, the Series 2003B Credit Facility Issuer, the Paying Agent, if any, and the registered owners of the Series 2003B Certificates, any right, remedy or claim under or by reason of the Financing Documents or any covenant, condition or stipulation thereof, and all covenants, stipulations, promises and agreements in the Financing Documents contained by and on behalf of the School Board shall be for the sole and exclusive benefit of the School Board, the Trustee, the Series 2003B Credit Facility Issuer, the Paying Agent, if any, and the registered owners of the Series 2003B Certificates.

**SECTION 603. CLAIMS UPON THE SERIES 2003B CREDIT FACILITY.**  
As long as the Series 2003B Credit Facility is in full force and effect, the School Board and the Trustee shall comply with the following:

(a) At least one (1) day prior to any Payment Date the Trustee will determine whether there will be sufficient funds in the funds and accounts created in the Trust Agreement and herein to pay the principal or interest portions of the Basic Lease Payments represented by the Series 2003B Certificates on such Payment Date. If the Trustee determines that there will be insufficient funds in such funds or accounts, it shall so notify the Series 2003B Credit Facility Issuer. Such notice shall specify the amount of the anticipated deficiency, the Series 2003B Certificates to which such deficiency is applicable and whether such Series 2003B Certificates will be deficient as to principal or interest, or both. If the Trustee has not so notified the Series 2003B Credit Facility Issuer, the Series 2003B Credit Facility Issuer will make payments of principal or interest portion of the Basic Lease Payments represented by the Series 2003B Certificates on or before the first day next following the date on which the Series 2003B Credit

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recovered, such registered owner will be entitled to payment from the Series 2003B Credit Facility Issuer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Series 2003B Credit Facility Issuer its records evidencing the payments of principal of and interest of the Basic Lease Payments represented by the Series 2003B Certificates which have been made by the Trustee and the dates on which such payments were made.

(f) In addition to those rights granted the Series 2003B Credit Facility Issuer under the Financing Documents and hereunder, the Series 2003B Credit Facility Issuer shall, to the extent it makes payment of the principal or interest portion of the Basic Lease Payments represented by the Series 2003B Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2003B Credit Facility, and to evidence such subrogation: (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Series 2003B Credit Facility Issuer's rights as subrogee on the registration books of the School Board maintained by the Trustee upon receipt from the Series 2003B Credit Facility Issuer of proof of the payment of interest thereon to the registered owners of the Series 2003B Certificates; and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Series 2003B Credit Facility Issuer's rights as subrogee on the registration books of the School Board maintained by the Trustee upon surrender of the Series 2003B Certificates by the registered owners thereof together with proof of the payment of principal thereof.

**SECTION 604. CONTINUING DISCLOSURE.** The School Board hereby covenants with the Registered Owners and beneficial owners of any and all of the portion of Basic Lease Payments represented by Series 2003B Certificates to make public and file the information required under Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"), and to enter into one or more continuing disclosure agreements and undertakings meeting such requirements prior to such time or times as the School Board is required to have entered into such a continuing disclosure undertaking in order to comply with the Rule. All information which is made public and filed pursuant to this section shall also be provided to the Series 2003B Credit Facility Issuer and the Liquidity Provider.

**SECTION 605. AMENDMENT OF TRUST AGREEMENT .**

(a) Clause First of Section 504(a) of the Trust Agreement is hereby amended to read as follows (added language is underlined):

First: To the payment of the reasonable costs of the Trustee related to such Lease, including counsel fees and expenses, any disbursements of the Trustee and its reasonable compensation; provided, however, that no moneys obtained from a claim on the Liquidity Facility or the Credit Facility, proceeds from a remarketing or moneys held for the redemption of Certificates notice of which has been sent to the holders of such Certificates shall be used as provided in this clause.

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(b) Section 504(a) of the Trust Agreement is hereby further amended by renumbering the current clause Fifth as clause Sixth and adding as clause Fifth the following:

Fifth: To the payment to the persons entitled thereto of the unpaid Additional Lease Payments related to such Lease which shall have become due and, if the amount available shall not be sufficient to pay in full all such amounts, then to the payment thereof ratably, according to the amount due on such date, to the persons entitled thereto, without any discrimination or preference;

(c) With respect only to the Series 2003B Certificates, Section 606(a) is hereby amended by adding the following to the end of such section:

In the event that no successor has been appointed, the Trustee shall continue to serve until a successor shall have been appointed and shall have accepted such appointment.

(d) With respect only to the Series 2003B Certificates, Section 801 is hereby amended to add the following as clause (d) thereto:

(d) For purposes of this Section 801, (i) the interest rate on the interest portion represented by a Certificate which is not fixed to the maturity thereof shall be assumed to bear interest at the Maximum Rate for any period prior to such Certificate's specified maturity or Prepayment Date for which such interest rate is not fixed, (ii) a Liquidity Facility must remain in effect for any Certificate subject to tender for purchase on a date prior to the specified maturity or prepayment date of such Certificate, and (iii) a Certificate which is not fixed to the maturity thereof, shall be defeased on the earlier to occur of the first possible tender date or the first possible prepayment date.

**SECTION 606. PROVISIONS OF TRUST AGREEMENT NOT OTHERWISE MODIFIED.** Except as expressly modified or amended hereby, the Trust Agreement shall remain in full force and effect. With respect to the Series 2003B Certificates, to the extent of any conflict between the terms of the Master Trust Agreement and this Series 2003B Supplemental Trust Agreement, the terms hereof shall control.

**SECTION 607. AMENDMENT OF SERIES 2003B SUPPLEMENTAL TRUST AGREEMENT.** Notwithstanding anything to the contrary in the Trust Agreement, this Series 2003B Supplemental Trust Agreement may be modified or amended without the consent of, or notice to, the Series 2003B Certificate holders, but with the prior written consent of the Liquidity Provider if its rights or obligations are adversely affected, for one or more of the following purposes:

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(a) To make any change to this Series 2003B Supplemental Trust Agreement affecting only the Series 2003B Certificates when all Series 2003B Certificates have been tendered pursuant to the terms of this Series 2003B Supplemental Trust Agreement but have not been remarketed following such tender and are then in the possession of the Remarketing Agent;

(b) Effective upon any Conversion Date to a new interest rate determination method, to make any amendment affecting only the Series 2003B Certificates being converted;

(c) To make any change necessary to secure from a nationally recognized securities rating agency a rating on a Series 2003B Certificates equal to the rating of the unsecured, short-term indebtedness of the issuer of any Liquidity Facility then in effect;

(d) To modify this Series 2003B Supplemental Trust Agreement or the Series 2003B Certificates if such modification affects only Series 2003B Certificates and at least 30 days' notice of such modification is provided to the Series 2003B Certificate holders, and (i) such Series 2003B Certificate holders have the right to optionally tender their Series 2003B Certificates at any time during such notice period or (ii) such Series 2003B Certificates are subject to mandatory tender at any time during such notice period;

(e) To modify any provisions of this Series 2003B Supplemental Trust Agreement relating to ARCS, so long as such modification, in the judgment of the Trustee, is not to the prejudice of the holders of the Series 2003B Certificates;

(f) To modify the provisions of this Series 2003B Supplemental Trust Agreement relating to ARCS, including without limitation the mandatory tender provisions and the definitions of terms used with respect thereto (including without limitation the definitions of "AA" Composite Commercial Paper Rate, Applicable ARCS Rate, Applicable Percentage, All-Hold Rate, and Maximum Rate) may be amended at the request of the School Board, (i) upon obtaining an Opinion of Counsel that the same does not materially adversely affect the rights of the ARCS Beneficial Owners or (ii) by obtaining the consent of the ARCS Beneficial Owners. In the case of clause (ii) above, the Trustee shall mail notice of such amendment to the ARCS Beneficial Owners of all ARCS, and if, on the first Auction Date occurring at least 30 days after the date on which the Trustee mailed such notice, Sufficient Clearing Bids have been received or all of the ARCS are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the ARCS Beneficial Owners. As an additional condition precedent to any such amendment, there shall be delivered to the School Board and the Trustee a Favorable Opinion to the effect that such amendment will not adversely affect the exclusion of interest on the ARCS from gross income for federal income tax purposes.

**SECTION 608. TRUSTEE'S CLAIMS.** The Trustee shall have no lien or claim for payment of its compensation, expenses, disbursements, losses or liabilities upon (i) the proceeds of the remarketing of the Series 2003B Certificates, (ii) moneys held for prepayment of Series 2003B Certificates for which notice of prepayment has been given, or (iii) amounts in its possession derived from a claim on the Liquidity Facility or Series 2003B Credit Facility.

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**SECTION 609. COUNTERPARTS.** This Series 2003B Supplemental Trust Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 610. HEADINGS.** Any heading preceding the text of the several Articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Series 2003B Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

**SECTION 611. LAWS.** This Series 2003B Supplemental Trust Agreement shall be construed and governed in accordance with the laws of the State of Florida.

**SECTION 612. NOTICES.** The Trustee shall notify the Rating Agencies, the Series 2003B Credit Facility Issuer and the Liquidity Provider as soon as practicable (a) after the Trustee becomes aware of (i) any expiration, termination or renewal of the Liquidity Facility, (ii) any change in the Liquidity Facility, or (iii) the failure of the Liquidity Provider to reinstate the interest portion of the Liquidity Facility within the time allotted for such reinstatement to occur, or (b) if (i) the Trustee resigns or is removed or a new Trustee is appointed, (ii) the Tender Agent resigns or is removed or a new Tender Agent is appointed, (iii) the Remarketing Agent resigns or is removed or a new Remarketing Agent is appointed, (iv) an Alternate Liquidity Facility is provided, (v) there is a call for prepayment or mandatory tender for purchase of Series 2003B Certificates in whole, (vi) there is a change in the interest mode or otherwise in the method for determination of the interest portion of Basic Lease Payments represented by the Series 2003B Certificates, (vii) all of the Series 2003B Certificates are defeased.

Copies of all notices required to be given to pursuant to the Trust Agreement shall be given to the following Persons at the following addresses:

(a) As to the Remarketing Agent:

UBS Financial Services Inc.  
1285 Avenue of the Americas, 15<sup>th</sup> Floor  
New York, New York 10019  
Attention: Short-Term Desk  
Telephone: (212) 713-4692  
Facsimile: (212) 713-3797

(b) As to the Liquidity Provider:

Dexia Credit Local  
New York Agency  
445 Park Avenue  
New York, New York 10022

For administration:

Attention: First Vice President and Manager, Public Finance  
Telephone: (212) 515-7003  
Facsimile: (212) 753-5516

For operations and funding:

Attention: Operations Officer  
Telephone: (212) 515-7007  
Facsimile: (212) 753-7522

(c) As to the Series 2003B Credit Facility Issuer:

Ambac Assurance Corporation  
One State Street Plaza  
17<sup>th</sup> Floor  
New York, New York 10004  
Attention: Surveillance

(d) As to the Rating Agency:

Standard & Poor's  
55 Water Street  
38th Floor  
New York, NY 10041  
Attention: Public Finance Surveillance Group

Moody's Investor Services  
99 Church Street  
New York, New York 10007  
Attention: Public Finance Group

Fitch Ratings  
One State Street Plaza  
New York, New York 10004  
Attention: Surveillance

(e) As to each Auction Agent, Market Agent, Broker-Dealer and Tender Agent from time to time required to receive notice under the Trust Agreement, such address as such Person shall have provided in writing to each of the School Board and the Trustee.

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IN WITNESS WHEREOF, the parties have executed this Series 2003B Supplemental Trust Agreement by their duly authorized officers as of the date and year first written above.

(SEAL)

**PALM BEACH SCHOOL BOARD LEASING CORP.**

Attest: \_\_\_\_\_  
Art Johnson  
Secretary

By: \_\_\_\_\_  
Thomas E. Lynch  
President

(SEAL)

**THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as agent for The Bank of New York, as Trustee**

By: \_\_\_\_\_  
Sheryl Lear  
Authorized Signatory

The School Board of Palm Beach County, Florida, hereby consents to the execution of this Series 2003B Supplemental Trust Agreement by the parties hereto and agrees to abide by the terms applicable to it herein.

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

By: \_\_\_\_\_  
Thomas E. Lynch  
Chairman

STATE OF FLORIDA )  
 ) SS:  
COUNTY OF PALM BEACH )

I, \_\_\_\_\_, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch and Art Johnson, personally known to me to be the same persons whose names are, respectively, as President and Secretary, respectively, of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for uses and purposes therein set forth.

GIVEN under my hand and notarial seal this \_\_\_\_ day of June, 2003.

\_\_\_\_\_  
NOTARY PUBLIC STATE OF FLORIDA

NOTARY PUBLIC SEAL OF OFFICE:

\_\_\_\_\_  
(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Produced identification: \_\_\_\_\_
- DID take an oath, or
- DID NOT take an oath.

STATE OF FLORIDA )  
 ) SS:  
COUNTY OF PALM BEACH )

I, \_\_\_\_\_, 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 as Authorized Signatory, of THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as agent for The Bank of New York, as Trustee, a national banking association organized under the laws of the United States of America, is subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that he/she, being thereunto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said corporation and as his/her own free and voluntary act, for uses and purposes therein set forth.

GIVEN under my hand and notarial seal this \_\_\_\_ day of June, 2003.

\_\_\_\_\_  
NOTARY PUBLIC STATE OF FLORIDA

NOTARY PUBLIC SEAL OF OFFICE:

\_\_\_\_\_  
(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Produced identification: \_\_\_\_\_
- DID take an oath, or
- DID NOT take an oath.

**APPENDIX 1**

**FORM OF NOTICE TO CERTIFICATE HOLDERS OF ALTERNATE LIQUIDITY FACILITY**

Certificates of Participation  
Series 2003B

Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be Made by THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, as Lessee Pursuant to a Master Lease Purchase Agreement with PALM BEACH SCHOOL BOARD LEASING CORP., as Lessor

The notice is being sent pursuant to the provisions of the Series 2003B Supplemental Trust Agreement, dated as of June 15, 2003, supplementing and amending the Master Trust Agreement dated as of November 1, 1994 (collectively, the "Trust Agreement"), between the PALM BEACH SCHOOL BOARD LEASING CORP. and THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as agent for The Bank of New York as Trustee. Capitalized terms used in this notice shall have the same meanings as in the Trust Agreement.

You are hereby notified as follows:

1. An Alternate Liquidity Facility issued by \_\_\_\_\_ and relating to the captioned Certificates of Participation (the "Series 2003B Certificates") will become effective on \_\_\_\_\_ (the "Substitution Date"). Your Series 2003B Certificate will be subject to mandatory tender for purchase on \_\_\_\_\_ at a price of 100% of the principal portion of Basic Lease Payments represented thereby, plus the accrued interest portion of Basic Lease Payments represented thereby to such date.
2. Payment of the purchase price for your Series 2003B Certificate will be made on the Substitution Date upon presentation and surrender at the address of the Tender Agent set forth below prior to 11:30 a.m., New York City Time on the Substitution Date, of such Series 2003B Certificate, duly endorsed in blank for transfer (with all signatures guaranteed by an eligible guarantor institution as defined by SEC Rule 17Ad-15 (17 CFR 240.17Ad-15):  
  
\_\_\_\_\_  
\_\_\_\_\_

3. In addition, you are further notified that the interest portion of Basic Lease Payments represented by your Series 2003B Certificates will no longer accrue to you on and after the Substitution Date and, other than the right to receive payment of the purchase price for your Series 2003B Certificate, you shall then cease to have further rights under the Trust Agreement.

Dated: \_\_\_\_\_

By: \_\_\_\_\_  
Title: \_\_\_\_\_

PROVISIONS RELATING TO SERIES 2003B CERTIFICATES OUTSTANDING AS  
VARIABLE RATE CERTIFICATES OR FIXED RATE CERTIFICATES

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## APPENDIX 1 - NOTICE OF OPTIONAL TENDER

**Section 1.1 Definitions.** In addition to the words and terms defined in the Trust Agreement or the Master Lease or elsewhere defined in this Series 2003B Supplemental Trust Agreement, the following words and terms with respect to the Series 2003B Certificates shall have the following meaning unless the context or use indicates another or different meaning or intent (terms defined herein and in the Trust Agreement or the Lease or elsewhere in this Series 2003B Supplemental Trust Agreement, shall, unless the context requires otherwise, have the meaning given herein with respect to the Series 2003B Certificates outstanding as Variable Rate Certificates or Fixed Rate Certificates, as the case may be):

“Conversion Date” shall mean the date on which such Rate Period first becomes effective pursuant to Section 1.2 of this Exhibit A.

“Counterparty” shall mean the Person entering into a Hedge Agreement with the School Board.

“Daily Rate” shall mean the rate determined for the interest portion of Basic Lease Payments represented by Series 2003B Certificates for a Daily Rate Period pursuant to Section 1.2(c) of this Exhibit A.

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“Daily Rate Period” shall mean, while the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Daily Rate, the period commencing on each Business Day to but excluding the following Business Day.

“Event of Termination” shall have the meaning given such term in the Liquidity Facility.

“Extended Rate” shall mean the rate for the interest portion of Basic Lease Payments represented by the Series 2003B Certificates is determined for an Extended Rate Period pursuant to Section 1.2(h).

“Extended Rate Period” shall mean, while the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Extended Rate, the period commencing on the Extended Rate Conversion Date and on the first Business Day of the calendar month following the last day of the prior Rate Period, extending for a period of one year or integral multiples of six months in excess of one year as established by the Remarketing Agent and ending on a day which is the last day preceding the first Business Day of a calendar month.

“Fixed Rate” shall mean the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates determined pursuant to Section 1.2(p) of this Exhibit A.

“Fixed Rate Period” shall mean the period of time during which the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at a Fixed Rate.

“Immediate Termination” shall mean the Standby Purchaser immediately terminates its obligation to purchase Series 2003B Certificates tendered for purchase in accordance with Section 7.02(a) of the Standby Agreement and any event under an Alternate Liquidity Facility which results in the immediate termination of an alternate liquidity provider’s obligations to purchase Series 2003B Certificates.

“Immediate Suspension” shall mean the Standby Purchaser immediately suspends its obligation to purchase Series 2003B Certificates tendered for purchase in accordance with Section 7.02(c) or (d) of the Standby Agreement and any event under an Alternate Liquidity Facility which results in the immediate suspension of an alternate liquidity provider’s obligations to purchase Series 2003B Certificates.

“Monthly Rate” shall mean the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined for a Monthly Rate Period pursuant to Section 1.2(e).

“Monthly Rate Period” shall mean, while the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Monthly Rate, the period commencing on the first Business Day of each month to but excluding the first Business Day of the following month.

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“Notice Termination Date” shall mean the date upon which Standby Purchaser terminates its obligation to purchase Series 2003B Certificates tendered for purchase in accordance with Section 7.02(b) of the Standby Agreement, which date must be at least thirty (30) days after the date on which the Trustee and Tender Agent receive notice of such termination from the Standby Purchaser and any termination date under an Alternate Liquidity Facility pursuant to which a similar notice of termination is given.

“Purchase Date” shall mean the date upon which the Tender Agent is obligated to purchase a Series 2003B Certificate or Series 2003B Certificates pursuant to Sections 1.4, 1.5, 1.6 and 1.9 of this Exhibit A.

“Purchase Price” of any Series 2003B Certificate required to be purchased by the Tender Agent pursuant to Sections 1.4, 1.5, 1.6 and 1.9 of this Exhibit A shall mean an amount equal to the principal portion of Basic Lease Payments represented by such Series 2003B Certificate plus, if the Purchase Date is other than an Interest Payment Date, the accrued interest portion thereof, at the rate applicable to the Series 2003B Certificate from the most recent Interest Payment Date and up to but excluding the Purchase Date.

“Put Series 2003B Certificates” shall mean all Series 2003B Certificates which, in accordance with this Series 2003B Supplemental Trust Agreement, may be tendered for payment or purchase by or on behalf of the School Board prior to the stated maturities thereof.

“Quarterly Rate” shall mean the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined for any Quarterly Rate Period pursuant to Section 1.2(f) of this Exhibit A.

“Quarterly Rate Period” shall mean, while the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Quarterly Rate, the period commencing on the Quarterly Rate Conversion Date for the Series 2003B Certificates, and on the first Business Day of each third calendar month thereafter, to but excluding the first Business Day of the third calendar month thereafter.

“Rate Period” or “Period” shall mean, when used with respect to any particular rate of interest applicable to the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates (whether a Daily, Weekly, Monthly, Quarterly, Semiannual, Extended or Fixed Rate), the period during which such rate of interest will remain in effect pursuant to Section 1.2 of this Exhibit A.

“Semiannual Rate” shall mean the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined for a Semiannual Rate Period pursuant to Section 1.2(g).

“Semiannual Rate Period” shall mean, while the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Semiannual Rate, the period commencing on the Semiannual Rate Conversion Date and from and including the

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first Business Day of each sixth calendar month thereafter to but excluding the first Business Day of the sixth calendar month thereafter.

“Special Purchase Series 2003B Certificates” shall mean the Series 2003B Certificates to be purchased in lieu of prepayment in accordance with Section 304 of the Series 2003B Supplemental Trust Agreement.

“Special Purchase Date” shall mean the date on which Series 2003B Certificates are scheduled to be purchased in lieu of prepayment pursuant to Section 304 of the Series 2003B Supplemental Trust Agreement.

“Special Purchase Price” shall mean the amount equal to the principal portion of Basic Lease Payments represented by the Special Purchase Series 2003B Certificates, plus the accrued interest portion, if any, on the Special Purchase Series 2003B Certificates to the Special Purchase Date.

“Variable Rate” shall mean, as the context requires, the Daily, Weekly, Monthly, Quarterly, Semiannual or Extended Rate applicable to the Series 2003B Certificates.

“Variable Rate Certificates” shall mean Series 2003B Certificates the interest portion of which is determined at the Daily, Weekly, Monthly, Quarterly, Semiannual or Extended Rate.

“Weekly Rate” shall mean the rate for the interest portion of Basic Lease Payments by Series 2003B Certificates is determined for a Weekly Rate Period pursuant to Section 1.2(d) hereof.

“Weekly Rate Period” shall mean, while the rate for the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Weekly Rate, the period commencing on Thursday of each week to but excluding Thursday of the following week, except that (a) in the case of a conversion to a Weekly Rate Period from a different Variable Rate Period, the initial Weekly Rate Period shall be from and including the Weekly Rate Conversion Date to but excluding Thursday of the following week, and (b) in the case of a conversion of the Series 2003B Certificates from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period shall end on and exclude the Conversion Date.

#### Section 1.2 General Terms and Provisions.

(a) Terms of Variable Rate Certificates. The Series 2003B Certificates (A) shall be substantially in the form attached as Exhibit D to the Series 2003B Supplemental Trust Agreement; (B) shall be payable as to interest on each Interest Payment Date established therefor at the rate per annum determined as provided in the form thereof and in this Section 1.2; and (C) shall be subject to prepayment, to optional and mandatory tender for purchase, and to remarketing, all as provided in the form thereof and in the Series 2003B Supplemental Trust Agreement. While the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Daily Rate, Weekly Rate, Monthly Rate and Quarterly Rate, the interest portion will be calculated based on the actual days elapsed and a year of 365 or 366 days,

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Semiannual and Extended Rate or the Variable Rate for any Variable Rate Period exceed the Maximum Rate.

(iii) Absent manifest error, all determinations of Variable Rates pursuant to this Section 1.2 shall be conclusive and binding upon the School Board, the Trustee, the Tender Agent, the Series 2003B Credit Facility Issuer, the Liquidity Provider, and the Owners of the Series 2003B Certificates. The School Board, the Trustee, the Tender Agent and the Remarketing Agent shall not be liable to the Owner of any Series 2003B Certificate for failure to give any notice required above or for failure of the Owner of any Series 2003B Certificate to receive any such notice.

#### (c) Daily Rates.

(i) Daily Rate Periods shall be from each Business Day to but excluding the following Business Day.

(ii) The Daily Rate for each Daily Rate Period shall be determined by the Remarketing Agent not later than 10:00 a.m., New York City time, on the commencement date of the Daily Rate Period to which it relates.

#### (d) Weekly Rates.

(i) Weekly Rate Periods shall be from Thursday of each week to but excluding Thursday of the following week; except that (A) in the case of the first Weekly Rate Period, the initial period shall commence on the date of original issuance and delivery of the Series 2003B Certificates; (B) in the case of a conversion to a Weekly Rate Period from a different Variable Rate Period, the initial Weekly Rate Period for the Series 2003B Certificates shall be from and including the Weekly Rate Conversion Date to but excluding Thursday of the following week; and (C) in the case of a conversion of the Series 2003B Certificates from a Weekly Rate Period to a different Rate Period, the last Weekly Rate Period shall end on and exclude the Conversion Date.

(ii) The Weekly Rate for each Weekly Rate Period shall be determined not later than 4:00 p.m., New York City time, on Wednesday or, if such Wednesday is not a Business Day, the last Business Day which is immediately prior to the commencement date of the Weekly Rate Period to which it relates.

#### (e) Monthly Rates.

(i) Monthly Rate Periods shall be from and including the first Business Day of each calendar month to but excluding the first Business Day of the following month.

(ii) The Monthly Rate for each Monthly Rate Period shall be determined not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period.

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as applicable, and while the interest portion of Basic Lease Payments represented by the Series 2003B Certificates is determined at the Semiannual Rate, Extended Rate or Fixed Rate, the interest portion will be calculated based on a year of 360 days consisting of twelve 30-day months.

(b) Variable Rate; Determination by Remarketing Agent; Notice of Rates Determined. The Series 2003B Certificates shall initially bear interest at the Weekly Rate until converted to another Rate Period as provided herein. Subject to the further provisions of this Section 1.2 with respect to particular Variable Rates or conversions between Rate Periods, and subject to the provisions of the Series 2003B Certificates, the Variable Rate to be applicable to Series 2003B Certificates during any Variable Rate Period shall be determined by the Remarketing Agent as provided in this Section 1.2 and notice thereof shall be given as follows:

(i) Notice of each preliminary Quarterly, Semiannual and Extended Rate and of each Variable Rate shall be given as follows:

(A) By the Remarketing Agent to the Trustee and the Tender Agent by telephone (followed by notice in writing by an authorized officer of the Remarketing Agent) not later than 5:00 p.m., New York City time, (10:00 a.m., New York City time, with respect to Daily Rates) on the date of determination; and

(B) On the last Business Day of each month or more frequently upon the Series 2003B Credit Facility Issuer's or Liquidity Provider's written request, the Tender Agent shall provide written notice thereof to the Series 2003B Credit Facility Issuer and the Liquidity Provider.

Notice of each preliminary Quarterly, Semiannual and Extended Rate, and of each Monthly, Quarterly, Semiannual and Extended Rate, shall be given by the Trustee by sending notice in writing to the Owners of the Series 2003B Certificates and the Trustee not later than 5:00 p.m., New York City time, on the third Business Day following the date of determination. The Tender Agent shall inform the Owners of the Series 2003B Certificates and the Trustee of the Daily and Weekly Rates upon request.

(ii) The preliminary Quarterly, Semiannual and Extended Rate or the Variable Rate so to be determined shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Series 2003B Certificates to have a market value equal to the principal portion of Basic Lease Payments represented thereby, plus the accrued interest portion of Basic Lease Payments represented thereby, under prevailing market conditions as of the date of determination of such preliminary Quarterly, Semiannual and Extended Rate or Variable Rate. The preliminary Quarterly, Semiannual and Extended Rate is intended to serve only as an indication of the lowest interest rate that would cause the Series 2003B Certificates to have a market value equal to par under market conditions on the date on which such preliminary Quarterly, Semiannual and Extended Rate is determined. The Quarterly, Semiannual and Extended Rate determined after the preliminary Quarterly, Semiannual and Extended Rate is determined may be higher, lower or the same as such preliminary Quarterly, Semiannual and Extended Rate. Notwithstanding the foregoing, in no event shall the preliminary Quarterly,

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#### (f) Quarterly Rates.

(i) Quarterly Rate Periods shall be (A) from and including the Quarterly Rate Conversion Date for the Series 2003B Certificates and from and including the first Business Day of each third calendar month thereafter; (B) to but excluding the first Business Day of the third calendar month thereafter.

(ii) The Quarterly Rate for each Quarterly Rate Period shall be determined as follows:

(A) A preliminary Quarterly Rate for each Quarterly Rate Period shall be determined not later than 4:00 p.m., New York City time, on the last Business Day which is at least 15 days preceding the commencement date of such period; and

(B) The actual Quarterly Rate for each Quarterly Rate Period shall be determined not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period.

#### (g) Semiannual Rates.

(i) Semiannual Rate Periods shall be (A) from and including the Semiannual Rate Conversion Date for the Series 2003B Certificates and from and including the first Business Day of each sixth calendar month thereafter; (B) to but excluding the first Business Day of the sixth month thereafter.

(ii) The Semiannual Rate for each Semiannual Rate Period shall be determined as follows:

(A) A preliminary Semiannual Rate for each Semiannual Rate Period shall be determined not later than 4:00 p.m., New York City time, on the last Business Day which is at least 30 days immediately preceding the commencement date of such period;

(B) The actual Semiannual Rate for each Semiannual Rate Period shall be determined not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period.

#### (h) Extended Rates.

(i) Extended Rate Periods shall commence initially on the Extended Rate Conversion Date for the Series 2003B Certificates, and subsequently on the first Business Day of the calendar month following the last day of the prior Rate Period and extend for a period of one year or integral multiples of six months in excess of one year set by the Remarketing Agent, and end on a day which is the last day preceding the first Business Day of a calendar month.

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(ii) The Extended Rate for each Extended Rate Period shall be determined as follows:

(A) A preliminary Extended Rate for each Extended Rate Period shall be determined not later than 4:00 p.m., New York City time, on the last Business Day which is at least 30 days immediately preceding the commencement date of such period;

(B) The actual Extended Rate for each Extended Rate Period shall be determined not later than 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period.

(i) Limitation on Rate Periods None of the Variable Rate Periods may extend beyond the scheduled expiration date of the Liquidity Facility.

(j) Conversion between Variable Rate Periods and From Variable Rate Period to Commercial Paper Rate Period At the option of the School Board and upon delivery of a Favorable Opinion to the Trustee, the Series 2003B Credit Facility Issuer and the School Board, the Series 2003B Certificates may be converted from one Variable Rate Period to another or to a Commercial Paper Rate Period as provided in this clause (j). The Conversion Date shall be an Interest Payment Date for the Variable Rate Period from which the conversion is to be made; provided, however, that in the case of a conversion from an Extended Rate Period, the Conversion Date shall be limited to an Interest Payment Date on which a new Extended Rate Period for the Series 2003B Certificates would otherwise have commenced pursuant to Section 1.2(h). At the direction of the School Board, the Remarketing Agent shall give written notice of any conversion pursuant to this Section 1.2(j) to the Trustee, the Tender Agent, the School Board, the Series 2003B Credit Facility Issuer and the Liquidity Provider not less than five Business Days prior to the date on which the Tender Agent is required to notify the Owners of the conversion in the manner provided in this clause (j). Such notice shall specify the Conversion Date and the Rate Period to which the conversion will be made. Not less than 30 days prior to any Conversion Date, the Tender Agent shall mail or cause the Trustee to mail a written notice of the conversion to the School Board, the Trustee, the Series 2003B Credit Facility Issuer, the Liquidity Provider and all of the Owners of the Series 2003B Certificates. Such notice shall set forth (A) the information contained in the notice from the Remarketing Agent pursuant to this clause (j) above, (B) the Interest Payment Dates for the new Rate Period, (C) the dates on which the Remarketing Agent will determine and the Tender Agent will notify the Owners of the preliminary Variable Rate (if applicable) and the Variable Rate for the Variable Rate Period or the Commercial Paper Rates and the length of the Commercial Paper Rate Periods, as the case may be, commencing on the Conversion Date, and (D) the matters required to be stated pursuant to Section 1.5(b) with respect to purchases of Series 2003B Certificates which are governed by such Section.

(k) Determination of Variable Rate or Commercial Paper Rates Effective on Conversion Date

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conversion ineffective if the Series 2003B Certificates shall otherwise comply with the requirements of Section 501(a) of the Series 2003B Supplemental Trust Agreement.

Except as specifically provided in (iv) above, in any such event, the Series 2003B Certificates which were to be converted shall automatically be converted to a Weekly Rate Period on the date such conversion was to be made, provided that any mandatory or optional tender for purchase on the Conversion Date shall nevertheless be carried out. No cancellation of a conversion pursuant to this subsection shall constitute an Event of Default hereunder. Upon the occurrence of an event described in (i) above, the Weekly Rate for the Series 2003B Certificates shall be the per annum rate of interest determined on each Wednesday (or if such day is not a Business Day, the immediately preceding Business Day) by the Trustee which is equal to the lesser of the Maximum Rate and a rate equal to "The Bond Market Association Municipal Swap Index" (or a comparable index, if such index is no longer published) most recently published, plus 50 basis points.

(m) Conversion to Fixed Rate or Auction Rate The Series 2003B Certificates in a Variable Rate Period shall be converted to bear interest at a Fixed Rate or Auction Rate upon request of the School Board as provided in this clause (m). The Fixed Rate Conversion Date or Auction Rate Conversion Date shall be:

(i) In the case of a conversion from a Variable Rate Period other than an Extended Rate Period, an Interest Payment Date for the Series 2003B Certificates on which interest is payable for the Variable Rate Period from which the conversion is to be made; and

(ii) In the case of a conversion from an Extended Rate Period, an Interest Payment Date for the Series 2003B Certificates on which a new Extended Rate Period would otherwise have commenced pursuant to Section 1.2(h).

Not less than 45 days (or such shorter period approved by the parties to receive the same) prior to the Fixed Rate Conversion Date or Auction Rate Conversion Date, the School Board shall give written notice to the Trustee, the Tender Agent, the Remarketing Agent, the Series 2003B Credit Facility Issuer and the Liquidity Provider, setting forth (A) the election to convert the Series 2003B Certificates to a Fixed Rate or Auction Rate, as the case may be, (B) the proposed Fixed Rate Conversion Date (and the first Interest Payment Date in the Fixed Rate) or Auction Rate Conversion Date and (C) that the Liquidity Facility, if any, will terminate on the Fixed Rate Conversion Date or Auction Rate Conversion Date. As a condition of any such conversion, the Trustee, the Series 2003B Credit Facility Issuer, the Liquidity Provider and the Remarketing Agent shall receive, concurrently with the notice, a Favorable Opinion.

(n) Preliminary Determination of Terms of Series 2003B Certificates Converted to Fixed Rate Certificates or Auction Rate Certificates

(i) The Remarketing Agent shall make a preliminary determination of the Fixed Rate or Fixed Rates for the Series 2003B Certificates and the maturities of the Series 2003B Certificates in the same manner as is provided for the final determination of rates pursuant to Section 1.2(p). Such preliminary determination shall be made on a Business Day

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(i) The preliminary Variable Rate (if applicable) and the Variable Rate for the Variable Rate Period commencing on the Conversion Date shall be determined by the Remarketing Agent in the manner and on the dates provided in this Section 1.2. In addition to determining the Variable Rate for the Rate Period to which conversion is to be made, the Remarketing Agent shall determine a Weekly Rate at the time specified in Section 1.2(d), and give notice thereof to the Tender Agent, the Trustee and the Trustee, which Weekly Rate shall take effect, if needed, pursuant to clause (l) below.

(ii) The Commercial Paper Rate and the Commercial Paper Rate Period shall be determined as provided in Exhibit C to the Series 2003B Supplemental Trust Agreement.

(l) Conditions on which Conversion Ineffective Notwithstanding the delivery of notice of conversion pursuant to clause (j) above, conversion to a new Variable Rate Period or to a Commercial Paper Rate Period shall not take effect as to the Series 2003B Certificates if:

(i) The Remarketing Agent fails to determine a Variable Rate for the Rate Period to which the conversion is to be made or the Commercial Paper Rate and the Commercial Paper Rate Period, as the case may be;

(ii) Any notice required by Section 1.2(j) is not given when required;

(iii) There is not delivered to the School Board, the Series 2003B Credit Facility Issuer and the Trustee a Favorable Opinion, dated as of the Conversion Date;

(iv) Such notice of conversion is rescinded by the School Board by written notice of such rescission to the Trustee, the Liquidity Provider and the Remarketing Agent which written notice is delivered prior to the applicable Conversion Date. If the Trustee receives notice of such rescission at least 10 days prior to the proposed Conversion Date, then such notice of conversion shall be of no force and effect. If the Trustee receives notice of such rescission on or after 9 days prior to the proposed Conversion Date, then the Series 2003B Certificates shall automatically adjust to a Weekly Rate Period. Any purchases of Series 2003B Certificates scheduled or required to take place on the proposed effective date of any Rate Period (being also the effective date of the automatic adjustment to a Weekly Rate Period as in this Section 1.2(l) provided) shall take place on such date. No Favorable Opinion shall be required in connection with any automatic adjustment to a Weekly Rate Period as in this Section 1.2(l) provided; or

(v) There is not delivered to the Trustee written evidence from the Rating Agency that any such conversion to a Commercial Paper Rate, Quarterly Rate, Semiannual Rate or Extended Rate will not, of itself, cause a reduction or withdrawal of any rating then assigned to the Series 2003B Certificates; provided, however that (i) a reduction in rating resulting solely from provision of an Alternate Liquidity Facility shall not render such conversion ineffective if the Alternate Liquidity Facility complies with the requirements of the Series 2003B Supplemental Trust Agreement or (ii) a reduction in rating resulting solely from failure to provide a Liquidity Facility for the proposed Rate Period shall not render such

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which is at least 35 days prior to the Fixed Rate Conversion Date. On the date of the preliminary determination, the Remarketing Agent shall notify the Tender Agent and the Tender Agent shall notify the School Board, the Trustee, and the Series 2003B Credit Facility Issuer, by telephone (promptly confirmed in writing), telegram, teletype, telex or other similar means of communication of the preliminary Fixed Rate or Fixed Rates so determined.

(ii) Determination of all details of the Series 2003B Certificates upon conversion to Auction Rate Certificates shall be made in accordance with Exhibit B to the Series 2003B Supplemental Trust Agreement.

(o) Notice of Conversion to Fixed Rate or Auction Rate The Tender Agent shall mail or cause the Trustee to mail a notice of the proposed conversion to the School Board, the Trustee, the Series 2003B Credit Facility Issuer, the Liquidity Provider and the Owners of all Series 2003B Certificates. Such notice shall be mailed not less than 30 days prior to the proposed Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be. Such notice shall set forth the proposed Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be, and state:

(i) that the Series 2003B Certificates are subject to mandatory tender for purchase (without the right to retain) on the Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be, at the Purchase Price;

(ii) the time at which Series 2003B Certificates are to be tendered for purchase; and

(iii) that the Series 2003B Certificates shall be deemed purchased on the Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be, and thereafter the Owner shall have no further rights hereunder except to receive such Purchase Price.

(p) Terms of Fixed Rate Certificates

Determination of Fixed Rate The Remarketing Agent shall determine the Fixed Rate or Fixed Rates for the Series 2003B Certificates by not later than 3:30 p.m., New York City time, on the last Business Day that is at least 5 days prior to the Fixed Rate Conversion Date for the Series 2003B Certificates. The Fixed Rate or Fixed Rates shall be the lowest rate or rates of interest per annum (not in excess of the maximum rate of interest allowed by law) which, in the judgment of the Remarketing Agent as of the date of determination and under prevailing market conditions, would cause the Fixed Rate Series 2003B Certificates to have a market value equal to the principal portion of Basic Lease Payments represented thereby, plus the accrued interest portion of Basic Lease Payments represented thereby. If necessary or desirable to achieve the lowest Fixed Rate or Fixed Rates on the Series 2003B Certificates, the Remarketing Agent may determine that some or all of the Series 2003B Certificates shall be converted to Serial Series 2003B Certificates maturing in years for which mandatory sinking fund prepayments have been established pursuant to Section 302 of the Series 2003B Supplemental Trust Agreement and maturing in aggregate principal portions that correspond to such mandatory sinking fund

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prepayments. Not later than 4:00 p.m., New York City time, on the date of determination of the Fixed Rate, the Remarketing Agent shall notify the Tender Agent of the Fixed Rate or Fixed Rates and of any serialization of the maturities of the Series 2003B Certificates by telephone (promptly confirmed in writing). Such determination shall be conclusive and binding upon the School Board, the Trustee, the Tender Agent, the Series 2003B Credit Facility Issuer, and the Owners of the Series 2003B Certificates. The Tender Agent shall make such Fixed Rate and serialization of the maturities of the Series 2003B Certificates available upon request by telephone (promptly confirmed in writing), telegram, teletype, telex or other similar communication to the School Board, the Trustee, and the Series 2003B Credit Facility Issuer. In addition to determining a Fixed Rate, the Remarketing Agent shall determine a Weekly Rate pursuant to Section 1.2(d) and give notice thereof to the Tender Agent, the Trustee, and the Series 2003B Credit Facility Issuer, which Weekly Rate shall take effect if needed pursuant to Section 1.2(q).

(q) Conditions on which Conversion to Fixed Rate or Auction Rate Ineffective. Notwithstanding the delivery of notice of a Fixed Rate or Auction Rate conversion pursuant to Section 1.2(o) above, conversion of Series 2003B Certificates to a Fixed Rate Period or Auction Rate Period, as the case may be, shall not take effect:

- (i) if the School Board withdraws such notice of conversion not later than the Business Day preceding the date on which the Fixed Rate or Auction Rate is to be determined;
- (ii) if the Remarketing Agent fails to determine the Fixed Rate or Fixed Rates or an Auction Rate has not been determined;
- (iii) if any notice required by Section 1.2(o) is not given when required; or
- (iv) if upon the conversion, any Fixed Rate Series 2003B Certificates or Auction Rate Certificates would be Provider Certificates, unless the Liquidity Provider and the Series 2003B Credit Facility Issuer consent.

In any of such events, the Series 2003B Certificates shall automatically be converted to a Weekly Rate for a Weekly Rate Period which shall commence on the date the Fixed Rate or Auction Rate conversion was to be made, provided that the mandatory tender for purchase pursuant to Sections 1.6 and 1.9 shall nevertheless be carried out if notice of the Fixed Rate or Auction Rate conversion had been given to the Owners of the Series 2003B Certificates. Withdrawal of a conversion notice shall be given by the School Board to the Trustee, the Tender Agent, the Auction Agent (in the case of the Auction Rate), the Trustee, the Remarketing Agent, the Series 2003B Credit Facility Issuer and the Liquidity Provider, by telephone, promptly confirmed in writing. No cancellation of a Fixed Rate or Auction Rate conversion pursuant to this subsection shall constitute an Event of Default hereunder. If the Series 2003B Certificates are converted to a Weekly Rate, and the Remarketing Agent fails to set a Weekly Rate, the Weekly Rate shall be the per annum rate of interest determined on each Wednesday (or if such day is not a Business Day, the immediately preceding Business Day) by the Trustee which is equal to the lesser of the Maximum Rate and a rate equal to "The Bond Market Association Municipal Swap Index" (or a

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(iii) While the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Monthly, Quarterly or Semiannual Rates, Series 2003B Certificates may be tendered for purchase on any Interest Payment Date upon delivery of a written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day which is not less than 7 days prior to the Interest Payment Date while the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Monthly and Quarterly Rates, or 15 days prior to the Interest Payment Date while the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Semiannual Rates; and

(iv) While the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Extended Rates, Series 2003B Certificates may be tendered for purchase on the commencement date of any Extended Rate Period (other than the Extended Rate Conversion Date) upon delivery of a written notice of tender to the Tender Agent not later than 5:00 p.m., New York City time, on a Business Day which is not less than 15 days prior to the Purchase Date.

(b) Notice of Tender. Each notice of tender:

(i) shall, in the case of a written notice be delivered to the Tender Agent and, while the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Weekly Rates, a copy thereof delivered to the Remarketing Agent, at its principal office and containing the information required in the form attached as Appendix 1 hereto;

(ii) shall state, whether delivered in writing or by telephone (A) the principal portion of Basic Lease Payments represented by the Series 2003B Certificate or portion thereof to be purchased, (B) that the Owner irrevocably demands purchase of such principal portion of Basic Lease Payments represented by the Series 2003B Certificate or portion thereof, (C) the date on which such principal portion of Basic Lease Payments represented by the Series 2003B Certificate or portion thereof is to be purchased, (D) payment instructions, and (E) the DTC number of such Direct Participant; and

(iii) shall automatically constitute, whether delivered in writing or by telephone (A) an irrevocable offer to sell the principal portion of Basic Lease Payments represented by the Series 2003B Certificate or portion thereof to which the notice relates on the Purchase Date to any purchaser selected by the Remarketing Agent, at the Purchase Price, (B) an irrevocable authorization and instruction to the Trustee to effect transfer of such principal portion of Basic Lease Payments represented by the Series 2003B Certificate or portion thereof upon payment of such price to the Trustee on the Purchase Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Series 2003B Certificate to be purchased in whole or in part for other Series 2003B Certificates of the same maturity in an equal aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates so as to facilitate the sale of the principal portion of Basic Lease Payments represented by such Series 2003B Certificate or portion thereof, and (D) an acknowledgment that such Owner will have no further rights with respect to the principal portion or interest portion of

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comparable index, if such index is no longer published) most recently published, plus 50 basis points.

(r) Effect of Conversion to Fixed Rate or Auction Rate. Once the School Board has effectively exercised its option to convert the Series 2003B Certificates to a Fixed Rate pursuant to this Section 1.2, the School Board shall only have the option to convert the Series 2003B Certificates to any other Rate Period on and after the date on which the Series 2003B Certificates are subject to optional prepayment at 100% of the amount of the principal portion of Basic Lease Payments represented thereby. After conversion to the Fixed Rate or Auction Rate, the Series 2003B Certificates shall no longer be payable from or secured by the Liquidity Facility or be subject to tender for purchase.

(s) Provider Certificates. Notwithstanding anything to the contrary contained in this Series 2003B Supplemental Trust Agreement, Provider Certificates shall bear interest at the Provider Rate payable on the Interest Payment Dates, all in accordance with the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Liquidity Provider. Series 2003B Certificates which are no longer Provider Certificates shall not bear interest at the Provider Rate.

**Section 1.3. Prepayment Dates and Prices.** The Series 2003B Certificates that are Variable Rate Certificates or Fixed Rate Certificates may be called for prepayment by the School Board as provided in Article III of the Series 2003B Series Supplemental Trust Agreement

#### **Section 1.4. Optional Tenders by Owners During Variable Rate Periods.**

(a) Purchase Dates. During any Variable Rate Period a beneficial owner of the Series 2003B Certificates (other than Provider Certificates) may elect to have its Series 2003B Certificates (or portions thereof in Authorized Denominations) purchased at the Purchase Price, on the following Purchase Dates by causing the Direct Participant through whom such beneficial owner owns such Series 2003B Certificate to give the following irrevocable telephonic or written notices meeting the further requirements of subsection (b) of this Section 1.4 and upon transfer on the registration books of DTC on the same day such notice is given of the beneficial ownership interest in such Series 2003B Certificates to the account of the Trustee, "free delivery" for settlement on the Purchase Date:

(i) While the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Daily Rates, Series 2003B Certificates may be tendered for purchase on any Business Day upon telephonic notice of tender given to the Tender Agent and the Remarketing Agent not later than 10:15 a.m., New York City time, on the Purchase Date;

(ii) While the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at Weekly Rates, Series 2003B Certificates may be tendered for purchase on any Business Day upon delivery of telephonic, facsimile or e-mail notice of tender to the Tender Agent and the Remarketing Agent not later than 5:00 p.m., New York City time, on a Business Day not less than 7 days prior to the Purchase Date;

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Basic Lease Payments represented by such Series 2003B Certificate or portion thereof upon payment of the Purchase Price by the Trustee on the Purchase Date to the Direct Participant from whom the notice of tender is received, except for the right of such Owner to receive such Purchase Price upon surrender of such Series 2003B Certificate to the Tender Agent.

The determination of the Tender Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Owner. The Trustee shall hold beneficial ownership interests of the principal portion and interest portion of Basic Lease Payments represented by Series 2003B Certificates delivered to it pursuant to this Section 1.4 pending settlement in trust for the benefit of the direct participant from whom the beneficial interests in the principal portion and interest portion of Basic Lease Payments represented by such Series 2003B Certificates are received and shall remit any payment of the interest portion of Basic Lease Payments received with respect to such Series 2003B Certificates for the period prior to the Purchase Date to such Direct Participant.

(c) Series 2003B Certificates to be Remarketed. Not later than 4:30 p.m., New York City time, on the Business Day immediately following the date of receipt of any notice of tender (or immediately upon such receipt, in the case of Series 2003B Certificates bearing interest at Daily Rates), the Tender Agent shall notify the Trustee, if other than the Tender Agent, and the Remarketing Agent of the principal portion of Basic Lease Payments represented by Series 2003B Certificates or portions thereof to be tendered and remarketed and the date they are to be tendered and remarketed. Such notices shall be given by telephone, telegram, teletype, telex or other similar communication and shall be promptly confirmed in writing.

(d) Remarketing of Tendered Series 2003B Certificates. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all portions of Basic Lease Payments represented by Series 2003B Certificates or portions thereof properly tendered. All portions of Basic Lease Payments represented by Series 2003B Certificates shall be at all times remarketed at a price equal to the principal portion of Basic Lease Payments represented thereby, plus the interest portion of Basic Lease Payments represented thereby accrued up to the remarketing date. Notwithstanding the foregoing, the Remarketing Agent shall not offer for sale any portion of Basic Lease Payments represented by Series 2003B Certificates if notice of (i) any optional or mandatory prepayment, (ii) any conversion from one Variable Rate Period to another or to a Fixed Rate Period, Commercial Paper Rate Period or Auction Rate Period has been given to the Owners of the Series 2003B Certificates pursuant to the provisions of this Series 2003B Supplemental Trust Agreement, or (iii) any defeasance in accordance with the provisions of Article VIII of the Master Trust Agreement has occurred, unless the Remarketing Agent has advised the Person in writing to whom the offer is made of such occurrence and the effect of the same on the rights of such Owners including, but not limited to, the rights of such Owners to tender their Series 2003B Certificates, as described in the conversion notice from the Tender Agent to the Owners of the Series 2003B Certificates.

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**Section 1.5. Mandatory Tenders Upon Variable Rate or Commercial Paper Rate Conversion.**

(a) Purchase Dates. In the case of any conversion from one Variable Rate Period to another Variable Rate Period (except a conversion between a Daily Rate Period and a Weekly Rate Period) or from a Variable Rate Period to a Commercial Paper Rate Period, Series 2003B Certificates representing the interest portion of Basic Lease Payments which are to be converted are subject to mandatory tender for purchase on the Conversion Date at the Purchase Price.

(b) Notice to Owners. Any notice of a conversion given to Series 2003B Certificateholders pursuant to Section 1.2(j) shall, in addition to the requirements of such Section, specify that the Series 2003B Certificates to be converted will be subject to mandatory tender for purchase on the Conversion Date and the time at which Series 2003B Certificates are to be tendered for purchase.

(c) Remarketing. At or before 4:00 p.m., New York City time, on the fifth Business Day immediately preceding the conversion to a Daily, Weekly or Monthly Rate Period or on the seventh calendar day (or, if such day is not a Business Day, on the next succeeding Business Day) preceding the conversion to a Quarterly Rate Period or on the fifteenth calendar day (or, if such day is not a Business Day, on the next succeeding Business Day) preceding the conversion to a Semiannual, Extended or Commercial Paper Rate Period, the Trustee shall notify the Tender Agent, the Series 2003B Credit Facility Issuer, the Liquidity Provider and the Remarketing Agent, by telephone, telegram, telex or other similar communication, of the aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates to be tendered for purchase on the Conversion Date or the Purchase Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Series 2003B Certificates to be tendered. All Series 2003B Certificates shall be at all times remarketed at a price equal to the principal portion of Basic Lease Payments represented thereby, plus the interest portion of Basic Lease Payments represented thereby accrued up to the remarketing date.

**Section 1.6. Mandatory Tenders Upon Expiration, Substitution or Termination of Liquidity Facility or a Notice Termination Date.**

(a) Purchase Dates. Prior to the Fixed Rate or Auction Rate Conversion Date of the interest portion of Basic Lease Payments represented by Series 2003B Certificates, the portion of the Basic Lease Payments represented by Series 2003B Certificates shall be subject to mandatory tender for purchase at the Purchase Price:

(i) on a Substitution Date; or

(ii) on a Business Day which is at least five days prior to the expiration of the Liquidity Facility; or

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(iii) on a Business Day which is at least two days prior to the effective date of termination of the Liquidity Facility; or

(iv) on a Business Day which is at least five days prior to a Notice Termination Date.

(b) Notice to Owners. Notice of mandatory tender of Series 2003B Certificates shall be given by mail by the Trustee to the Holders of said Series 2003B Certificates by first class mail not less than 30 days (20 days in the case of a mandatory tender upon a Notice Termination Date) prior to the mandatory tender date. A copy of such notice shall be sent to the School Board and the Trustee. Notice having been so given, such mandatory tender shall occur on the date provided in such notice whether or not a Liquidity Facility is provided after such initial notice has been given.

(c) Remarketing. On the Business Day on which the first notice is mailed pursuant to 1.6(b), the Trustee shall notify the Tender Agent and the Remarketing Agent by telephone, telegram, telex or other similar communication of the aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates to be tendered for purchase on the mandatory tender date.

The Remarketing Agent shall offer for sale at par and use its best efforts to find purchasers for the portion of Basic Lease Payments represented by the Series 2003B Certificates to be tendered pursuant to Section 1.6(a) and advise them whether the Liquidity Facility will be replaced. In the case of replacement of the Liquidity Facility, the School Board shall give notice to the Trustee and the Trustee shall provide written notice to the Remarketing Agent which shall inform prospective purchasers of the identity of the new Liquidity Provider and the ratings to be in effect on the Series 2003B Certificates following such replacement. All Series 2003B Certificates shall be at all times remarketed at a price equal to the principal portion of Basic Lease Payments represented thereby, plus the interest portion of Basic Lease Payments represented thereby accrued up to the remarketing date.

**Section 1.7. Purchase of Tendered Series 2003B Certificates.**

(a) Notices; Draws on Liquidity Facility. At or before 4:00 p.m., New York City time, on the Business Day immediately preceding the Purchase Date (or 12:15 p.m., New York City time, on the Purchase Date in the case of Series 2003B Certificates the interest portion of which is determined at Daily Rates), the Remarketing Agent shall give written notice by telegram, telex or other similar communication to the Trustee, the Tender Agent and the Liquidity Provider of the principal portion of Basic Lease Payments represented by tendered Series 2003B Certificates which have not been remarketed and of the names, addresses and taxpayer identification numbers of the purchasers and the denominations of remarketed Series 2003B Certificates to be delivered to each purchaser. No later than 12:30 p.m. on the Purchase Date, the Trustee shall give written notice of purchase to the Liquidity Provider of a draw on the Liquidity Facility to timely pay the Purchase Price with regard to the Series 2003B Certificates for which remarketing proceeds (other than proceeds of sale to the Corporation) have not been paid to the Trustee. In the case of a Purchase Date which is a Substitution Date, the Liquidity Facility, if any, on which the Trustee draws shall be the Liquidity Facility for which a replacement is being provided on such Substitution Date. Notwithstanding the foregoing, the Trustee shall not draw on the Liquidity Facility to pay the Purchase Price of Series 2003B Certificates tendered by the Corporation, the School Board or the Liquidity Provider.

(b) Sources of Payment. The Remarketing Agent shall pay to the Trustee, by 10:30 a.m. on the Purchase Date, all amounts representing proceeds of the remarketing of tendered Series 2003B Certificates, such payments to be made in the manner specified in Sections 1.4(d), 1.5(c), 1.6(d) and 1.9(c), as applicable. All such proceeds, the proceeds of a draw upon the Liquidity Facility and all other available moneys shall be held by the Trustee in trust for the benefit of the Series 2003B Certificates. **The School Board shall not be obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

(c) Payments by the Trustee. Before 4:00 p.m., New York City time, on the Purchase Date and upon receipt by the Trustee of 100% of the aggregate Purchase Price of the tendered Series 2003B Certificates, the Trustee shall pay the Purchase Price of such Series 2003B Certificates to the Owners thereof (or as otherwise provided in Section 1.4) at its principal office or by bank wire transfer. Such payments shall be made in immediately available funds. Payments of such Purchase Price are to be made from the following sources in the order of priority indicated:

(i) The proceeds of the sale of the Series 2003B Certificates which have been remarketed by the Remarketing Agent (other than proceeds of a sale of the Series 2003B Certificates to the Corporation); and

(ii) The proceeds of the sale of the Series 2003B Certificates which have been purchased by the Liquidity Provider pursuant to the Liquidity Facility or other proceeds received under or pursuant to a Liquidity Facility; and

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(iii) Moneys paid by the School Board for such purpose. **The School Board shall not be obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

(d) Registration and Delivery of Tendered or Purchased Series 2003B Certificates.

(i) Subject to the requirements of clauses (ii) and (iii) immediately below, on the Purchase Date, the Trustee shall register and deliver (or hold) all Series 2003B Certificates purchased on any Purchase Date as follows:

(1) Series 2003B Certificates purchased or remarketed by the Remarketing Agent shall be registered in accordance with the instructions of the Remarketing Agent and made available for delivery to the Remarketing Agent; and

(2) Series 2003B Certificates purchased with funds made available under or pursuant to the Liquidity Facility shall be registered in the name of the Liquidity Provider or its nominee, designee or assignee and shall be delivered to or to the order of the Liquidity Provider, all in accordance with the provisions of the Liquidity Facility. While so registered, such Series 2003B Certificates shall constitute Provider Certificates.

(ii) While the DTC Book-Entry-Only System is in effect for the Series 2003B Certificates, the Trustee shall deliver Series 2003B Certificates purchased or remarketed by the Remarketing Agent by transfer of beneficial ownership of such Series 2003B Certificates on the registration books of DTC to or upon the order of the Remarketing Agent.

(iii) While the DTC Book-Entry-Only System is in effect for the Series 2003B Certificates, the Trustee shall cause Series 2003B Certificates purchased with funds made available under or pursuant to the Liquidity Facility to be registered in the name of the Liquidity Provider or its designee, nominee or assignee on the registration book of DTC. Notwithstanding the foregoing, to the extent required by the Liquidity Facility, the Trustee shall withdraw Provider Certificates from the DTC Book-Entry-Only System and shall prepare and authenticate physical Series 2003B Certificates representing such Provider Certificates. While the DTC Book-Entry-Only System is in effect for the Series 2003B Certificates, in the event that Provider Certificates which are not held under the DTC Book-Entry-Only System are subsequently remarketed, the Trustee shall take such action as shall be necessary to reinstate the DTC Book-Entry-Only System for such Series 2003B Certificates and shall transfer beneficial ownership thereof on the books of DTC to or upon the order of the Remarketing Agent.

(e) Delivery of Series 2003B Certificates; Effect of Failure to Surrender Series 2003B Certificates.

(i) All Series 2003B Certificates to be purchased on any date shall be required to be delivered to the designated corporate trust office of the Tender Agent at or before 11:30 a.m., New York City time, on the Purchase Date, except that while the interest portion of

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Basic Lease Payments is determined at Semiannual or Extended Rates, Series 2003B Certificates being tendered for purchase at the election of the Owner pursuant to Section 1.4 shall be delivered to the designated corporate trust office of the Tender Agent along with the notice of tender.

(ii) If the Owner of any Series 2003B Certificate (or portion thereof) that is subject to purchase fails to surrender such Series 2003B Certificate to the Tender Agent for purchase on the Purchase Date, and if the Trustee is in receipt of the Purchase Price therefor, such Series 2003B Certificate (or portion thereof) shall nevertheless be deemed purchased on the Purchase Date and ownership of such Series 2003B Certificate (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (d) of this Section 1.7. Any Owner who fails to deliver a Series 2003B Certificate for purchase as required above shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Series 2003B Certificate to the Tender Agent. The Tender Agent shall promptly notify the Trustee of any such failure to deliver a Series 2003B Certificate to the Tender Agent, and the Trustee shall be entitled to conclusively rely on such notification.

(f) Investment of Funds. All money held by the Trustee for the payment of the Purchase Price of Series 2003B Certificates from whatever source derived, including remarketing proceeds and draws upon the Liquidity Facility, shall be held in a separate segregated account and shall be held uninvested.

(g) Exception for Series 2003B Certificates Owned by Corporation. Notwithstanding anything in this Agreement to the contrary, the Liquidity Provider shall not be required to purchase Series 2003B Certificates subject to optional or mandatory tender for purchase under this Series 2003B Supplemental Trust Agreement that are beneficially held (or held in certificated form) by or on behalf of the Corporation or any affiliate of the Corporation.

**Section 1.8. Series 2003B Certificates Purchased Under Liquidity Facility.** In the event that any Series 2003B Certificates are Provider Certificates, such Series 2003B Certificates shall be held in accordance with Section 1.7(d) hereof and the Remarketing Agent shall continue to offer for sale and use its best efforts to sell such Series 2003B Certificates at a price equal to the principal portion of Basic Lease Payments represented thereby, plus the interest portion of Basic Lease Payments represented thereby accrued up to the remarketing date. While the Liquidity Facility is effective, Series 2003B Certificates purchased with funds made available under the Liquidity Facility shall not be delivered upon remarketing unless the Liquidity Facility is reinstated for the principal portion of Basic Lease Payments represented by the outstanding Series 2003B Certificates and the interest portion of Basic Lease Payments represented thereby in accordance with its terms and the Remarketing Agent, the Trustee, the Tender Agent, any designee of the Liquidity Provider then holding Provider Certificates and the Trustee have been advised in writing by the Liquidity Provider that it has elected to reinstate the Liquidity Facility in full.

**Section 1.9. Mandatory Tenders Upon Conversion to Fixed Rate or Auction Rate.**

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2003B Certificates will be determined pursuant to the preceding paragraph and (ii) the Trustee shall return all moneys received for the purchase of such Series 2003B Certificates to the Persons who provided such moneys; provided, however, that the Owners shall retain all rights to tender the Series 2003B Certificates pursuant to the provisions of this Series 2003B Supplemental Trust Agreement and the obligation of the School Board to honor such tenders shall remain in effect until payment therefor has been provided in accordance with the provisions of this Series 2003B Supplemental Trust Agreement. **The School Board shall not be obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

**Section 1.11. Book-Entry Tenders.** Notwithstanding any other provision of this Exhibit A to the contrary, all tenders for purchase during any period in which the Series 2003B Certificates are registered in the name of Cede & Co. (or the nominee of any successor securities depository) shall be subject to the terms and conditions set forth in the Representation Letter and any notes and regulations promulgated by DTC.

**Section 1.12. Duties of Trustee with Respect to Purchase of Series 2003B Certificates.** The Trustee agrees, with respect to any optional or mandatory tender of the Series 2003B Certificates:

(a) to hold all moneys, other than moneys delivered to it by or on behalf of the School Board for the purchase of Series 2003B Certificates, delivered to it hereunder for the purchase of Series 2003B Certificates as agent and bailee of and in escrow for the benefit of, the Person or entity which shall have so delivered such moneys until the Series 2003B Certificates purchased with such moneys shall have been delivered to or for the account of such Person or entity; and

(b) to hold all moneys delivered to it hereunder by or on behalf of the School Board for the purchase of Series 2003B Certificates as agent and bailee of, and in escrow for the benefit of, the Owners who shall deliver Series 2003B Certificates to it for purchase until the Series 2003B Certificates purchased with such moneys shall have been delivered to or for the account of the School Board.

**Section 1.13. No Tender of Provider Certificates.** Provider Certificates shall not be subject to tender for purchase.

**Section 1.14. Mandatory Tenders On Special Purchase Date.**

(a) Special Purchase Date. In the case of any purchase in lieu of prepayment by the School Board pursuant to Section 304 of the Series 2003B Supplemental Trust Agreement, the Series 2003B Certificates are subject to mandatory tender for purchase on the Special Purchase Date at the Special Purchase Price.

(b) Notice to Owners. No notice (other than the notice of optional redemption) of a Special Purchase Date shall be given to Series 2003B Certificate Holders.

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(a) Purchase Date. In the case of any conversion of the determination of the interest portion of Basic Lease Payments represented by Series 2003B Certificates from a Variable Rate Period to the Fixed Rate Period or Auction Rate Period, the Series 2003B Certificates to be converted are subject to mandatory tender for purchase on the Conversion Date at the Purchase Price.

(b) Notice to Owners. Any notice of a conversion given to Series 2003B Certificateholders pursuant to Section 1.2(o) shall, in addition to the requirements of such Section, specify that the Series 2003B Certificates to be converted will be subject to mandatory tender for purchase on the Conversion Date and the time at which Series 2003B Certificates are to be tendered for purchase.

(c) Remarketing. At or before 4:00 p.m., New York City time, on the fifteenth calendar day (or, if such day is not a Business Day, on the next succeeding Business Day) preceding the conversion to a Fixed Rate Period or the Auction Rate Period, the Trustee shall notify the Tender Agent, the Series 2003B Credit Facility Issuer, the Liquidity Provider and the Remarketing Agent, by telephone, telegram, teletype, telex or other similar communication, of the aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates to be tendered for purchase on the Conversion Date or the Purchase Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates to be tendered.

**Section 1.10. Insufficient Funds for Purchases.** If the moneys available for purchase of Series 2003B Certificates are inadequate for the purchase of all Series 2003B Certificates which are tendered on any Purchase Date, the interest portion of Basic Lease Payments represented by all Series 2003B Certificates subject to such purchase shall be determined at a rate which is the lesser of (i) a rate established by the Remarketing Agent or (ii) the Maximum Rate, to the date on which the earliest of the following occurs:

(a) The Fixed Rate Conversion Date or the Auction Rate Conversion Date or the Conversion Date for any other Rate Period, if the requirements of Section 501(a) of the Series 2003B Supplemental Trust Agreement are met;

(b) The date on which any default by the Liquidity Provider under the terms of the Liquidity Facility has been cured; or

(c) The effective date of a new interest rate established by the Remarketing Agent which is less than the Maximum Rate after the date on which an Alternate Liquidity Facility meeting the requirements of Section 503 of the Series 2003B Supplemental Trust Agreement becomes effective.

If the preceding paragraph becomes applicable, (i) the Tender Agent shall immediately (but no later than the end of the next succeeding Business Day) return all tendered Series 2003B Certificates to the Owners thereof and notify all Owners of Series 2003B Certificates in writing of the rate at which the interest portion of Basic Lease Payments represented by such Series

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(c) Remarketing. Special Purchase Series 2003B Certificates shall be remarketed in accordance with instructions of the School Board.

**Section 1.15. No Mandatory Tender Upon Immediate Termination or Suspension.** Notwithstanding anything to the contrary contained in the Trust Agreement, upon Immediate Termination or Suspension, there will be no mandatory tender of the Series 2003B Certificates and the obligation of the Liquidity Provider to purchase the Series 2003B Certificates pursuant to the Liquidity Facility will cease without prior notice to holders of the Series 2003B Certificates. **The School Board shall not be obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

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**FORM OF NOTICE OF OPTIONAL TENDER**

Certificates of Participation  
 Series 2003B  
 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

PROVISIONS RELATING TO SERIES 2003B CERTIFICATES  
 OUTSTANDING AS AUCTION RATE CERTIFICATES

THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.  
 Attention: Corporate Trust Department

Ladies and Gentlemen:

The notice is being sent pursuant to the provisions of the Series 2003B Supplemental Trust Agreement, dated as of June 15, 2003, supplementing and amending the Master Trust Agreement dated as of November 1, 1994 (collectively, the "Trust Agreement") between the PALM BEACH SCHOOL BOARD LEASING CORP. and THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as Trustee. Capitalized terms used in this notice shall have the same meanings as in the Trust Agreement. In accordance with the provisions of the Trust Agreement, you are hereby notified as follows:

1. Subject to the provisions of the Trust Agreement, the undersigned, a Direct Participant, irrevocably demands purchase of \$ \_\_\_\_\_ principal portion of Basic Lease Payments represented by the Series 2003B Certificates, on \_\_\_\_\_ at the Purchase Price.
2. The undersigned's DTC number is \_\_\_\_\_.
3. The payment instructions for the Purchase Price are as follows:

Dated: \_\_\_\_\_  
 \_\_\_\_\_  
 (Direct Participant)

By: \_\_\_\_\_  
 Title: \_\_\_\_\_

[with respect to Daily/Weekly Rate  
 Series 2003B Certificates  
 cc: UBS PaineWebber Incorporated  
 1285 Avenue of the Americas  
 New York, New York 10019  
 Attention: Short-Term Desk]

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**Section 1.1 Definitions.** In addition to the words and terms defined in the Trust Agreement or the Master Lease or elsewhere defined in this Series 2003B Supplemental Trust Agreement, the following words and terms with respect to the Series 2003B Certificates shall have the following meaning unless the context or use indicates another or different meaning or intent (terms defined herein and in the Trust Agreement or the Lease or elsewhere in this Series 2003B Supplemental Trust Agreement, shall, unless the context requires otherwise, have the meaning given herein with respect to the Series 2003B Certificates outstanding as ARC's):

"AA' Composite Commercial Paper Rate," on any date of determination, shall mean (i) the interest equivalent of the 30-day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated "AA" by S & P, or the equivalent of such rating by S & P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination; or (ii) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or

otherwise, by the Commercial Paper Dealers, to the Auction Agent for the close of business on the Business Day immediately preceding such date of determination; provided that if any Commercial Paper Dealer does not quote a commercial paper rate required to determine the "AA" Composite Commercial Paper Rate, the "AA" Composite Commercial Paper Rate shall be determined on the basis of such quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any substitute commercial paper dealer or substitute commercial paper dealers selected by the School Board to provide such quotation or quotations not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the School Board does not select any such substitute commercial paper dealer or substitute commercial paper dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the "interest equivalent" of a rate stated on a discount basis (a "discount rate") for commercial paper of a given day's maturity shall be equal to the product of (A) 100 times (B) the quotient (rounded upwards to the next higher one-thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction the numerator of which shall be the product of the discount rate (expressed in decimals) times the number of days in which such commercial paper matures and the denominator of which shall be 360.

"After-Tax Equivalent Rate," on any date of determination, shall mean the interest rate per annum equal to the product of:

- (a) the "AA" Composite Commercial Paper Rate on such date; and
- (b) 1.00 minus the Statutory Corporate Tax Rate on such date.

"All Hold Rate," on any date of determination, shall mean the interest rate per annum equal to 90% (as such percentage may be adjusted pursuant to Section 1.12 of this Exhibit B) of the lesser on such date of:

- (a) the After-Tax Equivalent Rate on such date; and
- (b) the BMA Index on such date;

rounded to the nearest one thousandth (.001) of 1%; provided that in no event shall the All Hold Rate be more than the Maximum Rate or less than zero.

"Applicable ARCS Rate" shall have the meaning set forth in Section 1.4(b) of this Exhibit B.

"Applicable Number of Business Days" shall mean the greater of two Business Days or one Business Day plus the number of Business Days by which the Auction Date precedes the first day of the next succeeding Interest Period.

"Applicable Percentage," on any date of determination, shall mean the percentage determined (as such percentage may be adjusted pursuant to Section 1.12 of this Exhibit B) based on the lower of the prevailing credit ratings on the related Auction Rate

Certificates in effect at the close of business on the Business Day immediately preceding such date, as set forth below:

Credit Ratings		Applicable Percentage
Moody's	Fitch	
"Aaa"	"AAA"	175%
"Aa3" to "Aa1"	"AA-" to "AA+"	175%
"A3" to "A1"	"A-" to "A+"	175%
"Baa3" to "Baa1"	"BBB-" to "BBB+"	200%
Below "Baa3"	Below "BBB-"	265%

provided, that, in the event that the Auction Rate Certificates are not rated by any nationally recognized rating agency, the Applicable Percentage shall be 265%, and, provided further, that if a Payment Default shall have occurred and be continuing, the Applicable Percentage shall be 265%. For purposes of this definition, Fitch's rating categories of "AAA", "AA", "A" and "BBB" and Moody's rating categories of "Aaa", "Aa", "A" and "Baa" refer to and include the respective rating categories correlative thereto if either or both of such rating agencies have changed or modified their generic rating categories or if Moody's or Fitch no longer rates the Auction Rate Certificates and have been replaced.

"ARCs" shall mean the Series 2003B Certificates outstanding as Auction Rate Certificates.

"Auction" shall mean each periodic implementation of the Auction Procedures.

"Auction Agency Agreement" shall mean an agreement with an Auction Agent providing for its duties relating to the ARCs, as from time to time amended or supplemented.

"Auction Agent" shall mean any person appointed as such pursuant to Section 1.14 of this Exhibit B.

"Auction Agent Fee" shall mean the fee to be paid to the Auction Agent for the services rendered by it under the Auction Agency Agreement and the Broker-Dealer Agreement.

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"Broker-Dealer" shall mean any broker or dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures that (i) is a Participant (or an affiliate of a Participant), (ii) has a capital surplus of at least \$50,000,000, (iii) has been selected by the School Board with the approval of the Market Agent (which approval shall not be unreasonably withheld) and (iv) has entered into a Broker-Dealer Agreement that remains effective.

"Broker-Dealer Agreement" shall mean an agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

"Broker-Dealer Fee" shall mean the fee to be paid to the Broker-Dealers for the services rendered by them under the Broker-Dealer Agreement.

"Business Day" shall mean, for purposes of any Auction, any day other than (i) April 14, April 15, December 30, December 31, and such other dates as may be agreed to in writing by the Market Agent, the Auction Agent, the Broker-Dealer and the School Board, or (ii) a Saturday, Sunday, holiday or day on which banks located in the city of New York, New York, or the New York Stock Exchange, the Trustee or the Auction Agent, are authorized or permitted by law or executive order to close.

"Change of Preference Law" shall mean, with respect to any Holder of ARCs, any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury after the date hereof which (i) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (ii) imposes or would impose or reduces or would reduce or increase or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any holder of bonds the interest on which is excluded from federal gross income under Section 103 of the Code.

"Commercial Paper Dealers" shall mean any commercial paper dealer appointed by the School Board.

"Commercial Paper Rate" shall have the meaning set forth in Exhibit C of the Series 2003B Supplemental Trust Agreement.

"Conversion Date" shall mean a date on which the method of determining the interest portion of Basic Lease Payments represented by ARCs begins to be determined at a Variable Rate, a Fixed Rate or a Commercial Paper Rate, as the case may be, pursuant to Section 1.16 of this Exhibit B.

"Default Rate" on any date of determination shall mean the interest rate per annum equal to the lesser of (i) the Applicable Percentage of the BMA Index and (2) the Maximum Interest Rate.

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"Auction Date" shall mean for the Series 2003B Certificates outstanding as ARCs, the Business Day immediately preceding the first day of each Interest Period, other than:

(a) each Interest Period commencing after the ownership of the ARCs is no longer maintained in book entry form;

(b) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or

(c) any Interest Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default.

Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed pursuant to Section 1.22 of this Exhibit B.

"Auction Period" shall mean, with respect to any ARCs, the Interest Period applicable thereto as the same may be changed pursuant to Section 1.22 of this Exhibit B.

"Auction Procedures" shall mean the procedures set forth in Section 1.6 of this Exhibit B.

"Auction Rate" shall mean the rate per annum at which the interest portion of Basic Lease Payments represented by the Auction Rate Certificates is determined on any Auction Date that results from the implementation of the Auction Procedures, as determined and described in Section 1.6(c)(ii) of this Exhibit B.

"Auction Rate Certificates" shall mean the Series 2003B Certificates while the interest portion of Basic Lease Payments represented thereby is determined at the Auction Rate.

"Authorized Denominations" shall mean \$50,000 and any integral multiple thereof.

"Available ARCs" shall have the meaning set forth in Section 1.6(c)(i)(A) of this Exhibit B.

"Bid" shall have the meaning set forth in Section 1.6(a)(i) of this Exhibit B.

"Bidder" shall have the meaning set forth in Section 1.6(a)(i) of this Exhibit B.

"BMA Index" means on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Bond Market Association ("BMA") or any person acting in cooperation with or under the sponsorship of BMA and acceptable to the Market Agent, and effective from such date.

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"Existing Holder" shall mean (a) with respect to and for the purpose of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the Existing Holder registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with the Broker-Dealer in connection with an Auction, a Person who is a beneficial owner of ARCs.

"Fixed Rate" shall have the meaning set forth in Exhibit A of the Series 2003B Supplemental Trust Agreement.

"Holder" as used in this Exhibit B shall mean the beneficial owner of any ARCs.

"Hold Order" shall have the meaning set forth in Section 1.6(a)(i) of this Exhibit B.

"Interest Amount" shall mean the amount of the interest portion of Basic Lease Payments distributable in respect of each \$1,000 in principal portion of Basic Lease Payments (taken, without rounding, to .0001 of one cent) represented by ARCs for any Interest Period or part thereof, as calculated in accordance with Section 1.10 of this Exhibit B.

"Interest Payment Date" shall mean with respect to the Series 2003B Certificates while outstanding as ARCs, the day following the last day of each Interest Period, provided that if the duration of the Interest Period for such ARCs is one year or longer, then the Interest Payment Date therefor shall be February 1 and August 1 during such Interest Period and the day following the end of such Interest Period, if applicable; and shall also mean the maturity date thereof, or if any such date is not a Business Day, the next succeeding Business Day (but only for the interest portion of Basic Lease Payments represented by ARCs accrued through the last day of such Interest Period).

"Interest Period" shall mean with respect to ARCs, (i) unless otherwise changed as described in Section 1.22(a) of this Exhibit B, commencing on the Conversion Date and each successive 35-day period thereafter, respectively, commencing on a Wednesday and ending on (and including) a Tuesday (or such other changed period), and (ii) if Interest Periods are changed as provided in Section 1.22 of this Exhibit B, each period commencing on an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

"Market Agent" shall mean the market agent or market agents appointed pursuant to Section 1.13 of this Exhibit B, and its or their successors or assigns.

"Market Agent Agreement" shall mean an agreement with a Market Agent providing for its duties relating to the ARCs, as from time to time amended or supplemented.

"Maximum Interest Rate" shall mean the lesser of (a) 12% per annum or (b) the maximum rate of interest permitted under Florida law.

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“Maximum Rate,” on any date of determination, shall mean the interest rate per annum equal to the lesser of:

- (a) the Applicable Percentage of the higher of (i) the After-Tax Equivalent Rate on such date and (ii) the Kenny Index on such date; and
- (b) the Maximum Interest Rate;

rounded to the nearest one thousandth (.001) of 1%.

“Order” shall have the meaning set forth in Section 1.6(a) of this Exhibit B.

“Participant” shall mean a member of, or participant in, DTC.

“Payment Default” shall mean failure (a) by the School Board to pay the interest portion and principal portion of the Basic Lease Payments represented by the ARCs when due and (b) by the Series 2003B Credit Facility Issuer to honor a claim under the Series 2003B Credit Facility.

“Potential Holder” shall mean any Person (including an Existing Holder that is (a) a Broker-Dealer when dealing with the Auction Agent and (b) a potential beneficial owner when dealing with a Broker-Dealer) who may be interested in acquiring ARCs (or, in the case of an Existing Holder thereof, an additional amount of the principal portion of Basic Lease Payments represented by ARCs).

“Prepayment Date,” when used with respect to any ARCs to be redeemed, shall mean the date fixed for such prepayment.

“Record Date” shall mean, with respect to Series 2003B Certificates outstanding as ARCs, one Business Day prior to each Interest Payment Date.

“SEC” shall mean the Securities and Exchange Commission.

“Securities Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

“Sell Order” shall have the meaning set forth in Section 1.6(a) of this Exhibit B.

“Special Purchase Series 2003B Certificates” shall mean the Series 2003B Certificates to be purchased in lieu of prepayment in accordance with Section 304 of the Series 2003B Supplemental Trust Agreement.

“Special Purchase Date” shall mean the date on which Series 2003B Certificates are scheduled to be purchased in lieu of prepayment pursuant to Section 304 of the Series 2003B Supplemental Trust Agreement.

“Special Purchase Price” shall mean the amount equal to the principal portion of Basic Lease Payments represented by the Special Purchase Series 2003B Certificates,

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issued in exchange for a global certificate pursuant to this subsection (c) shall be registered in such names and Authorized Denominations as DTC, pursuant to instructions from the Participants or otherwise, shall instruct the School Board and the Trustee. The Trustee shall deliver such certificates representing the ARCs to the persons in whose names such ARCs are so registered on the Business Day immediately preceding the first day of an Interest Period. In the case of any conflict between this Section and Section 201(g) of the Series 2003B Supplemental Trust Agreement, the provisions of this Section shall control.

**Section 1.3 Limitations on Transfer.** So long as the ownership of the ARCs is maintained in book-entry form by DTC, an Existing Holder may sell, transfer or otherwise dispose of its beneficial interest in ARCs only pursuant to a Bid or Sell Order placed in any Auction or to or through a Broker-Dealer; provided that in the case of all transfers other than pursuant to Auctions or mandatory tenders such Existing Holder, its Broker-Dealer or its Participant, advises the Auction Agent of such transfer.

**Section 1.4 Interest Portion of Basic Lease Payments Represented by ARCs.**

(a) The interest portion of Basic Lease Payments represented by the ARCs shall accrue for each Interest Period and shall be payable in arrears, on each Interest Payment Date.

(b) The rate at which the interest portion of Basic Lease Payments represented by ARCs for each Interest Period shall be determined shall be the Auction Rate; provided that if, on any Auction Date, an Auction is not held for any reason, then the rate at which the interest portion of Basic Lease Payments represented by ARCs for the next succeeding Interest Period shall be determined shall equal the Maximum Rate on such Auction Date. Notwithstanding the foregoing, if:

(i) the ownership of ARCs is no longer maintained in book-entry form by DTC, the rate at which the interest portion of Basic Lease Payments represented by such ARCs for any Interest Period commencing after the delivery of certificates representing ARCs pursuant to Section 1.2(c) of this Exhibit B shall be determined shall equal the Maximum Rate on the Business Day immediately preceding the first day of such Interest Period; or

(ii) if a Payment Default occurs, Auctions will be suspended and the Applicable ARCs Rate (as defined below) for the Interest Period commencing on or after such Payment Default and for each Interest Period thereafter to and including the Interest Period, if any, during which, or commencing less than two Business Days after, such Payment Default is cured will equal the Default Rate.

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plus the accrued interest portion, if any, on the Special Purchase Series 2003B Certificates to the Special Purchase Date.

“Statutory Corporate Tax Rate” shall mean, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in Section 11 of the Code or any successor section without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year.

“Submission Deadline” shall mean 1:00 p.m., New York City time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

“Submitted Bid” shall have the meaning set forth in Section 1.6(c)(i) of this Exhibit B.

“Submitted Hold Order” shall have the meaning set forth in Section 1.6(c)(i) of this Exhibit B.

“Submitted Order” shall have the meaning set forth in Section 1.6(c)(i) of this Exhibit B.

“Submitted Sell Order” shall have the meaning set forth in Section 1.6(c)(i) of this Exhibit B.

“Sufficient Clearing Bids” shall have the meaning set forth in Section 1.6(c)(i)(B) of this Exhibit B.

“Undelivered Certificates” shall mean the Series 2003B Certificates described in Section 1.20 of this Exhibit B.

“Variable Rate” shall have the meaning set forth in Exhibit A of the Series 2003B Supplemental Trust Agreement.

“Winning Bid Rate” shall have the meaning set forth in Section 1.6(c)(i)(C) of this Exhibit B.

**Section 1.2 Description of ARCs; Global Form; Depository.** If at any time the Market Agent has notified the School Board that the ARCs (or any Series of ARCs) should not be maintained in book entry form or DTC notifies the School Board that it is unwilling or unable to continue as depository with respect to the ARCs, or if at any time DTC shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the School Board within 90 days after the School Board receives notice or becomes aware of such condition, as the case may be, then this Section 1.2 shall no longer be applicable and the School Board shall execute and the Trustee shall authenticate and deliver certificates representing the ARCs as provided below. Certificates for the ARCs

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The rate per annum at which the interest portion of Basic Lease Payments represented by ARCs is determined for any Interest Period is herein referred to as the “Applicable ARCs Rate.” Notwithstanding anything herein to the contrary, the Applicable ARCs Rate cannot exceed the Maximum Rate.

(c) Notwithstanding anything herein to the contrary, if any ARC or portion thereof has been selected for prepayment during the next succeeding Interest Period, said ARC or portion thereof, will not be included in the Auction preceding such Prepayment Date, and the interest portion of Basic Lease Payments represented by said ARC or portion thereof, will continue to be determined until the Prepayment Date at the rate established for the Interest Period prior to said Auction.

**Section 1.5 Payments.** So long as the ARCs are registered in the name of DTC or the nominee thereof, payment of the interest portion of Basic Lease Payments represented by ARCs (other than at maturity) and prepayment premium, if any, on, and of the principal portion of Basic Lease Payments represented by ARCs at prepayment of, shall be made to DTC by wire transfer provided proper wire instructions are received. Each holder of ARCs, by such Holder's purchase of ARCs, appoints the Trustee as its agent in connection with the payment by such Holder of its share, if any, of the amounts payable to the Auction Agent and the Broker-Dealers pursuant to Section 1.8(a) of this Exhibit B.

**Section 1.6 Auction Procedures.** Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Interest Period commencing after the ownership of such ARCs is no longer maintained in book-entry form by DTC; (ii) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Interest Period commencing less than two Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the following manner:

(a) Orders by Existing Holders and Potential Holders.

(i) Prior to the Submission Deadline on each Auction Date:

(A) each Existing Holder of ARCs may submit to a Broker-Dealer information as to:

(1) the principal portion of Basic Lease Payments represented by Outstanding ARCs, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Interest Period;

(2) the principal portion of Basic Lease Payments represented by Outstanding ARCs, if any, which such Existing Holder offers to sell if the Auction Rate for

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the next succeeding Interest Period shall be less than the rate per annum specified by such Existing Holder; and/or

(3) the principal portion of Basic Lease Payments represented by Outstanding ARCs, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Interest Period; and

(B) one or more Broker-Dealers may contact Potential Holders to determine the principal portion of Basic Lease Payments represented by ARCs which each such Potential Holder offers to purchase if the Auction Rate for the next succeeding Interest Period shall not be less than the rate per annum specified by such Potential Holder.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (A)(1), (A)(2), (A)(3) or (B) of this paragraph (i) is hereinafter referred to as an "Order" and collectively as "Orders" and each Existing Holder and each Potential Holder placing an Order is hereinafter referred to as a "Bidder" and collectively as "Bidders"; an Order containing the information referred to in (x) clause (A)(1) of this paragraph (i) is hereinafter referred to as a "Hold Order" and collectively as "Hold Orders," (y) clause (A)(2) or (B) of this paragraph (i) is hereinafter referred to as a "Bid" and collectively as "Bids" and (z) clause (A)(3) of this paragraph (i) is hereinafter referred to as a "Sell Order" and collectively as "Sell Orders."

(ii) (A) Subject to the provisions of Section 1.6(b) of this Exhibit B, a Bid by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the principal portion of Basic Lease Payments represented by Outstanding ARCs specified in such Bid if the Auction Rate determined as provided in this Section 1.6 of this Exhibit B shall be less than the rate specified in such Bid; or

(2) such principal portion of Basic Lease Payments represented by Outstanding ARCs or a lesser principal portion of Basic Lease Payments represented by Outstanding ARCs to be determined as set forth in Section 1.6(d)(i)(D) of this Exhibit B, if the Auction Rate determined as provided in this Section 1.6 shall be equal to the rate specified in such Bid; or

(3) such principal portion of Basic Lease Payments represented by Outstanding ARCs or a lesser principal portion of Basic Lease Payments represented by

Outstanding ARCs to be determined as set forth in Section 1.6(d)(ii)(C) of this Exhibit B if the rate specified shall be higher than the Maximum Rate and Sufficient Clearing Bids have not been made.

(B) Subject to the provisions of Section 1.6(b) of this Exhibit B, a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell:

(1) the principal portion of Basic Lease Payments represented by Outstanding ARCs specified in such Sell Order; or

(2) such principal portion of Basic Lease Payments represented by Outstanding ARCs or a lesser principal portion of Basic Lease Payments represented by Outstanding ARCs as set forth in Section 1.6(d)(ii)(C) of this Exhibit B if Sufficient Clearing Bids have not been made.

(C) Subject to the provisions of Section 1.6(b) of this Exhibit B, a Bid by a Potential Holder shall constitute an irrevocable offer to purchase:

(1) the principal portion of Basic Lease Payments represented by Outstanding ARCs specified in such Bid if the Auction Rate determined as provided in this Section 1.6 of this Exhibit B shall be higher than the rate specified in such Bid; or

(2) such principal portion of Basic Lease Payments represented by Outstanding ARCs or a lesser principal portion of Basic Lease Payments represented by Outstanding ARCs as set forth in Section 1.6(d)(i)(E) of this Exhibit B if the Auction Rate determined as provided in this Section 1.6 of this Exhibit B shall be equal to the rate specified in such Bid.

(b) Submission by Broker-Dealer to Auction Agent.

(i) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and shall specify with respect to each such Order:

(A) the name of the Bidder placing such Order;

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(B) the aggregate principal portion of Basic Lease Payments represented by ARCs that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Holder:

(1) the principal portion of Basic Lease Payments represented by ARCs, if any, subject to any Hold Order placed by such Existing Holder;

(2) the principal portion of Basic Lease Payments represented by ARCs, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and

(3) the principal portion of Basic Lease Payments represented by ARCs, if any, subject to any Sell Order placed by such Existing Holder; and

(D) to the extent such Bidder is a Potential Holder, the rate and amount specified in such Potential Holder's Bid.

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(iii) If an Order or Orders covering the entire principal portion of Basic Lease Payments represented by Outstanding ARCs held by any Existing Holder is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal portion of Basic Lease Payments represented by Outstanding ARCs held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

(iv) None of the School Board, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(v) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal portion of Basic Lease Payments represented by Outstanding ARCs held by such Existing Holder, such Orders shall be considered valid as follows and in the following order of priority:

(A) all Hold Orders shall be considered valid, but only up to and including in the aggregate the principal portion of Basic Lease Payments represented by ARCs held by such Existing

Holder, and if the aggregate principal portion of Basic Lease Payments represented by ARCs subject to such Hold Orders exceeds the aggregate principal portion of Basic Lease Payments represented by ARCs held by such Existing Holder, the aggregate principal portion of Basic Lease Payments represented by ARCs subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs held by such Existing Holder;

(B) (1) any Bid shall be considered valid up to and including the excess of the principal portion of Basic Lease Payments represented by Outstanding ARCs held by such Existing Holder over the aggregate principal portion of Basic Lease Payments represented by ARCs subject to any Hold Orders referred to in clause (A) of this paragraph (v);

(2) subject to subclause (1) of this clause (B), if more than one Bid with the same rate is submitted on behalf of such Existing Holder and the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess and the stated principal portion of Basic Lease Payments represented by ARCs subject to each Bid with the same rate shall be reduced pro rata to cover the stated principal portion of Basic Lease Payments represented by ARCs equal to such excess;

(3) subject to subclause (1) and (2) of this clause (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(4) in any such event, the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs, if any, subject to Bids not valid under this clause (B) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(C) all Sell Orders shall be considered valid up to and including the excess of the principal portion of Basic Lease Payments represented by Outstanding ARCs held by such Existing Holder over the aggregate principal portion of Basic Lease

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Payments represented by ARCs subject to valid Hold Orders referred to in clause (A) of this paragraph (v) and valid Bids referred to in clause (B) of this paragraph (v).

(vi) If more than one Bid for ARCs is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal portion of Basic Lease Payments represented by ARCs therein specified.

(vii) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal portion of Basic Lease Payments represented by ARCs not equal to an Authorized Denomination therefor shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal portion of Basic Lease Payments represented by ARCs not equal to an Authorized Denomination therefor shall be rejected.

(viii) Any Bid submitted by an Existing Holder or a Potential Holder specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate and any such Bid shall be considered as valid and shall be selected in the ascending order of the respective rates in the Submitted Bids.

(c) Determination of Sufficient Clearing Bids, Auction Rate and Winning Bid Rate.

(i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order" and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and shall determine:

(A) the excess of the total principal portion of Basic Lease Payments represented by Outstanding ARCs over the sum of the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available ARCs"); and

(B) from such Submitted Orders whether:

(1) the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs subject to Submitted Bids by Potential Holders specifying one or

more rates equal to or lower than the Maximum Rate, exceeds or is equal to the sum of:

(2) the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs subject to Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Rate; and

(3) the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs subject to Submitted Sell Orders;

(in the event such excess or such equality exists, other than because the sum of the principal portion of Basic Lease Payments represented by ARCs in subclauses (1) and (3) above is zero because the entire principal portion of Basic Lease Payments represented by Outstanding ARCs is subject to Submitted Hold Orders, such Submitted Bids in subclause (1) above being hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(C) if Sufficient Clearing Bids have been made, the lowest rate specified in such Submitted Bids (which shall be the "Winning Bid Rate") such that if:

(1) (aa) each such Submitted Bid from Existing Holders specifying such lowest rate and (bb) all other Submitted Bids from Existing Holders specifying lower rates were rejected, thus entitling such Existing Holders to continue to hold the principal portion of Basic Lease Payments represented by ARCs subject to such Submitted Bids; and

(2) (aa) each such Submitted Bid from Potential Holders specifying such lowest rate and (bb) all other Submitted Bids from Potential Holders specifying lower rates were accepted;

the result would be that such Existing Holders described in subclause (1) above would continue to hold an aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs which, when added to the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs to be purchased by such Potential Holders described in subclause (2) above, would equal not less than the Available ARCs.

(ii) Promptly after the Auction Agent has made the determinations pursuant to paragraph (i) of this subsection (c), the Auction Agent shall advise the Trustee of the Maximum Rate and the All Hold Rate and the components thereof on the Auction Date and, based on such

determinations, the Auction Rate for the next succeeding Interest Period (the "Auction Rate") as follows:

(A) if Sufficient Clearing Bids have been made, that the Auction Rate for the next succeeding Interest Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids have not been made (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Interest Period shall be equal to the Maximum Rate; or

(C) if all outstanding ARCs are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Interest Period shall be equal to the All Hold Rate.

(d) Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of ARCs. Existing Holders shall continue to hold the principal portion of Basic Lease Payments represented by ARCs that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to Section 1.6(c)(i) of this Exhibit B, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of paragraph (iv) of this subsection (d), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal portion of Basic Lease Payments represented by ARCs subject to such Submitted Bids;

(B) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal portion of Basic Lease Payments represented by ARCs subject to such Submitted Bids;

(C) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring such Potential Holder to purchase the aggregate principal portion of Basic Lease Payments represented by ARCs subject to such Submitted Bids;

(D) each Existing Holders' Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal portion of Basic Lease Payments represented by ARCs subject to such Submitted Bid, unless the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs subject to all such Submitted Bids shall be greater than the principal portion of Basic Lease Payments represented by ARCs (the "remaining principal portion") equal to the excess of the Available ARCs over the aggregate principal portion of Basic Lease Payments represented by ARCs subject to Submitted Bids described in clauses (B) and (C) of this paragraph (i), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal portion of Basic Lease Payments represented by ARCs subject to such Submitted Bid, but only in an amount equal to the aggregate principal portion of Basic Lease Payments represented by ARCs obtained by multiplying the remaining principal portion by a fraction the numerator of which shall be the principal portion of Basic Lease Payments represented by Outstanding ARCs held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal portion of Basic Lease Payments represented by Outstanding ARCs subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(E) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal portion of Basic Lease Payments represented by ARCs obtained by multiplying the excess of the aggregate principal portion of Basic Lease Payments represented by Available ARCs over the aggregate principal portion of Basic Lease Payments represented by ARCs subject to Submitted Bids described in clauses (B), (C) and (D) of this paragraph (i) by a fraction the numerator of which shall be the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs subject to such Submitted Bid and the denominator of which shall be the sum of the principal portion of Basic Lease Payments represented by Outstanding ARCs subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding ARCs are subject to Submitted Hold Orders), subject to the provisions of paragraph (iv) of this subsection (d),

Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate shall be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal portion of Basic Lease Payments represented by ARCs subject to such Submitted Bids;

(B) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Rate shall be accepted, thus requiring each Potential Holder to purchase the aggregate principal portion of Basic Lease Payments represented by ARCs subject to such Submitted Bids; and

(C) each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the ARCs subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal portion of Basic Lease Payments represented by ARCs obtained by multiplying the aggregate principal portion of Basic Lease Payments represented by ARCs subject to Submitted Bids described in clause (B) of this paragraph (ii) by a fraction the numerator of which shall be the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal portion of Basic Lease Payments represented by Outstanding ARCs subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all Outstanding ARCs are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in paragraph (i) or (ii) of this subsection (d), any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal portion of Basic Lease Payments represented by ARCs that is not equal to an Authorized Denomination therefor the Auction Agent shall, in such manner as it shall, in its sole discretion, determine, round up or down the principal portion of Basic Lease Payments represented by ARCs to be purchased or sold by any Existing Holder or Potential Holder so that the principal portion of Basic Lease Payments represented by ARCs purchased or sold by each Existing Holder or Potential Holder shall be equal to an Authorized Denomination, even if

such allocation results in one or more of such Potential Owners not purchasing any ARCs.

(e) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal portion of Basic Lease Payments represented by ARCs to be purchased and the aggregate principal portion of Basic Lease Payments represented by ARCs to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal portion of Basic Lease Payments represented by ARCs to be sold differs from such aggregate principal portion of Basic Lease Payments represented by ARCs to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, ARCs.

**Section 1.7 Certain Orders Not Permitted.** The School Board may not submit an Order in any Auction. The Auction Agent shall have no duty or liability in monitoring or enforcing compliance with this Section 1.7.

**Section 1.8 Notice of Payment Defaults and Cures; Payment of Service Charges.**

(a) The School Board shall pay to the Auction Agent, on behalf of the Holders of the ARCs in same day funds, (i) on the first Business Day of February, May, August and November commencing on the first of such dates to occur after a conversion of the Series 2003B Certificates to Auction Rate Certificates, an amount equal to the Auction Agent Fee as calculated in the Auction Agency Agreement and (ii) on the first Business Day of February, May, August and November commencing on the first of such dates to occur after a conversion of the Series 2003B Certificates to Auction Rate Certificates, an amount equal to the Broker-Dealer Fee as calculated in the Broker-Dealer Agreement.

(b) By 12:30 p.m. New York City time on the Business Day immediately succeeding each Interest Payment Date, the Trustee will determine if a Payment Default has occurred. If a Payment Default has occurred, the Trustee shall notify the Auction Agent and Broker-Dealer by 1:00 p.m. New York City time of such Payment Default. If a Payment Default has been cured, the Trustee shall so notify the Auction Agent and the Broker-Dealer by 5:00 p.m. New York City time on the day such Payment Default is cured.

**Section 1.9 Calculation of Maximum Rate, All Hold Rate and Default Rate.** The Auction Agent shall calculate the Maximum Rate and the All Hold Rate on each Auction Date. Upon receipt of notice from the Trustee of a failed conversion as described in Section 1.16(e)(ii) and 1.18 of this Exhibit B, and if the next succeeding Auction Date for the ARCs shall be two or fewer Business Days after (or on) the failed Conversion Date, the Auction Agent shall not hold an Auction on such Auction Date for

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such ARCs but shall calculate the Maximum Rate as of the first Business Day of the next succeeding Interest Period and give notice thereof by 10:30 A.M. (or such other time as provided in the Auction Agency Agreement) to the Trustee and the Broker-Dealers. If the ownership of the ARCs is no longer maintained in book-entry form by DTC, the Trustee shall calculate the Maximum Rate on the Business Day immediately preceding the first day of each Interest Period commencing after the delivery of certificates representing the ARCs pursuant to Subsection 1.2 of this Exhibit B. If a Payment Default shall have occurred, the Trustee shall calculate the Default Rate on the first day of (i) each Interest Period commencing after the occurrence and during the continuance of such Payment Default and (ii) any Interest Period commencing less than the Applicable Number of Business Days after the cure of any Payment Default. The Auction Agent shall determine the "AA" Composite Commercial Paper Rate for each Interest Period other than the first Interest Period; provided, that if the ownership of the ARCs is no longer maintained in book-entry form, or if a Payment Default has occurred, then the Trustee shall determine the "AA" Composite Commercial Paper Rate for each such Interest Period. The determination by the Trustee or the Auction Agent, as the case may be, of the "AA" Composite Commercial Paper Rate shall (in the absence of manifest error) be final and binding upon all parties. If calculated or determined by the Auction Agent, the Auction Agent shall promptly advise the Trustee of the "AA" Composite Commercial Paper Rate.

**Section 1.10 Computation of the Interest Portion.** The interest portion of Basic Lease Payments represented by ARCs distributable to Holders of ARCs in respect of each \$50,000 in principal portion of Basic Lease Payments represented thereby for any Interest Period or part thereof shall be calculated by applying the respective Applicable ARCs Rate for such Interest Period or part thereof to the principal portion of \$50,000, multiplying such product by the actual number of days in the Interest Period or part thereof concerned divided by 365 or 366, as applicable, and truncating the resultant figure to the nearest one cent. The interest portion of Basic Lease Payments represented by the ARCs shall be computed by the Trustee on the basis of a 365-day year for the number of days actually elapsed; except that for any such calculation with respect to an Interest Payment Date occurring after January 1 of any leap year through December 31 of such leap year, such interest portion (for any day occurring during such period) shall be computed on the basis of a 366-day year period. In the event an Interest Payment Date occurs in any Interest Period on a date other than the first day of such Interest Period, the Trustee, after confirming the calculation required above, shall calculate the amount of the interest portion of Basic Lease Payments represented by the ARCs payable on such Interest Payment Date and the amount payable on the next succeeding Interest Payment Date. The Trustee shall make the calculation required in this Section 1.10 not later than the close of business on each Auction Date.

**Section 1.11 Notification of Rates, Amounts and Payment Dates.**

(a) The Trustee shall determine the aggregate amount of the interest portion of Basic Lease Payments represented by ARCs distributable on the next succeeding Interest Payment Date to the Holders of the ARCs. So long as the ownership of the ARCs is maintained in book-entry form by DTC, the Trustee

shall advise DTC of each Record Date for the ARCs at least two Business Days prior thereto.

(b) Promptly after the date of each Interest Payment Date, and in any event at least 10 days prior to each Interest Payment Date, the Trustee shall:

(i) so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by DTC, confirm the Auction Agent's determination of (A) the date of such next Interest Payment Date and (B) the amount payable to the Auction Agent on each Interest Payment Date pursuant to Section 1.8 hereof and notify the Auction Agent of any discrepancy therein; and

(ii) advise DTC, so long as the ownership of the ARCs is maintained in book-entry form by DTC, of the respective Applicable ARCs Rate and the interest portion of Basic Lease Payments represented by ARCs in respect of the next succeeding Interest Period.

In the event that any day that is scheduled to be an Interest Payment Date shall be changed after the Trustee shall have given the notice referred to in clause (i) of the preceding sentence, not later than 9:15 a.m., New York City time, on the Business Day next preceding the earlier of the new Interest Payment Date or the old Interest Payment Date, the Trustee shall, by such means as the Trustee deems practicable, give notice of such change to the Auction Agent, so long as no Payment Default has occurred and is continuing and the ownership of the ARCs is maintained in book-entry form by DTC.

**Section 1.12 Adjustment in Percentages**

(a) The Market Agent shall adjust the percentage used in determining the All Hold Rate, the Applicable Percentage used in determining the Maximum Rate and the percentage of the BMA Index used in determining the Default Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any Change of Preference Law such that ARCs paying the Maximum Rate, ARCs paying the All Hold Rate and ARCs paying the Default Rate shall have equal market values before and after such Change of Preference Law. Prior to any such adjustment, the School Board shall give notice thereof to the Rating Agency, and no such adjustment shall be made unless such adjustment will not adversely affect the rating on any of the Series 2003B Certificates. In making any such adjustment, the Market Agent shall take the following factors, as in existence both before and after such Change of Preference Law, into account:

(i) short-term taxable and tax-exempt market rates and indices of such short-term rates;

(ii) the market supply and demand for short-term tax-exempt securities;

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(iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the ARCs;

(iv) general economic conditions; and

(v) economic and financial factors present in the securities industry that may affect or that may be relevant to the ARCs.

(b) The Market Agent shall effectuate an adjustment in the percentage used in determining the All Hold Rate, the Applicable Percentage used in determining the Maximum Rate and the Applicable Percentage of the BMA Index used to determine the Default Rate pursuant to subsection (a) of this Section 1.12 by delivering to the School Board, the Trustee and the Auction Agent at least 10 days prior to the Auction Date on which the Market Agent desires to effect such change a Favorable Opinion and a certificate in substantially the form attached hereto as Appendix 1, authorizing the adjustment of the percentage used in determining the All Hold Rate, the Applicable Percentage used in determining the Maximum Rate and the Applicable Percentage of the BMA Index used to determine the Default Rate, which shall be specified in such certificate.

**Section 1.13 Market Agent.** Simultaneously with the conversion of Series 2003B Certificates to ARCs, the Trustee is hereby directed to enter into an agreement with the Market Agent appointed by the School Board. The Market Agent shall serve as such under the terms and provisions hereof and of the Market Agent Agreement. The Market Agent, including any successor appointed pursuant hereto, shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least \$50,000,000, and be authorized by law to perform all the duties imposed upon it by this Series 2003B Supplemental Trust Agreement and the Market Agent Agreement. The Market Agent may be removed at any time by the Trustee, acting at the direction of (a) the School Board, or (b) the holders of 66-2/3% of the aggregate principal portion of Basic Lease Payments represented by the ARCs; provided, that such removal shall not take effect until the appointment of a successor Market Agent. The Market Agent may resign upon 30 days' written notice delivered to the School Board and the Trustee. The School Board shall use its best efforts to appoint a successor Market Agent that is a qualified institution, effective as of the effective date of any such resignation or removal. Notwithstanding that the Market Agent is the agent of the Trustee under the Market Agent Agreement, the Trustee shall not be liable in any way for any action taken, suffered, or omitted, or for any error of judgment made by the Market Agent, whether in the performance of its duties under the Market Agent Agreement or otherwise.

**Section 1.14 Auction Agent.**

(a) Simultaneously with the conversion of Series 2003B Certificates to ARCs, the Trustee is hereby directed to enter into an agreement with the Auction Agent appointed by the School Board which shall provide as follows: the Auction Agent shall be (i) a bank or trust company duly organized under the laws of the

United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, the City of New York, and having a combined capital stock, surplus and undivided profits of at least \$15,000,000 or (ii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$50,000,000 and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agency Agreement. The Auction Agent may resign and be discharged of the duties and obligations created by this Series 2003B Supplemental Trust Agreement by giving at least 90 days' written notice to the School Board, the Trustee and the Market Agent (30 days' written notice if the Auction Agent has not been paid its fee for more than 30 days). The Auction Agent may be removed at any time by the Trustee if the Auction Agent is an entity other than the Trustee, acting at the direction of (i) the School Board, or (ii) the holders of 66-2/3% of the aggregate principal portion of Basic Lease Payments represented by the ARCs, by an instrument signed by the Trustee and filed with the Auction Agent, the School Board and the Market Agent upon at least 90 days' notice; provided that, if required by the Market Agent, an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Trustee are the same entity, the Auction Agent may be removed as described above, with the School Board acting in lieu of the Trustee.

(b) In the event that the Auction Agent shall resign or be removed or dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the School Board shall use its best efforts to appoint a successor as Auction Agent, and the Trustee shall thereupon enter into an Auction Agency Agreement with such successor.

(c) The Auction Agent shall be acting as agent for the Trustee and the School Board in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts necessary to make such judgment.

(d) Notwithstanding that the Auction Agent is the agent of the Trustee hereunder and under the Auction Agency Agreement, the Trustee shall not be liable in any way for any action taken, suffered or omitted, or for any error of judgment made by the Auction Agent, whether in the performance of its duties under the Auction Agency Agreement or otherwise.

**Section 1.15 Broker-Dealers.**

(a) Simultaneously with the conversion of Series 2003B Certificates to ARCs, the Auction Agent shall enter into a Broker Dealer Agreement with a firm or firms qualified to serve as Broker-Dealer. At the direction of the School Board, the Market Agent may from time to time approve one or more additional persons to serve as Broker-Dealer under Broker-Dealer Agreements.

(b) Any Broker-Dealer may be removed at any time, at the request of an Authorized Officer of the School Board, but there shall, at all times, be at least one Broker-Dealer appointed and acting as such.

**Section 1.16 Conversion at Option of School Board.** The interest portion of Basic Lease Payments represented by Series 2003B Certificates outstanding as ARCs may be converted to a determination of such interest portion at a Variable Rate, Commercial Paper Rate or Fixed Rate upon the delivery by the School Board to the Trustee of a Favorable Opinion. Any such conversion shall be made as follows:

(a) The School Board shall confirm the appointment of PaineWebber Incorporated as Remarketing Agent, or shall otherwise select and appoint a qualified Remarketing Agent.

(b) The School Board shall give written notice of any such conversion and shall specify the proposed Conversion Date (and the first Interest Payment Date in the case of a conversion to a Fixed Rate) to the Trustee, the Series 2003B Credit Facility Issuer, the Auction Agent, the Broker-Dealer, Moody's (if the ARCs are then rated by Moody's) and Fitch (if the ARCs are then rated by Fitch) not fewer than 20 days prior to the proposed Conversion Date. The Conversion Date shall be the Business Day next succeeding the last day of the applicable Interest Period. No such conversion shall occur unless the School Board and the Trustee have received confirmation that such conversion will not adversely affect the ratings on any of the Series 2003B Certificates.

(c) After conversion of the ARCs, the Series 2003B Certificates shall continue to mature on the date or dates and be subject to prepayment all as provided in the Series 2003B Supplemental Trust Agreement.

(d) Not later than the 15th day preceding the Conversion Date, notice of the conversion shall be given by first-class mail by the Trustee to the Auction Agent, the Broker-Dealer and the Registered Owners of all Series 2003B Certificates subject to conversion. Such notice shall inform the Auction Agent, the Broker-Dealer and the Holders of:

(i) the proposed Conversion Date;

(ii) the conditions to the conversion pursuant to Section 1.16(e)(ii) of this Exhibit B; and

(iii) the matters required to be stated pursuant to Section 1.17(b) of this Exhibit B with respect to mandatory tender and purchases of Series 2003B Certificates subject to conversion governed by such Section.

(e) (i) Not later than seven days immediately preceding the Conversion Date, the Remarketing Agent shall determine the preliminary Quarterly, Semiannual, Extended, Commercial Paper or Fixed Rate, as the case may be, and shall, not later than 2:00 P.M., notify the Trustee and the School Board of such rate by telephone (promptly confirmed in writing), telegram, teletype, or other similar means of communication, but such rate shall not be considered to be conclusively determined unless approved in writing by an Authorized Officer of the School Board. The rate shall be determined in accordance with Section 1.2 of Exhibit A of the Series 2003B Supplemental Trust Agreement or Section 1.2 of Exhibit C of the Series 2003B Supplemental Trust Agreement, as the case may be. Promptly after the date of determination, the Trustee shall give notice of such rate to the School Board, the Auction Agent and the Rating Agency.

(ii) As of the Conversion Date, sufficient funds shall, not later than 12:00 Noon, be available to purchase all Series 2003B Certificates subject to conversion pursuant to Section 1.17 of this Exhibit B. If this condition is not met for any reason, or if the Favorable Opinion is not received by the School Board, the conversion shall not be effective, the Series 2003B Certificates subject to conversion shall continue to be outstanding as ARCs, the Trustee shall, not later than 4:00 P.M., provide notice of the failed conversion to the Auction Agent, the Paying Agent, and the Holders of the Series 2003B Certificates subject to conversion. The interest portion of Basic Lease Payments represented by ARCs shall thereupon be determined at the Applicable ARCs Rate for the balance of the Interest Period then applicable thereto (without regard to the attempted conversion), if any, and the interest portion of Basic Lease Payments represented by ARCs shall be determined for the next succeeding Interest Period at (A) the Applicable ARCs Rate determined in accordance with the Auction Procedures (subject to Section 1.4 hereof) if the next succeeding Auction Date occurs more than two Business Days after the failed Conversion Date or (B) the Maximum Rate, determined by the Auction Agent as provided in Section 1.9 of this Exhibit B, if the next succeeding Auction Date occurs two or fewer Business Days after (or on) such failed Conversion Date.

(f) The determination of the Variable Rate, Commercial Paper Rate or Fixed Rate, as the case may be, for the ARCs subject to conversion pursuant to this Section 1.16 of this Exhibit B shall be conclusive and binding upon the School Board, the Trustee, the Paying Agent and the respective Holders of such ARCs. The School Board, the Trustee, the Auction Agent and the Remarketing



Agent shall not be liable to any Holders for failure to give any notice required above or for failure of any Holders to receive any such notice.

#### Section 1.17 Mandatory Tender Upon Conversion; Certain Notices.

(a) Mandatory Tender Upon Conversion. When the calculation of the interest portion of Basic Lease Payments represented by Series 2003B Certificates is to be converted to a calculation at a Variable Rate, Commercial Paper Rate or Fixed Rate pursuant to Section 1.16 of this Exhibit B, such Series 2003B Certificates shall be subject to mandatory tender for purchase on the Conversion Date at a price equal to the principal portion of Basic Lease Payments represented thereby.

(b) Notice to Registered Owners. Any notice of conversion given to Registered Owners pursuant to Section 1.16(d) of this Exhibit B shall, in addition to the requirements of such Section, specify that all Outstanding Series 2003B Certificates subject to such conversion are subject to mandatory tender pursuant to the provisions thereof and of this Series 2003B Supplemental Trust Agreement and will be purchased on the Conversion Date by payment of a purchase price equal to the principal portion of Basic Lease Payments represented thereby plus the interest portion of Basic Lease Payments represented thereby accrued to the Conversion Date.

(c) Remarketing. Upon receipt of notice of the Conversion Date from the School Board pursuant to Section 1.16(b) of this Exhibit B, the Trustee shall notify the Remarketing Agent, the School Board and the Paying Agent of the principal portion of Basic Lease Payments represented by Series 2003B Certificates required to be tendered for purchase on the Conversion Date. Upon receipt of such notice, the Remarketing Agent shall use its best efforts to find purchasers for and arrange for the sale of all such Series 2003B Certificates required to be tendered for purchase. The terms of any sale arranged by the Remarketing Agent shall provide for the payment of the purchase price of such Series 2003B Certificates to the Trustee, or its designated agent, in immediately available funds at or before 10:00 A.M. on the purchase date.

(d) Certain Notices by Trustee and Remarketing Agent. Subject to the provisions of subsection (c) of this Section 1.17, the following notices shall be given in connection with a conversion to a Variable Rate pursuant to Section 1.16 of this Exhibit B:

(i) Notices by Remarketing Agent and Trustee of Series 2003B Certificates not Remarketed. Not later than 12:00 Noon on the fifth day immediately preceding the Conversion Date, the Remarketing Agent shall give notice by telephone, telegram, telecopy or other similar communication to the Trustee and the School Board of the principal portion of Basic Lease Payments represented by Series 2003B Certificates

required to be tendered for purchase which have not been remarketed as of such date.

(ii) Notice by Trustee of Series 2003B Certificates Subject to Mandatory Tender. Before 11:00 A.M. on the Business Day next preceding the Conversion Date, the Trustee shall give notice to the Paying Agent, the School Board and the Remarketing Agent as to the aggregate purchase price of Series 2003B Certificates required to be tendered for purchase which is required to be deposited by the Remarketing Agent into a segregated remarketing account to be held by the Trustee, pursuant to subsection (e) of this Section 1.17 in the event all such Series 2003B Certificates are successfully remarketed by the Remarketing Agent.

(iii) Notices by Remarketing Agent and Trustee of Remarketed Series 2003B Certificates. At or before 12:00 Noon on the Business Day immediately preceding the Conversion Date, the Remarketing Agent shall give notice by telephone, telegram, telecopy, or other similar communication to the Trustee, of the names, addresses and taxpayer identification numbers of the purchasers, and the principal portions and denominations, of Series 2003B Certificates to be sold on the Conversion Date, the purchase price at which such Series 2003B Certificates are to be sold and their date of sale and the principal portion of Basic Lease Payments represented by such Series 2003B Certificates, if any, which have not been remarketed.

Upon receipt of any notice pursuant to the preceding paragraph, the Trustee shall no later than 2:30 P.M. on the date of receipt of such notice, give notice thereof by telephone, telegram, telecopy, or other similar communication to the Paying Agent and the Trustee.

(iv) Trustee's Notice of Insufficiency of Payments Required for Conversion. If, by 12:00 Noon on the Conversion Date, the Trustee shall not have received sufficient moneys from the Remarketing Agent which, together with any other available funds, would be sufficient to purchase all Series 2003B Certificates being converted pursuant to subsection (f) of this Section 1.17, the conversion shall not be effective and the Trustee and Auction Agent shall provide such notices and take such actions as are required in Sections 1.16(e)(ii) and 1.18 of this Exhibit B. **The School Board shall not be obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

(e) Payments of Remarketing Proceeds. The Remarketing Agent shall cause to be paid to the Trustee by 12:00 Noon on the Conversion Date, all amounts then held by the Remarketing Agent representing proceeds of the remarketing of such Series 2003B Certificates, such payment to be made in the manner specified in subsection (c) of this Section 1.17. All such remarketing

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proceeds received by the Trustee shall be deposited in the segregated remarketing account held by the Trustee.

(f) Payments of Purchase Price by Trustee. On the Conversion Date, the Trustee shall pay the purchase price of the Series 2003B Certificates required to be tendered for purchase, surrendered as provided in subsection (h) of this Section 1.17 hereof properly endorsed for transfer in blank with all signatures guaranteed, to the selling Holders thereof on or before 3:00 P.M. Such payments shall be made in immediately available funds, but solely from moneys in the segregated remarketing account held by the Trustee representing proceeds of the remarketing of the Series 2003B Certificates, pursuant to subsection (c) of this Section 1.17, and neither the School Board, the Trustee, the Paying Agent nor the Remarketing Agent shall have any obligation to use funds from any other source.

(g) Registration and Delivery of Tendered or Purchased Certificates. Upon receipt of notice from the Trustee pursuant to subsection (d)(iii) of this Section 1.17, the Trustee shall register and authenticate and as promptly thereafter as practicable the Trustee shall deliver Series 2003B Certificates remarketed by the Remarketing Agent to the Remarketing Agent or the purchasers thereof in accordance with the instructions of the Remarketing Agent.

(h) Delivery of Certificates; Effect of Failure to Surrender Certificates. All Series 2003B Certificates to be purchased on any Conversion Date shall be required to be delivered to the designated office of the Trustee, or its designated agent for such purposes, at or before 12:00 Noon on such date. If the Holder of any Series 2003B Certificate that is subject to purchase pursuant to this Section 1.17 fails to deliver such Series 2003B Certificates to the Trustee, or its designated agent for such purposes, for purchase on the purchase date, and if the Trustee, or its designated agent for such purposes, is in receipt of the purchase price therefor, such Certificate shall nevertheless be deemed tendered and purchased on the Conversion Date and shall be Undelivered Certificates pursuant to Section 1.20 of this Exhibit B and registration of the ownership of such Certificate shall be transferred to the purchaser thereof as provided in subsection (g) of this Section 1.17 and Section 1.20 of this Exhibit B. The Trustee shall, as to any Undelivered Certificates, (i) promptly notify the Remarketing Agent, the Auction Agent, the Paying Agent and the Trustee of such non-delivery and (ii) the Trustee shall place a stop transfer against an appropriate principal portion of Basic Lease Payments represented by Series 2003B Certificates registered in the name of the Holder(s) on the register. The Trustee shall place such stop transfer(s) commencing with the lowest serial number of Series 2003B Certificates registered in the name of such Holder(s) (until stop transfers have been placed against an appropriate principal portion of Basic Lease Payments represented by Series 2003B Certificates, as the case may be) until the appropriate tendered Series 2003B Certificates are delivered to the Trustee, or its designated agent. Upon such delivery, the Trustee shall make any necessary adjustments to the register. Pending delivery of such tendered Series 2003B Certificates, the Trustee, or its

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designated agent, shall hold the purchase price therefor uninvested in a segregated subaccount for the benefit of such Holders.

**Section 1.18 Inadequate Funds for Tenders; Failed Conversion.** If the funds available for purchases of Series 2003B Certificates required to be tendered are inadequate for the purchase of all Series 2003B Certificates tendered on any Conversion Date, or if a proposed conversion to a Variable Rate otherwise fails as provided in Section 1.16(e)(ii) of this Exhibit B, the Trustee shall: (a) return all tendered Series 2003B Certificates to the Holders thereof; (b) return all moneys received for the purchase of such Certificates to the persons providing such moneys; and (c) notify the School Board, the Auction Agent, the Remarketing Agent and the Paying Agent of the return of such Series 2003B Certificates and moneys and the failure to make payment for tendered Series 2003B Certificates. After any such failed conversion the Series 2003B Certificates subject to the failed conversion shall remain outstanding as ARCs, Auctions shall be conducted beginning on the first Auction Date occurring more than two Business Days after the failed Conversion Date, and the interest portion of Basic Lease Payments represented by Series 2003B Certificates shall be determined and paid according to this Series 2003B Supplemental Trust Agreement. **The School Board shall not be obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

#### Section 1.19 [Intentionally Omitted].

**Section 1.20 Undelivered Certificates.** Any Series 2003B Certificates which are required to be tendered on a Conversion Date and that are not delivered on the Conversion Date, and for the payment of which there has been irrevocably held in trust in a segregated subaccount for the benefit of such Holder an amount of money sufficient to pay the purchase price, including any accrued interest portion of Basic Lease Payments represented by such Series 2003B Certificates due to (but not after) such purchase date with respect to such Series 2003B Certificates, shall be deemed to have been purchased pursuant to this Section 1.20, and shall be Undelivered Certificates. In the event of a failure by a Certificateholder to tender its Series 2003B Certificates on or prior to the required date, said Holder of such Undelivered Certificates shall not be entitled to any payment other than the purchase price due on the purchase date and Undelivered Certificates in the hands of such non-delivering Certificate owner shall no longer accrue interest or be entitled to the benefits of the Trust Agreement, except for the payment of the purchase price due on the purchase date; provided, however, that the indebtedness represented by such Series 2003B Certificates shall not be extinguished, and the Paying Agent and Trustee shall transfer, authenticate and deliver such Series 2003B Certificates as provided below. The Paying Agent shall give telephonic notice to the Trustee and the Trustee, promptly confirmed by mail, of all Undelivered Certificates.

With respect to any Undelivered Certificate, the Paying Agent, acting hereunder and pursuant to the power of attorney granted by such Certificateholder by such Holder's purchase of ARCs, shall do or cause the Trustee to do the following:

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(a) Assign, endorse, and register the transfer of such Series 2003B Certificate to the purchaser or purchasers thereof;

(b) Authenticate and deliver a new Series 2003B Certificate or Certificates, as appropriate, to the purchaser or purchasers thereof;

(c) Execute an acknowledgment that the Holder of Undelivered Certificates holds such Undelivered Certificate for the benefit of the new purchaser or purchasers thereof, who shall be identified in such acknowledgment;

(d) Promptly notify by first-class mail the Holder of such Undelivered Certificate that:

(i) the Paying Agent has acted pursuant to such power of attorney to transfer the Undelivered Certificate and to perform the other acts set forth in this Section;

(ii) the Undelivered Certificate is no longer Outstanding; and

(iii) funds equal to the applicable purchase price for such Series 2003B Certificate are being held on behalf of such Holder, without accrual of the interest portion of Basic Lease Payments represented by such Series 2003B Certificates, in the segregated subaccount established for such purpose by and with the Trustee or Paying Agent.

(e) Enter on the register that the Undelivered Certificate is no longer Outstanding; and

(f) Subject to the other provisions of the Trust Agreement, hold the purchase price for such Series 2003B Certificate in the subaccount established for such purpose, without accrual of the interest portion of Basic Lease Payments represented by such Series 2003B Certificates, and pay such purchase price and any unpaid interest portion of Basic Lease Payments represented by such Series 2003B Certificates due on the purchase date to such holder upon presentation of the certificate representing the Undelivered Certificate. Certificates presented on or before 12:00 Noon on any Business Day are to be paid on or before the close of business on that day.

Prior Holders of Certificates purchased or deemed purchased pursuant to this Series 2003B Supplemental Trust Agreement shall not be entitled to interest portion of Basic Lease Payments represented by such Series 2003B Certificates which accrues on and after the related purchase date, provided moneys are on hand in the subaccount established therefor to pay the purchase price and any unpaid interest portion of Basic Lease Payments represented by such Series 2003B Certificates due on the purchase date.

**Section 1.21 Prepayment of Series 2003B Certificates.** While outstanding as ARC's the Series 2003B Certificates shall be subject to prepayment prior to maturity as provided in Article III of the Series 2003B Supplemental Trust Agreement.

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length of one or more Auction Periods specified in such certificate and (B) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period. If the condition referred to in (A) above is not met, the applicable ARC's Rate for the next Auction Period shall be determined pursuant to the Auction Procedures and the Auction Period shall be the Auction Period determined without reference to the proposed change. If the condition referred to in (A) is met but the condition referred to in (B) above is not met, the Applicable ARC's Rate for the next Auction Period shall be the Maximum Rate and the Auction Period shall be the Auction Period determined without reference to the proposed change.

(b) Changes in the Auction Date. While any of the Series 2003B Certificates are outstanding as ARC's, the Market Agent:

(i) in order to conform with then current market practice with respect to similar securities, shall; or

(ii) in order to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the rate at which the interest portion of Basic Lease Payments represented by the ARC's is determined and upon receipt of a Favorable Opinion and with the written consent of an Authorized Officer of the School Board, may

specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in Section 1.1 of this Exhibit B with respect to one or more specified Auction Periods. The School Board shall not consent to such change in the Auction Date, if such consent is required in subparagraph (b)(ii) above, unless the School Board shall have received from the Market Agent not less than three days nor more than 20 days prior to the effective date of such change a written request for consent together with a certificate demonstrating the need for change in reliance on such factors. The Market Agent shall provide notice of any determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least 10 days prior to the proposed changed Auction Date to the Trustee, the Auction Agent, the School Board and DTC. Such notice shall be substantially in the form of, or contain substantially the information contained in, Appendix 3 to this Exhibit B.

(c) In connection with any change described in this Section 1.22, the Auction Agent shall provide such further notice to such parties as is specified in the Auction Agency Agreement.

(d) No change shall be made to the Auction Period or Auction Date unless the School Board shall have received confirmation from the Rating Agency that the rating on any of the Certificates will not be adversely affected.

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## Section 1.22 Changes in Auction Periods or Auction Date

(a) Changes in Auction Period or Periods.

(i) While any of the Series 2003B Certificates are outstanding as ARC's, the Market Agent:

(A) in order to conform with then current market practice with respect to similar securities, shall; or

(B) in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the rate at which the interest portion of Basic Lease Payments represented by the ARC's is determined and upon receipt of a Favorable Opinion and with the written consent of the School Board, may

change, from time to time, the length of one or more Auction Periods. The School Board shall not consent to such change in the length of the Auction Period, if such consent is required above, unless the School Board shall have received from the Market Agent not less than three days nor more than 20 days prior to the effective date of such change a written request for consent together with a certificate demonstrating the need for change in reliance on such factors. The Market Agent shall initiate the change in the length of one or more Auction Periods by giving written notice to the Trustee, the Auction Agent, the School Board, the Broker-Dealers and DTC in substantially the form of, or contain substantially the information contained in, Appendix 2 to this Exhibit B at least 10 days prior to the Auction Date for such Auction Period.

(ii) Any such changed Auction Period shall not be less than 7 days. No change in an Auction Period from an Auction Period of one year or less to an Auction Period of more than one year shall occur unless there shall have been delivered to the Trustee a Favorable Opinion; and no change in Auction Period from an Auction Period of more than one year to an Auction Period of one year or less shall occur unless there shall have been delivered to the Trustee a Favorable Opinion.

(iii) The change in the length of one or more Auction Periods shall not be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this Section 1.22(a) and the Auction immediately preceding the proposed change.

(iv) The change in length of one or more Auction Periods shall take effect only if (A) the Trustee and the Auction Agent receive, by 11:00 A.M. on the Business Day before the Auction Date for the first such Auction Period, a certificate from the Market Agent in substantially the form attached as, or containing substantially the same information contained in, Appendix 2 to this Exhibit B, authorizing the change in the

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**Section 1.23 Credit Ratings.** The School Board shall take all reasonable action necessary to enable at least one nationally recognized statistical rating organization (as that term is used in the rules and regulations of the SEC under the Securities Exchange Act) to provide credit ratings for the ARC's.

## Section 1.24 Notices.

(a) The Market Agent shall provide the Trustee, and, so long as no default under the Trust Agreement has occurred and is continuing and the ownership of the ARC's is maintained in book-entry form by DTC, the Auction Agent with notice of any change in the Statutory Corporate Tax Rate.

(b) The School Board shall use its best efforts to provide the Trustee, and, so long as no Payment Default has occurred and is continuing and the ownership of the ARC's is maintained in book-entry form by DTC, the Auction Agent with notice of any change in the maximum rate permitted by law on the ARC's.

## Section 1.25. Mandatory Tenders On Special Purchase Date.

(a) Purchase Date. In the case of any purchase in lieu of prepayment by the School Board pursuant to Section 304 of the Series 2003B Supplemental Trust Agreement, the Series 2003B Certificates are subject to mandatory tender for purchase on the Special Purchase Date at the Special Purchase Price.

(b) Notice to Owners. No notice (other than the notice of optional redemption) of a Special Purchase Date shall be given to Series 2003B Certificateholders.

(c) Remarketing. Special Purchase Series 2003B Certificates shall be remarketed in accordance with instructions of the School Board.

Except as otherwise provided herein, the School Board shall not purchase or otherwise acquire ARC's unless the School Board redeems or otherwise cancels such ARC's on the day of any purchase.

## Section 1.26 Notice of Payment Default

(a) If the School Board determines that a Payment Default has occurred the School Board shall promptly notify the Trustee thereof.

(b) So long as the ownership of the ARC's is maintained in book-entry form by DTC, upon the occurrence of a Payment Default the Trustee shall immediately send a notice thereof to the Auction Agent and Market Agent by telecopy or similar means.

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(c) So long as the ownership of the ARCs is maintained in book-entry form by DTC, the Trustee shall immediately send notice to the Auction Agent by telecopy or similar means if a Payment Default is cured.

APPENDIX 1

FORM OF NOTICE OF CHANGE IN PERCENTAGES

Certificates of Participation
Series 2003B
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

(Used in Determination of the Maximum Rate,
the All Hold Rate and the Index for Default Rate)

NOTICE IS HEREBY GIVEN that \_\_\_\_\_, as
Market Agent for the above-identified Certificates, hereby authorizes the adjustment in
the percentages used to determine the Maximum Rate, the All Hold Rate and the index
for the Default Rate to reflect a Change in Preference Law as set forth in its notice dated
\_\_\_\_\_.

Notice is also hereby given that the Market Agent has obtained confirmation that
Special Tax Counsel expects to be able to give its opinion to the effect that the
adjustment in the percentages is authorized by Section 1.12 of Exhibit B to the Series
2003B Supplemental Trust Agreement and will not have an adverse effect on the
exclusion of interest on the Certificates from gross income for federal income tax
purposes.

Dated: \_\_\_\_\_ By: \_\_\_\_\_

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APPENDIX 2

FORM OF NOTICE OF CHANGE IN LENGTH OF
ONE OR MORE AUCTION PERIODS

Certificates of Participation
Series 2003B
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

Notice is hereby given that \_\_\_\_\_, as Market Agent for the captioned
Certificates, proposes to change the length of one or more Auction Periods pursuant to
the Series 2003B Supplemental Trust Agreement thereof as follows:

(a) The change shall take effect on \_\_\_\_\_, \_\_\_\_\_, the date of
commencement of the next Auction Period (the "Effective Date").

(b) The change in length of one or more Auction Periods described in
Paragraph 1 above shall take place only if (A) the Trustee and Auction Agency receive,
by 11:00 a.m., New York City time, on the Business Day before the Auction Date for the
Auction Period commencing on the Effective Date, a certificate from the Market Agent,
as required by the Series 2003B Supplemental Trust Agreement authorizing the change in
length of one or more Auction Periods and (B) Sufficient Clearing Bids exist on the
Auction Date for the Auction Period commencing on the Effective Date.

(c) If the condition referred to in (A) above is not met, the Applicable ARCs
Rate for the Auction Period commencing on the Effective Date will be determined
pursuant to the Auction Procedures and the Auction Period shall be the Auction Period
determined without reference to the proposed change. If the conditions referred to in (A)
above is met but the condition referred to in (B) above is not met, the Applicable ARCs
Rate for the Auction Period commencing on the Effective Date shall be the Maximum
Rate and the Auction Period shall be the Auction Period determined without reference to
the proposed change.

(d) It is hereby represented, upon advice of the Auction Agent for the
Certificates described herein, that there were Sufficient Clearing Bids for such
Certificates at the Auction immediately preceding the date of this Notice.

(e) Terms not defined in this Notice shall have the meanings set forth in the
Trust Agreement authorizing the captioned Certificates.

By: \_\_\_\_\_
Dated: \_\_\_\_\_

APPENDIX 3

FORM OF NOTICE ESTABLISHING CHANGE IN LENGTH
OF ONE OR MORE AUCTION PERIODS

Certificates of Participation
Series 2003B
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

Notice is hereby given that \_\_\_\_\_, as Market Agent for the captioned
Certificates, hereby establishes new lengths for one or more Auction Periods pursuant to
the Series 2003B Supplemental Trust Agreement thereof as follows:

1. The change shall take effect on \_\_\_\_\_, \_\_\_\_\_, the date of
commencement of the next Auction Period (the "Effective Date").

2. Interest Payment Dates shall be (or, if applicable, remain) each \_\_\_\_\_
and \_\_\_\_\_ after the date of this Notice. For the Auction Period commencing on the
Effective Date, the Interest Period (and Auction Period) shall be the period commencing
on the Effective Date through and including \_\_\_\_\_ (date). For
Auction Periods occurring after the Auction Period commencing on the Effective Date,
the Interest Period (and Auction Period) shall be the period commencing on
\_\_\_\_\_, \_\_\_\_\_ (date) through and including \_\_\_\_\_ (date)
and each \_\_\_\_\_ (number of days) day period thereafter commencing on a
\_\_\_\_\_, \_\_\_\_\_ (day of week) and ending on (and including) a \_\_\_\_\_
(day of week); provided, however, that the length of subsequent Auction Periods shall be
subject to further change hereafter as provided in Section 1.22 of Exhibit B to the Series
2003B Supplemental Trust Agreement.

3. The changes described above shall take place only upon delivery of this
Notice and the satisfaction of other conditions set forth in the Series 2003B Supplemental
Trust Agreement and our prior notice dated \_\_\_\_\_ regarding the proposed
change.

4. Terms not defined in this Notice shall have the meanings set forth in the
Trust Agreement relating to the captioned Certificates.

Dated: \_\_\_\_\_ By: \_\_\_\_\_

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FORM OF NOTICE OF CHANGE IN AUCTION DATE

Certificates of Participation  
 Series 2003B  
 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

Notice is hereby given that \_\_\_\_\_, as Market Agent for the Series 2003B Certificates, that the Auction Date is hereby changed as follows:

1. The definition of "Auction Date" shall be deemed amended by substituting "\_\_\_\_\_(number) Business Days" for "the Business Day" in the second line thereof and by substituting "\_\_\_\_\_(number) Business Days" for "two Business Days" in the first line of the definition of "Applicable Number of Business Days."
2. This change shall take effect on \_\_\_\_\_ which shall be the Auction Date for the Auction Period commencing on \_\_\_\_\_.
3. The Auction Date for the Series 2003B Certificates shall be subject to further change hereafter as provided in the Series 2003B Supplemental Trust Agreement.
4. Terms not defined in this Notice shall have the meanings set forth in the Series 2003B Supplemental Trust Agreement.

\_\_\_\_\_, as Market Agent

Dated: \_\_\_\_\_ By \_\_\_\_\_

PROVISIONS RELATING TO SERIES 2003B CERTIFICATES  
 OUTSTANDING AS COMMERCIAL PAPER RATE CERTIFICATES

"Expiration Date" shall mean, with respect to a Liquidity Facility, the scheduled expiration date of such Liquidity Facility, or such scheduled expiration date as it may be extended from time to time as provided in the Liquidity Facility.

"Interest Payment Date" shall mean with respect to a Commercial Paper Rate Certificate, the day following the last day of the Interest Period therefor and the prepayment date or maturity date thereof.

"Interest Period" shall mean with respect to a Commercial Paper Rate Certificate, the period of time established by the Remarketing Agent pursuant to Section 1.2 hereof;

"Mandatory Purchase Date" shall mean (i) the Purchase Date of the Series 2003B Certificates in a Commercial Paper Rate Period, (ii) any Conversion Date, (iii) the Substitution Date, (iv) a Business Day at least five days prior to the Expiration Date and (v) a Business Day at least five days prior to a Notice Termination Date.

"Notice Termination Date" shall mean the date upon which the Liquidity Facility is to terminate pursuant to Section 7.02(b)(iii) of the Liquidity Facility, which date must be at least thirty (30) days after the date on which the Trustee and Tender Agent receive notice from the Liquidity Provider stating that as a result of an Event of Termination under Section 7.01(a)(iv) or (v) of the Liquidity Facility the Liquidity Provider in accordance with the provisions of the Liquidity Facility has elected to terminate the Liquidity Facility and stating the date of termination; and any termination date under an Alternate Liquidity Facility pursuant to which a similar notice of termination is given.

"Purchase Date" shall mean for each Commercial Paper Rate Certificate, the day following the last day of the Interest Period applicable thereto.

"Purchase Price" of any Series 2003B Certificate required to be purchased by the Tender Agent pursuant to Sections 1.4, 1.5, 1.6 and 1.9 of this Exhibit C shall mean an amount equal to the principal portion of Basic Lease Payments represented by such Series 2003B Certificate plus, if the Purchase Date is other than an Interest Payment Date, the accrued interest portion thereof, at the rate applicable to the Series 2003B Certificate from the most recent Interest Payment Date and up to but excluding the Purchase Date.

"Rate Determination Date" shall mean, in the case of any Commercial Paper Rate Certificate, the first day of each Interest Period therefor.

"Rate Period" or "Period" shall mean, when used with respect to any particular rate of interest applicable to the interest portion of the Basic Lease Payments represented by the Series 2003B Certificates, the period during which such rate of interest will remain in effect pursuant to Section 1.2 of this Exhibit C.

"Record Date" shall mean, in a Commercial Paper Rate Period, the day (whether or not a Business Day) next preceding each Interest Payment Date.

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**Section 1.1. Definitions** In addition to the words and terms defined in the Trust Agreement or the Master Lease or elsewhere defined in this Series 2003B Supplemental Trust Agreement, the following words and terms with respect to the Series 2003B Certificates shall have the following meaning unless the context or use indicates another or different meaning or intent (terms defined herein and in the Trust Agreement or the Lease or elsewhere in this Series 2003B Supplemental Trust Agreement, shall, unless the context requires otherwise, have the meaning given herein with respect to the Series 2003B Certificates outstanding as Commercial Paper Rate Certificates):

"Commercial Paper Rate Certificate" shall mean any Series 2003B Certificate while in a Commercial Paper Rate Period.

"Conversion Date" shall mean, with respect to Series 2003B Certificates, the date on which one Rate Period terminates and another Rate Period begins, which date shall be the first Business Day of a month, except as otherwise provided in Section 1.2(b) or (e) hereof.

"Electronic Means" shall mean telecopy, telegraph, telex, facsimile transmission or other similar electronic means of communication.

"Event of Termination" shall have the meaning given such term in the Liquidity Facility.

“Special Purchase Series 2003B Certificates” shall mean the Series 2003B Certificates to be purchased in lieu of prepayment in accordance with Section 304 of the Series 2003B Supplemental Trust Agreement.

“Special Purchase Date” shall mean the date on which Series 2003B Certificates are scheduled to be purchased in lieu of prepayment pursuant to Section 304 of the Series 2003B Supplemental Trust Agreement.

“Special Purchase Price” shall mean the amount equal to the principal portion of Basic Lease Payments represented by the Special Purchase Series 2003B Certificates, plus the accrued interest portion, if any, on the Special Purchase Series 2003B Certificates to the Special Purchase Date.

“Special Termination Event” shall mean an Event of Termination under Section 7.01(a)(i), (ii) or (iii) of the Liquidity Facility following which the Liquidity Provider immediately terminates or suspends its obligation to purchase Series 2003B Certificates tendered for purchase and any event under an Alternate Liquidity Facility which results in the immediate termination or suspension of an alternate liquidity provider’s obligations to purchase Series 2003B Certificates.

“Substitution Date” shall mean the date upon which an Alternate Liquidity Facility is accepted by the Trustee as a replacement for the Liquidity Facility.

**Section 1.2 Determination of Interest Rates and Interest Periods for Commercial Paper Rate; Conversion of Interest Rate.**

(a) While the interest portion of the Basic Lease Payments represented by Series 2003B Certificates is determined at a Commercial Paper Rate, each Interest Period shall be at least one (1) day and not more than two hundred seventy (270) days, ending on a day next preceding a Business Day or the Maturity Date. While the interest portion of Basic Lease Payments represented by Series 2003B Certificates is determined at the Commercial Paper Rate, the interest portion will be calculated based on the actual days elapsed and a year of 365 or 366 days, as applicable. The Remarketing Agent shall determine the Interest Period in accordance with the provisions of this Section 1.2. In making the determinations with respect to Interest Periods, subject to limitations imposed by the first sentence, the Remarketing Agent shall on the Rate Determination Date select for Series 2003B Certificate then subject to such adjustment the Interest Periods which, if implemented on such Rate Determination Date, would result in the Remarketing Agent being able to remarket such Series 2003B Certificate at par in the secondary market at the lowest interest rate then available and for the longest Interest Period available at such rate, provided that if on the Rate Determination Date, the Remarketing Agent determines that current or anticipated future market conditions or anticipated future events are such that a different Interest Period would result in a lower average interest cost on such Series 2003B Certificate, then the Remarketing Agent shall select the Interest Periods which in the judgment of the Remarketing Agent would permit such Series 2003B Certificate to achieve such lower average interest cost; provided, however, that if the Remarketing Agent has received notice from the School Board that any Series 2003B Certificate is to be changed from the Commercial Paper Rate to any other rate or if it is to be purchased pursuant to Sections 1.5 or 1.9 hereof, the

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2003B Credit Facility Issuer, the Liquidity Provider and all of the Holders of the Series 2003B Certificates. Such notice shall set forth (A) the information contained in the notice from the Remarketing Agent pursuant to this clause (b) above, (B) the Interest Payment Dates for the new Rate Period, (C) the dates on which the Remarketing Agent will determine and the Tender Agent will notify the Owners of the preliminary Variable Rate (if applicable) and the Variable Rate for the Variable Rate Period commencing on the Conversion Date, and (D) the matters required to be stated pursuant to Section 1.5(b) hereof with respect to purchases of Series 2003B Certificates which are governed by such Section.

(c) Determination of Variable Rate Effective on Conversion Date. The preliminary Variable Rate (if applicable) and the Variable Rate for the Variable Rate Period commencing on the Conversion Date shall be determined by the Remarketing Agent in the manner and on the dates provided in Section 1.2 of Exhibit A to the Series 2003B Supplemental Trust Agreement. In addition to determining the Variable Rate for the Rate Period to which conversion is to be made, the Remarketing Agent shall determine a Weekly Rate at the time specified in Section 1.2(d) of Exhibit A to the Series 2003B Supplemental Trust Agreement, and give notice thereof to the Tender Agent, the Trustee and the Trustee, which Weekly Rate shall take effect, if needed, pursuant to clause (d) below.

(d) Conditions on which Conversion Ineffective. Notwithstanding the delivery of notice of conversion pursuant to clause (b) above, conversion to a Variable Rate Period shall not take effect as to the Series 2003B Certificates if:

(i) The Remarketing Agent fails to determine a Variable Rate for the Rate Period to which the conversion is to be made;

(ii) Any notice required by Section 1.2(b) hereof is not given when required;

(iii) There is not delivered to the School Board, the Series 2003B Credit Facility Issuer and the Trustee a Favorable Opinion, dated as of the Conversion Date;

(iv) Such notice of conversion is rescinded by the School Board by written notice of such rescission to the Trustee and the Remarketing Agent which written notice is delivered prior to the applicable Conversion Date. If the Trustee receives notice of such rescission prior to the time the Trustee has given notice to the Owners of the Series 2003B Certificates, then such notice of conversion shall be of no force and effect. If the Trustee receives notice of such rescission after the Trustee has given notice to the Owners of the Series 2003B Certificates, then the Series 2003B Certificates shall automatically adjust to a Weekly Rate Period. Any purchases of Series 2003B Certificates scheduled or required to take place on the proposed effective date of any Rate Period (being also the effective date of the automatic adjustment to a Weekly Rate Period as in this Section 1.2(d) provided) shall take place on such date. No Favorable Opinion shall be required in connection with any automatic adjustment to a Weekly Rate Period as in this Section 1.2(d) provided; or

(v) There is not delivered to the Trustee written evidence from the Rating Agency that any such conversion to a Commercial Paper Rate, Quarterly Rate,

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Remarketing Agent shall, with respect to such Series 2003B Certificate, select Interest Periods which do not extend beyond the Mandatory Purchase Date; provided, further, that no Series 2003B Certificate shall be remarketed for an Interest Period which extends beyond (i) the date which is at least five (5) days prior to an Expiration Date or a Purchase Termination Date or, (ii) if notice of such event has been provided prior to the determination of an Interest Period, a Substitution Date or a date on which the Liquidity Facility will be terminated or suspended, unless the School Board delivers to the Trustee and Tender Agent an irrevocable commitment from the Liquidity Provider or the provider of an Alternate Liquidity Facility for the delivery of an extension of the Liquidity Facility then expiring or terminating or an Alternate Liquidity Facility to become effective on the date such Liquidity Facility is to cease to be effective or no Liquidity Facility is required pursuant to Section 501 of the Series 2003B Supplemental Trust Agreement, as the case may be.

At or after 4:00 p.m. on the Business Day next preceding the Rate Determination Date for any Commercial Paper Rate Certificates, any Registered Owner of such Commercial Paper Rate Certificates may telephone the Remarketing Agent and receive notice of the anticipated next Interest Period(s) and the anticipated interest rate(s) for such Interest Periods.

By 1:00 p.m. on each Rate Determination Date, the Remarketing Agent shall, with respect to each Commercial Paper Rate Certificate that is subject to adjustment on such date, determine an interest rate for the Interest Period then selected for such Series 2003B Certificate and, no later than 1:00 p.m., shall give notice by Electronic Means to the Tender Agent of the applicable Interest Period, Purchase Date and interest rate. The Tender Agent shall notify the Trustee by Electronic Means by the close of business on the Rate Determination Date, of the Interest Period, Purchase Date and interest rate.

By acceptance of any Commercial Paper Rate Certificate, the Registered Owner thereof shall be deemed to have agreed, during each Interest Period, to the interest rate, Interest Period and Purchase Date then applicable thereto and to have further agreed to tender such Series 2003B Certificate to the Tender Agent for purchase on the next succeeding Purchase Date at the Purchase Price. Such Registered Owner further acknowledges that if funds for such purchase are on deposit with the Tender Agent on such Purchase Date, such Registered Owner shall have no rights other than to receive the payment of such Purchase Price and that interest shall cease to accrue to such Registered Owner on such Purchase Date.

(b) Conversion to a Variable Rate Period. At the option of the School Board and upon delivery of a Favorable Opinion to the Trustee and the School Board, the Series 2003B Certificates may be converted from a Commercial Paper Rate Period to a Variable Rate Period as provided in this clause (b). The Conversion Date shall be the last Purchase Date for the Commercial Paper Rate Certificates. At the direction of the School Board, the Remarketing Agent shall give written notice of any conversion pursuant to this Section to the Trustee, the Tender Agent, the School Board, the Series 2003B Credit Facility Issuer and the Liquidity Provider not less than five Business Days prior to the date on which the Tender Agent is required to notify the Owners of the conversion in the manner provided in this clause (b). Such notice shall specify the Conversion Date and the Rate Period to which the conversion will be made. Not less than 30 days prior to any Conversion Date, the Tender Agent shall mail or cause the Trustee to mail a written notice of the conversion to the School Board, the Trustee, the Series

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Semiannual Rate or Extended Rate will not, of itself, cause a reduction or withdrawal of any rating then assigned to the Series 2003B Certificates; provided, however that (i) a reduction in rating resulting solely from provision of an Alternate Liquidity Facility shall not render such conversion ineffective if the Alternate Liquidity Facility complies with the requirements of the Series 2003B Supplemental Trust Agreement or (ii) a reduction in rating resulting solely from failure to provide a Liquidity Facility for the proposed Rate Period shall not render such conversion ineffective if the Series 2003B Certificates shall otherwise comply with the requirements of Section 501(a) of the Series 2003B Supplemental Trust Agreement.

Except as specifically provided in (iv) above, in any such event, the Series 2003B Certificates which were to be converted shall automatically be converted to a Weekly Rate Period on the date such conversion was to be made, provided that any mandatory or optional tender for purchase on the Conversion Date shall nevertheless be carried out. No cancellation of a conversion pursuant to this subsection shall constitute an Event of Default hereunder. Upon the occurrence of an event described in (i) above, the Weekly Rate for the Series 2003B Certificates shall be the per annum rate of interest determined on each Wednesday (or if such day is not a Business Day, the immediately preceding Business Day) by the Trustee which is equal to the lesser of the Maximum Rate and a rate equal to “The Bond Market Association Municipal Swap Index” (or a comparable index, if such index is no longer published) most recently published, plus 50 basis points.

(e) Conversion to Fixed Rate or Auction Rate. The Series 2003B Certificates in a Commercial Paper Rate Period shall be converted to bear interest at a Fixed Rate or Auction Rate upon request of the School Board as provided in this clause (e). The Fixed Rate Conversion Date or Auction Rate Conversion Date shall be the last Purchase Date for the Commercial Paper Rate Certificates.

Not less than 45 days (or such shorter period approved by the parties to receive the same) prior to the Fixed Rate Conversion Date or Auction Rate Conversion Date, the School Board shall give written notice to the Trustee, the Tender Agent, the Remarketing Agent, the Series 2003B Credit Facility Issuer and the Liquidity Provider, setting forth (A) the election to convert the Series 2003B Certificates to a Fixed Rate or Auction Rate, as the case may be, (B) the proposed Fixed Rate Conversion Date (and the first Interest Payment Date in the Fixed Rate) or Auction Rate Conversion Date and (C) that the Liquidity Facility, if any, will terminate on the Fixed Rate Conversion Date or Auction Rate Conversion Date. As a condition of any such conversion, the Trustee, the Series 2003B Credit Facility Issuer, the Liquidity Provider and the Remarketing Agent shall receive, concurrently with the notice, a Favorable Opinion.

(f) Determination of Terms of Series 2003B Certificates Converted to Fixed Rate Certificates or Auction Rate Certificates.

(i) Determination of all details of the Series 2003B Certificates upon conversion to Fixed Rate Certificates shall be made in accordance with Exhibit A to the Series 2003B Supplemental Trust Agreement.

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(ii) Determination of all details of the Series 2003B Certificates upon conversion to Auction Rate Certificates shall be made in accordance with Exhibit B to the Series 2003B Supplemental Trust Agreement.

(g) Notice of Conversion to Fixed Rate or Auction Rate. The Tender Agent shall mail or cause the Trustee to mail a notice of the proposed conversion to the School Board, the Trustee, the Series 2003B Credit Facility Issuer, the Liquidity Provider and the Owners of all Series 2003B Certificates to be converted. Such notice shall be mailed not less than 30 days prior to the proposed Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be. Such notice shall set forth the proposed Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be, and state:

(i) that the Series 2003B Certificates are subject to mandatory tender for purchase (without the right to retain) on the Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be, at the Purchase Price;

(ii) the time at which Series 2003B Certificates are to be tendered for purchase; and

(iii) that the Series 2003B Certificates shall be deemed purchased on the Fixed Rate Conversion Date or Auction Rate Conversion Date, as the case may be, and thereafter the Owner shall have no further rights hereunder except to receive such Purchase Price.

(h) Conditions on which Conversion to Fixed Rate or Auction Rate Ineffective. Notwithstanding the delivery of notice of a Fixed Rate or Auction Rate conversion pursuant to Section 1.2(g) above, conversion of Series 2003B Certificates from a Commercial Paper Rate to a Fixed Rate Period or Auction Rate Period, as the case may be, shall not take effect:

(i) if the School Board withdraws such notice of conversion not later than the Business Day preceding the date on which the Fixed Rate or Auction Rate is to be determined;

(ii) if the Remarketing Agent fails to determine a Fixed Rate or an Auction Rate has not been determined;

(iii) if any notice required by Section 1.2(g) is not given when required; or

(iv) if upon the conversion, any Fixed Rate Series 2003B Certificates or Auction Rate Certificates would be Provider Certificates unless the Liquidity Provider consents.

In any of such events, the Series 2003B Certificates shall automatically be converted to a Weekly Rate for a Weekly Rate Period which shall commence on the date the Fixed Rate or Auction Rate conversion was to be made, provided that the mandatory tender for purchase pursuant to Sections 1.6 and 1.9 shall nevertheless be carried out if notice of the Fixed Rate or Auction Rate conversion had been given to the Owners of the Series 2003B Certificates. Withdrawal of a

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Section, specify that the Series 2003B Certificates to be converted will be subject to mandatory tender for purchase on the Conversion Date and the time at which Series 2003B Certificates are to be tendered for purchase.

(c) Remarketing. At or before 4:00 p.m., New York City time, on the fifth Business Day immediately preceding the conversion to a Daily, Weekly or Monthly Rate Period or on the seventh calendar day (or, if such day is not a Business Day, on the next succeeding Business Day) preceding the conversion to a Quarterly Rate Period or on the fifteenth calendar day (or, if such day is not a Business Day, on the next succeeding Business Day) preceding the conversion to a Semiannual or Extended Rate Period, the Trustee shall notify the Tender Agent, the Series 2003B Credit Facility Issuer, the Liquidity Provider and the Remarketing Agent, by telephone, telegram, telex or other similar communication, of the aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates to be tendered for purchase on the Conversion Date or the Mandatory Purchase Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the Series 2003B Certificates to be tendered. All Series 2003B Certificates shall be at all times remarketed at a price equal to the principal portion of Basic Lease Payments represented thereby, plus the interest portion of Basic Lease Payments represented thereby accrued up to the remarketing date.

#### **Section 1.6. Mandatory Tenders Upon Expiration, Substitution or Termination of Liquidity Facility.**

(a) Mandatory Purchase Dates. Prior to the Fixed Rate or Auction Rate Conversion Date of the interest portion of Basic Lease Payments represented by Series 2003B Certificates, the portion of the Basic Lease Payments represented by Series 2003B Certificates shall be subject to mandatory tender for purchase at the Purchase Price:

(i) on a Substitution Date; or

(ii) on a Business Day which is at least five days prior to the Expiration Date; or

(iii) on a Business Day which is at least five days prior to a Notice Termination Date.

(b) Notice to Owners. Notice of mandatory tender of Series 2003B Certificates shall be given by mail by the Trustee to the Holders of said Series 2003B Certificates by first class mail not less than 30 days (20 days in the case of a mandatory tender upon a Notice Termination Date) prior to the mandatory tender date. A copy of such notice shall be sent to the School Board and the Trustee. Notice having been so given, such mandatory tender shall occur on the date provided in such notice whether or not a Liquidity Facility is provided after such initial notice has been given.

(c) Remarketing. On the Business Day on which the first notice is mailed pursuant to 1.6(b), the Trustee shall notify the Tender Agent, the Liquidity Provider, if any, and the Remarketing Agent by telephone, telegram, telex or other similar communication of the aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates to be tendered for purchase on the mandatory tender date.

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conversion notice shall be given by the School Board to the Trustee, the Tender Agent, the Auction Agent (in the case of the Auction Rate), the Trustee, the Remarketing Agent, the Series 2003B Credit Facility Issuer and the Liquidity Provider, by telephone, promptly confirmed in writing. No cancellation of a Fixed Rate or Auction Rate conversion pursuant to this subsection shall constitute an Event of Default hereunder. If the Series 2003B Certificates are converted to a Weekly Rate, and the Remarketing Agent fails to set a Weekly Rate, the Weekly Rate shall be the per annum rate of interest determined on each Wednesday (or if such day is not a Business Day, the immediately preceding Business Day) by the Trustee which is equal to the lesser of the Maximum Rate and a rate equal to "The Bond Market Association Municipal Swap Index" (or a comparable index, if such index is no longer published) most recently published, plus 50 basis points.

(i) Provider Certificates. Notwithstanding anything to the contrary contained in this Series 2003B Supplemental Trust Agreement, Provider Certificates shall bear interest at the Provider Rate payable on the Interest Payment Dates, all in accordance with the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Liquidity Provider. Series 2003B Certificates which are no longer Provider Certificates shall not bear interest at the Provider Rate.

**Section 1.3 Prepayment.** Series 2003B Certificates in a Commercial Paper Rate Period shall be subject to prepayment as provided in Article III of the Series 2003B Supplemental Trust Agreement.

#### **Section 1.4 Mandatory Purchase at End of Commercial Paper Rate Period.**

(a) Purchase Dates. Each Series 2003B Certificate in a Commercial Paper Rate Period shall be subject to mandatory tender for purchase on its Purchase Date at the Purchase Price. No notice of such mandatory purchase shall be given to the Registered Owners.

(b) Remarketing. At or before 4:00 p.m., New York City time, on the fifth calendar day (or, if such day is not a Business Day, on the next succeeding Business Day) preceding the Purchase Date, the Trustee shall notify the Tender Agent, the Series 2003B Credit Facility Issuer, the Liquidity Provider and the Remarketing Agent, by telephone, telegram, telex or other similar communication, of the aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates to be tendered for purchase on the Purchase Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates to be tendered.

#### **Section 1.5. Mandatory Tenders Upon Variable Rate Conversion.**

(a) Mandatory Purchase Dates. In the case of any conversion from a Commercial Paper Rate Period to a Variable Rate Period, Series 2003B Certificates representing the interest portion of Basic Lease Payments to be converted are subject to mandatory tender for purchase on the Conversion Date at the Purchase Price.

(b) Notice to Owners. Any notice of a conversion given to Series 2003B Certificateholders pursuant to Section 1.2(b) hereof shall, in addition to the requirements of such

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The Remarketing Agent shall offer for sale at par and use its best efforts to find purchasers for the portion of Basic Lease Payments represented by the Series 2003B Certificates to be tendered pursuant to Section 1.6(a) and advise them whether the Liquidity Facility will be replaced. In the case of replacement of the Liquidity Facility, the Remarketing Agent shall inform prospective purchasers of the identity of the new Liquidity Provider and the ratings to be in effect on the Series 2003B Certificates following such replacement. All Series 2003B Certificates shall be at all times remarketed at a price equal to the principal portion of Basic Lease Payments represented thereby, plus the interest portion of Basic Lease Payments represented thereby accrued up to the remarketing date.

#### **Section 1.7. Purchase of Tendered Series 2003B Certificates.**

(a) Notices; Draws on Liquidity Facility. At or before 3:30 p.m., New York City time, on the Business Day immediately preceding the Mandatory Purchase Date the Remarketing Agent shall give notice by telephone, telegram, telex or other similar communication to the Trustee and the Liquidity Provider of the principal portion of Basic Lease Payments represented by tendered Series 2003B Certificates which have not been remarketed and of the names, addresses and taxpayer identification numbers of the purchasers and the denominations of remarketed Series 2003B Certificates to be delivered to each purchaser. On the Mandatory Purchase Date, the Trustee shall draw on the Liquidity Facility to timely pay the Purchase Price with regard to the Series 2003B Certificates for which remarketing proceeds (other than proceeds of sale to the Corporation) have not been paid to the Trustee. In the event that the Trustee does not receive from the Remarketing Agent the notice described in this Section, on the Mandatory Purchase Date the Trustee shall draw on the Liquidity Facility to the extent necessary to timely pay the Purchase Price of all Series 2003B Certificates subject to tender for purchase on such Mandatory Purchase Date. In the case of a Purchase Date which is a Substitution Date, the Liquidity Facility, if any, on which the Trustee draws shall be the Liquidity Facility for which a replacement is being provided on such Substitution Date. Notwithstanding the foregoing, the Trustee shall not draw on the Liquidity Facility to pay the Purchase Price of Series 2003B Certificates tendered by the Corporation, the School Board or the Liquidity Provider.

(b) Sources of Payment. The Remarketing Agent shall pay to the Trustee, by 10:30 A.M. on the Mandatory Purchase Date, all amounts representing proceeds of the remarketing of tendered Series 2003B Certificates, such payments to be made in the manner specified in Sections 1.4(b), 1.5(c), 1.6(c) and 1.9(c), as applicable. All such proceeds, the proceeds of a draw upon the Liquidity Facility and all other available moneys shall be held by the Trustee in trust for the benefit of the Series 2003B Certificates. **The School Board shall not be obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

(c) Payments by the Trustee. Before 4:00 p.m., New York City time, on the Mandatory Purchase Date and upon receipt by the Trustee of 100% of the aggregate Purchase Price of the tendered Series 2003B Certificates, the Trustee shall pay the Purchase Price of such Series 2003B Certificates to the Owners thereof (or as otherwise provided in Section 1.4) at its principal office or by bank wire transfer. Such payments shall be made in immediately available funds. Payments of such Purchase Price are to be made from the following sources in the order of priority indicated:

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(i) The proceeds of the sale of the Series 2003B Certificates which have been remarketed by the Remarketing Agent (other than proceeds of a sale of the Series 2003B Certificates to the Corporation); and

(ii) The proceeds of the sale of the Series 2003B Certificates which have been purchased by the Liquidity Provider pursuant to the Liquidity Facility or other proceeds received under or pursuant to a Liquidity Facility; and

(iii) Moneys paid by the School Board for such purpose. **The School Board shall not be obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

(d) Registration and Delivery of Tendered or Purchased Series 2003B Certificates.

(i) Subject to the requirements of clauses (ii) and (iii) immediately below, on the Mandatory Purchase Date, the Trustee shall register and deliver (or hold) all Series 2003B Certificates purchased on any Mandatory Purchase Date as follows:

(1) Series 2003B Certificates purchased or remarketed by the Remarketing Agent shall be registered in accordance with the instructions of the Remarketing Agent and made available for delivery to the Remarketing Agent; and

(2) Series 2003B Certificates purchased with funds made available under or pursuant to the Liquidity Facility shall be registered in the name of the Liquidity Provider or its nominee, designee or assignee and shall be held by the Trustee in trust for the benefit of the Liquidity Provider or its nominee, designee or assignee or shall be delivered to or to the order of the Liquidity Provider, all in accordance with the provisions of the Liquidity Facility. While so registered, such Series 2003B Certificates shall constitute Provider Certificates.

(ii) While the DTC Book-Entry Only System is in effect for the Series 2003B Certificates, the Trustee shall deliver Series 2003B Certificates purchased or remarketed by the Remarketing Agent by transfer of beneficial ownership of such Series 2003B Certificates on the registration books of DTC to or upon the order of the Remarketing Agent.

(iii) While the DTC Book-Entry Only System is in effect for the Series 2003B Certificates, the Trustee shall cause Series 2003B Certificates purchased with funds made available under or pursuant to the Liquidity Facility to be registered in the name of the Liquidity Provider or its designee, nominee or assignee on the registration book of DTC. Notwithstanding the foregoing, to the extent required by the Liquidity Facility, the Trustee shall withdraw Provider Certificates from the DTC Book-Entry Only System and shall prepare and authenticate physical Series 2003B Certificates representing such Provider Certificates. While the DTC Book-Entry Only System is in effect for the Series 2003B Certificates, in the event that Provider Certificates which are not held under the DTC Book-Entry Only System are subsequently remarketed, the Trustee shall take such action as shall be necessary to reinstate the DTC Book-Entry Only System for such Series 2003B Certificates and shall transfer beneficial ownership thereof on the books of DTC to or upon the order of the Remarketing Agent.

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#### Section 1.9. Mandatory Tenders Upon Conversion to Fixed Rate or Auction Rate.

(a) Mandatory Purchase Date. In the case of any conversion of the determination of the interest portion of Basic Lease Payments represented by Series 2003B Certificates from a Commercial Paper Rate Period to the Fixed Rate Period or Auction Rate Period, the Series 2003B Certificates to be converted are subject to mandatory tender for purchase on the Conversion Date at the Purchase Price.

(b) Notice to Owners. Any notice of a conversion given to Series 2003B Certificateholders pursuant to Section 1.2(g) shall, in addition to the requirements of such Section, specify that the Series 2003B Certificates to be converted will be subject to mandatory tender for purchase on the Conversion Date and the time at which Series 2003B Certificates are to be tendered for purchase.

(c) Remarketing. At or before 4:00 p.m., New York City time, on the fifteenth calendar day (or, if such day is not a Business Day, on the next succeeding Business Day) preceding the conversion to a Fixed Rate Period or Auction Rate Period, the Trustee shall notify the Tender Agent, the Series 2003B Credit Facility Issuer, the Liquidity Provider and the Remarketing Agent, by telephone, telegram, telex or other similar communication, of the aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates to be tendered for purchase on the Conversion Date or the Mandatory Purchase Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for the aggregate principal portion of Basic Lease Payments represented by Series 2003B Certificates to be tendered.

**Section 1.10. Insufficient Funds for Purchases.** If the moneys available for purchase of Series 2003B Certificates are inadequate for the purchase of all Series 2003B Certificates which are tendered on any Mandatory Purchase Date, the interest portion of Basic Lease Payments represented by all Series 2003B Certificates subject to such purchase shall be determined at a rate which is the lesser of (i) a rate established by the Remarketing Agent or (ii) the Maximum Rate, to the date on which the earliest of the following occurs:

(a) The Fixed Rate Conversion Date or Auction Rate Conversion Date or the Conversion Date for any other Rate Period, if the requirements of Section 501(a) of the Series 2003B Supplemental Trust Agreement are met;

(b) The date on which any default by the Liquidity Provider under the terms of the Liquidity Facility has been cured; or

(c) The effective date of a new interest rate established by the Remarketing Agent which is less than the Maximum Rate after the date on which an Alternate Liquidity Facility meeting the requirements of Section 503 of the Series 2003B Supplemental Trust Agreement becomes effective.

If the preceding paragraph becomes applicable, (i) the Tender Agent shall immediately (but no later than the end of the next succeeding Business Day) return all tendered Series 2003B Certificates to the Owners thereof and notify all Owners of Series 2003B Certificates in writing of the rate at which the interest portion of Basic Lease Payments represented by such Series

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(e) Delivery of Series 2003B Certificates: Effect of Failure to Surrender Series 2003B Certificates.

(i) All Series 2003B Certificates to be purchased on any date shall be required to be delivered to the designated corporate trust office of the Tender Agent at or before 11:30 a.m., New York City time, on the Mandatory Purchase Date

(ii) If the Owner of any Series 2003B Certificate (or portion thereof) that is subject to purchase fails to surrender such Series 2003B Certificate to the Tender Agent for purchase on the Mandatory Purchase Date, and if the Trustee is in receipt of the Purchase Price therefor, such Series 2003B Certificate (or portion thereof) shall nevertheless be deemed purchased on the Mandatory Purchase Date and ownership of such Series 2003B Certificate (or portion thereof) shall be transferred to the purchaser thereof as provided in subsection (d) of this Section 1.7. Any Owner who fails to deliver a Series 2003B Certificate for purchase as required above shall have no further rights thereunder except the right to receive the Purchase Price thereof upon presentation and surrender of said Series 2003B Certificate to the Tender Agent. The Tender Agent shall promptly notify the Trustee of any such failure to deliver a Series 2003B Certificate to the Tender Agent, and the Trustee shall be entitled to conclusively rely on such notification.

(f) Investment of Funds. All money held by the Trustee for the payment of the Purchase Price of Series 2003B Certificates from whatever source derived, including remarketing proceeds and draws upon the Liquidity Facility, shall be held in a separate segregated account and shall be held uninvested.

(g) Exception for Series 2003B Certificates Owned by Corporation. Notwithstanding anything in this Agreement to the contrary, the Liquidity Provider shall not be required to purchase Series 2003B Certificates subject to optional or mandatory tender for purchase under this Series 2003B Supplemental Trust Agreement that are beneficially held (or held in certificated form) by or on behalf of the Corporation or any affiliate of the Corporation.

**Section 1.8. Series 2003B Certificates Purchased Under Liquidity Facility.** In the event that any Series 2003B Certificates are Provider Certificates, such Series 2003B Certificates shall be held in accordance with Section 1.7(d) hereof and the Remarketing Agent shall continue to offer for sale and use its best efforts to sell such Series 2003B Certificates at a price equal to the principal portion of Basic Lease Payments represented thereby, plus the interest portion of Basic Lease Payments represented thereby accrued up to the remarketing date. While the Liquidity Facility is effective, Series 2003B Certificates purchased with funds made available under the Liquidity Facility shall not be delivered upon remarketing unless the Liquidity Facility is reinstated for the principal amount of the outstanding Series 2003B Certificates and interest thereon in accordance with its terms and the Remarketing Agent, the Trustee, the Tender Agent, any designee of the Liquidity Provider then holding Provider Certificates and the Trustee have been advised in writing by the Liquidity Provider that it has elected to reinstate the Liquidity Facility in full.

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2003B Certificates will be determined pursuant to the preceding paragraph and (ii) the Trustee shall return all moneys received for the purchase of such Series 2003B Certificates to the Persons who provided such moneys; provided, however, that the Owners shall retain all rights to tender the Series 2003B Certificates pursuant to the provisions of this Series 2003B Supplemental Trust Agreement and the obligation of the School Board to honor such tenders shall remain in effect until payment therefor has been provided in accordance with the provisions of this Series 2003B Supplemental Trust Agreement. **The School Board shall not be obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

#### Section 1.11. Mandatory Tenders On Special Purchase Date.

(a) Special Purchase Date. In the case of any purchase in lieu of prepayment by the School Board pursuant to Section 304 of the Series 2003B Supplemental Trust Agreement, the Series 2003B Certificates are subject to mandatory tender for purchase on the Special Purchase Date at the Special Purchase Price.

(b) Notice to Owners. No notice (other than the notice of optional redemption) of a Special Purchase Date shall be given to Series 2003B Certificateholders.

(c) Remarketing. Special Purchase Series 2003B Certificates shall be remarketed in accordance with instructions of the School Board.

**Section 1.12. No Mandatory Tender Upon Special Termination Event.** Notwithstanding anything to the contrary contained in the Trust Agreement, upon the occurrence of a Special Termination Event, there will be no mandatory tender of the Series 2003B Certificates and the obligation of the Liquidity Provider to purchase the Series 2003B Certificates pursuant to the Liquidity Facility will cease without prior notice to holders of the Series 2003B Certificates. **The School Board shall not be obligated to provide funds for the payment of the Purchase Price of Series 2003B Certificates upon any tender.**

**Section 1.13. Book-Entry Tenders.** Notwithstanding any other provision of this Exhibit C to the contrary, all tenders for purchase during any period in which the Series 2003B Certificates are registered in the name of Cede & Co. (or the nominee of any successor securities depository) shall be subject to the terms and conditions set forth in the Representation Letter and any notes and regulations promulgated by DTC.

**Section 1.14. Duties of Trustee with Respect to Purchase of Series 2003B Certificates.** The Trustee agrees, with respect to any optional or mandatory tender of the Series 2003B Certificates:

(a) to hold all moneys, other than moneys delivered to it by or on behalf of the School Board for the purchase of Series 2003B Certificates, delivered to it hereunder for the purchase of Series 2003B Certificates as agent and bailee of and in escrow for the benefit of, the Person or entity which shall have so delivered such moneys until the Series 2003B Certificates purchased with such moneys shall have been delivered to or for the account of such Person or entity; and

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(b) to hold all moneys delivered to it hereunder by or on behalf of the School Board for the purchase of Series 2003B Certificates as agent and bailee of, and in escrow for the benefit of, the Owners who shall deliver Series 2003B Certificates to it for purchase until the Series 2003B Certificates purchased with such moneys shall have been delivered to or for the account of the School Board.

**Section 1.15. No Tender of Provider Certificates.** Provider Certificates shall not be subject to tender for purchase.

This instrument was prepared by and when recorded should be returned to:

ROBERT C. GANG, ESQ.  
Greenberg Traurig, P.A.  
1221 Brickell Avenue  
Miami, Florida 33131

(This space reserved for Clerk)

**SERIES 2003B  
ASSIGNMENT AGREEMENT**

BETWEEN

**PALM BEACH SCHOOL BOARD LEASING CORP.**

AND

**THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.**  
as agent for The Bank of New York  
(successor by acquisition to NationsBank of Florida, N.A.)  
As Trustee

Dated as of June 15, 2003

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**SERIES 2003B  
ASSIGNMENT AGREEMENT**

**THIS AGREEMENT**, made and entered into as of this 1st day of July, 2003, by and between the PALM BEACH SCHOOL BOARD LEASING CORP. a not-for-profit corporation organized under the laws of the State of Florida (the "Corporation"), and THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as Trustee (the "Trustee");

WITNESSETH THAT, in the joint and mutual exercise of their powers, and in consideration of \$10.00 and other good and valuable consideration and the mutual covenants herein contained, the parties hereto recite and agree as follows:

**Section 1. Recitals.**

1.01. The School Board of Palm Beach, Florida (the "School Board"), and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), and have executed Schedule 2003B thereto, dated as of June 15, 2003, which Master Lease together with each separate schedule constitutes a separate lease (the "Series 2003B Lease"), with respect to certain new educational facilities and sites and the latter with respect to certain improvements and certain educational facilities being financed and have entered into a Series 2003B Ground Lease dated as of June 15, 2003 (as the same may be amended or supplemented from time to time, the "Series 2003B Ground Lease"), with respect to the Series 2003B Facilities (hereinafter defined).

1.02. Pursuant to the Series 2003B Lease, the School Board and the Corporation have agreed that there shall be financed, acquired, constructed and installed for lease-purchase to the School Board certain educational facilities and sites as described in Schedule 2003B to the Master Lease (the "Series 2003B Facilities"), such facilities being located on certain lands described in Schedule 2003B (which, together with the improvements thereon are hereinafter collectively referred to as the "Series 2003B Facility Sites"). Schedule 2003B sets forth the Lease Payments to be paid by the School Board for the Series 2003B Facilities (collectively, the "Series 2003B Lease Payments"). The School Board has agreed to lease-purchase the Series 2003B 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 2003B Supplemental Trust Agreement dated as of June 15, 2003 (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 2003B Lease.

1.04. The Corporation desires to sell, assign and convey all its right, title and interest as lessee of the Series 2003B Facility Sites under the Series 2003B Ground Lease, and as sublessor of the Series 2003B Facility Sites and lessor of the Series 2003B Facilities under the Series 2003B Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its

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right to hold title to the Series 2003B Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2003B Ground Lease and its right to receive notices under the Master Lease), to the Trustee for the benefit of the holders of the Series 2003B Certificates to be issued under the Trust Agreement.

1.05. The Trustee is willing to accept this assignment on the terms and conditions hereinafter provided.

1.06. Each of the parties has authority to enter into this Agreement and has taken all actions necessary to authorize its execution by the officers signing it.

All terms capitalized but not defined herein shall have the meanings given to them in the Trust Agreement and the Series 2003B Lease.

## **Section 2. Assignment**

2.01. The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Trustee, without recourse, for the benefit of all of the Series 2003B Certificate holders, all of its right, title and interest under the Series 2003B Ground Lease and the Series 2003B Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2003B Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2003B Ground Lease and its right to receive notices under the Master Lease), including, without limitation, all Series 2003B Lease Payments and other amounts required to be paid by the School Board under the Series 2003B Lease. Said assignment is absolute and unconditional and the Corporation shall have no right to receive or recover the right, title and interest herein assigned. Said assignment is not given as additional security and is not intended to be nor shall it be construed to be a mortgage, or other security agreement of any nature whatsoever, and the Corporation will hereafter have no further right or interest or claims in and to the right, title and interest herein assigned, or any part thereof, or the interest or profits and other proceeds that may be derived therefrom of any kind whatsoever. Accordingly, upon execution of this Agreement, the Corporation shall deliver to the Trustee executed counterparts of the Series 2003B Ground Lease and the Series 2003B Lease. Delivery to the Trustee of such documents shall make the sale, assignment and conveyance of the Series 2003B Ground Lease and the Series 2003B Lease herein made, complete and effective for all purposes. Title to the Series 2003B Facility Sites shall remain vested in the School Board throughout their Lease Terms; title to the Series 2003B Facilities shall remain vested in the Corporation throughout their Lease Terms; provided, however, that upon termination of the Lease Terms as a result of nonappropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall, upon request of the Trustee, transfer title to such Series 2003B Facilities to the Trustee, or to any Permitted Transferee designated by the Trustee.

2.02. With respect to the sale, assignment and conveyance of the rights and interests contemplated hereunder to the Trustee, the Corporation represents, warrants and covenants to and with the Trustee and the Series 2003B Certificate holders that, upon the date of execution of this Agreement and the effective date of the sale, assignment and conveyance of the

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G. Except as disclosed in the Offering Statement dated \_\_\_\_\_, 2003, 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 2003B Ground Lease, the Series 2003B Lease, the Trust Agreement or this Agreement.

H. The Series 2003B Ground Lease and the Series 2003B Lease being herein assigned are free and clear of all claims, liens, security interests and encumbrances arising through any act or omission of the Corporation or any person claiming by, through or under it, except the rights of the School Board under the Series 2003B Lease and the Series 2003B Ground Lease, including the fact that fee title to the Series 2003B Facility Sites and Series 2003B Facilities is vested in the School Board.

2.03. Except as otherwise set forth in Section 2.01, from and after the date of delivery to the Trustee of this Agreement, the Corporation shall have no further rights or interest under the Series 2003B Ground Lease or the Series 2003B Lease or in any Series 2003B Lease Payments or other moneys due with respect thereto or to become due under the Series 2003B Lease.

2.04. The Corporation agrees to execute and deliver to the Trustee upon request by the Trustee, any documents deemed necessary by the Trustee to further evidence or perfect the assignment and conveyance herein made with respect to the Series 2003B Ground Lease and the Series 2003B Lease.

2.05. The Corporation hereby irrevocably constitutes and appoints the Trustee, its successors and assigns, as its lawful attorney, with full power of substitution and resubstitution, to collect and to sue on behalf of the Corporation in the name of the Corporation or otherwise in any court for any Series 2003B Lease Payment or other amounts due under the Series 2003B Lease, or any part thereof, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Series 2003B Lease upon any terms, all without the assent of the Corporation, and, further, to take possession of and to endorse in the name of the Corporation any instrument for the payment of moneys received on account of the Series 2003B Lease Payments or other amounts due under the Series 2003B Lease.

2.06. The Corporation agrees that it will authorize and direct the School Board to pay to the Trustee, its successors and assigns, all Series 2003B Lease Payments and all other amounts coming due under the Series 2003B Lease.

2.07. Upon request of the Trustee, the Corporation agrees to cooperate in the Trustee's efforts to collect and cause to be remitted to the Trustee any Series 2003B Lease Payment or other amount.

2.08. In the event the Corporation receives notice from the School Board that it will exercise its option under Section 7.2 of the Master Lease to prepay the Series 2003B Lease Payments to become due thereunder or that the Series 2003B Lease will not be renewed as a result of any event of non-appropriation under the Series 2003B Lease, the Corporation shall

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Corporation's rights under the Series 2003B Ground Lease and the Series 2003B Lease, the facts stated below are and will be true and correct:

A. The Corporation is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with corporate powers and authority to own its property and carry on its business as now being conducted, and is qualified wherever necessary to perform its obligations under the Series 2003B Ground Lease, the Series 2003B Lease, the Trust Agreement and this Agreement.

B. The Corporation has full power, authority and legal right to enter into and perform its obligations under the Series 2003B Ground Lease, the Series 2003B Lease, the Trust Agreement and this Agreement; the execution, delivery and performance of the Series 2003B Ground Lease, the Series 2003B Lease, the Trust Agreement and this Agreement by the Corporation have been duly authorized by all necessary corporate actions on the part of the Corporation, and all required approvals and consents have heretofore been duly obtained; and the Series 2003B Ground Lease, the Series 2003B Lease, this Agreement and the Trust Agreement are in full force and effect.

C. The execution, delivery and performance of the Series 2003B Ground Lease, the Series 2003B Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it or any of its property is bound or any constitutional or statutory provision, or order, rule, regulation, decree or ordinance of any Federal or State court, government or governmental body having jurisdiction over the Corporation or any of its properties and by which the Corporation or any of its property is bound.

D. The Series 2003B Ground Lease, the Series 2003B Lease, this Agreement and the Trust Agreement are in full force and effect and the Corporation is not in default thereunder; the Series 2003B Ground Lease, the Series 2003B Lease, this Agreement and the Trust Agreement are legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms, all such enforcement being subject to certain laws relating to bankruptcy, reorganization, moratorium and creditors' rights generally, and to principles of equity in the event that equitable remedies are sought.

E. The Series 2003B Ground Lease and the Series 2003B Lease delivered to the Trustee are duly executed duplicate originals and, together with all Exhibits thereto, comprise the entire writing, obligation and agreement between the Corporation and School Board respecting the Series 2003B Facility Sites and the Series 2003B Facilities.

F. The Corporation has complied and will at all times hereafter comply with and duly perform its obligations under the Series 2003B Ground Lease, the Series 2003B Lease, the Trust Agreement and this Agreement.

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notify the Trustee of this fact in writing no later than five Business Days after such receipt, provided, however, that failure to provide such notice shall not create any liability on the part of the Corporation.

## **Section 3. Administrative Provisions**

3.01. This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

3.02. Any provision of this Agreement found to be prohibited by applicable laws shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

3.03. This Agreement may not be amended without the prior written consent of the Series 2003B Credit Facility Issuer.

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

3.05. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

## **Section 4. Non-Recourse**

4.01. The assignment contained in this Agreement is agreed to be non-recourse with respect to the Corporation and the Corporation shall have no liability to the Trustee, or any Certificate holders hereunder with respect to the occurrence of any event of default by the School Board under the Series 2003B Lease whether such default consists of failure to pay moneys, breach of covenant or otherwise; provided, however, that nothing contained in this Section 4 shall excuse the Corporation from performance of its obligations under Section 2.04 through 2.08 hereof.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for the assignment effected by Section 2 hereof or for any claim based thereon under this Agreement against any member, officer, employee or agent of the parties hereto.

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IN WITNESS WHEREOF, the parties hereto have executed this Series 2003B Assignment Agreement on the date set forth below their respective signatures and as of the day and year first written above.

[SEAL]

ATTEST:

**PALM BEACH SCHOOL BOARD LEASING CORP.**

By: \_\_\_\_\_  
Art Johnson  
Secretary

By: \_\_\_\_\_  
Thomas E. Lynch  
President

**THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as agent for The Bank of New York, as Trustee**

[SEAL]

By: \_\_\_\_\_  
Sheryl Lear  
Authorized Signatory

STATE OF FLORIDA )  
 ) SS:  
COUNTY OF PALM BEACH )

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

GIVEN under my hand and notarial seal this \_\_\_ day of June, 2003.

NOTARY PUBLIC  
SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
- Produced identification:

(Type of Identification Produced)

- DID take an oath, or
- DID NOT take an oath.

STATE OF FLORIDA )  
 ) SS:  
COUNTY OF PALM BEACH )

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that 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 of Florida, 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 thereunto duly authorized, signed on behalf of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this \_\_\_ day of June, 2003.

NOTARY PUBLIC  
SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
- Produced identification:

(Type of Identification Produced)

- DID take an oath, or
- DID NOT take an oath.

**APPENDIX D**

**FORM OF CO-SPECIAL TAX COUNSEL OPINION**

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## APPENDIX D

### PROPOSED FORM OF CO-SPECIAL TAX COUNSEL OPINION

*On the date of issuance of the Series 2003B Certificates in definitive form, Greenberg Traurig, P.A., and Edwards & Carstarphen, Co-Special Tax Counsel, expect to be able to render their approving opinions in substantially the following form.*

June \_\_, 2003

The School Board of  
Palm Beach County, Florida  
3300 Forest Hill Boulevard  
West Palm Beach, Florida 33406

Re: Certificates of Participation, Series 2003B Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to be Made by The School Board of Palm Beach County, Florida, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

Ladies and Gentlemen:

We have acted as special tax counsel in connection with the issuance of \$ \_\_\_\_\_ aggregate principal amount of Certificates of Participation, Series 2003B, evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board of Palm Beach County, Florida, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor (the "Certificates") and in connection with the Master Lease Purchase Agreement described below. In that capacity, we have reviewed the Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), between The School Board of Palm Beach County, Florida (the "School Board") and Palm Beach School Board Leasing Corp. (the "Corporation"); Schedule 2003B, dated as of June 15, 2003, attached to the Master Lease and executed by the School Board and the Corporation (the Master Lease together with Schedule 2003B being hereinafter collectively referred to as the "Series 2003B Lease"); the Series 2003B Ground Lease dated as of June 15, 2003 (the "Series 2003B Ground Lease"), between the School Board and the Corporation; the Master Trust Agreement, dated as of November 1, 1994, as supplemented by a Series 2003B Supplemental Trust Agreement, dated as of June 15, 2003 (collectively, the "Trust Agreement"), between the Corporation and The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee"); the Series 2003B Assignment Agreement, dated as of June 15, 2003 (the "Assignment

Agreement”), between the Corporation and the Trustee; the forms of the Certificates attached to the Trust Agreement; and various other related documents and 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 this purpose. Neither the School Board, the School District of Palm Beach County, Florida (the “District”), the State of Florida, nor any political subdivision thereof shall be obligated to pay, except from appropriated funds, any sums due under the Series 2003B 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 2003B 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 2003B Lease has been duly authorized, executed and delivered by the School Board and, assuming due authorization, execution and delivery by the Corporation, constitutes a valid and legally binding agreement of the School Board, enforceable in accordance with its terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights or by the exercise of judicial discretion in accordance with general principles of equity.

2. Under existing statutes, regulations, rulings and court decisions, subject to the assumptions stated in the last paragraph hereof, the portion of the Basic Lease Payments designated and paid as interest to the owners of the Certificates is excluded 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 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 purposes of computing the alternative minimum tax imposed on 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, or the ownership or disposition of the Certificates. Furthermore, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an Event of Default thereunder.

3. The Series 2003B 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 2003B Lease.

4. We are further of the opinion that the Series 2003B Lease and the Series 2003B Certificates are exempt from the Florida intangible personal property tax imposed pursuant to Chapter 199, Florida Statutes. However, no opinion is expressed with respect to the payment or reporting of intangible personal property tax following termination of the Master Lease.

In rendering the opinion in paragraph number 2 above, 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 2003B Certificates in order that the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2003B Certificates not be included in 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 2003B Certificates to be included in gross income for federal income tax purposes retroactive to the commencement date of the Series 2003B Lease. The School Board has covenanted to comply with such requirements.

Very truly yours,

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**APPENDIX E**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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Obligor:

Policy Number:

Obligations:

Premium:

**Ambac Assurance Corporation (Ambac)**, a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President

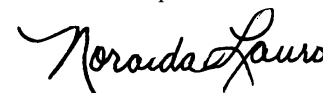


Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.



## Endorsement

Policy for:

Attached to and forming part of Policy No.:

Effective Date of Endorsement:

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association.

Nothing herein contained shall be held to vary, alter, waive or extend any of the terms, conditions, provisions, agreements or limitations of the above mentioned Policy other than as above stated.

**In Witness Whereof**, Ambac has caused this Endorsement to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

### Ambac Assurance Corporation



President



Secretary

Authorized Representative

**APPENDIX F**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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## 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 execution of Schedule 2003B dated as of June 15, 2003, to the Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease, which Master Lease, together with Schedule 2003B constitutes a separate lease (the "Series 2003B Lease") and the issuance of \$ \_\_\_\_\_ Certificates of Participation, Series 2003B (the "Series 2003B Certificates"). The Series 2003B Certificates are being issued pursuant to a Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2003B Supplemental Trust Agreement, dated as of June 15, 2003 (collectively, the "Trust Agreement"), between the School Board and The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as trustee (the "Trustee"). The School Board covenants and agrees as follows:

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 Series 2003B Certificates and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

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 Series 2003B Certificates (including persons holding Series 2003B Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2003B 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.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit A.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2003B Certificates required to comply with the Rule in connection with the offering of the Series 2003B Certificates.

“Repository” shall mean each National Repository and each State Repository.

“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.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

3. Provision of Annual Reports.

(a) The School Board shall, or shall cause the Dissemination Agent to, not later than January 15th following the end of the School Board’s fiscal year (presently June 30), commencing with the report for the 2003-2004 Fiscal Year, provide to each Repository and to Ambac Assurance Corporation, the Series 2003B Credit Facility Issuer with respect to the Series 2003B Certificates, 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 each Repository pursuant to subsection (a), 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 Repositories an Annual Report by the date required in subsection (a), the School Board shall send a notice to each Repository in substantially the form attached as Exhibit B.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; 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, stating the date it was provided and listing all the Repositories to which it was provided.

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 Offering Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(b) the School Board's Comprehensive Annual Financial Report ("CAFR") for the immediately preceding Fiscal Year; and

(c) to the extent not set forth in the CAFR, additional financial information and operating data of the type included with respect to the School Board in the final Offering Statement prepared in connection with the sale and issuance of the Series 2003B Certificates (as amended, the "Offering Statement"), including:

1. Updates of information in the Offering Statement relating to:
  - a. Statistical information under the heading "THE DISTRICT - Certain Statistical Information";
  - b. Revenue sources as described under the headings "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Operating Revenues of the District and District Revenues for Capital Projects";
  - c. Revenue sources and Operating Results for the General Fund as described under the headings "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - General Fund Revenue Sources and General Fund Operations";
  - d. Assessed Value of Taxable Property, Historical Tax Rates, Tax Levies and Tax Collections, Ten Largest Taxpayers, Direct and Overlapping Long-Term Debt Statement, under the heading "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Ad Valorem Tax Procedures, Assessed Valuations and Collections, and Liabilities".

2. Description of any material litigation which would have been disclosed in the Offering Statement if such litigation were pending at the time the Offering Statement was prepared.
3. Any other financial information or operating data of the type included in the Offering Statement which would be material to a holder or prospective holder of the Series 2003B Certificates.

For purposes of this Disclosure Certificate, “Fiscal Year” means the period commencing on June 15 and ending on June 30 of the next succeeding year, or such other period of time provided by applicable law.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the School Board shall give, or cause to be given in a timely manner to the Municipal Securities Rulemaking Board (“MSRB”) or to each National Repository, to the State Repository, and in each case to the Series 2003B Credit Facility Issuer, notice of the occurrence of any of the following events with respect to the Series 2003B Certificates, if material:

1. Principal and interest payment delinquencies,
2. Non-payment related defaults under the Series 2003B Lease or the Trust Agreement,
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 or events affecting the tax-exempt status of the Series 2003B Certificates,
7. Modifications to rights of Certificateholders,
8. Optional, contingent or unscheduled Certificate calls,
9. Defeasances,
10. Release, substitution or sale of property securing repayment of the Series 2003B Certificates,
11. Rating changes, and

12. Notice of a failure of the School Board to provide required annual financial information on or before the date specified in Section 3 above.

(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)4, 5, 6, 11 and 12 above will always be deemed to be material.

(c) If the School Board determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the School Board shall promptly file a notice of such occurrence with the MSRB or each National Repository and the State Repository and Series 2003B Credit Facility Issuer. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2003B Certificates pursuant to the Trust Agreement.

(d) The address of the Municipal Securities Rulemaking School Board is set forth on Exhibit A.

(e) The address of the Series 2003B Credit Facility Issuer is as follows:

Ambac Assurance Corporation  
One State Street Plaza  
17<sup>th</sup> Floor  
New York, New York 10004

6. Termination of Reporting Obligation. The School Board's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2003B Certificates. If such termination occurs prior to the final maturity of the Series 2003B Certificates, the School Board shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

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.

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 Series 2003B 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 Series 2003B 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 Series 2003B 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 Series 2003B 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.

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.

10. Default. In the event of a failure of the School Board to comply with any provision of this Disclosure Certificate and provided it has been satisfactorily indemnified in accordance with Section 602 of the Master Trust Agreement as if it were proceeding under said Section 602, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Series 2003B Certificates, shall), or any Holder or Beneficial Owner of the Series 2003B 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 Series 2003B Leases or 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.

11. 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 Series 2003B Certificates, and shall create no rights in any other person or entity.

Date: June 26, 2003

THE SCHOOL BOARD OF PALM BEACH  
COUNTY, FLORIDA

By: \_\_\_\_\_  
Thomas E. Lynch, Chairman

## EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of the date hereof:

### **Bloomberg Municipal Repositories**

100 Business Park Drive  
Skillman, N.J. 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
[http://www.bloomberg.com/markets/muni\\_contactinfo.html](http://www.bloomberg.com/markets/muni_contactinfo.html)  
E-mail: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

### **DPC Data Inc.**

One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
<http://www.dpccdata.com>  
E-mail: [nrmsir@dpccdata.com](mailto:nrmsir@dpccdata.com)

### **FT Interactive Data**

Attn: NRMSIR  
100 William Street  
New York, NY 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390 (Secondary Market Information)  
Fax: (212) 771-7391 (Primary Market Information)  
<http://www.interactivedata.com>  
E-mail: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

### **Standard & Poor's J. J. Kenny Repository**

55 Water Street  
45th Floor  
New York, NY 10041  
Telephone: (212) 438-4595  
Facsimile: (212) 438-3975  
[www.jjkenny.com/jjkenny/pser\\_descrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)  
E-mail: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

The address of the Municipal Securities Rulemaking Board is as follows:

**Municipal Securities Rulemaking Board**

1900 Duke Street Suite 600

Alexandria, VA 22314

Tel. (703) 797-6600

Fax (703) 797-6700

**EXHIBIT B**

**NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT**

Name of School Board: The School Board of Palm Beach County, Florida

Name of Issue: Certificates of Participation, Series 2003B

Date of Issuance: June 26, 2003

NOTICE IS HEREBY GIVEN that the School Board has not provided an Annual Report with respect to the above-named Series 2003B Certificates as required by Sections 3 and 4 of the Continuing Disclosure Certificate dated June 26, 2003, 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 Trust Company of Florida, N.A.  
as agent for The Bank of New York



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