

In the opinion of Greenberg Traurig P.A., and Isaacs Williams, P.A., Co-Special Tax Counsel to the School Board, under existing statutes, regulations, rulings and court decisions, the portion of the Basic Lease Payments designated and paid as interest to the Series 2010A Certificate holders will be includable in gross income for federal income tax purposes. The Series 2010A Certificates and the income thereon will not be subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined therein. See "TAX TREATMENT" herein for a description of certain other federal tax consequences of ownership of the Series 2010A Certificates.



\$67,665,000

**CERTIFICATES OF PARTICIPATION,
SERIES 2010A**

(Qualified School Construction Bonds - Federally Taxable - Interest Subsidy)

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

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The Certificates of Participation, Series 2010A (Qualified School Construction Bonds - Federally Taxable - Interest Subsidy) (the "Series 2010A 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 2010A, dated as of November 1, 2010 (together with the Master Lease, the "Series 2010A Lease") providing for the lease purchase financing of certain real property and educational facilities by the School Board, as described herein.

The School Board has designated the Series 2010A Lease as a "qualified school construction bond," as defined in Section 54F of the Code, and has elected to qualify to receive federal subsidy payments pursuant to Section 6431(f) of the Code (the "Interest Subsidy"). The Interest Subsidy is payable on each interest payment date for the Series 2010A Certificates in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates on such date or the amount of interest which would have been payable with respect to the Series 2010A Certificates if the interest were determined at the applicable tax credit rate for the Series 2010A Certificates pursuant to Section 54A(b)(3) of the Code.

The Series 2010A Certificates are being issued as fully registered Certificates pursuant to the provisions of a Master Trust Agreement, dated as of November 1, 1994, between the Corporation and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee"). The interest portion of the Basic Lease Payments represented by the Series 2010A Certificates is payable on February 1 and August 1 of each year, commencing February 1, 2011 (each a "Payment Date") by check or draft of the Trustee mailed to the Series 2010A Certificate owner of record at the address shown on the registration records maintained by the Trustee as of the fifteenth day of the month (whether or not a business day) next preceding each Payment Date. The Series 2010A Certificates will be initially issued in denominations of \$5,000 or any integral multiple thereof and will initially be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Series 2010A Certificates (the "Beneficial Owners") will not receive physical delivery of the Series 2010A Certificates. Ownership by the Beneficial Owners of the Series 2010A 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 2010A 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 2010A Certificates in the amount of \$5,000 or integral multiples thereof.

The principal portions of Basic Lease Payments represented by the Series 2010A Certificates are subject to optional, extraordinary optional and extraordinary mandatory prepayment 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. NONE OF THE DISTRICT, THE SCHOOL BOARD, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2010A LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER, AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS OR LIMITATION. NONE OF THE CORPORATION, THE TRUSTEE OR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO PAY ANY SUMS, INCLUDING THE BASIC LEASE PAYMENTS, DUE UNDER THE SERIES 2010A LEASE. SEE "RISK FACTORS" HEREIN.

SEE THE INSIDE COVER FOR CERTAIN ADDITIONAL INFORMATION RELATING TO THE SERIES 2010A LEASE AND THE SERIES 2010A 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 2010A Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida and Isaacs Williams, P.A., Riviera Beach, 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. Greenberg Traurig, P.A., Miami, Florida, is serving as Disclosure Counsel to the District. Public Financial Management, Inc., Orlando, Florida, is acting as Financial Advisor to the School Board. It is expected that the Series 2010A Certificates will be available for delivery in New York, New York through the offices of DTC on or about November 15, 2010.

BofA Merrill Lynch

Dated: November 3, 2010

ADDITIONAL INFORMATION

The Series 2010A Certificates are being issued to provide funds for the purposes of (i) financing the acquisition, construction and installation of certain real property, 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 2010A Certificates.

The initial term of the Series 2010A Lease commences on the date of delivery of the Series 2010A Certificates and continues through and including June 30, 2011, and is automatically renewable annually thereafter through August 1, 2025, unless sooner terminated as described herein. In addition to the Series 2010A Lease, the School Board (i) has heretofore entered into the Prior Leases under the Master Lease (as described herein), and (ii) expects to enter into other Leases under the Master Lease in the future. Failure to appropriate funds to pay Lease Payments under any such Lease, or an event of default under any such Lease, will result in the termination of all Leases, including the Series 2010A Lease. Upon any such termination, any proceeds of the disposition of leased Facilities will be applied solely to the payment of the related Series of Certificates in accordance with the Master Trust Agreement as supplemented by the related Supplemental Trust Agreement and as further described herein. Should termination of the Master Lease occur, no provisions have been made for acceleration or prepayment of the Series 2010A Certificates. Co-Special Tax Counsel will express no opinion as to tax exemption or the effect of securities laws with respect to the Series 2010A Certificates following non-appropriation of funds or an event of default under the Master Lease which results in termination of the Lease Terms. Transfers of the Series 2010A Certificates may be subject to compliance with the registration provisions of state and federal securities laws following non-appropriation of funds or an event of default under the Master Lease which results in termination of the Lease Term of all Leases. (See "TAX TREATMENT" and "RISK FACTORS" herein).

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

\$67,665,000 Series 2010A Certificates

\$67,665,000 Series 2010A Certificates due August 1, 2025

Interest Rate - 5.40%; Price - 100%

Initial CUSIP No.: 696550WS7*

* The District is not responsible for the use of CUSIP Numbers, nor is a representation made as to their correctness. The CUSIP Numbers are included solely for the convenience of the readers of this Offering Statement.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BOARD MEMBERS

District 1- Monroe Benaim, M.D., Chairman
District 6 - Dr. Sandra Richmond, Vice Chair¹
District 2 - Vacant²
District 3 - William G. Graham³
District 4 - Carrie Hill⁴
District 5 - Frank A. Barbieri, Jr.
District 7 - Debra L. Robinson, M.D.

SUPERINTENDENT OF SCHOOLS

Dr. Art Johnson

CHIEF OPERATING OFFICER

Joseph M. Moore

CHIEF OF FACILITIES MANAGEMENT

Joseph Sanches

TREASURER

Leanne Evans, CTP

CHIEF FINANCIAL OFFICER

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

Issacs Williams, P.A.
Riviera Beach, Florida

DISCLOSURE COUNSEL

Greenberg Traurig, P.A.
Miami, Florida

FINANCIAL ADVISOR

Public Financial Management, Inc.
Orlando, Florida

TRUSTEE

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

¹ The results of the November 2, 2010, election to replace Dr. Richmond have not yet been certified.

² On November 2, 2010, Chuck Shaw was elected to fill this vacancy and will be sworn in on November 16, 2010.

³ On November 2, 2010, Karen Brill was elected and will be sworn in on November 16, 2010.

⁴ On November 2, 2010, Jennifer Prior Brown was elected and will be sworn in on November 16, 2010.

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

UPON ISSUANCE, THE SERIES 2010A 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 2010A CERTIFICATES FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFERING STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE SCHOOL BOARD OR THE DISTRICT AND ANY ONE OR MORE OF THE OWNERS OF THE SERIES 2010A CERTIFICATES.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2010A Certificates are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

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OFFERING STATEMENT

\$67,665,000

**CERTIFICATES OF PARTICIPATION, SERIES 2010A
(Qualified School Construction Bonds - Federally Taxable - Interest Subsidy)
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 \$67,665,000 aggregate principal amount of Certificates of Participation, Series 2010A (Qualified School Construction Bonds - Federally Taxable - Interest Subsidy) (the "Series 2010A Certificates"). The Series 2010A 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 2010A Lease (as such term is defined below). The Series 2010A Certificates are being executed and delivered pursuant to a Master Trust Agreement dated as of November 1, 1994 (the "Master Trust Agreement"), as supplemented by a Series 2010A Supplemental Trust Agreement dated as of November 1, 2010 (collectively, the "Trust Agreement"), each between Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee").

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

The following table provides a summary of the Leases in effect as of the date of delivery of the Series 2010A Certificates (including the Series 2010A Lease more particularly described below), the designation of the Facilities being lease-purchased by the School Board under each Lease, the final term of each Lease, the related Series of Certificates and the outstanding principal amount of each such related Series of Certificates.

<u>Lease</u>	<u>Related Facilities</u>	<u>Final Renewal Term Ending Date</u>	<u>Related Series of Certificates</u>	<u>Principal Amount Outstanding</u>
Series 1994A	Series 1994A	June 30, 2015	Series 2007D	\$ 22,725,000
Series 1995A	Series 1995A	June 30, 2015	Series 2002E	44,970,000 ⁽⁷⁾
Series 1996A	Series 1996A	June 30, 2016	Series 2002E	13,030,000 ⁽⁷⁾
Series 2000A	Series 2000A	June 30, 2020	Series 2001B	164,315,000
Series 2001A ⁽¹⁾	Series 2001A	June 30, 2026	Series 2001A	495,000
			Series 2005A	49,920,000 ⁽⁸⁾
			Series 2007C	77,835,000 ⁽⁹⁾
Series 2002A ⁽²⁾	Series 2002A	August 1, 2018	Series 2002A	37,045,000
			Series 2005A	27,475,000 ⁽⁸⁾
Series 2002B	Series 2002B	August 1, 2027	Series 2002B	115,350,000
Series 2002C	Series 2002C	July 31, 2027	Series 2002C	7,835,000
			Series 2005A	25,155,000 ⁽⁸⁾
			Series 2007C	112,770,000 ⁽⁹⁾
Series 2002D	Series 2002D	August 1, 2028	Series 2002D	145,850,000
			Series 2005A	21,155,000 ⁽⁸⁾
Series 2002-QZAB	Series 2002-QZAB	June 11, 2016	Series 2002-QZAB	407,143
Series 2003A	Series 2003A	August 1, 2021	Series 2003A	40,480,000
Series 2003B	Series 2003B	August 1, 2029	Series 2003B	124,295,000
Series 2004A ⁽³⁾	Series 2004A-1 and Series 2004A-2	August 1, 2029	Series 2004A	87,300,000
		August 1, 2016		
Series 2004-QZAB	Series 2004-QZAB	April 29, 2020	Series 2004-QZAB	1,471,185
Series 2005-QZAB	Series 2005-QZAB	December 15, 2020	Series 2005-QZAB	1,076,284
Series 2006A ⁽⁴⁾	Series 2006A-1 and Series 2006A-2	August 1, 2031	Series 2006A	199,595,000
		August 1, 2011		
Series 2007A ⁽⁵⁾	Series 2007A-1 and Series 2007A-2	August 1, 2031	Series 2007A	238,855,000
		August 1, 2015		
Series 2007B	Series 2007B	August 1, 2025	Series 2007B	116,225,000
Series 2007E ⁽⁶⁾	Series 2007E-1 and Series 2007E-2	August 1, 2032	Series 2007E	147,390,000
		August 1, 2020		
Series 2010A	Series 2010A	August 1, 2025	Series 2010A	67,665,000
Total				<u>\$1,890,684,612</u>

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

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

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

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

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

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

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

(8) The listed principal amounts represent the approximate principal portion of the Series 2005A Certificates allocated to each of the Series 2001A Lease, Series 2002A Lease, Series 2002C Lease and the Series 2002D Lease.

(9) The listed principal amounts represent the approximate principal portion of the Series 2007C Certificates allocated to each of the Series 2001A Lease and Series 2002C Lease.

The Series 2001A Certificates, the Series 2001B Certificates, the Series 2002A Certificates, the Series 2002B Certificates, the Series 2002C Certificates, the Series 2002 QZAB Certificates, the Series 2002D Certificates, the Series 2002E Certificates, the Series 2003A Certificates, the Series 2003B Certificates, the Series 2004A Certificates, the Series 2004 QZAB Certificates, the Series 2005A Certificates, the Series 2005 QZAB Certificates, the Series 2006A Certificates, the Series 2007A Certificates, the Series 2007B Certificates, the Series 2007C Certificates, the Series 2007D Certificates and the Series 2007E Certificates are collectively referred to herein as the “Prior Certificates.” The Series 1994A Lease, the Series 1995A Lease, the Series 1996A Lease, the Series 2000A Lease, the Series 2001A Leases, the Series 2002A Leases, the Series 2002B Lease, the Series 2002C Lease, the Series 2002D Lease, the Series

2002 QZAB Lease, the Series 2003A Lease, the Series 2003B Lease, the Series 2004A Leases, the Series 2004 QZAB Lease, the Series 2005 QZAB Lease, the Series 2005B Leases, the Series 2006A Leases, the Series 2007A Leases, the Series 2007B Lease and the Series 2007E Leases, are collectively referred to herein as the “Prior Leases.” In addition to the Prior Leases the School Board may authorize other Leases in the future. See “THE MASTER LEASE FACILITIES,” “THE PRIOR FACILITIES” and “THE MASTER LEASE PROGRAM.”

The Facilities leased under the Prior Leases, described below under the caption “THE PRIOR FACILITIES” and the Series 2010A Facilities described below under the caption “THE SERIES 2010A FACILITIES” when completed will constitute approximately 46% of all gross square feet of educational facilities space in the District under the Master Lease. See “THE MASTER LEASE FACILITIES,” “THE SERIES 2010A FACILITIES” and “THE PRIOR FACILITIES.”

Pursuant to the applicable provisions of Florida law, including particularly Chapters 1001-1013, Florida Statutes, as amended, the School Board has, by Resolution duly adopted by the School Board on September 7, 2010, authorized the execution and delivery of Schedule 2010A to the Master Lease, dated as of November 1, 2010 (together with the Master Lease, the “Series 2010A Lease”).

The School Board has designated the Series 2010A Lease as a “qualified school construction bond” pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the “Code”). The District has received an allocation sufficient for the designation of the Series 2010A Lease as a “qualified school construction bond” from the United States Treasury pursuant to the Code. Pursuant to Section 6431 of the Code, the School Board has made an election to qualify to receive federal subsidy payments from the United States Treasury pursuant to Section 6431(f) of the Code (the “Interest Subsidy”) on each interest payment date for the Series 2010A Certificates. The Interest Subsidy would be in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates on such date or the amount of interest which would have been payable with respect to the Series 2010A Certificates if the interest were determined at the applicable tax credit rate for the Series 2010A Certificates pursuant to Section 54A(b)(3) of the Code. See “THE SERIES 2010A CERTIFICATES,” “TAX TREATMENT” and “RISK FACTORS - Investor Considerations with Respect to Interest Subsidy on Series 2010A Certificates” herein.

The initial term of the Series 2010A Lease commences on the date of delivery of the Certificates to and including June 30, 2011, and is automatically renewable annually thereafter through and including August 1, 2025, unless sooner terminated as described herein. Subject to the Board’s right to substitute facilities, the Facilities being lease purchased under the Series 2010A Lease include two elementary schools (the “Series 2010A Facilities”). See “THE SERIES 2010A LEASE” and “THE SERIES 2010A FACILITIES.” The School Board covenants in the Series 2010A Lease that it will not substitute facilities if it could result in the loss of qualified school construction bond status for the Series 2010A Lease.

The School Board (i) holds title to one of the sites on which the Series 2010A Facilities will be located (collectively, the “Series 2010A Facility Sites”). The School Board is currently negotiating the terms to purchase the second site. Pursuant to the Series 2010A Ground Lease

dated as of November 1, 2010 (the “Series 2010A Ground Lease”) between the Corporation and the School Board, the School Board is leasing the Series 2010A Facility Sites to the Corporation for an initial term which commences on the date of delivery of the Series 2010A Certificates and ends on August 1, 2030, subject to Permitted Encumbrances (as defined in the Series 2010A Ground Lease), and subject to earlier termination or extension as set forth therein. See “APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Series 2010A Ground Lease.”

Pursuant to the Series 2010A Assignment Agreement dated as of November 1, 2010 (the “Series 2010A Assignment”), between the Corporation and the Trustee, the Corporation will irrevocably assign to the Trustee for the benefit of the owners of the Series 2010A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2010A Lease (e.g., a Series of Certificates issued to refund the Series 2010A Certificates or complete the Series 2010A Facilities) substantially all of its right, title and interest in and to the Series 2010A Ground Lease and the Series 2010A Lease including the right to receive the Basic Lease Payments and all other amounts due under the Series 2010A Lease, as herein described. See “APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - Series 2010A Assignment.”

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

PURPOSE OF THE SERIES 2010A CERTIFICATES

The Series 2010A Lease is being entered into and the Series 2010A Certificates are being issued to provide funds for the purposes of (i) financing the acquisition, construction and installation of the Series 2010A Facilities and (ii) paying certain costs of issuance with respect to the Series 2010A Certificates. See “THE SERIES 2010A FACILITIES.”

THE SERIES 2010A CERTIFICATES

General

The Series 2010A Certificates will be dated their date of delivery, will mature in the year and principal amount and accrue interest at the rate set forth on the inside cover page of this Offering Statement. The Series 2010A Certificates shall initially be issued in “book-entry” form

in denominations of \$5,000 and integral multiples thereof and one fully registered Series 2010A Certificate for each maturity as set forth on the inside cover page, each in the aggregate principal amount of such maturity, will be initially registered in the name of “Cede & Co.” as nominee of DTC. Individual purchases will be made in increments of \$5,000 or integral multiples thereof.

The principal portion due on the Series 2010A Certificates at maturity or earlier prepayment represents an undivided proportionate interest in the principal portion of the Basic Lease Payments due on each of the dates set forth in the Series 2010A Lease with respect to the Series 2010A Certificates. The interest portion due on the Series 2010A Certificates, payable on February 1 and August 1 of each year to and including the date of maturity or earlier prepayment, commencing on February 1, 2011 (each a “Payment Date”), represents undivided proportionate interests in the interest portion of Basic Lease Payments due on the June 30 and December 30 prior to each Payment Date to and including the maturity or earlier prepayment of the Series 2010A Certificates. The principal portion or Prepayment Price of the Series 2010A Certificates is payable to the registered owner upon presentation at the designated corporate trust office of the Trustee. Except as otherwise provided in connection with the maintenance of a book-entry only system of registration of the Series 2010A Certificates, the interest portion of the Basic Lease Payments represented by the Series 2010A Certificates is payable to the registered owner at the address shown on the registration books maintained by the Trustee as of the 15th day of the month (whether or not a business day) preceding the Payment Date or at the prior written request and expense of any registered owner of at least \$1,000,000 in aggregate principal amount of Series 2010A Certificates by bank wire transfer to a bank account in the United States designated in writing prior to the fifteenth day of the month next preceding each Payment Date. Notwithstanding the above, reference is made to the book-entry system of registration described under “BOOK-ENTRY ONLY SYSTEM” below.

The School Board has designated the Series 2010A Lease, an interest in which is represented by the Series 2010A Certificates, as a “qualified school construction bond” pursuant to Section 54F of the Code and also has elected to qualify to receive on each Payment Date a refundable credit (the “Interest Subsidy”) from the United States Department of Treasury. The Interest Subsidy would be in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates on such Payment Date or the amount of interest which would have been payable with respect to the Series 2010A Certificates on such Payment Date if such interest were determined at the applicable tax credit rate otherwise applicable to such Series 2010A Certificates in accordance with the Code. Under the Code, the School Board must use 100% of “available project proceeds” for one or more “qualified purposes” within the permitted expenditure period specified in the Code. The term “available project proceeds” means the proceeds from the sale of the Series 2010A Certificates plus any investment proceeds thereon, less the issuance costs financed from the proceeds (and the amount of such proceeds spent on issuance costs may not exceed 2% of such sale proceeds). The term “qualified purposes” includes construction, rehabilitation, or repair of a public school facility, costs of equipment therefor and the acquisition of land on which such a facility is to be constructed with the proceeds of the qualified school construction bond issue. The permitted expenditure period is three years from the date of issuance, unless such period is extended in accordance with the Code.

Prepayment

Extraordinary Prepayment.

The Series 2010A Certificates are subject to extraordinary prepayment as follows:

Extraordinary Mandatory Prepayment from Unexpended Proceeds of the Series 2010A Certificates. The Series 2010A Certificates are subject to extraordinary mandatory prepayment, in whole or in part, on a date designated by the School Board that occurs no later than the ninetieth day following the last day of the three year period beginning on the date of delivery of the Series 2010A Certificates, as such period may be extended pursuant to Section 54A(d)(2)(B) of the Code (the “Expenditure Period”), at the “Prepayment Price” equal to (i) the Principal Component represented by the Series 2010A Certificates called for prepayment, plus (ii) the accrued interest on the Principal Component represented by the Series 2010A Certificates called for prepayment, in an amount equal to the unexpended proceeds of the sale of the Series 2010A Certificates held by the Trustee, but only to the extent that the School Board fails to expend all of the “available project proceeds” of the Series 2010A Certificates for “qualified purposes” within the Expenditure Period.

Extraordinary Optional Prepayment Due to the Occurrence of an Extraordinary Event. The Series 2010A Certificates are subject to extraordinary optional prepayment, in whole or in part, on a date designated by the School Board upon the occurrence of an “Extraordinary Event”, at a prepayment price equal to the greater of: (1) 100% of the principal portion represented by the Series 2010A Certificates to be prepaid; and (2) the “Discounted Value” thereof, except that for purposes of calculating such Discounted Value, the Discount Yield shall be equal to the “Blended Treasury Yield” plus 1.00%, plus in each case the accrued interest portion of the Basic Lease Payments represented by the Series 2010A Certificates to be prepaid to the Prepayment Date.

An “Extraordinary Event” will have occurred as defined in the Series 2010A Supplemental Trust Agreement (a) if a material adverse change has been made to Section 54AA or Section 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009 pertaining to “Build America Bonds”), or (b) there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such section or sections, or (c) any other determination is made by the Internal Revenue Service or the Department of Treasury, which determination is not the result of an act or omission by the School Board which negatively impacts the receipt of the Interest Subsidy from the Department of Treasury, pursuant to which the School Board’s Interest Subsidy payments from the Department of Treasury are reduced or eliminated.

“Discounted Value” means, as defined in the Series 2010A Supplemental Trust Agreement, with respect to the Series 2010A Certificates of each maturity thereof to be prepaid, the sum of the amounts obtained by discounting all remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of prepayment) on such Series 2010A Certificates from their respective scheduled payment dates to the applicable Prepayment Date, at a yield (computed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months) equal to the applicable Discount Yield.

“Blended Treasury Yield” means, as defined in the Series 2010A Supplemental Trust Agreement, with respect to the Series 2010A Certificates of each maturity to be prepaid, the yield computed by the linear interpolation of two Market Treasury Yields such that the theoretical maturity that corresponds to the interpolated Market Treasury Yield equals the date that corresponds to the remaining average life of the Series 2010A Certificates of such maturity to be prepaid. The first Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no later than the date corresponding to the remaining average life of the Series 2010A Certificates of such maturity to be prepaid; and the second Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no earlier than the date corresponding to the remaining average life of the Series 2010A Certificates of such maturity to be prepaid. Notwithstanding the foregoing, if the date that corresponds to the remaining average life of the Series 2010A Certificates of a particular maturity to be prepaid is later than the latest maturity of any actively traded U.S. Treasury security or U.S. Treasury index, then the Blended Treasury Yield shall be the Market Treasury Yield of the actively traded U.S. Treasury security or U.S. Treasury index having such latest maturity.

“Market Treasury Yield” means, as defined in the Series 2010A Supplemental Trust Agreement, with respect to the Series 2010A Certificates, that yield, assuming semiannual compounding based upon a 360-day year consisting of twelve 30-day months, which is equal to:

(i) the yield for the applicable maturity of an actively traded U.S. Treasury security, reported, as of 11:00 a.m., New York City time, on the Valuation Date on the display designated as “Page PX1” of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in U.S. Treasury securities); or

(ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation Date; or

(iii) if the yields described in (i) and (ii) above are not reported as of such time or the yields reported as of such time are not ascertainable, the yield for the applicable maturity of an actively traded U.S. Treasury security shall be based upon the average of yield quotations for such security (after excluding the highest and lowest quotations) as of 3:30 p.m., New York City time, on the Valuation Date received from no less than five primary dealers in U.S. government securities selected by the School Board.

Each yield quotation for each actively traded U.S. Treasury security required in (i) and (iii) above shall be determined using the average of the bid and ask prices for that security.

“Valuation Date” means, as defined in the Series 2010A Supplemental Trust Agreement, with respect to the Series 2010A Certificates to be prepaid, the Business Day preceding the date on which notice of such prepayment is given.

Optional Prepayment

Optional Prepayment With Make-Whole Payment. The Series 2010A Certificates are subject to prepayment in whole or in part on any Business Day, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series 2010A Lease, at a Prepayment Price equal to the greater of (1) 100% of the principal portion of Basic Lease Payments represented by the Series 2010A Certificates to be prepaid and (2) the Discounted Value thereof, except that for purposes of calculating such Discounted Value, the Discount Yield shall be equal to the Blended Treasury Yield plus 0.35%, plus, in each case, the accrued and unpaid interest portion of Basic Lease Payments represented by the Series 2010A Certificates to be prepaid on the Prepayment Date. All calculations and determinations referred to in this subsection will be made by a financial advisor selected by the School Board.

Partial Prepayment from Series 2010A Sinking Fund Account

In the event of a partial prepayment of the Series 2010A Certificates, amounts on deposit in the Series 2010A Sinking Fund Account shall be applied to such partial prepayment to the extent that deposits in the Series 2010A Sinking Fund Account otherwise would exceed the funding requirements set forth in Section 54A(d)(4)(C) of the Code that would have applied had the original Principal Component been equal to the Principal Component outstanding after such prepayment.

Selection of Series 2010A Certificates for Prepayment; Notice of Prepayment.

If less than all of the Series 2010A Certificates are called for prepayment, the particular Series 2010A Certificates or portions thereof to be prepaid will be in multiples of Authorized Denominations. The particular Series 2010A Certificates or portions thereof to be prepaid will be selected by lot by the Trustee in such manner as the Trustee deems fair and appropriate. In selecting portions of such Series 2010A Certificates for prepayment, the Trustee will treat each such Series 2010A Certificate as representing that number of Series 2010A Certificates in Authorized Denominations which is obtained by dividing the principal amount of such Series 2010A Certificates to be prepaid in part, by the applicable Authorized Denomination.

DTC Procedures. Investors should note that while DTC is the registered owner of the Series 2010A Certificates, partial prepayments of the Series 2010A Certificates will be determined in accordance with DTC's procedures. The School Board intends that prepayment allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the School Board and the Beneficial Owners of the Series 2010A Certificates be made in accordance with the method of selection of Series 2010A Certificates for a partial prepayment described above. However, the selection of the Series 2010A Certificates for prepayment in DTC's book-entry only system is subject to DTC's practices and procedures as in effect at the time of any such partial prepayment. The School Board can provide no assurance that DTC or the DTC Participants or any other intermediaries will allocate prepayments among Beneficial Owners in accordance with the method of selection of Series 2010A Certificates for a partial prepayment described above.

So long as the Series 2010A Certificates are issued in book-entry-only form, notice of prepayment will be mailed, postage prepaid, not less than 30 days before the Prepayment Date (not less than five days nor more than ten days before the Prepayment Date in the case of prepayment for termination of the Lease Term in certain events of non-appropriation or default under any Lease, unless a different notice period is required by DTC) to Cede & Co., as nominee for DTC, and the Trustee will not mail any prepayment notice directly to the Beneficial Owners of the Series 2010A Certificates. See “THE SERIES 2010A CERTIFICATES – Book-Entry-Only System” herein.

Effect of Prepayment

If, on the Prepayment Date, moneys for the payment of the Prepayment Price of the Series 2010A Certificates or portions thereof to be prepaid are held by the Trustee and available therefor on the Prepayment Date and if notice of prepayment has been given as required, then from and after the Prepayment Date, the interest represented by the Series 2010A Certificates or the portion thereof called for prepayment will cease to accrue. If such moneys are not available on the Prepayment Date, the principal represented by such Series 2010A Certificates or portions thereof will continue to bear interest until paid at the same rate as would have accrued had it not been called for prepayment.

BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company (“DTC”) will act as securities depository for the Series 2010A Certificates. The Series 2010A Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2010A Certificates and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (the “Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC

is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). DTC has Standard and Poor’s highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Series 2010A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2010A Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2010A 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 2010A Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2010A Certificates, except in the event that use of the book-entry system for the Series 2010A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2010A 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 2010A 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 2010A Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2010A Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping an account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements made among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2010A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010A Certificates, such as prepayments, defaults, and proposed amendments to the Series 2010A documents. For example, Beneficial Owners of Series 2010A Certificates may wish to ascertain that the nominee holding the Series 2010A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Series 2010A Certificates are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Certificates to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010A Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds and other payments on the Series 2010A Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the School Board or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the School Board, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School Board and/or the Trustee for the Series 2010A Certificates. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2010A Certificates at any time by giving reasonable notice to the School Board. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2010A Certificates are required to be printed and delivered.

The School Board may decide to discontinue use of the book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010A Certificates will be printed and delivered to DTC.

SECURITY FOR THE SERIES 2010A CERTIFICATES

General

The Series 2010A Certificates evidence undivided proportionate interests in the principal portion and interest portion of Basic Lease Payments made by the School Board under the Series 2010A Lease. The Series 2010A Certificates are secured by and payable from the Trust Estate established for the Series 2010A 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 2010A 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 2010A 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 2010A Facilities to the Trustee. Upon termination of the Series 2010A Lease upon the occurrence of an event of non-appropriation or in the case of certain events of default, however, the Series 2010A Lease provides that the School Board must surrender possession of the Series 2010A Facilities to the Trustee as assignee of the Corporation for disposition by sale or re-letting of its interest in the Series 2010A Facilities as provided in the Trust Agreement, and any proceeds of any such disposition of the Series 2010A Facilities will be applied to the payment of the Series 2010A Certificates after payment of the expenses of the Trustee, in accordance with the terms of the Series 2010A Lease. The School Board may not be dispossessed of any personal property financed, in whole or in part, with proceeds of Certificates. See “THE SERIES 2010A FACILITIES” herein for a description of the Series 2010A Facilities against which the Trustee may exercise rights on behalf of the Owners of the Series 2010A Certificates. See also “THE SERIES 2010A LEASE - Effect of Termination for Non-Appropriation or Default.”

Lease Payments

All Lease Payments and all other amounts required to be paid by the School Board under the Series 2010A Lease and the Prior Leases and all other Leases will be made from funds authorized by law and regulations of the State of Florida Department of Education to be used for such purpose and budgeted and appropriated for such purpose by the School Board. Revenues available to the District for operational purposes and capital projects such as the Series 2010A 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 2010A Lease Payment Account for deposit of Basic Lease Payments appropriated and paid under the Series 2010A Lease. Separate Lease Payment Accounts are established for each new group of Facilities to be financed by a Series of Certificates issued under the Trust Agreement. Prior to each Payment Date, the School Board will transfer sufficient funds to the Trustee for deposit to the Series 2010A Lease Payment Account to be applied to pay the entire interest portion of the Basic Lease Payments due under the Series 2010A Lease on such date. The Interest Subsidy will be deposited in the Series 2010A Lease Payment Account and will be a credit against Basic Lease Payments due under the Series 2010A Lease. With respect to the Series 2010A Certificates, the Trustee will deposit the Sinking Fund Payments received from the School Board to the Series 2010A Sinking Fund Account to be held therein until applied to pay the principal portion of Basic Lease Payments represented by Series 2010A Certificates due at their maturity date or upon earlier prepayment in accordance with the Trust Agreement.

Lease Payments due under the schedules to the Master Lease are subject to annual appropriation by the School Board on an all-or-none basis and are payable solely from legally available funds appropriated by the School Board for such purposes; provided that Lease Payments with respect to a particular schedule and Series of Certificates may be additionally and separately secured by a Credit Facility. Such additional Facilities may be financed through the sale of additional Series of Certificates under the Trust Agreement. THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE FOR A PORTION OF LEASE PAYMENTS DUE FOR ALL OF THE FACILITIES 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.

Limited Obligation of the School Board

THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO MAKE LEASE PAYMENTS. LEASE PAYMENTS ARE PAYABLE FROM FUNDS APPROPRIATED BY THE SCHOOL BOARD FOR SUCH PURPOSE FROM CURRENT OR OTHER FUNDS AUTHORIZED BY LAW AND REGULATIONS OF THE STATE OF FLORIDA DEPARTMENT OF EDUCATION. NONE OF THE DISTRICT, THE SCHOOL BOARD, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2010A LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER, AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NONE OF THE CORPORATION, THE TRUSTEE OR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO PAY ANY SUMS, INCLUDING THE BASIC LEASE PAYMENTS, DUE UNDER THE SERIES 2010A LEASE. SEE "RISK FACTORS" HEREIN.

Additional Leases

As noted above, the School Board has entered into the Prior Leases and may enter into other Leases under the Master Lease in addition to the Series 2010A Lease and the Prior Leases. See "THE MASTER LEASE PROGRAM." Failure to appropriate funds to make Lease Payments under any Lease will, and certain events of default under a Lease may, result in the termination of the Lease Term of all Leases, including the Series 2010A Lease. Upon any such termination of the Lease Term of all Leases, the School Board must surrender all Facilities, including the Series 2010A Facilities to the Trustee for sale or re-letting of the Trustee's interest. The proceeds of any such disposition of the Series 2010A Facilities will be applied to the payment of the Series 2010A Certificates after payment of the expenses of the Trustee, in

accordance with the terms of the Series 2010A Lease. The School Board may not be dispossessed of any personal property financed, in whole or in part, with proceeds of Certificates. In no event will owners of the Series 2010A Certificates have any interest in or right to the proceeds of the disposition of Facilities financed with the proceeds of another Series of Certificates. There can be no assurance that the remedies available to the Trustee upon any such termination of the Lease Term of all Leases and the disposition of the Series 2010A Facilities will produce sufficient amounts to pay the outstanding Series 2010A 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 2010A 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 2010A CERTIFICATES - Optional Prepayment Price”) of, all or a portion of the Facilities financed from the proceeds of any series of Certificates previously executed and delivered; (e) funding a Reserve Account in an amount equal to the applicable Reserve Account Requirement, if any; (f) capitalizing the interest portion of Basic Lease Payments during construction; or (g) paying the applicable Costs of Issuance. The aggregate principal amount of Additional Certificates which may be executed and delivered under the provisions of the Master Trust Agreement is not limited, except as may be provided with respect to a particular series of Additional Certificates in any Supplemental Trust Agreement creating such series.

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

Optional Prepayment Price

The School Board has the right to prepay all or a portion of the Basic Lease Payments represented by the Series 2010A Certificates and in connection therewith remove all or a portion of the Series 2010A Facilities from the Series 2010A Lease and from the lien of the Series 2010A Ground Lease by paying the Purchase Option Price for the specific Series 2010A Facilities being purchased or, to the extent permitted by law, by substituting other Facilities for the Series 2010A Facilities to be released. No such partial prepayment of the Series 2010A Certificates which is accomplished by the deposit in escrow of the prepayment price and the removal of Facilities from the Series 2010A Lease and from the lien of the Series 2010A Ground Lease may be made without the prior consent of the Credit Facility Issuer, if any. The Purchase Option Price, as of each Lease Payment Date, is: (i) the Basic Lease Payment then due plus the amount designated in the Series 2010A Lease; (ii) minus any credits pursuant to the provisions of the Series 2010A Lease; (iii) plus an amount equal to the interest to accrue with respect to the Series 2010A Certificates and any other Certificates to be prepaid from such Lease Payment Date to the next available date for prepaying the Series 2010A Certificates; (iv) plus an amount equal to any other amounts then due and owing under the Series 2010A Lease, as applicable, including any prepayment premiums payable on the Series 2010A Certificates and any other 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 2010A LEASE - TERMINATION OF LEASE TERM” AND “EFFECT OF TERMINATION FOR NON-APPROPRIATION OR DEFAULT.” THERE CAN BE NO ASSURANCE THAT THE REMEDIES AVAILABLE TO THE TRUSTEE IN THE EVENT OF NON-APPROPRIATION WILL PRODUCE SUFFICIENT AMOUNTS TO FULLY PAY THE OUTSTANDING CERTIFICATES FOR PAYING SUCH CLAIMS.

No Reserve Account for Series 2010A Certificates

There is no Reserve Account for the Series 2010A Certificates. However, pursuant to a Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established and maintained a separate Reserve Account to secure the payment of the principal and/or interest portion of the Basic Lease Payments related to such Series of Certificates. Each such Reserve Account shall secure only the Series of Certificates for which it has been established. See “APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Master Trust Agreement.”

Interest Rate Exchange Agreements

2002B Interest Rate Exchange Agreement: In connection with the Series 2002B Certificates the School Board entered into an International Swaps and Derivatives Association, Inc. (“ISDA”) Master Agreement with Citigroup Financial Products Inc. (“CFPI”), formerly Salomon Brothers Holding Company Inc., (together with all schedules and confirmations thereto, the “2002B Interest Rate Exchange Agreement”). In general, the 2002B Interest Rate Exchange Agreement provides, subject to the terms and conditions thereof, for payment by the School Board to CFPI of a fixed rate of interest of 4.22% and for payment by CFPI to the School Board of interest at a variable rate based on the Securities Industry and Financial Markets Association (formerly BMA) Municipal Swap Index (the “SIFMA Index”), or subsequent to an Alternate Floating Rate Date (as defined in the 2002B Interest Rate Exchange Agreement), at a variable rate based on 67% of “USD LIBOR-BBA,” in each case based on an initial notional amount of \$115,350,000 which declines simultaneously with the scheduled amortization of the related Series 2002B Certificates. The scheduled termination date of the 2002B Interest Rate Exchange Agreement is August 1, 2027. The scheduled payments of the School Board when due pursuant to the 2002B Interest Rate Exchange Agreement are guaranteed by a financial guaranty insurance policy (the “2002B Swap Policy”) issued by Financial Security Assurance Inc., now known as Assured Guaranty Municipal Corp. (“AGM”). The 2002B Swap Policy does not guarantee termination payments under the 2002B Interest Rate Exchange Agreement unless the termination is at the direction of AGM. For additional information on the 2002B Interest Rate Exchange Agreement, see note 9 to the District’s audited basic financial statements for the Fiscal Year ended June 30, 2009, and note 10 to the District’s unaudited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

2002D Interest Rate Exchange Agreements: The School Board has entered into three interest rate exchange agreements related to the Series 2002D Certificates (i) an ISDA Master Agreement with Citibank, N.A. (“Citibank”) (the “Citibank Master Agreement” and together with all schedules thereto and a confirmation dated January 10, 2003, the “2002D Interest Rate Exchange Agreement (2003)”); (ii) (the “Citibank Master Agreement” and together with all schedules thereto and the confirmation dated August 10, 2005, the “2002D Interest Rate Exchange Agreement (2005)”); and (iii) an ISDA Master Agreement between UBS AG (“UBS”) and the School Board (together with all schedules thereto and a confirmation, dated September 13, 2006, the “2002D Interest Rate Exchange Agreement (2006)”).

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

2002D Interest Rate Exchange Agreement (2003), see note 9 to the District's audited basic financial statements for the Fiscal Year ended June 30, 2009, and notes 3 and 10 to the District's unaudited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

2002D Interest Rate Exchange Agreement (2005). Pursuant to the 2002D Interest Rate Exchange Agreement (2005), in exchange for an upfront payment from Citibank to the School Board, the School Board granted Citibank the option to put the District into a synthetic fixed payer swap, which option may be exercised by Citibank on February 1 in the years 2013 and 2014 and on August 1 in the years 2012 and 2013. In the event that Citibank exercises its option and the swap commences, in general the 2002D Interest Rate Exchange Agreement (2005) provides, subject to the terms and conditions thereof, for payment by the School Board to Citibank of a fixed rate of interest of 4.71% and for payment by Citibank to the School Board of interest at a variable rate based on the SIFMA Index, in each case based on a declining notional amount of \$116,555,000. The scheduled termination date of the 2002D Interest Rate Exchange Agreement (2005) is August 1, 2028. The scheduled payments of the School Board when due pursuant to the 2002D Interest Rate Exchange Agreement (2005) are guaranteed by a financial guaranty insurance policy (the "2005 Swap Policy") issued by AGM. The 2005 Swap Policy does not guarantee termination payments under the 2002D Interest Rate Exchange Agreement (2005) unless the termination is at the direction of AGM. For additional information on the 2002D Interest Rate Exchange Agreement (2005), see note 9 to the District's audited basic financial statements for the Fiscal Year ended June 30, 2009, and notes 3, 9 and 10 to the District's unaudited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

2002D Interest Rate Exchange Agreement (2006): The 2002D Interest Rate Exchange Agreement (2006) generally provides, subject to the terms and conditions thereof, for payment by the School Board to UBS of interest calculated at a variable rate based on 67% of "USD LIBOR - BBA" (as defined in the 2000 ISDA U.S. Municipal Counterparty Definitions) and for payment by UBS to the School Board of interest calculated at a variable rate based on 59.93% of the 10 year designated maturity of the "USD ISDA Swap Rate" (as defined in the 2000 ISDA U.S. Municipal Counterparty Definitions), in each case based on a notional amount of \$100,000,000. The scheduled termination date of the 2002D Interest Rate Exchange Agreement (2006) is June 30, 2028. The scheduled payments of the School Board when due pursuant to the 2002D Interest Rate Exchange Agreement (2006) are guaranteed by a financial guaranty insurance policy (the "2006 Swap Policy") issued by AGM. The 2006 Swap Policy does not guarantee termination payments under the 2002D Interest Rate Exchange Agreement (2006) unless the termination is at the direction of AGM. For additional information on the 2002D Interest Rate Exchange Agreement (2006), see note 9 to the District's audited basic financial statements for the Fiscal Year ended June 30, 2009, and notes 3 and 10 to the District's unaudited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

2003B Interest Rate Exchange Agreement: In connection with the Series 2003B Certificates the School Board entered into an ISDA Master Agreement with UBS AG (together with all schedules and confirmations thereto, the "2003B Interest Rate Exchange Agreement"). In general, the 2003B Interest Rate Exchange Agreement provides, subject to the terms and

conditions thereof, for payment by the School Board to UBS of a fixed rate of interest of 3.91% and for payment by UBS to the School Board of interest at a variable rate based on the SIFMA Index, in each case based on an initial notional amount of \$124,295,000 which declines simultaneously with the scheduled amortization of the Series 2003B Certificates. UBS will have the option to cancel the 2003B Interest Rate Exchange Agreement on or prior to August 1, 2018 if the 180 day average of the SIFMA Index exceeds 7.0%. The scheduled termination date of the 2003B Interest Rate Exchange Agreement is August 1, 2029. For additional information on the 2003B Interest Rate Exchange Agreement, see note 9 to the District's audited basic financial statements for the Fiscal Year ended June 30, 2009, and notes 3 and 10 to the District's unaudited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

2001B Interest Rate Exchange Agreement: In connection with the Series 2001B Certificates the School Board entered into an ISDA Master Agreement with Citibank, N.A. New York ("Citibank") (together with all schedules and confirmations thereto, the "2001B Interest Rate Exchange Agreement"). In exchange for an upfront payment from Citibank to the School Board, the School Board granted Citibank the option to put the District into a synthetic fixed payer swap, which option may be exercised by Citibank on each February 1 and August 1, commencing August 1, 2011 through and including August 1, 2014. In the event that Citibank exercises its option and the swap commences, the 2001B Interest Rate Exchange Agreement generally provides, subject to the terms and conditions thereof, for payment by the School Board to Citibank of a fixed rate of interest of 4.59% and for payment by Citibank to the School Board of interest at a variable rate based on the SIFMA Index, in each case based on an amortizing notional amount of \$162,980,000. The scheduled termination date of the 2001B Interest Rate Exchange Agreement is August 1, 2025. For additional information on the 2001B Interest Rate Exchange Agreement, see note 9 to the District's audited basic financial statements for the Fiscal Year ended June 30, 2009, and notes 3, 9 and 10 to the District's unaudited financial statements for the Fiscal Year ended June 30, 2010, attached hereto as Appendix B.

Payments made by the School Board under the above described agreements constitute Additional Lease Payments under the Master Lease and are secured by the Leases to which the respective interest rate exchange agreement relates. Each agreement described above is subject to termination prior to the scheduled termination date thereof under certain circumstances. If a termination event were to occur under one or more of such agreements the School Board may be confronted with the need to appropriate a significant termination payment or payments within a single Fiscal Year. Such an obligation could have a material adverse effect on the School Board's ability to make lease payments, including payments required under the Series 2010A Lease.

THE MASTER LEASE FACILITIES

The Series 2010A Facilities will be financed under the School Board's existing Master Lease as part of the School Board's master lease purchase program (the "Master Lease Program") with the Corporation. The Facilities financed by the School Board under the Master Lease Program are subject to annual appropriation on an all or none basis. After completion of the Series 2010A Facilities, the School Board will have approximately 46% of all gross square feet of educational facilities space in the District under the Master Lease. For a complete

description of the Facilities under the Master Lease Program see “THE SERIES 2010A FACILITIES” and “THE PRIOR FACILITIES” herein.

Pursuant to the Master Lease, the School Board does not have the ability to appropriate funds to make Lease Payments on one Facility or some combination of Facilities only. The School Board’s annual appropriation for Basic Lease Payments must be for all Facilities under the Master Lease Program or it must terminate all Facilities under the Master Lease Program (other than certain designated Facilities). In the event the School Board does not appropriate funds in its annual budget for all of such financed Facilities, the School Board would, at the Trustee’s option, be required to surrender such Facilities, including the Series 2010A Facilities, to the Trustee for the benefit of the Owners of the Certificates which financed or refinanced such Facilities.

THE SERIES 2010A FACILITIES

The Series 2010A Project consists of the lease purchase financing, acquisition and construction of the Series 2010A Facilities, the leasing of the Series 2010A Facility Sites by the School Board to the Corporation pursuant to the Series 2010A Ground Lease and the subleasing of the Series 2010A Facility Sites back to the School Board. All of the Series 2010A Facilities will be located within the District. The School Board holds title to one of the Series 2010A Facility Sites and is currently negotiating the terms to purchase the second site. Set forth below is a brief, general description of the Series 2010A Facilities that the School Board expects to finance from the proceeds of the Series 2010A Certificates. See also, “-Substitution of Series 2010A Facilities” below.

GALAXY ELEMENTARY MODERNIZATION

This school, located in the City of Boynton Beach, will have approximately 95,294 gross square feet with an enrollment of 536 PreK-5 students. The school will have pre-kindergarten classrooms, kindergarten classrooms, primary classrooms, intermediate classrooms, skills development/computer labs, resource rooms, ESE classrooms, art, music, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This facility is scheduled to open in SY 2013.

GOVE ELEMENTARY MODERNIZATION

This school, located in the City of Belle Glade, will have approximately 131,900 gross square feet for an enrollment of 899 K-6 students. The school will have kindergarten classrooms, primary classrooms, intermediate classrooms, skills development/computer labs, resource rooms, ESE classrooms, art, music, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This facility is scheduled to open in SY 2013.

Estimated Budget for the Series 2010A Facilities

<u>Facility</u>	<u>Design</u>	<u>Construction</u>	<u>Total</u>
Galaxy Elementary Modernization	\$1,596,369	\$26,822,071	\$28,418,440
Cove Elementary Modernization	<u>1,851,599</u>	<u>36,596,163</u>	<u>38,447,763</u>
Total	\$3,447,968	\$63,418,235	\$66,866,203

Substitution of Series 2010A Facilities

To the extent permitted by law, on or after the Completion Date, the School Board may substitute for any portion of the Series 2010A 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 2010A Facilities for which they are substituted (based on an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee); (c) are of substantially equal usefulness as the Series 2010A Facilities to be replaced and provide essential governmental services; and (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved by the State Department of Education. In addition, to the extent permitted by law, prior to the Completion Date the School Board may release and/or substitute for any Series 2010A Facilities other Facilities to be acquired, constructed and installed, provided that (1) any substituted Facilities satisfy the requirements of clauses (a), (c), (d) and (e) above and (2) following such substitution and/or release, the sum of (x) with respect to Series 2010A Facilities for which a Certificate of Acceptance has not been delivered, the Cost of the acquisition, construction and installation of the Series 2010A Facilities plus (y) with respect to Series 2010A Facilities for which a Certificate of Acceptance has been delivered, the fair market value of the Series 2010A Facilities (based on an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee), financed under the Series 2010A Lease is greater than or equal to the remaining principal portion of Basic Lease Payments due thereunder. In order to effect such substitution, Series 2010A Facilities and the applicable Series 2010A Facility Site will be released from the encumbrance of the Series 2010A Lease and the Series 2010A Ground Lease and the Facilities to be substituted shall be incorporated into the Series 2010A Lease and the Series 2010A Ground Lease. Schedule No. 2010A will be appropriately amended and the Series 2010A Ground Lease will be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel as described in the Master Lease with respect to the substitute Facility Site. The School Board covenants in Schedule 2010A that it will not take or fail to take any action, including without limitation substitution of the original Series 2010A Facilities, which could result in a loss of Qualified School Construction Bond status.

THE PRIOR FACILITIES

The following provides a summarized description of the Facilities being lease-purchased under the Prior Leases and subject to the Master Lease. Under certain conditions set forth in the

Master Lease, the School Board may substitute Facilities, modify the plans and specifications therefor or eliminate Facilities.

Series 1994A Facilities

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

Series 1995A Facilities

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

Series 1996A Facilities

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

Series 2000A Facilities

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

Series 2001A-1 Facilities

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

Sunrise Park Elementary School (96-H)
Royal Palm Beach Elementary School (96-J)

Series 2001A-2 Facilities*

Portable replacement program

Series 2002A-1 Facilities

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

Series 2002A-2 Facilities*

Site Acquisition
Portable replacement program
Furnishings/equipment for six schools

Series 2002B Facilities

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

Series 2002C Facilities

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

Series 2002D Facilities

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

Series 2002-QZAB Facilities*

Furniture and equipment for designated Qualified Zone Academies

Series 2003A Facilities

William T. Dwyer addition
Acreage Area High School (02-NNN)

Series 2003B Facilities

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

Series 2004A-1 Facilities

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

Series 2004A-2 Facilities*

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

Series 2004-QZAB Facilities*

Technology upgrades for designated Qualified Zone Academies

Series 2005-QZAB Facilities*

Technology upgrades for designated Qualified Zone Academies

Series 2005B-1 Facilities

CEP Alternative School
Indian Ridge modernization

Series 2005B-2 Facilities*

District's Enterprise Resource Planning System (technology)

Series 2006A-1 Facilities

Barton Elementary School modernization
DD Eisenhower Elementary School
Marsh Pointe Elementary School (03-X)
Rolling Green Elementary School modernization
Palm Beach Gardens High School modernization

Series 2006A-2 Facilities*

Portable/Modular Replacement Program
Voice/Data Equipment

Series 2007A-1 Facilities

C.O. Taylor Elementary School modernization

Suncoast High School modernization
Royal Palm School modernization
Westward Elementary School modernization
Site Acquisition

Series 2007A-2 Facilities*

Site Acquisition
Roosevelt Middle School Classroom addition
FF&E for various educational facilities including the Series 2007B Facilities

Series 2007B Facilities

Carver Middle School addition
Hagen Road Elementary School modernization
Lake Worth Middle School addition
Palm Beach Gardens Elementary School modernization
Wellington High School Auditorium
West Boynton Elementary School (03-Z)

Series 2007E-1 Facilities

West Palm Beach Area Elementary (06-D)
Banyan Creek Elementary addition
Wellington Elementary additions
Whispering Pines Elementary additions
Allamanda Elementary modernization

Series 2007E-2 Facilities*

Relocatable and Modular Classrooms
New sports stadium for Pahokee School
Benoit Farms Elementary School Pre-K addition

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

ESTIMATED SOURCES AND USES OF FUNDS

It is estimated that proceeds received from the sale and delivery of the Series 2010A Certificates are expected to be used as follows:

Estimated Sources:

Principal Amount of Series 2010A Certificates	\$67,665,000.00
Total Sources of Funds	<u>\$67,665,000.00</u>

Estimated Uses:

Deposit to Series 2010A Acquisition Account	\$66,866,202.60
Series 2010A Certificates Cost of Issuance ⁽¹⁾	<u>\$798,797.40</u>
Total Uses of Funds	<u>\$67,665,000.00</u>

- (1) Includes, without limitation, underwriters' discount, printing costs, legal, accounting, and financial advisory fees and other costs associated with the issuance of the Series 2010A Certificates.

CERTIFICATE PAYMENT SCHEDULE I FOR PRIOR CERTIFICATES

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

Certificate Year Ending August	Series 2001A Certificates	Series 2001B Certificates	Series 2002A Certificates	Series 2002B ⁽¹⁾ Certificates	Series 2002C Certificates	Series 2002D Certificates	Series 2002E Certificates	Series 2003A Certificates	Series 2003B ⁽²⁾ Certificates	Series 2004A Certificates
2011	\$516,037.50	\$8,994,666.26	\$8,849,181.26	\$5,145,155.98	\$4,173,181.26	\$11,406,275.00	\$13,047,975.02	\$4,993,391.26	\$5,226,908.59	\$7,190,492.50
2012		8,994,351.26	8,858,981.26	5,132,305.69	4,159,575.00	11,423,980.00	13,048,500.02	4,988,191.26	5,227,778.54	7,193,887.50
2013		8,991,276.26	8,846,981.26	5,145,028.89		11,408,010.00	13,051,462.52	4,991,447.50	5,226,771.63	7,194,012.50
2014		8,996,086.26	8,756,062.50	5,239,807.07		11,316,497.50	13,051,450.00	4,992,497.50	5,226,908.59	7,191,018.76
2015		8,993,251.26	658,118.76	5,145,155.98		6,422,372.50	13,054,456.26	4,990,935.00	5,226,908.59	7,189,581.26
2016		18,462,931.26	4,867,368.76	5,132,305.69		6,422,372.50	2,563,600.00	4,989,335.00	5,227,778.54	7,189,831.26
2017		21,121,618.76	431,493.76	5,145,028.88		11,457,372.50		4,997,495.00	5,226,771.63	7,193,031.26
2018		21,127,500.00	1,555,537.50	8,190,155.98		11,458,035.00		4,991,587.50	5,226,908.59	7,192,031.26
2019		21,127,500.00		15,430,007.84		5,879,785.00		4,994,775.00	5,226,908.59	7,191,531.26
2020		21,121,750.00		15,429,037.20		5,879,785.00		4,989,150.00	5,227,778.54	7,191,031.26
2021		21,128,750.00		15,434,962.30		11,919,785.00		1,861,600.00	8,356,771.63	7,190,031.26
2022		21,131,000.00		15,432,969.90		11,852,685.00			10,221,069.30	7,193,031.26
2023		21,126,750.00		15,438,328.74		11,790,385.00			10,216,050.78	7,189,281.26
2024		21,129,250.00		15,438,650.01		11,733,135.00			10,217,528.46	7,193,531.26
2025		21,126,000.00		15,441,032.41		11,617,385.00			10,217,881.59	7,188,812.50
2026				15,444,314.83		11,580,385.00			10,214,363.49	7,192,062.50
2027				15,449,456.75		11,507,635.00			10,215,637.16	7,191,062.50
2028						73,660,135.00			10,216,800.31	7,190,312.50
2029									83,875,692.34	7,189,062.50
2030										
2031										
2032										
Total	\$516,037.50	\$253,572,681.32	\$42,823,725.06	\$183,213,704.14	\$8,332,756.26	\$248,736,015.00	\$67,817,443.82	\$51,780,405.02	\$216,023,216.89	\$136,633,636.36

- (1) 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.
- (2) On March 20, 2008, the School Board elected to convert the Series 2003B Prior Certificates, which were originally issued as variable rate demand obligations with Ambac insurance and a Dexia liquidity facility, into a private placement floating rate note with Dexia. The terms of the converted Series 2003B Prior Certificates also required a mandatory tender and remarketing of the Series 2003B Prior Certificates in connection with this interest rate mode change. Commencing May 1, 2008, the interest rates were set monthly as one month LIBOR plus a spread of 30 bps. Commencing August 1, 2008 the Series 2003B Prior Certificates interest rate are set based on SIFMA plus a spread of 65 bps. See “SECURITY FOR THE SERIES 2010A CERTIFICATES – Interest Rate Exchange Certificates – 2003B Interest Rate Exchange Agreement” herein.

CERTIFICATE PAYMENT SCHEDULE II FOR PRIOR CERTIFICATES

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

Certificate Year Ending August 1	Series 2005A Certificates	Series 2006A Certificates	QZAB Certificates ⁽¹⁾	Series 2007A Certificates	Series 2007B Certificates ⁽²⁾	Series 2007C Certificates	Series 2007D Certificates	Series 2007E Certificates
2011	\$6,372,520.00	\$15,818,217.50	\$322,604.03	\$22,166,137.50	\$5,811,250.00	\$8,841,162.50	\$5,246,250.00	\$11,066,650.00
2012	6,376,020.00	15,435,905.00	322,604.03	22,167,787.50	4,945,373.76	9,350,962.50	5,250,750.00	11,063,450.00
2013	6,373,880.00	15,434,105.00	322,604.03	22,170,475.00	4,945,373.76	13,534,962.50	5,249,750.00	11,064,750.00
2014	6,371,140.00	15,435,905.00	322,604.03	22,166,787.50	4,945,373.76	13,620,462.50	5,248,000.00	11,064,900.00
2015	24,123,000.00	15,430,920.00	322,604.03	22,166,212.50	4,945,373.76	8,949,212.50	5,250,000.00	11,063,350.00
2016	26,204,000.00	15,433,645.00	322,604.03	22,169,362.50	4,945,373.76	9,067,412.50		11,063,180.00
2017	26,081,000.00	15,433,282.50	254,746.88	22,166,162.50	4,945,373.76	8,554,412.50		11,062,580.00
2018	21,731,750.00	15,431,732.50	254,746.88	22,169,212.50	4,945,373.76	8,725,212.50		11,066,805.00
2019	20,555,250.00	15,431,252.50	254,746.88	6,872,362.50	19,845,373.76	9,798,212.50		11,066,775.00
2020	6,811,000.00	15,432,577.50	254,746.88	6,872,362.50	19,796,378.76	23,547,012.50		11,062,645.00
2021	10,468,000.00	15,434,952.50		6,872,362.50	19,767,492.00	13,840,512.50		11,066,470.00
2022	10,463,250.00	15,431,532.50		6,872,362.50	19,716,798.76	13,908,112.50		11,063,220.00
2023		15,433,152.50		6,872,362.50	19,684,086.26	24,736,362.50		11,064,720.00
2024		15,431,527.50		6,872,362.50	19,647,439.76	24,792,862.50		11,064,970.00
2025		15,435,095.00		8,302,362.50	18,150,795.50	24,914,762.50		11,063,220.00
2026		15,431,432.50		26,946,587.50		46,067,337.50		11,063,720.00
2027		15,434,825.00		26,944,337.50		46,392,775.00		11,065,470.00
2028		15,435,362.50		26,943,750.00				11,062,470.00
2029		15,435,687.50		26,945,000.00				11,063,970.00
2030		15,434,275.00		26,945,750.00				11,063,720.00
2031		15,434,625.00		26,943,250.00				11,065,720.00
2032								<u>11,063,720.00</u>
Total	\$171,930,810.00	\$324,490,010	\$2,954,611.70	\$388,547,350	\$177,037,231.15	\$308,641,750	\$26,244,750	\$243,416,475

(1) Includes the Series 2002 QZAB Certificates, the Series 2004 QZAB Certificates and the Series 2005 QZAB Certificates.

(2) On March 12, 2008, the School Board elected to convert the Series 2007B Prior Certificates out of weekly Auction Rate Mode into a Long-Term Rate Mode to a period ending August 1, 2011. The result is an interest rate on the Series 2007B Prior Certificates with a set coupon of 5.00% which yields an All-in-true Interest Cost ("All-In TIC") of 4.255%. The difference in All-in TIC and coupon payment produced a premium which reduces the total principal amount of the Series 2007B Prior Certificates from \$119,400,000 to \$116,225,000. The terms of the Series 2007B Prior Certificates also required a mandatory tender and remarketing of the Series 2007B Prior Certificates in connection with this interest rate mode change.

COMBINED CERTIFICATE PAYMENT SCHEDULE

The estimated combined payment requirements on the Series 2010A Certificates and the Prior Certificates are as follows:

Certificate Year Ending August 1	Series 2010A Certificates ⁽¹⁾			Prior Certificates ⁽²⁾	Total
	Sinking Fund Payments	Net Interest	Subtotal		
2011		101,046.40	101,046.40	\$145,188,056.16	145,289,102.56
2012		142,096.50	142,096.50	143,940,403.32	144,082,499.82
2013		142,096.50	142,096.50	143,950,890.85	144,092,987.35
2014		142,096.50	142,096.50	143,945,500.97	144,087,597.47
2015		142,096.50	142,096.50	143,931,452.40	144,073,548.90
2016		142,096.50	142,096.50	144,061,100.80	144,203,197.30
2017		142,096.50	142,096.50	144,070,369.93	144,212,466.43
2018		142,096.50	142,096.50	144,066,588.97	144,208,685.47
2019	\$9,666,428.57	142,096.50	9,808,525.07	143,674,480.83	153,483,005.90
2020	9,666,428.57	142,096.50	9,808,525.07	143,615,255.14	153,423,780.21
2021	9,666,428.57	142,096.50	9,808,525.07	143,341,689.69	153,150,214.76
2022	9,666,428.57	142,096.50	9,808,525.07	143,286,031.72	153,094,556.79
2023	9,666,428.57	142,096.50	9,808,525.07	143,551,479.54	153,360,004.61
2024	9,666,428.57	142,096.50	9,808,525.07	143,521,256.99	153,329,782.06
2025	9,666,428.58	142,096.50	9,808,525.08	143,457,347.00	153,265,872.11
2026				143,940,203.32	143,940,203.32
2027				144,201,198.91	144,201,198.91
2028				144,508,830.31	144,508,830.31
2029				144,509,412.34	144,509,412.34
2030				53,443,745.00	53,443,745.00
2031				53,443,595.00	53,443,595.00
2032				<u>11,063,720.00</u>	<u>11,063,720.00</u>
Total	<u>\$67,665,000.00</u>	<u>\$2,090,397.40</u>	<u>\$69,755,397.40</u>	<u>\$2,852,712,609.22</u>	<u>2,922,468,006.62</u>

(1) Based on a principal amount of \$67,665,000 which will be due on the maturity date; includes sinking fund payments which equal the Principal Component due on the Series 2010A Certificates at maturity. The School Board will receive a credit against sinking fund payments for interest income on amounts on deposit in the Series 2010A Sinking Fund Account. Interest on the Series 2010A Certificates is calculated at 5.40%, the stated interest rate on the Series 2010A Certificates, less 5.19%, representing the Interest Subsidy.

(2) See "CERTIFICATE PAYMENT SCHEDULE I & II FOR PRIOR CERTIFICATES."

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 2010A Lease is one of the Leases entered into under the Master Lease and provides for the leasing of the Series 2010A Facilities by the Corporation to the School Board. See “THE SERIES 2010A LEASE” and “THE SERIES 2010A 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. 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 2010A 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 2010A Lease or any other Leases.

THE SERIES 2010A LEASE

The following is a brief summary of certain provisions of the Series 2010A 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 2010A Lease is being entered into pursuant to the authority granted under Chapters 1001-1013, Florida Statutes, as amended, for the purpose of providing for the acquisition, construction and lease purchase financing and refinancing of the Series 2010A Facilities.

Lease Term

Under the Series 2010A Lease, the Corporation will lease to the School Board, and the School Board will lease from the Corporation, the Series 2010A Facilities. The Series 2010A Lease has an initial Lease Term which commences on the date of delivery of the Series 2010A Certificates and continues through and including June 30, 2011, and is automatically renewable annually thereafter through August 1, 2025, unless sooner terminated in accordance with the provisions of the Series 2010A Lease. See “THE SERIES 2010A LEASE - Termination of Lease Term.”

Lease Payments

Subject to the conditions stated in the Series 2010A Lease, the School Board has expressed its current intent to make all Lease Payments due under the Series 2010A 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 2010A LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE UNDER THE SERIES 2010A LEASE, AND THE SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. All Lease Payments due under the Series 2010A Lease will be made from current or other funds authorized by law and regulations of the State of Florida Department of Education and appropriated for such purpose by the School Board.

On December 30, 2010, and thereafter on June 30 and December 30 of each year, the Series 2010A Lease Payment Date preceding each Series 2010A 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 2010A Certificate Payment. The School Board is also required to pay, when due, Additional Lease Payments and Supplemental Payments, consisting, among other things, of Sinking Fund Payments, payments due under its Interest Rate Exchange Agreements (see "SECURITY FOR THE SERIES 2010A CERTIFICATES - Interest Rate Exchange Agreements") and the fees and expenses of the Trustee and the Corporation. Lease Payments due under the Series 2010A Lease may be reduced, when applicable, by amounts credited as follows:

(a) The Trustee will deposit into the Series 2010A Lease Payment Account interest income in accordance with the Trust Agreement and apply such interest income as a credit against the next ensuing Lease Payment to the extent provided in the Trust Agreement.

(b) Upon the earlier to occur of (i) completion of acquisition and construction of the Series 2010A Facilities and payment of all Costs of the Series 2010A Facilities and (ii) the termination of the Expenditure Period, the amounts, if any, on deposit in the Series 2010A Acquisition Account shall be transferred to the Series 2010A Prepayment Account to be applied to the prepayment of Basic Lease Payments represented by Series 2010A Certificates.

(c) The Trustee will deposit in the Series 2010A Lease Payment Account, Net Proceeds realized in the event of damage, destruction or condemnation of the Series 2010A Facilities to be applied to the prompt repair, restoration or replacement of such Series 2010A Facilities; provided, however, if the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Series 2010A Facilities damaged, destroyed or condemned, then the School Board shall not be required to comply with the provisions of the preceding

clause. If the Net Proceeds are (i) less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Series 2010A Facilities and (ii) equal to or less than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under the Series 2010A Lease, then such Net Proceeds may, at the option of the School Board, (x) be deposited in the Series 2010A Lease Payment Account to be credited against Basic Lease Payments next coming due under the Series 2010A Lease or (y) deposited in the Series 2010A Acquisition Account and applied to pay Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the Series 2010A Lease as fully as if they were originally leased Facilities. If the Net Proceeds are (i) equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities or (ii) greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under the Series 2010A Lease, then the Net Proceeds shall be deposited to the Series 2010A Acquisition Account and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the Series 2010A Lease as fully as if they were the originally leased Facilities; provided, however, at the direction of the School Board, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the Series 2010A Lease Payment Account to be credited against Basic Lease Payments next coming due under the Series 2010A Lease.

Assignment of Lease to Trustee

Pursuant to the Series 2010A Assignment, substantially all right, title and interest of the Corporation in and to the Series 2010A Ground Lease and in and to the Series 2010A 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 Holder of the Series 2010A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2010A Lease. The School Board has consented to such assignment.

Lease Covenants

Under the Series 2010A Lease, the School Board is responsible for the acquisition, construction and installation of the Series 2010A Facilities pursuant to the specifications of the School Board, including the letting of all contracts for the acquisition, construction and installation of the Series 2010A Facilities. In the Series 2010A Lease, the School Board covenants that it will: (i) maintain the Series 2010A Facilities at all times during the Lease Terms in good repair and condition; (ii) pay applicable taxes, utility charges and other governmental charges; and (iii) provide applicable insurance coverage, including property and liability insurance, all in accordance with the terms and provisions relating to these requirements, contained in the Series 2010A Lease.

Budget and Appropriation

The cost and expense of the performance by the School Board of its obligations under the Series 2010A Lease, under the Prior Leases and any Additional Leases and the incurrence of any liabilities of the School Board under the Series 2010A Lease, the Prior Leases and any Additional Leases including without limitation, the payment of all Lease Payments and all other

amounts required to be paid by the School Board under all Leases, are subject to and dependent on appropriations being duly made from time to time by the School Board for such purposes. The School Board may not budget and appropriate available revenues to make Lease Payments selectively on a Lease by Lease basis, but must appropriate such revenues for all Leases or none of them. Under no circumstances will the failure of the School Board to appropriate sufficient funds in any Fiscal Year constitute a default or require payment of a penalty, or in any way limit the right of the School Board to purchase or utilize educational facilities similar in function to those leased under any Lease including the Series 2010A 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 2010A LEASE - Effect of Termination for Non-Appropriation or Default."

Termination of Lease Term

The Lease Term of each Lease, including the Series 2010A Lease, will terminate upon the earliest of any of the following events:

- (a) Each Lease will terminate on the latest Lease Payment Date set forth in any Lease;
- (b) All Leases will terminate in the event of non-appropriation of funds for the payment of Lease Payments;
- (c) All Leases will terminate upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to the Master Lease; and

(d) A particular Lease will terminate upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease by the School Board or upon provision for such payment pursuant to the Master Lease.

Effect of Termination for Non-Appropriation or Default

Upon termination of the Lease Term for the reasons referred to in (b) or (c) under “THE SERIES 2010A LEASE - Termination of Lease Term” above, the School Board is required to immediately surrender and deliver possession of all the Facilities financed under all Leases (except for certain designated Facilities) to the Trustee in the condition, state of repair and appearance required under the Leases and in accordance with the Trustee’s instructions. Upon such surrender, the Trustee (or other transferee) will attempt to sell or re-let its interest in such facilities in such manner and to such person or persons for any lawful purpose or purposes as it, in its sole discretion, determines to be appropriate. The Trustee will pursue such rights and remedies as directed by the Holders a majority in aggregate principal amount of the Series 2010A Certificates. The proceeds derived from any such sale or reletting of the School Board’s leasehold interest in such Facilities, if any, will be applied first to the payment of the fees and expenses of the Trustee, second to payment in full of the Series of Certificates relating to such Facilities and then to the payment of other outstanding amounts as described in said Lease(s). The proceeds of any such disposition of the Series 2010A Facilities will be applied to the payment of the Series 2010A Certificates after payment of the expenses of the Trustee, in accordance with the terms of the Series 2010A Lease. Under the Series 2010A Lease, the School Board may not be dispossessed of any personal property financed, in whole or in part, with the proceeds of the Series 2010A Certificates. See “RISK FACTORS - Limitation Upon Disposition; Ability to Sell or Relet.” IN NO EVENT WILL OWNERS OF THE SERIES 2010A CERTIFICATES HAVE ANY INTEREST IN OR RIGHT TO ANY PROCEEDS OF THE DISPOSITION OF FACILITIES FINANCED WITH THE PROCEEDS OF ANOTHER SERIES OF CERTIFICATES EXCEPT FOR ANY CERTIFICATES ISSUED TO COMPLETE THE SERIES 2010A FACILITIES OR TO REFUND SERIES 2010A 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 2010A Facilities will produce sufficient amounts to pay the Series 2010A Certificates. Federal income tax status of payments made to Series 2010A 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 2010A 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 2010A Certificates will not be impaired following termination of the Lease Term of the Leases. See “RISK FACTORS.”

THE CORPORATION

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

There is no litigation pending against the Corporation.

Pursuant to the Assignments, the Corporation has made absolute and unconditional assignments of substantially all its right, title and interest under the Series 2010A Lease to the Trustee, retaining its rights to indemnification, its right to hold title to certain of the Series 2010A 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 2010A Certificates. The credit of the Corporation is not material to any of the transactions contemplated in this Offering Statement. No financial information concerning the Corporation has been included herein, nor is it contemplated that any such financial information will be included in any future Offering Statement relating to the sale of any Additional Certificates or other obligations of the School Board or the Corporation.

THE DISTRICT

General

The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Florida Statutes. The District is the eleventh largest school district in the United States and the fifth largest in Florida as measured by student enrollment. The geographic boundaries of the District are coterminous with those of the County. The County, established in 1909, had a 2009 population of 1,286,621. It is the third largest county in Florida in terms of population and encompasses a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 38 incorporated municipalities within the boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Lake Worth, Delray Beach and Boca Raton.

As of June 30, 2010, the District included 182 schools and had approximately 171,722 full time equivalent students and over 20,000 full-time and part-time employees, including approximately 13,975 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The Tax Collector collects ad valorem taxes for the District, but the County exercises no control over expenditures by the District. Additional information concerning the County is contained in “Appendix A – Information Regarding Palm Beach County, Florida

Certain Statistical Information

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

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

<u>School Year</u>	<u>Number of Schools</u>	<u>Number of Instructional Personnel at Fiscal Year End</u>	<u>Average F.T.E. Enrollment</u> ⁽¹⁾	<u>Expenditures per F.T.E. Student</u> ⁽²⁾
2009-10	182	13,975	171,722	\$7,014
2008-09	181	14,031	168,456	8,815
2007-08	168	14,129	168,342	9,184
2006-07	166	13,989	169,480	7,957
2005-06	165	10,779	172,527	8,294
2004-05	161	11,654	172,237	6,356

⁽¹⁾ Unweighted, includes adults.

⁽²⁾ Excludes outgoing transfers. Includes adults.

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

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FTE Growth

The Full-Time Equivalent (FTE) Enrollment for School Years 2005-06 through 2009-10 were as follows:

**School District of Palm Beach County, Florida Profile of Enrollments
Unweighted Full-Time Equivalent Students⁽¹⁾
2005-06 - 2009-10**

	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
Grades K-3	43,570	42,694	43,355	43,554	43,779
Grades 4-8	61,539	60,452	60,078	61,177	60,747
Grades 9-12	43,134	43,712	44,233	43,731	43,313
Exceptional Ed.	1,635*	1,483	1,502	1,418	1,414
Vocational Ed.	6,063	5,638	5,334	5,154	5,160
At. Risk Programs	<u>16,586</u>	<u>15,501</u>	<u>14,778</u>	<u>14,040</u>	<u>14,043</u>
Total	<u>172,527</u>	<u>169,480</u>	<u>169,280</u>	<u>169,074</u>	<u>168,456</u>
Percentage Change	2.52%	0.17%	(1.77)%	(0.12)%	(0.36)%

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

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

The School Board

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

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

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

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

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

<u>Name/Office</u>	<u>District</u>	<u>Term Expires</u>
Monroe Benaim, M.D., Chairman	1	November, 2012
Dr. Sandra Richmond, Vice Chair ⁽¹⁾	6	November, 2010
Vacant ⁽²⁾	2	
William G. Graham, Member ⁽³⁾	3	November, 2010
Carrie Hill, Member ⁽⁴⁾	4	November, 2010
Frank A. Barbieri, Jr., Esq., Member	5	November, 2012
Debra L. Robinson, M.D., Member ⁽⁵⁾	7	November, 2010

(1) The results of the November 2, 2010, election to replace Dr. Richmond have not yet been certified.

(2) On November 2, 2010, Chuck Shaw was elected to fill this vacancy and will be sworn in on November 16, 2010.

(3) On November 2, 2010, Karen Brill was elected and will be sworn in on November 16, 2010.

(4) On November 2, 2010, Jennifer Prior Brown was elected and will be sworn in on November 16, 2010.

(5) On November 2, 2010, Dr. Robinson was reelected to a term which will expire in November, 2014.

The Superintendent of Schools

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

Biographical Information for Certain Administrators

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

Dr. Art Johnson, Superintendent of Schools, 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, prior to joining the District. He has a Public Administration degree from Florida Atlantic University.

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

Joseph Sanches, Chief of Facilities Management, joined the District in April 2002. Mr. Sanches brings over 18 years of experience in the private sector managing major capital improvement programs for governmental agencies in New York, New Jersey, Atlanta and the U.S. Virgin Islands. He received his bachelor's degree in Construction Management from Pratt Institute and his MBA from the City University of New York.

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

Full Time School Personnel

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

Employee Relations

Approximately 60% 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 40% are represented by non-instructional collective bargaining agents.

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

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

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

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

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

Accreditation

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

Budget Process

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

Capital Improvement Program

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

FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT

The following briefly describes financial results of the District and certain District liabilities. For additional information concerning such matters see "APPENDIX B - EXCERPTED INFORMATION FROM THE AUDITED BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL

YEAR ENDED JUNE 30, 2009, AND FROM THE ANNUAL FINANCIAL REPORT (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2010.”

Financial Results

The financial and accounting procedures of the District are designed to conform with accounting principles generally accepted in the United States of America as applied to governmental units. The District’s financial statements include the government-wide financial statements and the fund financial statements. The government-wide financial statements display information about the District as a whole, while the fund financial statements report detailed information about the District. The government-wide financial statements use the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. The governmental funds use the modified accrual basis of accounting, whereby revenues are recognized when they become available and measurable and expenditures are recorded in the accounting period in which the liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long term debt and compensated absences which are recognized when due. Proprietary and fiduciary funds also use the accrual basis of accounting.

General Fund Revenue Sources

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

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

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

⁽¹⁾ Rounded.

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

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

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General Fund Operations

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

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

	For the Fiscal Years Ended June 30				Budget
	2007	2008	2009	2010 ⁽¹⁾	2011
Beginning Fund Balance:					
Reserved	\$22.5	\$28.9	\$32.8	\$14.5	\$25.7
Undesignated	37.3	33.3	48.5	38.5	33.5
Contingency Reserve	39.4	39.4	39.4	39.4	44.4
Total	<u>\$99.2</u>	<u>\$101.6</u>	<u>\$120.7</u>	<u>\$92.4</u>	<u>\$103.6</u>
Revenues:					
Local Sources and Other Financing Sources:					
Ad Valorem Taxes	\$885.0	\$879.8	\$887.3	\$873.4	\$851.4
Interest Income and Other	16.6	14.7	5.8	3.1	2.7
Other Revenue	39.9	56.6	59.3	57.0	45.2
Transfers In	43.6	60.7	61.3	79.7	81.1
Total Local Sources and Other Financing Sources:	<u>\$985.1</u>	<u>\$1,011.8</u>	<u>\$1,013.7</u>	<u>\$1,013.2</u>	<u>\$980.4</u>
State Sources:					
FL Educ. Finance Pro. & Lottery	\$117.0	\$136.7	\$78.7	\$71.9	\$129.4
Categorical Grants	206.1	248.5	231.7	197.2	211.2
Other	30.0	19.5	17.5	15.9	21.1
Total State Sources	<u>\$353.1</u>	<u>\$404.7</u>	<u>\$327.9</u>	<u>\$285.0</u>	<u>\$361.7</u>
Federal Sources	<u>\$4.6</u>	<u>\$2.2</u>	<u>\$6.4</u>	<u>\$5.9</u>	<u>\$4.7</u>
Total Revenues	<u>\$1,342.8</u>	<u>\$1,418.7</u>	<u>\$1,348.0</u>	<u>\$1,304.1</u>	<u>\$1,346.8</u>
Adjustments to Fund Balance					
Total Rev. & Fund Balance	<u>\$1,442.0</u>	<u>\$1,520.3</u>	<u>\$1,468.7</u>	<u>\$1,396.5</u>	<u>\$1,450.4</u>
Expenditures:					
Salaries	\$837.5	\$862.7	\$850.6	\$788.8	\$812.8
Employee Benefits	230.4	260.1	260.5	244.2	275.8
Purchased Services and other	123.4	117.8	119.8	127.4	134.9
Other Non-Personnel	149.1	159.0	145.4	132.5	178.4
Transfer Out	-	-	-	-	-
Total Expenditures	<u>\$1,340.4</u>	<u>\$1,399.6</u>	<u>\$1,376.3</u>	<u>\$1,292.9</u>	<u>\$1,401.9</u>
Excess of Revenues Over (Under) Expenditures	<u>\$2.4</u>	<u>\$19.1</u>	<u>(\$28.3)</u>	<u>\$11.2</u>	<u>(\$55.1)</u>
Ending Fund Balance					
Reserved for Encumbrances	\$6.2	\$3.6	\$2.0	\$2.9	-
Reserved for Inventory	10.4	10.9	6.0	14.8	-
Reserved for Board Contingency	39.4	39.4	39.4	44.4	44.4
Reserved for Sprint Settlement	-	5.0	4.8	-	-
Reserved for Group Health Insurance	10.1	10.1	-	-	-
Reserved for Salary Increases	-	-	-	6.6	-
Reserved for Carryover Programs	2.2	3.2	1.7	1.4	-
Undesignated	33.3	48.5	38.5	33.5	-
Total Fund Balance	<u>\$101.6</u>	<u>\$120.7</u>	<u>\$92.4</u>	<u>\$103.6</u>	<u>\$44.4</u>
Total Expenditures & Fund Balance	<u>\$1,442.0</u>	<u>\$1,520.3</u>	<u>\$1,468.7</u>	<u>\$1,396.5</u>	<u>\$1,446.3</u>

⁽¹⁾ Unaudited.

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

The Florida Legislature in January, 2009 adopted legislation creating Section 1011.051, Florida Statutes, entitled “Guidelines for general funds”. This new section requires that if a school district’s unreserved General Fund balance in the approved operating budget is projected to fall below three percent (3%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. The section further requires that if the unreserved General Fund balance is projected to fall below two percent (2%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. Within 14 days after receiving such notification of a balance below two percent (2%), if the Commissioner determines that the district does not have a plan that is reasonably anticipated to avoid a financial emergency as determined pursuant to Florida Statutes pertaining thereto, the Commissioner shall appoint a financial emergency board that may take certain delineated steps to assist a district school board in complying with the General Fund requirements. In Fiscal Year 2008-09, the District’s unreserved General Fund fund balance was 6.87% of General Fund Revenues and in Fiscal Year 2009-10 was 6.71% (unaudited) of General Fund Revenues.

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

	Results of Operations - Budgetary Basis ⁽¹⁾				Budget ⁽²⁾
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
REVENUES:					
Local Sources:					
Ad valorem taxes	251.4	309.8	328.4	279.7	262.4
Local Sales Tax	120.4	116.7	102.8	121.0	90.8
Interest income and other	55.7	60.0	55.5	112.2	5.3
Total Local Sources	<u>\$ 427.5</u>	<u>\$ 486.5</u>	<u>\$ 486.7</u>	<u>\$ 512.9</u>	<u>\$ 358.5</u>
State Sources:					
Capital outlay distributed to District - net	1.2	1.0	2.0	1.0	1.9
Public education capital outlay	13.9	-	33.7	9.2	2.0
Other	5.5	-	46.7	3.2	3.5
Total State Sources	<u>\$ 20.6</u>	<u>\$ 1.0</u>	<u>\$ 82.4</u>	<u>\$ 13.4</u>	<u>\$ 7.4</u>
GAAP Adjustments	17.1	19.3	-	-	-
TOTAL REVENUES	<u>\$ 465.2</u>	<u>\$ 506.8</u>	<u>\$ 569.1</u>	<u>\$ 526.3</u>	<u>\$ 365.9</u>
EXPENDITURES:					
Facilities acquisition and construction:					
Land	\$ 37.4	\$ 31.1	\$ 33.1	\$ 36.4	\$ 5.9
Buildings	591.0	638.4	517.4	718.4	447.5
Improvements	10.6	8.8	4.7	16.4	15.3
Total facilities acquisition & construction	<u>\$ 639.0</u>	<u>\$ 678.3</u>	<u>\$ 555.2</u>	<u>\$ 771.2</u>	<u>\$ 468.7</u>
Other capital outlay:					
Furniture, fixtures and equipment	\$ 80.9	\$ 80.2	\$ 46.5	\$ 56.8	\$ 22.6
Debt Service	11.7	13.9	8.7	6.4	3.9
Less Encumbrances	(209.7)	(250.9)	(31.7)	(240.0)	0.0
TOTAL EXPENDITURES	<u>\$ 521.9</u>	<u>\$ 521.5</u>	<u>\$ 578.7</u>	<u>\$ 594.4</u>	<u>\$ 495.2</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(56.7)	(14.7)	(9.6)	(68.1)	(129.3)
OTHER FINANCING SOURCES (USES):					
Transfers out	(145.4)	(164.2)	(205.9)	(61.0)	(79.4)
Proceeds from sale of Capital Assets and other	2.1	1.6	0.3	0.0	0.0
Proceeds from leases	0.0	0.0	0.0	0.0	0.0
Proceeds from insurance loss recoveries	15.2	0.2	6.3	0.0	0.0
Proceeds from issuance of long-term debt	229.9	400.7	148.1	106.2	0.0
Total Other Financing Sources (Uses)	<u>\$ 101.8</u>	<u>\$ 238.3</u>	<u>\$ (51.2)</u>	<u>\$ 45.2</u>	<u>\$ (79.4)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	45.1	223.6	(60.8)	(22.9)	(208.7)
Beginning Fund Balances (GAAP)	341.8	386.9	610.5	549.7	526.8
Ending Fund Balances (GAAP)	<u>\$ 386.9</u>	<u>\$ 610.5</u>	<u>\$ 549.7</u>	<u>\$ 526.8</u>	<u>\$ 318.1</u>

Liabilities

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

**Selected Financial Information of
The School District of Palm Beach County, Florida
and Palm Beach County, Florida
Direct and Overlapping Long-Term Debt Statement (in thousands)
June 30, 2009**

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

Source: School District of Palm Beach County, Florida.

- (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)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>
OVERLAPPING DEBT (COUNTY)	<u>General Obligation</u>	<u>Non-Ad Valorem Revenue Bonds</u>	<u>Revenue Bonds</u>
Total General Obligations Bonds	\$270,150		
Total Non-Ad Valorem Revenue Bonds		\$924,052	
Total Revenue Bonds			\$947,943
TOTAL COUNTY DIRECT DEBT	\$270,150	\$924,052	\$947,943
TOTAL DISTRICT DEBT	-0-	\$ 29,555	-0-
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$270,150</u>	<u>\$953,607</u>	<u>\$947,943</u>

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2009 and the School District of Palm Beach County, Florida (June 30, 2010).

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

1.	Population (2009)	1,295,033
2.	Net Taxable Valuation (2009)	\$134,698,183,829
3.	Direct General Obligation Debt	\$0
	a) As a Percent of Taxable Valuation	0%
	b) Per Capita	\$0
4.	Direct and Overlapping General Obligation Debt	\$270,150
	a) As a percent of Taxable Valuation	0.0201%
	b) Per Capita	\$209.85
5.	Direct Non-Ad Valorem Revenue Bonds and Direct General Obligation Debt	\$29,555,000
	a) As a percent of Taxable Valuation	0.022%
	b) Per Capita	\$22.96
6.	Direct and Overlapping General Obligation and Non-Ad Valorem Revenue Bonds	\$1,194,202.00
	a) As a percent of Taxable Valuation	0.887%
	b) Per Capita	\$927.65

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

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 2010A Lease or any other Leases.

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

rates and frequencies established by law on future payrolls of the District. For the Fiscal Years ended June 30, 2009 and June 30, 2010, the District contributed \$94,977,156 and \$93,208,284, respectively.

Employees hired prior to 1970 and not electing to enroll in the FRS may be covered by alternate contributory plans, principally the Teachers' Retirement System Plan E, administered by the FRS. State law requires the District to contribute 11.35% of the earnable compensation of members to these plans. For the Fiscal Years ended June 30, 2009 and June 30, 2010, the District contributed \$60,560 and \$33,084, respectively. See Note 10 to the District's audited financial statements for the Fiscal Year ended June 30, 2009 and Note 11 to the District's unaudited financial statements for the Fiscal Year ended June 30, 2010 in "APPENDIX B – BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2009, AND FROM THE ANNUAL FINANCIAL REPORT (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2010" for additional information regarding the retirement plans.

Other Post Employment Benefit Program. In addition to its contributions under the State's retirement plan described above, the District provides other postemployment benefits ("OPEB") for certain of its retired employees in the form of an implicit rate subsidy by providing access to health insurance plans requiring the use of a single "blended" or "common" rate for both active and retired employees. The offering of this health insurance coverage is required by Section 112.0801, Florida Statutes.

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

information on OPEB liability, including assumptions on which the calculation is based, see note 11 to the District's audited basic financial statements for the Fiscal Year ended June 30, 2009, and note 12 to the District's unaudited financial statements for the Fiscal Year ended June 30, 2010, both of which are attached hereto as Appendix B

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

OPERATING REVENUES OF THE DISTRICT

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

State Sources

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

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

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

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

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

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

Local Sources

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

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

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

For Fiscal Year 2007-08, the District was able to levy 0.1030 mills under statutory provisions allowing districts to levy no more than .25 mills for operating purposes designed to raise up to but not more than \$100 per full-time equivalent student. For Fiscal Year 2008-09, the District was able to levy 0.1050 mills under these provisions. The supplemental discretionary operating millage described in this paragraph was discontinued beginning in Fiscal Year 2009-10.

In addition to the foregoing, the Board may, by a super majority vote, levy an additional .25 mills for critical capital outlay needs or for critical operating needs. The District is levying an additional .25 mills for critical operating needs for Fiscal Year 2010-11 pursuant to such authorization. Continuation of the levy after Fiscal Year 2010-11 for an additional two years required the approval of the voters of the District, which was given in the 2010 general election. The voter approval extends such levy until Fiscal Year 2013-14. If levied for operations, districts in which .25 mills generate less than the state average are to be provided the difference in state funds allocated through the FEFP. See "AD VALOREM TAXATION - Millage Rates" herein.

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

Federal Sources

The District receives certain Federal moneys, both directly and through the State, substantially all of which are restricted for specific programs. Direct Federal revenue sources were \$918,709 and \$754,931 in Fiscal Years 2008-09 and 2009-10, respectively, and are budgeted at \$606,000 for Fiscal Year 2010-11. Federal funds through the State totaled \$5,488,075 and \$4,100,000 in Fiscal Years 2008-09 and 2009-10, respectively, and are budgeted to be \$4,100,000 in Fiscal Year 2010-11. Such funds are not available to make Lease Payments on the Leases.

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

Class Size Reduction

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

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

The Class Size Legislation further 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.

Pursuant to action taken by the Florida Legislature in the 2010 session, an amendment to Article IX was submitted to voters in the November 2, 2010 general election but did not receive the 60% vote that was required. The amendment would have permitted compliance on a school-

by-school basis rather than on a classroom-by-classroom measurement. If the Constitutional amendment had been approved, the revisions to the class size requirements would have applied retroactively to the beginning of the 2010-11 school year.

To date, the District has complied with the requirements of the Class Size Legislation which is based on average class size at each school. The District believes that compliance with the Class Size Legislation on an individual classroom basis will require significant changes at the District's schools that would directly impact the students. Since the more stringent classroom-by-classroom requirement of the Class Size Legislation could have been changed if the Class Size Amendment had been approved by the voters of the State on November 2, 2010, the District elected to comply with the Class Size Legislation on an individual classroom basis whenever possible without adversely impacting its students. As of the October Survey, the week during which DOE determines compliance with class size maximums, the District had 80% or 81,187 of the classrooms in compliance and 20% or 21,152 of the classrooms not in compliance with the maximum class size. Based on the number of students which exceeds the maximum and the total number of students which exceed the maximum for all classes, the District expects that its categorical allocation could be reduced by approximately \$16 million; however, the District is required to submit a plan by February 15, 2011, outlining specific actions it will take to come into full compliance by October, 2012 which would reduce the penalty to \$4 million. The District has budgeted \$7 million to offset any such penalties.

Pre-K Programs

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

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

AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS

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

State Sources

PECO. The primary source of state educational funding contributions to the School Board's capital outlay requirements is the Florida Public Education Capital Outlay Program (PECO). The method of allocation of funds to the district school boards is provided by state law based upon a statutory formula, components of which are the number of students in various districts and the proposed uses of the funds by the various districts. The Commissioner of Education administers the PECO program and allocates or reallocates funds as authorized by law. The amount of PECO allocated to the School Board was \$9,153,384 for Fiscal Year 2008-09, \$1,963,985 for Fiscal Year 2009-10 (unaudited) and is budgeted to be approximately \$5,443,341 for Fiscal Year 2010-11. PECO funds may be used to make the principal portion of lease-purchase payments on a new construction project, but only to the extent that the project otherwise qualifies for PECO funding.

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

Capital Outlay Bond Issues. The School District plans to participate in a bond sale held by the State of Florida during Fiscal Year 2011. Annually, the State offers to bond a portion of future C.O. and D.S. funds for school districts. The State estimates the School District will receive \$9.7 million from the bond sale.

Local Sources

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

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

Taxes” for information concerning recent legislation that may adversely affect the District’s taxable assessed valuation, local option millage levy and the capital outlay millage available to make lease payments.

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

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The table below sets forth the millage levy that would provide 1.00x coverage of annual payments for the Fiscal Year 2010-11 and 1.00x coverage of the maximum annual payments represented by the Prior Certificates and the Series 2010A Certificates, assuming a 96% collection of the taxes levied.

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

Net Taxable Assessed Valuation (2010 tax year)	\$134,698,183,829 ⁽¹⁾
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Funds Generated from Local Option Capital Outlay Millage (1.57 mills) which are Available to Make Lease Payments	\$203,017,101 ⁽²⁾
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Calculation for Annual Lease Payments due in the Fiscal Year 2010-11:

Annual Lease Payments Represented by the Prior Certificates and the Series 2010A Certificates	\$145,289,103 ⁽³⁾
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Minimum Millage Levy Used to Produce 1.00x Coverage of Annual Lease Payments represented by the Prior Certificates and the Series 2010A Certificates	1.124 ⁽³⁾
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Millage Levy Legally Required to Produce 1.00x Coverage of Annual Lease Payments represented by the Prior Certificates and the Series 2010A Certificates	1.49 ⁽²⁾⁽³⁾
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Calculation for Maximum Annual Lease Payments:

Maximum Annual Lease Payments Represented by the Prior Certificates and the Series 2010A Certificates	\$153,483,006 ⁽³⁾
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Minimum Millage Levy Used to Produce 1.00x Coverage of Maximum Annual Lease Payments represented by the Prior Certificates and the Series 2010A Certificates	1.19 ⁽³⁾
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Millage Levy Legally Required to Produce 1.00x Coverage of Maximum Annual Lease Payments represented by the Prior Certificates and the Series 2010A Certificates	1.58 ⁽²⁾⁽³⁾
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Source: The School District of Palm Beach County, Florida.

- (1) Applicable to the District's Fiscal Year 2010-11.
- (2) Applicable to the District's Fiscal Year 2010-11. This number calculated using 96% of the net taxable assessed valuation and assuming only 75% of the Local Option Capital Outlay Millage levy (1.57 mills) is available to make payments represented by the Prior Certificates and the Series 2010A Certificates.
- (3) Assumes that (i) the Series 2002B Certificates bear interest at 4.53%, (ii) the Series 2003B Certificates bear interest at 4.19%, (iii) the Series 2007B Certificates bear interest at the rate of 5.00% until the mandatory tender date of August 1, 2011 and at an all-in interest cost of 4.255% for the period thereafter. With respect to the Series 2010A Certificates, interest is calculated at the stated interest rate of 5.40% net of an Interest Subsidy of 5.19%.

AD VALOREM TAXATION

Property Assessment

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

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

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

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

Property Tax Reform

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

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

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

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

Millage Rates

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

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

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

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

Each respective millage rate, except as limited by law, is set on the basis of estimates of revenue needs and the total taxable property values within the taxing authority’s respective jurisdiction. Revenues derived from ad valorem property taxes are budgeted, as required by Florida law, on the application of millage levies to 95 percent of the non-exempt assessed valuation of property in the County. Ad valorem taxes are not levied in excess of actual budget requirements.

Procedures for Tax Collection and Distribution

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

In the event of a delinquency in the payment of taxes on real property, the Tax Collector is required to attempt to sell tax certificates on such property to the person who pays the

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

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

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

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

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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>Ended June 30</u>	<u>Gross</u> <u>Assessed Value⁽¹⁾</u>	<u>Total Taxable Value for</u> <u>Operating Millages</u>	<u>% Taxable to Total</u> <u>Assessed Value</u>
2010 ⁽²⁾	\$189,794,833	\$148,119,877	78.04%
2009	222,676,827	167,717,027	75.32
2008	236,349,113	170,412,459	72.10
2007	232,872,481	161,349,820	69.29
2006	180,740,112	130,559,912	72.24

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

⁽²⁾ Prior to adjustments on appeals from taxpayers.

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2009 for Fiscal Years ending June 30, 2006-2009. The School District of Palm Beach County, Florida Annual Financial Report for the Fiscal Year Ending June 30, 2010 (unaudited).

The following table contains current and historical millage rates (tax per \$1,000 of assessed value) for the Board for Fiscal Year 2009-10 and for the last four Fiscal Years (see “AD VALOREM TAX MATTERS - Millage Rates” and “- Legislative Amendments Reducing the Capital Improvement Tax” above for a discussion of recent legislation reducing the maximum amount of the Local Option Millage Levy for school districts).

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

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

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

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

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

The following table sets forth the tax rates in dollars per \$1,000 of taxable valuation for the County for the tax years 2000 through 2009.

County Wide Ad Valorem Millage Rates

<u>Tax Year</u>	<u>District</u>	<u>County</u>	<u>Total Water District</u>	<u>Total County Wide</u>
2010 (1)	7.9830	6.5202	.5346	15.0378
2009	7.9830	5.6879	.5346	2023.2055
2008	7.3560	5.5775	.5346	2021.4681
2007	7.8720	6.2059	.5970	2021.6749
2006	8.1060	6.6264	.5970	2021.3294
2005	8.4320	6.6964	.5970	2020.7254
2004	8.5710	6.7497	.5970	2019.9177
2003	8.7790	6.6997	.5970	2019.0757
2002	8.9480	6.7939	.5970	2018.3389
2001	8.9180	6.6022	.5970	2017.1172
2000	9.0430	6.5342	.5970	2016.1742

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2009 and the School District of Palm Beach County, Florida Annual Financial Report for the Fiscal Year Ending June 30, 2010 (unaudited).

The following table sets forth the amounts billed and collected for ad valorem property taxes levied by the District for the Fiscal Years 2005 through 2009:

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

<u>Fiscal Year</u> <u>Ended June 30</u>	<u>Property</u> <u>Taxes Levied</u>	<u>Current Tax</u> <u>Collections</u>	<u>Total Tax</u> <u>Collections</u>	Percent of Current Tax Collected To Property <u>Taxes Levied</u>
2010 (1)	\$908,715	\$843,098	\$848,798	92.78%
2009	\$922,611	\$846,495	\$848,999	91.76%
2008	912,729	835,511	836,012	91.54
2007	921,630	853,088	853,632	92.56
2006	768,215	721,060	721,979	93.86
2005	686,554	648,455	649,530	94.45

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2009 and the School District of Palm Beach County, Florida Annual Financial Report for the Fiscal Year Ending June 30, 2010 (unaudited).

The following table contains the list of the County's ten largest taxpayers for the Fiscal Year ended September 30, 2009.

**Palm Beach County, Florida
Principal Property Tax Payers
September 30, 2009**

<u>Taxpayer</u>	<u>2009 Taxes Levied</u>	<u>% of Total Taxes Levied</u>
Florida Power & Light Company	\$33,532,880	3.76%
BellSouth Telecommunications	8,686,146	0.97
Town Center	7,043,428	0.79
U.S. Sugar Corporation	5,520,919	0.62
Breakers Palm Beach Inc.	5,531,508	0.60
Panthers BRHC LTD	4,757,775	0.53
Lawrence L. Landry	4,588,386	0.52
Singer Island Condominiums LTD	3,969,849	0.45
TJ Palm Beach Assoc LTD Ptnrs	3,741,678	0.42
Kolter City Plaza II Inc.	<u>3,676,396</u>	<u>0.41</u>
Total	<u>\$81,048,965.00</u>	<u>9.08%</u>

Source: Comprehensive Annual Financial Report, Palm Beach County, Florida, Fiscal Year Ended September 30, 2009.

Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes

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

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

2. Permits owners of homestead property to transfer up to \$500,000 of their "Save Our Homes" benefit to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead

property may transfer a proportional amount of their “Save Our Homes” benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. The Save Our Homes amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of three percent (3%) or the annual rate of inflation. This exemption applies to all taxes, including school district taxes.

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

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

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

A lawsuit challenging the constitutionality of at least part of the amendments was filed prior to the referendum approval by the voters. In Bruner v. Hartsfield, new Florida homestead owners (having paid ad valorem taxes for the past four years) filed a class action lawsuit challenging the constitutionality of the Save Our Homes assessment cap and the portability provision. The lawsuit charges that Save Our Homes constitutes an unlawful residency requirement for tax benefits on substantially similar property, in violation of the State Constitution’s Equal Protection provisions and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution. The lawsuit argues that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes. The lawsuit requests a declaration of the unconstitutionality of both provisions and injunctive action preventing continued application of those provisions. On October 29, 2008, the Circuit Court dismissed the plaintiffs’ complaint with prejudice. The plaintiffs appealed the decision to the First District Court of Appeals, and on November 17, 2009, the First District Court of Appeals affirmed the Circuit Court’s final order of dismissal. The plaintiffs appealed the case to the Florida Supreme Court and on May 24, 2010, the Florida Supreme Court refused to hear the appeal and let stand the First District Court of Appeals’ affirmation of the lower court decision.

On October 18, 2007, the same Circuit Court, in Lanning v. Pilcher, a case filed by out-of-state residents challenging the constitutionality of the Save Our Homes assessment cap, rejected the plaintiffs arguments that the Save Our Homes assessment cap violates either the Commerce Clause or the Privileges and Immunities Clause of the U.S. Constitution or the Equal

Protection Clause of either the U.S. or Florida Constitutions and dismissed the plaintiffs' allegations with prejudice. The Lanning Court noted that its decision was limited to the plaintiffs' complaints regarding the Save Our Homes assessment cap. The plaintiffs appealed the case to the First District Court of Appeals. On August 26, 2009, the First District Court of Appeals affirmed the lower Court decision. The plaintiffs appealed the case to the Florida Supreme Court and on May 24, 2010, the Florida Supreme Court refused to hear the appeal and let stand the First District Court of Appeals' affirmation of the lower court decision.

A lawsuit brought by out-of-state residents (DeLuccio v. Havill) challenging the constitutionality of the Save Our Homes assessment cap and the portability provision was filed with the same Circuit Court as the Lanning case on May 2, 2008 naming the School Boards of Miami-Dade, Lake, Manatee and Lee, among other defendants. The allegations and relief requested by the plaintiffs in each of these cases are very similar, except that the portability provision was not challenged in Lanning v. Pilcher since the case was filed prior to the approval of the amendments implementing portability. On November 4, 2008, the Circuit Court in DeLuccio dismissed the plaintiffs' complaint with prejudice. The plaintiffs appealed the decision to the First District Court of Appeals, and on November 17, 2009, the First District Court of Appeals determined the Circuit Court erroneously concluded it lacked subject matter jurisdiction over the issues presented and therefore remanded the case back to the Circuit Court for consideration of the merits of the case.

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

Reduction in Local Option Millage Levy. In 2008, Section 1011.71, Florida Statutes, was amended to reduce the maximum millage rate that school districts could levy for capital outlay and maintenance purposes (referred to in this Offering Statement as the Local Option Millage Levy) from 2.0 mills to 1.75 mills commencing in Fiscal Year 2008-09. In conjunction with such reduction, the State's Commissioner of Education increased the amount of the required local effort for each school district in the State, which resulted in a shift of the millage (and associated tax revenues) from capital outlay and maintenance purposes to operational purposes. As further discussed in "AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS - Local Sources" the Local Option Millage Levy constitutes the primary source of funds to make Rent Payments with respect to the Series 2010A Certificates, as well as any other Certificates of Participation issued in connection with the Master Lease. Accordingly, such reduction reduces the funds available to make Rent Payments under the Series 2010A Lease and may adversely impact the District's ability to finance additional educational facilities under the Master Lease in the future.

Section 1011.71, Florida Statutes, was amended in both the 2009 and 2010 legislative sessions to provide for the following: (i) a reduction of the maximum Local Option Millage Levy from 1.75 mills to 1.50 mills; (ii) a waiver of the three-fourths limit on use of proceeds

from the Local Option Millage Levy for lease-purchase agreements entered into before June 30, 2009, for the 2009-10 Fiscal Year; (iii) if the revenue from 1.50 mills is insufficient to make the payments due under a lease-purchase agreement entered into prior to June 30, 2009, or to meet other critical fixed capital outlay needs, authorization for school districts to levy up to 0.25 mills for capital improvement needs in lieu of an equivalent amount of the discretionary mills for operations as provided in the State General Appropriation Act; and (iv) authorization for school boards, by a super majority vote, to levy an optional 0.25 mills for critical capital outlay needs or for critical operating needs. If used for operations, districts in which 0.25 mills generate less than the State average are to be provided the difference in State funds allocated through the FEFP. In order to continue the levy described in clause (iv) above after the 2010-11 Fiscal Year, it must be approved by the voters of the district in the 2010 general election or at a subsequent election held at any time. Such voter approval would only authorize the levy for an additional two-year period. The reduction of the maximum permitted Local Option Millage Levy will directly reduce the amount of funds available to make Basic Lease Payments with respect to certificates of participation issued in connection with the Master Lease unless action is taken pursuant to clauses (iii) or (iv) to levy an additional 0.25 mills for capital purposes. The School Board does not levy the optional millage referred to in clause (iii) but has levied the 0.25 mills described in clause (iv) for critical operating needs for Fiscal Year 2010-11. Voters in the District approved the extension of such levy until Fiscal Year 2013-14.

Proposals Affecting Ad Valorem Taxation

Proposed Constitutional Amendment Relating to Ad Valorem Taxation.

During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation have been introduced in the State. Many of these proposals sought to provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate from ad valorem taxation or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. Additionally, there have been certain proposals seeking to reduce or eliminate the “required local effort” millage for school districts and to replace such millage with other revenue source(s) or to require that certain percentages of school district funding be spent on particular activities. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

RISK FACTORS

Each purchaser of Series 2010A Certificates is subject to certain risks and each prospective purchaser of Series 2010A 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 2010A Certificates to an extent that cannot be determined.

Investor Considerations with Respect to Interest Subsidy on Series 2010A Certificates

In the event of termination of the Series 2010A Lease there is no assurance that the Interest Subsidy with respect to the Series 2010A Certificates will continue to be made to the School Board.

In certain circumstances the Interest Subsidy may be offset by the federal government for amounts determined to be owed by the School Board to it (or agencies of the federal government). Amounts owing and offset by the federal government may be unrelated to the Series 2010A Certificates. The amount of any offset is not predictable and the School Board does not currently expect that any significant offsets will apply to the payment of the Interest Subsidy. Any offset does not alter the School Board's obligation to pay principal, premium, if any, and interest represented by the Series 2010A Certificates.

Additionally, the Code imposes certain requirements that the School Board must continue to meet after the Series 2010A Certificates are issued in order to receive the Interest Subsidy. These requirements generally involve the use of the proceeds and certain filing requirements with the Internal Revenue Service ("IRS"). If the School Board does not meet these requirements, it is possible that the School Board may irrevocably lose the right to receive the Interest Subsidy. However, the School Board has agreed in the Series 2010A Lease that so long as any Series 2010A Certificates remain Outstanding, it will comply with procedures and requirements set forth in the Code and any applicable regulations promulgated from time to time thereunder and any applicable guidance relating to federal subsidy bonds, which include Qualified School Construction Bonds ("QSCBs"), promulgated by the Department of Treasury or the IRS. Furthermore, the IRS has announced that it will send a compliance check questionnaire to all issuers of "Build America Bonds" ("BABs"), provisions of which are applicable to QSCBs, and has stated that it intends to audit a significant number of BAB issues depending on the responses it receives to the questionnaires and an examination of post-sale trade data available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access. This process can result in a reduction of BABs subsidy payments if the IRS believes there has been manipulation of pricing of BABs issues that results in higher subsidy payments. There has been no definitive statement as to the applicability of the foregoing, additional compliance requirements to QSCBs, but since the Interest Subsidy is calculated in the same manner as the subsidy for BABs, there is no reason not to expect that the IRS and the Department of Treasury will not apply them to QSCBs as well.

The Interest Subsidy does not constitute a full faith and credit guarantee of the United States of America but is required to be paid by the Department of Treasury under the Recovery Act. No assurance can be given that any future legislation, clarification, or amendments to the Code, if enacted into law, or judicial decisions will not potentially reduce or eliminate the Interest Subsidy expected to be received by the School Board with respect to the Series 2010A Certificates. In the event of the foregoing or if the School Board determines that a material adverse change has occurred to the applicable provisions of the Code, and the Interest Subsidy is reduced or eliminated not as a result of an act or omission by the School Board or a failure to satisfy the applicable requirements of the Code to receive the Interest Subsidy, the School Board will have the right to prepay the Series 2010A Certificates. See "THE SERIES 2010A

CERTIFICATES – Prepayment - Extraordinary Prepayment – Extraordinary Optional Prepayment Due to the Occurrence of an Extraordinary Event” herein.

Annual Right of the School Board to Terminate the Series 2010A Lease

Although the School Board has determined that the Series 2010A Facilities are necessary to its operations and currently intends to continue the Series 2010A Lease in force and effect for the Lease Term and has covenanted in the Series 2010A Lease that the Superintendent will include a sufficient amount in the tentative budget to enable the School Board to make all Lease Payments due in each Fiscal Year, the School Board is not required to appropriate funds for Lease Payments due in each Fiscal Year. If for any Fiscal Year the School Board does not approve a final budget which appropriates sufficient funds from legally available revenues in a line item specifically identified for payment of its obligations under the Prior Leases, the Series 2010A 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 2010A 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 2010A 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 2010A CERTIFICATE HOLDERS, INCLUDING THE CONTINUING FUTURE UTILITY OF THE SERIES 2010A 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 2010A Lease or non-appropriation of funds, the Trustee as assignee of the Corporation may take possession of the Series 2010A Facilities and sell or re-let the leasehold interests therein. The Trustee’s ability to actually achieve such a disposition of the Series 2010A Facilities is limited by its inability to convey fee simple title to the Series 2010A Facilities and by the governmental nature of the Series 2010A 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 2010A 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 2010A Facilities will produce sufficient amounts to make timely payments of the principal and interest portions due on the outstanding Series 2010A Certificates.

Applicability of Securities Laws

After termination of the Series 2010A Lease, the transfer of a Series 2010A 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 2010A Certificates will not be impaired following termination of the Series 2010A Lease.

Capital Outlay Millage Revenue

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

State Revenues

A large portion of the District’s funding is derived from State sources. See “FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT.” A significantly large percentage of such State revenues is generated from the levy of the State sales tax. The amounts budgeted for distribution from the State to the District are subject to change in the event that projected revenues are not realized. The State is currently experiencing significant shortfalls in sales tax revenues, which has resulted in significant budget cuts, including cuts to funding for the District. In October 2007, the State Legislature convened in a special session focused on reducing the State budget by approximately \$1.2 billion in response to such shortfalls. The District lost approximately \$8 million in revenues as a result of such budget cuts. This amount was offset by an extraordinary, one time, gain for Fiscal Year 2007-08. However, additional budget cuts were also made during the 2008 legislative session resulting in the District losing another \$24.9 million in revenues compared to the Fiscal Year ended June 30, 2008. The State Legislature concluded a special session on January 16, 2009 focused on reducing the State budget by an additional estimated \$2.3 billion. The impact to the District was an approximately \$24.3 million reduction for the 2008-09 Fiscal Year. Further budget cuts in 2009, caused an additional approximate \$5 million loss in State funds for the 2009-10 Fiscal Year. The 2010 legislative session increased funding 0.6 percent; however with the tax roll decrease of approximately 9%, revenues are anticipated to decrease by approximately \$14.8 million.

Additional Leases

Pursuant to the Master Lease, the School Board may enter into other Leases in addition to the Prior Leases and the Series 2010A 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 2010A Lease. Upon any such termination of all Leases, the School Board must surrender certain Facilities, including the Series 2010A Facilities but excluding certain designated facilities to the Trustee for sale or lease. The proceeds of any such disposition of the Facilities will be applied to the payment of the applicable Series of Certificates. In no event will owners of the Series 2010A Certificates have any interest in or right to any proceeds of the disposition of Facilities financed with the proceeds of another Series of Certificates except as described herein. There can be no assurance that the remedies available to the Trustee upon any such termination of all Leases and the disposition of the Series 2010A Facilities will produce sufficient amounts to pay the outstanding Series 2010A Certificates.

Additional Indebtedness

The School Board may issue additional indebtedness from time to time other than in connection with the Master Lease secured by or payable from available revenues without the consent of the Owners of the Series 2010A Certificates. Incurring such additional indebtedness may adversely affect the School Board's ability to make Lease Payments under the Master Lease.

Legislative Changes

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

Risks Related to Interest Rate Exchange Agreements

The School Board is subject to certain risks under the 2002B Interest Rate Exchange Agreement, 2002D Interest Rate Exchange Agreements (2003, 2005 and 2006), 2003B Interest Rate Exchange Agreement and 2001B Interest Rate Exchange Agreement. Under certain circumstances, such interest rate exchange agreements are terminable at the option of the related counterparty thereto (Citi or UBS). In the event Citi or UBS exercises its option to terminate the interest rate exchange agreements, the School Board may be obligated to pay a termination payment or termination payments with respect thereto, which could be a substantial amount. While the School Board's scheduled payments under the 2002B Interest Rate Exchange Agreement, 2002D Interest Rate Exchange Agreements, 2003B Interest Rate Exchange Agreement and Series 2001B Interest Rate Exchange Agreement are guaranteed by the applicable Swap Policies, such swap policies do not guarantee termination payments under the related interest rate exchange agreements unless such termination is at the direction of the insurer thereof. In the event the School Board is required to pay a termination payment under any such agreement, its ability to make Lease Payments may be adversely affected. In addition, the District would be exposed to credit risk if an interest rate exchange agreement has a positive fair market value and the Counterparty is downgraded which could result in required collateralization of the value of the swap and put financial pressure on the Counterparty. Further, the intended benefit of an interest rate exchange agreement may not be realized because the floating rate the District receives under such interest rate exchange agreement may be less than the floating rate payable by the District on the applicable Certificates. See "SECURITY FOR THE SERIES 2010A CERTIFICATES - Interest Rate Exchange Agreements" herein.

Property Insurance

Principally as a result of the substantial property damage caused by hurricanes and other storms in Florida and other parts of the United States over the last few years, property insurance premiums have risen dramatically for Florida property owners. It has become impossible or economically impracticable for many school districts within the State, including the District, to

obtain property insurance with the level of coverage they have historically secured. The property insurance requirements contained within the Master Lease provisions require the District to obtain certain levels of property insurance coverage to the extent available at commercially reasonable rates. The School Board has requested that the insurers and other credit facility issuers for all of the outstanding Certificates acknowledge the level of insurance which the School Board has been able to secure given its budget constraints and the increased rates and deductibles of the available insurance. The District's Insurance Consultant believes the School Board's insurance program is reasonable. In the event the District suffers substantial damage to its property that is not covered by its current insurance or is not eligible for Federal reimbursement, the District's financial condition could be adversely impacted.

Certain Constitutional Amendments

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

LITIGATION

There is no litigation now pending or threatened: (i) to restrain or enjoin the issuance or sale of the Series 2010A Certificates; (ii) questioning or affecting the validity of the Series 2010A 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 2010A Certificates.

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

RATINGS

Moody's Investors Service ("Moody's"), Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P") and Fitch Ratings ("Fitch") are expected to assign the Series 2010A Certificates the ratings of "Aa3," "AA-" and "AA-," respectively, to the Series 2010A Certificates. An explanation of the rating given by Moody's may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, (212) 553-0501. An explanation of the rating given by S&P may be obtained from S&P at 55 Water Street, 38th Floor, New York, New York 10041, (212) 438-2081. 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 2010A 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 2010A 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 2010A Certificates are subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida, and Isaacs Williams, P.A., Riviera Beach, Florida, Co-Special Tax Counsel. The proposed form of such opinion is included herein as Appendix C. Certain legal matters will be passed upon for the School Board and the Corporation by the Office of General Counsel of the District. Co-Special Tax Counsel and Counsel to the Underwriters will receive fees for services provided in connection with the issuance of the Series 2010A Certificates, which fees are contingent upon the issuance of the Series 2010A Certificates.

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

MULTIPLE ROLE OF PARTIES

Greenberg Traurig, P.A., is serving as both a Co-Special Tax Counsel and as Disclosure Counsel with respect to the Series 2010A Certificates.

UNDERWRITING

The Series 2010A Certificates are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter") at an aggregate purchase price of \$67,146,686.10 which represents the \$67,665,000.00 principal amount of the Series 2010A Certificates, less an underwriter's discount of \$518,313.90. The Underwriter's obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2010A Certificates if any Series 2010A Certificates are purchased. The Series 2010A Certificates may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

TAX TREATMENT

Circular 230 Disclosure. The discussion below relating to the Series 2010A Certificates was written to support the promotion and marketing of the Series 2010A Certificates and was not intended or written to be used, and cannot be used, by a taxpayer for purposes of avoiding United States federal income tax penalties that may be imposed. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

Opinion -- Tax Treatment of Interest Portion of Basic Lease Payments

In the opinion of Greenberg Traurig P.A., and Isaacs Williams, P.A., Co-Special Tax Counsel to the School Board, under existing statutes, regulations, rulings and court decisions, the portion of the Basic Lease Payments designated and paid as interest to the Series 2010A Certificate holders is not excludable from gross income for federal income tax purposes. The Series 2010A Certificates and the income thereon will not be subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profit on debt obligations owned by corporations as defined therein. However, no opinion is expressed with respect to the State tax consequences of any payments received with respect to the Series 2010A 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 Counsels' engagement with respect to the Series 2010A Certificates ends with the issuance of the Series 2010A Certificates and, unless separately engaged, Co-Special Tax Counsel is not obligated to defend the School Board or the Owners regarding the tax status of the Series 2010A Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the School Board and their appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination is difficult, obtaining an independent review of IRS positions with which the School Board legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2010A Certificates for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2010A Certificates, and may cause the School Board to incur significant expense.

Co-Special Tax Counsel will express no other opinion as to any other federal tax consequences regarding the Series 2010A Certificates. Reference is made to the proposed form of the opinion of Co-Special Tax Counsel attached hereto as "APPENDIX D- Proposed Form of Opinion of Co-Special Tax Counsel" for the complete text thereof. See also "LEGAL MATTERS" herein.

Series 2010A Certificates -- Qualified School Construction Bonds

The School Board intends to designate the Series 2010A Lease as a Qualified School Construction Bond pursuant to Section 54F of the Code and intends to make an election to receive a refundable credit, the Interest Subsidy, from the United States Department of Treasury. The Interest Subsidy will be an amount equal to the lesser of the amount of interest payable with

respect to the Series 2010A Certificates on such date or the amount of interest which would have been payable with respect to the Series 2010A Certificates on such date if such interest were determined at the tax credit rate otherwise applicable to such Series 2010A Certificates in accordance with the Code. Under the Code, the School Board must use 100% of available project proceeds for one or more qualified purposes within the permitted expenditure period specified in the Code. The term “available project proceeds” means the proceeds from the sale of the Series 2010A Certificates less the issuance costs financed from these proceeds (and the amount of such proceeds spent on issuance costs may not exceed 2% of such sale proceeds). The term “qualified purposes” includes construction, rehabilitation, or repair of a public school facility, costs of equipment therefor and the acquisition of land on which such a facility is to be constructed with the proceeds of the qualified school construction bond issue.

The availability of the Interest Subsidy is subject to the condition that the School Board comply with the requirements discussed in the preceding paragraph and all other requirements of the Code that must be satisfied subsequent to the issuance of the Series 2010A Certificates. The School Board has covenanted to comply with such requirements. If the School Board does not meet these requirements, it is possible that the School Board may not receive the Interest Subsidy.

The availability of the Interest Subsidy is also subject to the condition that any Interest Subsidy owed to the School Board is required to be offset against other outstanding taxes or obligations of the School Board due and payable to the federal government; in the case of any such offset, the Interest Subsidy received could be less than the Interest Subsidy owed.

General Tax Information for the Series 2010A Certificates

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Series 2010A Certificates. The summary is based upon provisions of the Code, the regulations promulgated thereunder and rulings and court decisions now in effect, all of which are subject to change. This summary is intended as a general explanatory discussion of the consequences of holding the Series 2010A Certificates. This summary generally addresses Series 2010A Certificates held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Series 2010A Certificates as a hedge against currency risks or as a position in a straddle for tax purposes, foreign investors or persons whose functional currency is not the U.S. dollar. Potential purchasers of the Series 2010A Certificates should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2010A Certificates.

The portion of the Basic Lease Payments designated and paid as interest to the Series 2010A Certificate holders is not excludable from gross income for federal income tax purposes. Purchasers other than those who purchase the Series 2010A Certificates in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such Series 2010A

Certificates. Generally, the interest portion of Basic Lease Payment paid with respect to the Series 2010A Certificates and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to the holder of Series 2010A Certificates and, after adjustment for the foregoing, the principal portion of Basic Lease Payments paid with respect to Series 2010A Certificates will be treated as a return of capital.

Original Issue Discount

The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2010A Certificates issued with original issue discount (“Discount Series 2010A Certificates”). A Series 2010A Certificate will be treated as having been issued at an original issue discount if the excess of its “stated prepayment price at maturity” (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Series 2010A Certificates of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Series 2010A Certificate’s stated prepayment price at maturity multiplied by the number of complete years to its maturity.

Generally, a Discount Series 2010A Certificate’s “stated prepayment price at maturity” is the total of all payments provided by the Discount Series 2010A Certificate that are not payments of “qualified stated interest.” Generally, “qualified stated interest” includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Series 2010A Certificate is the sum of the “daily portions” of original issue discount with respect to such Discount Series 2010A Certificate for each day during the taxable year in which such holder held such Discount Series 2010A Certificate. The daily portion of original issue discount is determined by allocating to each day in any accrual period a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Series 2010A Certificate, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Series 2010A Certificate’s adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The “adjusted issue price” of a Discount Series 2010A Certificate at the beginning of any accrual period is the sum of the issue price of the Discount Series 2010A Certificate plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Series 2010A Certificate that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Certain holders may elect to include all interest (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Discount Series 2010A Certificate by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions. Such holders should consult their own tax advisors with respect to whether or not they should so elect.

Holders of Discount Series 2010A Certificates should consult their own tax advisors as to the determination for federal income tax purposes of the amount of original issue discount properly accruable in any period and as to other federal tax consequences and the treatment of original issue discount for purposes of state and local taxes on, or based on, income.

Market Discount

If a Certificateholder purchases a Series 2010A Certificate for an amount that is less than the adjusted issue price of the Series 2010A Certificate, and such difference is not considered to be *de minimis*, then such discount will represent market discount. Absent an election to accrue market discount currently, upon a sale, exchange or other disposition of a Series 2010A Certificate, a portion of any gain will be ordinary income to the extent it represents the amount of any such market discount that was accrued through the date of sale. In addition, absent an election to accrue market discount currently, the portion of any interest expense incurred to carry a market discount bond is limited. Such Certificateholders should consult their own tax advisors with respect to whether or not they should elect to accrue market discount currently, the determination and treatment of market discount for federal income tax purposes and the state and local tax consequences of owning such Series 2010A Certificate.

Bond Premium

If a Certificate holder purchases a Series 2010A Certificate at a cost greater than its then principal amount, generally the excess is amortizable bond premium. The tax accounting treatment of bond premium is complex. Such Certificate holders should consult their own tax advisors with respect to whether or not they should elect to amortize such premium under Section 171 of the Code, the determination and treatment of such premium for federal income tax purposes and the state and local tax consequences of owning such Series 2010A Certificates.

Sale or Prepayment of Series 2010A Certificates

A Certificateholder's tax basis for a Series 2010A Certificate is the price such owner pays for the Series 2010A Certificate plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or prepayment of a Series 2010A Certificate, measured by the difference between the amount realized and the Series 2010A Certificate basis as so adjusted, will generally give rise to capital gain or loss if the Series 2010A Certificate is held as a capital asset (except as discussed above under "Market Discount"). The legal defeasance of Series 2010A Certificates may result in a deemed sale or exchange of such Series 2010A Certificates

under certain circumstances; owners of such Series 2010A Certificates should consult their tax advisors as to the federal income tax consequences of such an event.

Information Reporting and Backup Withholding

Interest paid on bonds such as the Series 2010A Certificates is subject to information reporting to the IRS. In conjunction with the information reporting requirement, the Code subjects certain non-corporate owners of Series 2010A Certificates, under certain circumstances, to “backup withholding” at (i) the fourth lowest rate of tax applicable under Section 1(c) of the Code (i.e., a rate applicable to unmarried individuals) for taxable years beginning on or before December 31, 2010; and (ii) the rate of 31% for taxable years beginning after December 31, 2010, with respect to payments on the Series 2010A Certificates and proceeds from the sale of Series 2010A Certificates. This withholding generally applies if the owner of Series 2010A Certificates (i) fails to furnish the payor such owner’s social security number or other taxpayer identification number (“TIN”), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other “reportable payments” as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner’s securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to Certificateholders, including payments to certain exempt recipients and to certain Nonresidents (defined below). Prospective purchasers of the Series 2010A Certificates may also wish to consult with their tax advisors as to their qualification for an exemption from backup withholding and the procedure for obtaining the exemption.

Nonresidents

Under the Code, interest and original issue discount income with respect to Series 2010A Certificates held by nonresident alien individuals, foreign corporations and other non-United States persons (“Nonresidents”) may not be subject to withholding. Generally, payments on the Series 2010A Certificates to a Nonresident that has no connection with the United States other than holding the Series 2010A Certificate will be made free of withholding tax, as long as such holder has complied with certain tax identification and certification requirements. Nonresidents should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2010A Certificates.

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 2010A Certificates and provided other advice. The Financial Advisor did not engage in any underwriting activities with regard to the sale of the Series 2010A Certificates.

BASIC FINANCIAL STATEMENTS

Excerpted information from the basic financial statements of the District for the Fiscal Year ended June 30, 2009, included in this Offering Statement have been audited by KPMG LLP, independent certified public accountants, as stated in their report appearing in Appendix B. KPMG LLP has not performed any examinations or audits in connection with the issuance of the Series 2010A Certificates. Excerpted information from the basic financial statements of the District for the Fiscal Year ended June 30, 2010, included in this Offering Statement is unaudited.

CONTINUING DISCLOSURE

The School Board has covenanted and undertaken for the benefit of the Series 2010A Certificate holders to execute and deliver a Continuing Disclosure Certificate (the “Continuing Disclosure Certificate”) on the date of initial issuance of the Series 2010A Certificates. Pursuant to the Continuing Disclosure Certificate, the School Board will agree to provide certain financial information and operating data relating to the District and the Series 2010A Certificates in each year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if deemed to be material by the School Board. Such covenant shall only apply so long as the Series 2010A Certificates remain Outstanding under the Series 2010A Lease, the Series 2010A Lease have been terminated or there has occurred an event of Non-Appropriation resulting in a termination. The agreement shall also terminate upon the termination of the continuing disclosure requirements of Rule 15c2-12(b)(5), as amended (the “Rule”) of the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934, as amended, by legislative, judicial or administration action. The Annual Report will be filed by the School Board with the Municipal Securities Rulemaking Board (the “MSRB”) via its Electronic Municipal Market Access System described in the Continuing Disclosure Certificate attached hereto as Appendix E. The notices of material events will be filed by the School Board, or its dissemination agent, if any, with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of material events are described in “APPENDIX E- FORM OF CONTINUING DISCLOSURE CERTIFICATE” to be dated and delivered at the time of issuance of the Series 2010A Certificates. These undertakings have been made in order to assist the Underwriters in complying with the Rule. Failure of the School Board to comply with the Continuing Disclosure Certificate is not considered an event of default under the Series 2010A Lease, the Trust Agreement or the Continuing Disclosure Certificate; however, any Series 2010A Certificate holder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the School Board to comply with its obligations under the Continuing Disclosure Certificate.

With respect to the Series 2010A 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 2010A 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/ Monroe Benaim, M.D.
Chairman

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

APPENDIX A

INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

APPENDIX A

INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

General Information

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

There are 38 incorporated municipalities within the County, eleven of which have a population in excess of 25,000. West Palm Beach is the County seat and is the largest city in the County. The County had a 2009 population of 1,286,621

Population

In 2009, Palm Beach County was the third largest county in the State in terms of population. Its population increased 65.3% during the 1970 - 1980 decade, 49.7% during the 1980 - 1990 decade, 31.0% during the 1990 - 2000 decade and 14.5% during the period from 2000 to 2009.

Population Growth 2000 - 2009

Year	<u>Palm Beach County</u>		<u>Florida</u>		<u>United States</u>	
	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>
2000	1,131,191	2.9	15,982,824	2.6	281,421,906	0.9
2001	1,154,464	2.1	16,330,601	2.2	285,112,030	1.3
2002	1,183,197	2.5	16,674,608	2.1	287,888,021	1.0
2003	1,211,448	2.4	17,070,167	2.4	290,447,644	0.9
2004	1,242,270	2.5	17,280,558	1.2	293,191,511	0.9
2005	1,265,900	1.9	17,918,227	3.7	295,895,897	0.9
2006	1,287,987	1.7	18,349,132	2.4	298,754,819	1.0
2007	1,295,033	0.5	18,680,367	1.8	301,621,157	1.0
2008	1,294,654	0.0	18,807,219	0.7	304,059,724	0.8
2009	1,286,621	(0.6)	18,748,925	(0.3)	310,198,226 ⁽¹⁾	0.2

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

⁽¹⁾ U.S. Census Bureau

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
1998-2008**

<u>Year</u>	<u>Palm Beach County</u>			<u>Florida</u>		<u>U.S.</u>
	<u>Dollars</u>	<u>% of Florida</u>	<u>% of U.S.</u>	<u>Dollars</u>	<u>% of U.S.</u>	<u>Dollars</u>
1998	\$39,045	150.2%	145.2%	\$25,987	96.7%	\$26,883
1999	40,121	149.2	143.6	26,894	96.3	27,939
2000	43,116	151.2	144.4	28,508	95.5	29,845
2001	43,964	150.1	143.7	29,291	95.8	30,582
2002	44,195	148.4	143.2	29,754	96.5	30,838
2003	43,974	144.7	139.3	30,369	96.3	31,530
2004	48,422	148.0	145.8	32,672	98.5	33,157
2005	51,374	148.0	148.1	34,709	100.1	34,690
2006	55,812	151.0	151.0	37,099	100.0	36,794
2007	59,147	154.0	154.0	38,417	100.0	38,615
2008	58,358	149.6	149.6	39,070	100.0	39,751
2009	N/A	N/A	N/A	37,780	96.6	39,138

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

Note: Data for 2009 for the County is not available.

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

**Palm Beach County
Population Distribution by Age Group
2004-2006**

<u>Age Group</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
0-17	22%	22%	21%
18-34	18%	18%	18%
35-54	27%	27%	27%
55-65	11%	11%	11%
65+	22%	22%	22%

Source: Florida Statistical Abstract 2007, University of Florida Bureau of Economic and Business Research.

Employment

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

Palm Beach County, Florida Employment Distribution by Major Industry 2002-2007

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Manufacturing	23,800	21,200	19,300	19,400	20,400	19,100
Contract Construction	35,700	35,700	38,800	42,400	47,100	44,100
Transportation	11,400	10,500	9,400	9,900	10,000	10,200
Trade	91,300	90,100	92,700	93,100	96,300	96,600
Finance	39,300	39,800	39,600	39,400	40,600	40,200
Services	270,400	272,600	293,300	304,300	305,600	308,100
Government	60,600	63,700	64,200	65,200	65,700	65,500
<u>Total</u>	532,500	533,600	557,300	573,700	585,700	583,800

Source: Florida Department of Labor and Employment Security, Division of Employment Security.

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>
2000	541,759	4.2	3.8	4.0
2001	564,996	5.0	4.7	4.7
2002	581,462	6.1	5.7	5.8
2003	585,256	5.7	5.3	6.0
2004	595,447	5.1	4.7	5.5
2005	612,879	4.2	3.9	5.1
2006	627,536	3.7	3.4	4.6
2007	639,916	4.3	4.0	4.6
2008	628,273	6.6	6.2	5.8
2009	619,344	10.8	10.9	9.3

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

Largest Employers

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

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

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year ended September 30, 2009.

Tourism

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

Agriculture

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

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Construction

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

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

<u>Calendar Year</u>	<u>Single and Multi-Family</u>	<u>Residential Valuation</u>
2003	3,483	465,791
2004	5,184	1,011,437
2005	4,414	1,191,043
2006	7,806	1,068,926
2007	2,264	504,192
2008	1,196	340,385
2009	633	186,886

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2009.

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>
1999	13,283,898	7,243,923
2000	13,183,000	8,185,000
2001	13,656,000	8,707,000
2002	14,093,000	10,229,000
2003	15,856,000	11,543,000
2004	18,173,000	12,815,000
2005	20,201,000	14,270,000
2006	21,335,000	15,858,000
2007	25,313,000	12,603,000
2008	26,760,000	9,501,000
2009	N/A	N/A

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2009.

APPENDIX B

**EXCERPTED INFORMATION FROM THE AUDITED COMPREHENSIVE
FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY,
FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2009, AND FROM THE
ANNUAL FINANCIAL REPORT (UNAUDITED) FOR THE FISCAL YEAR ENDED
JUNE 30, 2010**

BASIC FINANCIAL STATEMENTS



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THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET ASSETS
JUNE 30, 2009
(amounts expressed in thousands)

	Primary Government Governmental Activities	Component Units
ASSETS		
Cash, cash equivalents and investments	\$ 1,018,487	\$ 11,334
Taxes receivable	54,529	-
Accounts and interest receivable	2,601	1,416
Due from other agencies	39,893	30
Inventories	7,816	-
Restricted assets (cash with fiscal agent)	2,701	-
Other assets	20,510	1,423
Capital assets:		
Land	340,454	-
Construction in progress	335,025	-
Improvements other than buildings	35,897	2,225
Buildings and improvements	3,549,877	5,947
Furniture, fixtures and equipment	158,545	5,437
Motor vehicles	96,409	347
Audio/video materials and software	55,138	978
Less accumulated depreciation	<u>(879,482)</u>	<u>(4,216)</u>
Total capital assets, net of depreciation	<u>3,691,863</u>	<u>10,718</u>
TOTAL ASSETS	<u><u>4,838,400</u></u>	<u><u>24,921</u></u>
LIABILITIES		
Accounts and contracts payable	44,491	3,673
Accrued payroll and payroll deductions	82,699	727
Retainage payable on contracts	14,591	-
Revenue and tax anticipation notes payable	157,135	-
Commercial paper notes payable	150,000	-
Deposits payable	628	-
Interest payable	41,085	-
Unearned revenue	8,952	6
Noncurrent liabilities:		
Portion due or payable within one year:		
Notes payable	-	502
Bonds payable	3,175	-
Obligations under capital leases	-	-
Liability for compensated absences	12,395	341
Certificates of participation payable	57,995	-
Estimated claims	25,080	-
Other post-employment benefits obligation	297	-
Portion due or payable after one year:		
Notes payable	-	7,384
Bonds payable	38,762	-
Liability for compensated absences	167,257	-
Certificates of participation payable	1,908,859	-
Estimated claims	38,580	-
Other post-employment benefits obligation	<u>43,679</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>2,795,660</u></u>	<u><u>12,633</u></u>
NET ASSETS		
Invested in capital assets, net of related debt	1,815,754	4,658
Restricted for:		
Categorical carryover programs	1,645	-
Debt service	72,788	-
Capital projects	284,298	1,496
School food service	20,052	-
Other purposes	-	51
Unrestricted (deficit)	<u>(151,797)</u>	<u>6,083</u>
TOTAL NET ASSETS	<u><u>\$ 2,042,740</u></u>	<u><u>\$ 12,288</u></u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction	\$ 954,271	\$ 1,724	\$ 182,628	\$ -
Instructional support services	170,854	-	-	-
Board	5,293	-	-	-
General administration	10,161	-	-	-
School administration	98,528	-	-	-
Facilities acquisition and construction	92,500	-	-	39,739
Fiscal services	6,141	-	-	-
Food services	60,858	23,015	37,995	-
Central services	14,520	-	-	-
Pupil transportation services	46,217	2,233	27,280	-
Operation of plant	131,285	-	-	-
Maintenance of plant	47,184	-	-	-
Administrative technology services	5,588	-	-	-
Community services	30,125	21,538	2,127	-
Interest on long-term debt	99,581	-	-	4,644
Unallocated depreciation expense	107,044	-	-	-
Amortization expense	1,136	-	-	-
Total primary government governmental activities	<u>1,881,286</u>	<u>48,510</u>	<u>250,030</u>	<u>44,383</u>
Component Units:				
Charter schools	<u>\$ 63,733</u>	<u>\$ 1,457</u>	<u>\$ 4,870</u>	<u>\$ 2,316</u>

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for capital projects
Local sales taxes
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net assets
Net Assets—beginning, as previously reported
Change in reporting entity
Net Assets—beginning, as adjusted
Net Assets—ending

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

**Net (Expense) Revenue
and Changes in Net Assets**

Primary	
Government	
Governmental	Component
Activities	Units
\$ (769,919)	\$ -
(170,854)	-
(5,293)	-
(10,161)	-
(98,528)	-
(52,761)	-
(6,141)	-
152	-
(14,520)	-
(16,704)	-
(131,285)	-
(47,184)	-
(5,588)	-
(6,460)	-
(94,937)	-
(107,044)	-
(1,136)	-
<u>(1,538,363)</u>	<u>-</u>
-	(55,090)
887,265	-
282,362	-
100,100	-
241,445	53,715
26,975	87
28,609	718
<u>1,566,756</u>	<u>54,520</u>
28,393	(570)
2,014,347	12,843
-	15
<u>2,014,347</u>	<u>12,858</u>
<u>\$ 2,042,740</u>	<u>\$ 12,288</u>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009
(amounts expressed in thousands)

	<u>GENERAL FUND</u>	<u>CAPITAL IMPROVEMENT</u>
ASSETS		
Cash, cash equivalents and investments	\$ 225,867	\$ 198,439
Taxes receivable	41,369	13,160
Accounts and interest receivable	1,495	-
Due from other agencies	1,488	-
Due from other funds	5,000	-
Other assets	-	-
Inventories	6,039	-
TOTAL ASSETS	<u>281,258</u>	<u>211,599</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts and contracts payable	9,494	10,179
Accrued payroll and payroll deductions	90,282	-
Due to other funds	-	-
Retainage payable on contracts	-	180
Revenue/Tax anticipation notes payable	85,000	-
Commercial paper notes payable	-	-
Deposits payable	628	-
Interest payable	2,125	-
Deferred/Unearned revenue	1,317	-
TOTAL LIABILITIES	<u>188,846</u>	<u>10,359</u>
FUND BALANCES		
Fund balances reserved:		
Reserved for encumbrances	2,031	46,736
Reserved for inventories	6,039	-
Reserved for categorical carryover programs	1,645	-
Reserved for debt service	-	-
Reserved for school food service	-	-
Fund balances (deficits) unreserved:		
General Fund - designated for board contingency	39,400	-
General Fund - designated for communications	4,790	-
Capital Project Funds - designated for capital projects	-	154,504
Undesignated (deficits), reported in:		
General Fund	38,507	-
Capital Project Funds	-	-
Special Revenue Funds	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>92,412</u>	<u>201,240</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 281,258</u>	<u>\$ 211,599</u>

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

COPS	SALES TAX	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 272,504	\$ 137,294	\$ 158,066	\$ 992,170
-	-	-	54,529
-	133	-	1,628
-	15,591	22,814	39,893
-	-	-	5,000
-	-	151	151
-	-	1,777	7,816
<u>272,504</u>	<u>153,018</u>	<u>182,808</u>	<u>1,101,187</u>
16,538	2,889	5,382	44,482
-	-	-	90,282
-	-	5,000	5,000
11,286	1,750	1,375	14,591
72,135	-	-	157,135
-	150,000	-	150,000
-	-	-	628
186	-	-	2,311
48	-	8,587	9,952
<u>100,193</u>	<u>154,639</u>	<u>20,344</u>	<u>474,381</u>
96,529	10,836	18,706	174,838
-	-	1,777	7,816
-	-	-	1,645
-	-	108,376	108,376
-	-	17,974	17,974
-	-	-	39,400
-	-	-	4,790
75,782	-	16,029	246,315
-	-	-	38,507
-	(12,457)	-	(12,457)
-	-	(398)	(398)
<u>172,311</u>	<u>(1,621)</u>	<u>162,464</u>	<u>626,806</u>
<u>\$ 272,504</u>	<u>\$ 153,018</u>	<u>\$ 182,808</u>	<u>\$ 1,101,187</u>



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2009
(amounts expressed in thousands)**

Total Fund Balances - Governmental Funds \$ 626,806

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

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

Cost of the assets	4,571,345	
Accumulated depreciation	<u>(879,482)</u>	3,691,863

Debt issuance charges are reported as expenditures in the governmental funds when first incurred, however, they are included as deferred charges in the governmental activities in the statement of net assets. 16,388

Expenditures for insurance extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds. 3,971

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

Assets	29,991	
Liabilities	<u>19,575</u>	
Net assets		10,416

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 1,000

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	41,937	
Compensated absences	168,714	
Certificates of participation payable	1,966,854	
Long-term claims payable	48,410	
Other post employment benefits	43,015	
Accrued interest on long-term debt	<u>38,774</u>	<u>(2,307,704)</u>

Total Net Assets - Governmental Activities \$ 2,042,740

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

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>CAPITAL IMPROVEMENT</u>	<u>COPS</u>
REVENUES:			
Local sources:			
Ad valorem taxes	\$ 887,265	\$ 282,362	\$ -
Sales tax	-	-	-
Impact fees	-	-	-
Interest income and other	5,882	4,146	10,481
School age child care fees	21,538	-	-
Food service sales	-	-	-
Local grants and other	34,914	-	-
Total local sources	<u>949,599</u>	<u>286,508</u>	<u>10,481</u>
State sources:			
Florida education finance program	61,735	-	-
Capital outlay and debt service	98	-	-
Food service	-	-	-
Transportation	27,280	-	-
Public education capital outlay	-	-	-
Class size reduction	182,628	-	-
State grants and entitlements	56,142	-	-
Total state sources	<u>327,883</u>	<u>-</u>	<u>-</u>
Federal sources:			
Federal grants and entitlements	6,407	-	-
National school lunch act	-	-	-
Total federal sources	<u>6,407</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>1,283,889</u>	<u>286,508</u>	<u>10,481</u>
EXPENDITURES:			
Current:			
Instruction	879,910	-	-
Instructional support services	111,037	-	-
Board	5,169	-	-
General administration	7,275	-	-
School administration	96,097	-	-
Facilities acquisition and construction	808	-	-
Fiscal services	5,828	-	-
Food services	-	-	-
Central services	13,826	-	-
Pupil transportation services	44,210	-	-
Operation of plant	128,427	-	-
Maintenance of plant	46,190	-	-
Administrative technology services	5,451	-	-
Community services	29,391	-	-
Total Current Expenditures	<u>1,373,619</u>	<u>-</u>	<u>-</u>

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

<u>SALES TAX</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ -	\$ -	\$ 1,169,627
100,100	-	100,100
-	3,254	3,254
3,621	2,482	26,612
-	-	21,538
-	23,015	23,015
-	6,915	41,829
<u>103,721</u>	<u>35,666</u>	<u>1,385,975</u>
-	-	61,735
-	6,599	6,697
-	937	937
-	-	27,280
-	16,697	16,697
-	16,457	199,085
-	3,716	59,858
-	<u>44,406</u>	<u>372,289</u>
-	120,030	126,437
-	37,995	37,995
-	<u>158,025</u>	<u>164,432</u>
<u>103,721</u>	<u>238,097</u>	<u>1,922,696</u>
-	56,210	936,120
-	56,827	167,864
-	-	5,169
-	2,655	9,930
-	-	96,097
-	-	808
-	-	5,828
-	60,613	60,613
-	485	14,311
-	1,373	45,583
-	441	128,868
-	-	46,190
-	-	5,451
-	322	29,713
-	<u>178,926</u>	<u>1,552,545</u>

(Continued)

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2009
(amounts expressed in thousands)**

	<u>GENERAL FUND</u>	<u>CAPITAL IMPROVEMENT</u>	<u>COPS</u>
Capital outlay	571	107,806	205,185
Debt service:			
Retirement of principal	-	-	-
Interest	2,133	-	165
Fiscal charges	-	4	82
TOTAL EXPENDITURES	<u>1,376,323</u>	<u>107,810</u>	<u>205,432</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(92,434)</u>	<u>178,698</u>	<u>(194,951)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	61,325	-	-
Transfers out	(2)	(200,980)	(285)
Proceeds of loss recoveries	2,803	-	-
Sale of capital assets and other	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>64,126</u>	<u>(200,980)</u>	<u>(285)</u>
NET CHANGE IN FUND BALANCES	(28,308)	(22,282)	(195,236)
FUND BALANCES (DEFICIT), JULY 1, 2008	<u>120,720</u>	<u>223,522</u>	<u>367,547</u>
FUND BALANCES (DEFICIT), JUNE 30, 2009	<u>\$ 92,412</u>	<u>\$ 201,240</u>	<u>\$ 172,311</u>

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

<u>SALES TAX</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
29,716	52,051	395,329
-	58,705	58,705
2,321	96,968	101,587
690	583	1,359
<u>32,727</u>	<u>387,233</u>	<u>2,109,525</u>
 70,994	 (149,136)	 (186,829)
	154,779	216,104
-	(14,837)	(216,104)
-	2,066	4,869
-	3,301	3,301
<u>-</u>	<u>145,309</u>	<u>8,170</u>
 70,994	 (3,827)	 (178,659)
<u>(72,615)</u>	<u>166,291</u>	<u>805,465</u>
<u>\$ (1,621)</u>	<u>\$ 162,464</u>	<u>\$ 626,806</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, 2009
(amounts expressed in thousands)**

Total net change in fund balances - governmental funds \$ (178,659)

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 (\$303,205) exceed depreciation expense (\$107,044) in the period. 196,161

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

Issuance Cost Amortization	(1,136)	
Premium/Discount Amortization	<u>2,649</u>	1,513

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 58,705

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,000

Revenues reported in the funds that were reported as revenue in the statement of activities in the prior year under full accrual. (6,653)

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets. (15,896)

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

Prepaid insurance	(518)	
Compensated absences	(10,482)	
Long-term claims payable	(1,388)	
Other post employment benefits	(15,079)	
Liability for arbitrage rebate	238	
Accrued interest on long-term debt	<u>476</u>	(26,753)

An internal service fund is used by management to charge the costs of maintenance activities and health premiums to individual funds. The net revenue of the internal service fund is reported with governmental activities. (1,025)

Change in net assets of governmental activities \$ 28,393

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, 2009
(amounts expressed in thousands)

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 937,657	\$ 949,599	\$ 949,599	\$ 11,942	\$ -
State sources	351,630	327,883	327,883	(23,747)	-
Federal sources	2,963	6,407	6,407	3,444	-
TOTAL REVENUES	<u>1,292,250</u>	<u>1,283,889</u>	<u>1,283,889</u>	<u>(8,361)</u>	<u>-</u>
EXPENDITURES:					
Instruction	899,077	897,637	880,260	1,440	17,377
Instructional support services	120,882	120,897	111,105	(15)	9,792
Board	6,804	7,037	5,328	(233)	1,709
General administration	7,550	7,558	7,276	(8)	282
School administration	94,567	97,665	96,125	(3,098)	1,540
Facilities acquisition and construction	458	1,461	808	(1,003)	653
Fiscal services	6,254	6,213	5,828	41	385
Central services	15,676	14,915	13,930	761	985
Pupil transportation services	51,089	44,692	44,428	6,397	264
Operation of plant	140,593	138,130	128,563	2,463	9,567
Maintenance of plant	50,012	48,938	46,990	1,074	1,948
Administrative Technology Services	5,526	5,538	5,469	(12)	69
Community services	22,793	35,263	29,540	(12,470)	5,723
Capital outlay	-	-	571	-	(571)
Debt service	3,391	3,391	2,133	-	1,258
TOTAL EXPENDITURES	<u>1,424,672</u>	<u>1,429,335</u>	<u>1,378,354</u>	<u>(4,663)</u>	<u>50,981</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(132,422)</u>	<u>(145,446)</u>	<u>(94,465)</u>	<u>(13,024)</u>	<u>50,981</u>
OTHER FINANCING SOURCES:					
Transfers in	61,250	61,325	61,325	75	-
Transfers out	-	(2)	(2)	(2)	-
Proceeds from loss recoveries	-	2,803	2,803	2,803	-
TOTAL OTHER FINANCING SOURCES	<u>61,250</u>	<u>64,126</u>	<u>64,126</u>	<u>2,876</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (71,172)</u>	<u>\$ (81,320)</u>	<u>\$ (30,339)</u>	<u>\$ (10,148)</u>	<u>\$ 50,981</u>
FUND BALANCE, JULY 1, 2008 (GAAP BASIS)			<u>120,720</u>		
FUND BALANCE, JUNE 30, 2008 (BUDGETARY BASIS)			<u>90,381</u>		
Adjustment To Conform With GAAP:					
Elimination of encumbrances			<u>2,031</u>		
FUND BALANCE, JUNE 30, 2009 (GAAP BASIS)			<u>\$ 92,412</u>		

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009
(amounts expressed in thousands)

	Governmental Activities
	Internal Service Funds

ASSETS	
Cash, cash equivalents and investments	\$ 29,018
Accounts and interest receivable	973
Total assets	\$ 29,991
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 9
Noncurrent liabilities:	
Portion due or payable within one year:	
Estimated unpaid claims	14,250
Liability for compensated absences	300
Other post-employment benefits obligation	6
Portion due or payable after one year:	
Liability for compensated absences	4,055
Other post-employment benefits obligation	955
Total liabilities	\$ 19,575
NET ASSETS	
Unrestricted	\$ 10,416

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(amounts expressed in thousands)**

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES:	
Service revenue	\$ 28,273
Premium revenue	148,008
Other operating revenue	4,220
TOTAL OPERATING REVENUES	180,501
OPERATING EXPENSES:	
Salaries	20,913
Benefits	7,424
Purchased services	1,760
Other expenses	151,792
TOTAL OPERATING EXPENSES	181,889
OPERATING LOSS	(1,388)
NONOPERATING REVENUES:	
Interest and other income	363
TOTAL NONOPERATING REVENUES	363
CHANGE IN NET ASSETS	(1,025)
NET ASSETS - Beginning of year	11,441
NET ASSETS - End of year	\$ 10,416

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009
(amounts expressed in thousands)

	Governmental Activities Internal Service Funds
	<hr/> <hr/>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers and interfund services provided	\$ 176,281
Cash payments to suppliers for goods and services	(152,693)
Cash payments for salaries, benefits, and other expenses	(28,044)
Other receipts (payments)	3,247
Net cash used in operating activities	<hr/> <hr/> (1,209)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earnings on investments	363
Net cash provided by investing activities	<hr/> <hr/> 363
Net increase in cash and cash equivalents	(846)
Cash and cash equivalents, beginning of year	29,864
	<hr/> <hr/>
Cash and cash equivalents, end of year	\$ 29,018
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES:	
Operating loss	\$ (1,388)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(973)
Increase in accounts payable	9
Increase in estimated unpaid claims	1,143
Total adjustments	<hr/> <hr/> 179
Net cash used in operating activities	<hr/> <hr/> \$ (1,209)

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, 2009
(amounts expressed in thousands)

	PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA	AGENCY FUND SCHOOL INTERNAL FUNDS
ASSETS		
Cash, cash equivalents and investments	\$ 516	\$ 15,951
Accounts receivable	-	820
TOTAL ASSETS	<u>516</u>	<u>\$ 16,771</u>
LIABILITIES		
Accounts payable	-	\$ 589
Due to student organizations	-	16,182
TOTAL LIABILITIES	<u>-</u>	<u>\$ 16,771</u>
NET ASSETS		
Held in trust for scholarships	<u>516</u>	
TOTAL NET ASSETS	<u>\$ 516</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, 2009
(amounts expressed in thousands)**

	PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA
ADDITIONS	
Donations	\$ 323
Interest	26
TOTAL ADDITIONS	<u>349</u>
DEDUCTIONS	
Scholarship disbursements	<u>335</u>
TOTAL DEDUCTIONS	<u>335</u>
CHANGE IN NET ASSETS	14
NET ASSETS - Beginning of year	<u>502</u>
NET ASSETS - End of year	<u><u>\$ 516</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, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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

During fiscal year 2009, Academy for International Studies merged their operations with Bright Futures Academy on July 1, 2008. All assets of the dissolved not-for-profit corporation were assumed by Bright Futures Academy.

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

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

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

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

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

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

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

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

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

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

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

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

Glades Academy
1200 East Main Street
Pahokee, Florida 33476

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

Gulfstream Goodwill Transition Academy
950 North Congress Avenue
Riviera Beach, Florida 33404

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

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

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

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

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

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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

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

Palm Beach Academy for Learning
1199 West Lantana Road, Cottage 19
Lantana, Florida 33462

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

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

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

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

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

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

The charter school listed below did not submit an audit of their operations in time for the issuance of this report, thus no financial information has been reported for this entity. However, based on unaudited financial information provided, the financial statements for this charter school are not material to the aggregate component unit financial statements.

Guided Path Academy
1199 West Lantana Road, Building 3
Lantana, Florida 33462

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.

Change in Reporting Entity

As the financial information for Guided Path Academy have not been submitted, District's management has excluded this Charter School, which was reported as component unit during prior years. There have also been adjustments to the beginning fund balance to the following charter schools: G-STAR School of the Arts, Gulfstream Goodwill Life Academy, Palm Beach Academy for Learning and Palm Beach School for Autism, Inc. As a result of these changes in reporting, the net assets of the component units as a whole have been adjusted as follows (in thousands):

Net Assets - Beginning of year, as previously reported	\$	12,843
Adjustments for Effect of Change in Reporting Entity		
Guided Path Academy		(9)
Prior Period Adjustments to Beginning Fund Balance		
G-STAR School of the Arts		(9)
Gulfstream Goodwill Life Academy		33
Palm Beach Academy for Learning		177
Palm Beach School for Autism, Inc.		(177)
Net Assets - Beginning of year, adjusted	\$	12,858

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

GOVERNMENTAL FUNDS

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

General Fund

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
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Capital Improvement Capital Projects Fund

The capital improvement capital projects fund accounts for locally received funds, primarily ad valorem tax revenue, for the acquisition, construction or renovation of capital facilities, including land and equipment.

Sales Tax Fund

Sales tax capital projects fund which accounts for locally received funds, primarily sales tax revenue, for the acquisition, construction or renovation of capital facilities, including land and equipment.

COPS Fund

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

Other Non-Major Governmental Funds

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

PROPRIETARY FUNDS

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

Internal Service Funds

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

FIDUCIARY FUNDS

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

Agency Funds

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

Private Purpose Trust Fund

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

BASIS OF ACCOUNTING

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Modified Accrual

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

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

Accrual

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

Revenue Recognition

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

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

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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

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

C. Budgetary Policies

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

Annual budgets are legally adopted for all funds except the fiduciary funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget dated September 10, 2008, the date of the final amendment approved by the Board. Significant dates in the budgeting timetable follow:

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

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

The major functional level is the legal level of budgetary control. Per Board policy, management is authorized to make budget amendments at function level with Board approval. All interim budget amendments between major functional areas within each fund are submitted to the Board for approval. 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 2009, 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, 2009 for funds under budgetary control have been reappropriated for the fiscal year 2010 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.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

D. Encumbrances

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

E. Cash, Cash Equivalents and Investments

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

F. Inventories

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

G. Prepaid Items

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

H. Capital Assets

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

The District's capitalization levels are \$1,000 on tangible personal property, \$100,000 on building improvements 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
Audio/Video Materials & Software	3 – 5 years
Buildings and Improvements	15 – 50 years
Improvements Other Than Buildings	15 years

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

I. Long Term Debt

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

The District enters into interest rate swap agreements to modify interest rates on outstanding debt. The fair value of these instruments are not reflected in the Districts financial statements. On the fund level financial statements, up-front premium payments received are recognized as other financing sources. On the government wide financial statements, the premium is being amortized as income over the life of the agreement. In addition, the net interest expenditures resulting from these agreements are recorded in the financial statements.

J. Self Insurance

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

The District is also self insured for health insurance. The District provides health insurance for its employees and eligible dependents. Effective January 1, 2007, the District changed from a fully insured plan to a self-insured plan, with individual stop loss coverage to protect the District against catastrophic health claims for one person in a calendar year. The District accounts for health insurance activity in an internal service fund starting July 1, 2007. Prior to July 1, 2007 the activity was reported in the general fund. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See note 7). Consistent with GAAP guidelines, in the proprietary fund financial statements, the liability for self insured risks is recorded under the accrual basis of accounting.

K. Compensated Absences

Compensated absences are payments to employees for accumulated vacation and sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused vacation and sick leave up to a specified amount depending on their date of hire. Vacation and sick leave is payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement. The 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 portion related to employees in the internal service fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

L. Reserves and Designations of Fund Equity

Portions of Fund Equity that have been reserved indicate the amount of fund balance that cannot be appropriated for expenditures since it is legally segregated for a specific future use. In addition, the District established a designation of Fund Equity for Board Contingency and communications. The Board contingency designation will ultimately accumulate up 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. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In November 2006, the Government Accounting Standards Board (GASB) issued GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. GASB 49 requires that pollution remediation liabilities and recoveries are recognized and disclosed. The District adopted GASB Statement 49 in Fiscal Year 2009. The adoption of GASB 49 did not have a material impact on the District's Financial Statements.

In June 2007, the GASB issued Statement 51, *Accounting and Financial Reporting for Intangible Assets*. GASB 51 establishes additional guidance for the accounting and financial reporting requirements for intangible assets. The District adopted GASB Statement 51 in Fiscal Year 2009. The adoption of GASB 51 did not have any impact on the District's Financial Statements.

In May 2009, the GASB issued statement 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. GASB 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The District adopted GASB Statement 55 in Fiscal Year 2009. The adoption of GASB 55 did not have any impact on the District's Financial Statements.

In May 2009, the GASB issued statement 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. GASB 56 incorporates into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. The District adopted GASB Statement 56 in Fiscal Year 2009. The adoption of GASB 56 did not have any impact on the District's Financial Statements.

Recently Issued Accounting Pronouncements

In June 2008, the GASB issued Statement 53, *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The District is currently assessing the impact of GASB 53 on its financial position.

In May 2009, the GASB issued Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB 54 requires the use of new fund balance classifications and clarifies existing governmental fund type definitions. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010. The District will adopt this Statement in Fiscal Year 2011.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Retroactive restatement of fund balance is required for all prior periods presented. Management is currently evaluating the impact of the adoption of this statement on the District's Financial Statements.

O. Deficit Fund Balance

The sales tax fund has a deficit fund balance of approximately \$1.6 million as of June 30, 2009. This deficit will be funded with future sales tax revenues.

2. AD VALOREM TAXES

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

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

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 7.251 mills and the total assessed value on which the 2008-09 levy was based was \$168 billion. Gross taxes levied were approximately \$1.2 billion. Total revenue, net of discounts, was approximately \$1.2 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs, are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2009, the maintenance transfer amounted to approximately \$49.0 million. Additionally, approximately \$8.3 million was transferred for property insurance, approximately \$3.3 million was transferred for charter school capital outlay, and approximately \$0.7 million was transferred for two conversion charter schools based on negotiated contracts bringing the total transfer from capital to approximately \$61.3 million.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50 percent to 125 percent depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositories 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

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the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2009, the carrying amount of the District's cash deposits was approximately \$237.3 million and the bank balance was approximately \$254.1 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$16.0 million.

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

Cash Equivalents consist of amounts invested in the Columbia Government Reserves Money Market Fund, Dreyfus Government Prime Cash Money Market Fund, Dreyfus Treasury & Agency Cash Mgt Money Market Fund, JP Morgan US Government Money Market Fund, Federated Government Obligation Money Market Fund, PFM Funds Government Series Money Market Fund, Fidelity Institutional Government Fund, SBA Local Government Investment Pool (the "LGIP") and the SBA Fund B Surplus Funds Trust Fund (the "Fund B"). As of June 30, 2009, Columbia Government Reserves Money Market was rated Aaa by Moody's Investor Service and AAAM by Standard and Poors, Dreyfus Government Prime Cash Money Market was rated AAAM by Standard and Poors, Dreyfus Treasury & Agency Cash Mgt Money Market was rated AAAM by Standard and Poors, JP Morgan US Government Money Market Fund was rated Aaa by Moody's Investor Service and AAAM by Standard and Poors, Federated Government Obligation was rated Aaa by Moody's Investor Service and AAAM by Standard and Poors, PFM Funds Government Series was rated AAAM by Standard and Poors, Fidelity Institutional Government Fund was rated Aaa by Moody's Investor Service and AAAM by Standard and Poors, and the Local Government Investment Pool was rated AAAM by Standard and Poors. As of June 30, 2009, Fund B Surplus Funds was not rated by a nationally recognized statistical rating agency.

Investments

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

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As of June 30, 2009, the District had the following unrestricted cash and investments and maturities (in thousands):

PORTFOLIO / INVESTMENTS	CARRYING VALUE	EFFECTIVE DURATION
Cash Deposits	\$ 237,267	N/A
Money Market Funds	577,569	N/A
Flexible Repurchase Agreements	66,694	N/A
Florida State Board of Administration	10	6.87
Commercial Paper	788	N/A
Core Fund Investments		
US Treasury - Notes/Bills	37,498	2.06
Federal Agency - Bond/Notes	87,425	1.01
Federal Agency - Mortgage Pass-Throughs	832	0.08
Corporate Notes	4,173	1.54
Corporate Notes - Temp. Liq. Guar. Prog.	6,231	2.32
TOTAL	\$ 1,018,487	

Interest Rate Risk

To limit exposure to fair value losses resulting from increases in interest rates, the District's Investment Policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds ("core funds") shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District's investments in the Federal Home Loan Bank mature between October 2009 and June 2012. The District's investment in the Federal Home Loan Mortgage Corporation matures between July 2009 and June 2012. The District's investments in the Federal Farm Credit Bank mature between October 2009 and November 2011. The District's investments in the Federal National Mortgage Association mature between September 2010 and January 2013. As of June 30, 2009, the District held approximately \$20.1 million in market value of callable securities issued by Federal Instrumentalities which permit the issuer to redeem the securities prior to their original maturity date. A decrease in interest rate levels could trigger calls on these securities, forcing the District to reinvest the proceeds in lower-yielding securities.

Credit Risk

The District's Investment Policy lists the authorized investment types as well as the minimum allowable credit rating for each investment type. Corporate notes purchased for investment must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "Aa" by Moody's and a minimum long term debt rating of "AA" by Standard & Poor's ("S&P"). The maximum length to maturity for corporate notes shall be three (3) years from the date of purchase. As of June 30, 2009, the District held \$10.4 million of corporate notes of which \$4.2 million had an S&P rating of AA+, and \$6.2 million had an S&P rating of AAA. All investments in the Federal Home Loan Bank and Federal Home Loan Mortgage Corporation were rated between A-1+ and AAA by S&P. All other rated investments were rated AAA by S&P.

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As of June 30, 2009, the Local Government Investment Pool was rated AAAM by S&P. As of June 30, 2009, Fund B was not rated by a nationally recognized statistical rating agency.

Concentration of Credit Risk

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

PORTFOLIO / INVESTMENTS	CARRYING VALUE (in thousands)	%
Cash Deposits	\$ 237,267	23.30%
Money Market Funds		
Columbia FDS SER TR	56,356	5.53%
Dreyfus Government Prime	43,999	4.32%
Dreyfus Treasury and Agency	169,620	16.65%
JP Morgan US Government	182,798	17.95%
Federated Government Obligation	15,841	1.56%
PFM Funds Government Series	92,415	9.07%
Fidelity Institutional Government Fund	16,540	1.62%
Flexible Repurchase Agreements		
Morgan Stanley Repurchase Agreement	66,694	6.55%
Florida State Board of Administration (SBA)	10	0.00%
Commercial Paper		
General Electric CP	788	0.08%
Investments in Securities		
US Treasury - Notes/Bills	37,498	3.68%
Morgan Stanley	3,120	0.31%
JP Morgan Chase & Co	3,111	0.31%
General Electric Capital Corporation	4,173	0.41%
Farmer Mac GTD NT	350	0.03%
Federal Farm Credit Bank	4,520	0.44%
Federal Home Loan Bank	55,397	5.44%
Federal Home Loan Mortgage Corp	19,141	1.88%
Federal National Mortgage Association	8,849	0.87%
	\$ 1,018,487	100.00%

As of June 30, 2009, all District investments were in compliance with the District's Investment Policy and did not exceed portfolio allocation or issuer maximums.

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Custodial Risk

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

Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2009, the District's investment portfolio was held with a third-party custodian.

4. DUE FROM OTHER AGENCIES

At June 30, 2009, the District had a total of approximately \$39.9 million in "Due from other agencies". Approximately \$15.6 million is due from the State for sales taxes. Approximately \$7.5 is due from the State for the Class Size Reduction Program. Approximately \$11.4 million is due from Federal, State and local governments for various grant programs. Approximately \$1.7 million is due from Palm Beach County for impact fees. Approximately \$2.1 million is due from the Federal Emergency Management Agency (FEMA) for window replacement grant. Approximately \$1.0 million is due from Medicaid for reimbursement for services performed which is recorded as deferred revenue at the fund level. Another \$.6 million is due from other state and local agencies for miscellaneous items.

5. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2009 (in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 5,000	\$ -
Other Non-Major Governmental Funds	-	5,000
Total Interfund	\$ 5,000	\$ 5,000

The amount payable by the other governmental funds to the general fund is to cover temporary cash shortages.

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Interfund transfers as of June 30, 2009 were as follows (in thousands):

Transfer from:	Transfer to:		
	General Fund	Other Non-Major Governmental Funds	Total
Capital Improvement Fund	\$ 46,488	\$ 154,492	\$ 200,980
COPS	-	285	285
General Fund	-	2	2
Other Non-Major Governmental Funds	14,837	-	14,837
Total	\$ 61,325	\$ 154,779	\$ 216,104

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

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009 is as follows (in thousands):

Primary Government

	Beginning Balance July 1, 2008	Additions	Retirements and Transfers	Ending Balance June 30, 2009
<u>Non-Depreciable Assets:</u>				
Land	\$ 333,042	\$ 7,426	\$ 14	\$ 340,454
Construction in Progress	466,376	253,664	385,015	335,025
Total Non-Depreciable Assets	799,418	261,090	385,029	675,479
<u>Depreciable Assets:</u>				
Improvements Other Than Buildings	31,756	4,141	-	35,897
Buildings and Improvements	3,190,449	389,091	29,663	3,549,877
Furniture, Fixtures & Equipment	150,075	16,144	7,674	158,545
Motor Vehicles	85,493	14,355	3,439	96,409
Audio/Video Materials & Software	54,244	1,728	834	55,138
Total Depreciable Assets	3,512,017	425,459	41,610	3,895,866
<u>Less Depreciation For:</u>				
Improvements Other Than Buildings	(5,119)	(2,380)	-	(7,499)
Buildings and Improvements	(612,263)	(72,228)	(16,064)	(668,427)
Furniture, Fixtures & Equipment	(104,416)	(14,576)	(7,274)	(111,718)
Motor Vehicles	(49,950)	(7,807)	(3,334)	(54,423)
Audio/Video Materials & Software	(28,090)	(10,053)	(728)	(37,415)
Total Accumulated Depreciation	(799,838)	(107,044)	(27,400)	(879,482)
Capital Assets, Net	\$ 3,511,597	\$ 579,505	\$ 399,239	\$ 3,691,863

Depreciation expense for the year ended June 30, 2009 of approximately \$107.0 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such the depreciation expense is included as a separate line item in the statement of activities.

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Discretely presented component units

	Beginning Balance July 1, 2008	Changes in Reporting Entity	Balance July 1, 2008, Adjusted	Additions	Retirements/ Transfers/ Adjustments	Ending Balance June 30, 2009
<i>Depreciable Assets:</i>						
Improvements Other Than Buildings	\$ 1,848	\$ -	\$ 1,848	\$ 386	\$ (9)	\$ 2,225
Buildings and Improvements	5,545	-	5,545	662	(260)	5,947
Furniture, Fixtures & Equipment	4,812	(54)	4,758	928	(249)	5,437
Motor Vehicles	321	-	321	30	(4)	347
Audio/Video Materials & Software	709	-	709	193	76	978
Total Depreciable Assets	13,235	(54)	13,181	2,199	(446)	14,934
<i>Less: Accumulated Depreciation</i>	(3,239)	18	(3,221)	(1,097)	102	(4,216)
<i>Capital Assets, Net</i>	\$ 9,996	\$ (36)	\$ 9,960	\$ 1,102	\$ (344)	\$ 10,718

7. RISK MANAGEMENT

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

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2009 using a discounted rate factor of 4.0%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2009, the liability for insurance claims consisted of approximately \$14.3 million, \$9.0 million and \$38.2 million for employee health, auto and general liability and workers' compensation, respectively.

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

	Fiscal Year Ended June 30, 2008	Fiscal Year Ended June 30, 2009
Beginning Balance	\$ 53,451	\$ 58,233
Additions:		
Current year claims and changes in estimates	148,812	160,789
Reductions:		
Claim payments	(144,030)	(157,550)
Ending Balance	\$ 58,233	\$ 61,472

The District maintains excess insurance coverage for health care costs. There have been no other significant reductions in insurance coverage. There have been no settlements that exceeded the District's coverage for fiscal years ended June 30, 2007, 2008 and 2009.

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8. SHORT-TERM DEBT

Tax Anticipation Notes

On October 30, 2008 the District issued Tax Anticipation Notes ("TANS"), Series 2008. This \$85.0 million issue was sold at a coupon interest rate of 3.75 percent with an effective yield of 2.091 percent. Interest costs incurred on this issue for the year ended June 30, 2009, were approximately \$1.2 million net of a premium of approximately \$918 thousand. Note proceeds were used to pay fiscal year 2009 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 2008. The notes are due September 23, 2009.

Revenue Anticipation Notes

On February 26, 2009 the District issued Revenue Anticipation Notes ("RANS"), Series 2009. This \$72.1 million issue was sold at a coupon interest rate of .085 percent with an effective yield of .0756 percent. Interest costs incurred on this issue for the year ended June 30, 2009 were \$165 thousand net of a premium of \$20,588. Note proceeds were used to pay FY 2009 District construction expenditures prior to the issuance of a COPS issue expected in FY 2010. RANS are subject to arbitrage rebate. The arbitrage rebate for RANS, Series 2009 will be calculated closer to the due date. The notes are due March 10, 2010.

Short-term debt activity for the year ended June 30, 2009 was as follows (in thousands):

	Beginning Balance July 1, 2008		Issued	Redeemed	Ending Balance June 30, 2009
Tax anticipation notes	\$ 115,000	\$ 85,000	\$ (115,000)	\$	85,000
Revenue anticipation notes	-	72,135	-		72,135
Total short-term debt	\$ 115,000	\$ 157,135	\$ (115,000)	\$	157,135

Sales Tax Revenue Commercial Paper Notes

The District has established a commercial paper debt program whereby tax exempt commercial paper notes (TECP) issued are payable from and secured by a pledge of the proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes. The TECP is payable solely from the sales tax revenues generated for the school construction projects identified in the sales tax resolution that was approved by the voters in Palm Beach County in November 2004. The sales tax collection began on January 1, 2005 and will be in place for six years, through December 2010. The sales tax was projected to generate at least \$560 million, or 224% of the principal over the six years. Current projections indicate the total revenues will be approximately \$637 million. Total sales tax revenue earned through June 30, 2009 is \$501.7 million with \$100.1 million received during fiscal year 2009. As of June 30, 2009 \$150.0 million of TECP is outstanding. The District plans to repay the remaining TECP by December 31, 2009, one year ahead of schedule. For fiscal year 2009, principal and interest paid were \$100 million and \$2.4 million respectively. Principal and interest remaining on the program is projected to be \$150.2 million.

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The School Board has authorized the issuance of commercial paper notes in an aggregate amount not to exceed \$300 million.

January 12, 2005	School Board Authorized	\$300,000,000
January 21, 2005	Offering Statement	\$275,540,000
June 30, 2006	Issued Notes	\$250,000,000

The District's commercial paper debt program is administered as follows: The notes mature within 270 days of issuance, with interest payable at maturity based on market rates not to exceed 12%. The notes are not subject to redemption prior to maturity. As each group of notes comes due, new notes are issued to refinance the principal amount, and current revenues of the District are used to pay the interest amount due. In addition, through January 15, 2011 the District will maintain an irrevocable, direct-pay letter of credit with a bank to facilitate the refinance of outstanding notes. The District's intent is to continue to refinance maturing notes until such time as the notes are retired through the use of future years' revenues or through issuance of long-term debt. Outstanding obligations under this program are reported as short-term liabilities in the government-wide statement of net assets.

9. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2009, is as follows (in thousands):

	Beginning Balance June 30, 2008	Additions	Reductions	Ending Balance June 30, 2009	Amounts Due Within One Year
Governmental Activities:					
Bonds and Leases Payable:					
Capital Outlay Bond Issue	\$ 35,805	\$ -	\$ (2,970)	32,835	\$ 3,175
Certificates of Participation	2,000,023	-	(55,735)	1,944,288	57,995
	<u>2,035,828</u>	<u>-</u>	<u>(58,705)</u>	<u>1,977,123</u>	<u>61,170</u>
Plus (Less) Issuance Premium (Discount)	61,742	-	(5,872)	55,870	-
Less Deferred Amount on Refundings	(27,425)	-	3,223	(24,202)	-
Total Bonds and Leases Payable	<u>2,070,145</u>	<u>-</u>	<u>(61,354)</u>	<u>2,008,791</u>	<u>61,170</u>
Other Liabilities:					
Compensated Absences	171,630	22,293	(14,271)	179,652	12,395
Claims and Judgments	60,659	160,789	(157,788)	63,660	25,080
Post Employment Benefits	28,436	21,760	(6,220)	43,976	297
Total Other Liabilities	<u>260,725</u>	<u>204,842</u>	<u>(178,279)</u>	<u>287,288</u>	<u>37,772</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 2,330,870</u>	<u>\$ 204,842</u>	<u>\$ (239,633)</u>	<u>\$ 2,296,079</u>	<u>\$ 98,942</u>

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

State Board of Education Capital Outlay Bond Issues

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

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range from 3.00 percent to 6.00 percent. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

Defeased Debt

In prior years, the District defeased certain certificates of participation by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements. As of June 30, 2009, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to approximately \$495.4 million.

Annual Debt Service Requirements

Annual requirements to amortize all bond issues outstanding as of June 30, 2009 are as follows (in thousands):

Year Ended June 30	Principal Capital Outlay Bonds	Interest	Total Principal and Interest
2010	\$ 3,175	\$ 1,571	\$ 4,746
2011	3,405	1,415	4,820
2012	3,655	1,248	4,903
2013	3,910	1,080	4,990
2014	4,185	888	5,073
2015-2019	11,460	1,884	13,344
2020-2024	3,045	320	3,365
Total	<u>\$ 32,835</u>	<u>\$ 8,406</u>	<u>\$ 41,241</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, 2009, the statutory limit for the District was approximately \$15 billion, providing additional debt capacity of approximately \$14.9 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, May 15, 2002, December 10, 2002, June 10, 2003, June 24, 2003, April 8, 2004, May 26, 2005, May 25, 2006, February 8, 2007, March 12, 2007 and October 31, 2007 the Corporation issued Certificates of Participation ("Certificates") Series 1994A, Series 1995A, Series 1996A, Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005B, Series

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2006A, Series 2007A, Series 2007B and 2007E 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, \$161,090,000, \$191,215,000, \$60,865,000, \$124,295,000, \$103,575,000, \$38,505,000, \$222,015,000, \$268,545,000, \$119,400,000 and \$147,390,000 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, Series 1996A, Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2005B, Series 2006A, Series 2007A, Series 2007B, and Series 2007E 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. 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. In addition, on September 5, 2002 the District issued \$93,350,000 of Certificates of Participation Series 2002E to advance refund and defease a portion of the Series 1995A and Series 1996A Certificates of Participation which mature on or after August 1, 2007. On February 25, 2005 the District issued \$124,630,000 of Certificates of Participation Series 2005A to advance refund and defease a portion of the Series 2001A, Series 2002A, Series 2002C and Series 2002D Certificates of Participation. On February 28, 2007, the District issued \$192,310,000 of Certificates of Participation Series 2007C to advance refund and defease a portion of the Series 2001A and Series 2002C Certificates of Participation. On April 11, 2007 the District issued \$30,485,000 of Certificates of Participation Series 2007D to advance refund and defease a portion of the Series 1997A Certificates of Participation which mature on or after August 1, 2008. These refunding issues were done in order to achieve debt service savings. (See Defeased Debt.) On March 12, 2008 the District converted and remarketed the 2007B resulting in a reduction of principal of \$3,175,000. On March 20, 2008 the District converted and remarketed the 2003B resulting in no change to principal.

On June 11, 2002, April 30, 2004 and December 15, 2005 the District sold Certificates of Participation, Series 2002, Series 2004 and Series 2005 Qualified Zone Academy Bonds ("QZAB") in an aggregate principal amount of \$950,000, \$2,923,000 and \$2,150,000 respectively. The QZAB program is a 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, Series 2004 and Series 2005 QZAB certificates are payable on July 11, 2016, April 30, 2020 and December 15, 2020 respectively. The District deposits funds annually in an escrow, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.

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

A summary of lease terms are presented as follows:

Certificates	Issue Date	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Amount Outstanding	Ground Lease Term
Series 1994A **	11/1/1994	\$ 62,095	-	-	\$ -	6/30/2020
Series 1995A **	6/1/1995	133,600	-	-	-	6/30/2020
Series 1996A **	5/1/1996	32,155	-	-	-	8/1/2021
Series 1997A *	9/1/1997	47,145	-	-	-	n/a
Series 2001A *	4/1/2001	135,500	4.10% to 4.25%	8/1/2011	1,670	8/1/2031
Series 2001B	6/1/2001	169,445	4.00% to 5.375%	8/1/2025	165,640	n/a
Series 2002A *	2/1/2002	115,250	3.75% to 5.375%	8/1/2018	50,535	8/1/2023
Series 2002B	3/20/2002	115,350	4.22% Swap rate	8/1/2027	115,350	8/1/2032
Series 2002C *	5/15/2002	161,090	3.875% to 4.25%	8/1/2012	14,825	8/1/2032
QZAB Series 2002	6/11/2002	950	-	6/11/2016	950	n/a
Series 2002D *	12/1/2002	191,215	3.30% to 5.25%	8/1/2028	153,680	8/1/2033
Series 2002E	9/1/2002	93,350	4.00% to 5.375%	8/1/2016	76,540	n/a
Series 2003A	6/26/2003	60,865	2.25% to 5.00%	8/1/2021	46,805	8/1/2026
Series 2003B	6/26/2003	124,295	Variable Est. 3.91%	8/1/2029	124,295	8/1/2034
Series 2004A	5/4/2004	103,575	2.625% to 5.00%	8/1/2029	92,965	8/1/2034
QZAB Series 2004	4/30/2004	2,923	-	4/30/2020	2,923	n/a
Series 2005A	3/22/2005	124,630	3.00% to 5.00%	8/1/2022	124,090	n/a
Series 2005B	6/7/2005	38,505	3.00% to 5.00%	8/1/2010	16,340	8/1/2015
QZAB Series 2005	12/15/2005	2,150	-	12/15/2020	2,150	n/a
Series 2006A	5/25/2006	222,015	3.625% to 5.00%	8/1/2031	211,335	8/1/2036
Series 2007A	2/28/2007	268,545	3.70% to 5.50%	8/1/2031	259,010	8/1/2036
Series 2007B	3/22/2007	119,400	4.429%	8/1/2025	116,225	8/1/2030
Series 2007C	3/22/2007	192,310	4.00% to 5.00%	8/1/2027	191,085	n/a
Series 2007D	5/3/2007	30,485	4.00% to 5.00%	8/1/2015	30,485	n/a
Series 2007E	10/31/2007	147,390	3.625% to 5.00%	8/1/2032	147,390	8/1/2037
		<u>\$ 2,694,233</u>			<u>\$ 1,944,288</u>	

* Partially defeased

** Refunded

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

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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, 2009, approximately \$205.2 million was expended for capital outlay in the Certificates of Participation Capital Projects Funds.

All Certificates of Participation issued are subject to arbitrage rebate. At June 30, 2009, the arbitrage liability was \$2.2 million and is included in claims liability.

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

Year ended June 30	Series 2001-A	Series 2001-B	Series 2002-A	Series 2002-B	Series 2002-C	Series 2002-D	Series 2002-E	Series 2003-A	Series 2003-B	Series 2004-A
2010	\$ 450	\$ 650	\$ 6,620	\$ -	\$ 3,555	\$ 3,850	\$ 9,045	\$ 3,130	\$ -	\$ 2,795
2011	725	675	6,870	-	3,435	3,980	9,495	3,195	-	2,870
2012	495	705	7,130	-	3,845	4,115	9,990	3,280	-	2,955
2013	-	735	7,425	-	3,990	4,325	10,515	3,365	-	3,050
2014	-	765	7,710	-	-	4,505	11,070	3,465	-	3,185
2015-2019	-	39,860	14,780	3,045	-	14,985	26,425	19,425	-	18,330
2020-2024	-	82,965	-	56,885	-	18,875	-	10,945	13,590	23,260
2025-2029	-	39,285	-	55,420	-	99,045	-	-	30,235	29,670
2030-2032	-	-	-	-	-	-	-	-	80,470	6,850
Total	\$ 1,670	\$ 165,640	\$ 50,535	\$ 115,350	\$ 14,825	\$ 153,680	\$ 76,540	\$ 46,805	\$ 124,295	\$ 92,965
Year ended June 30	Series 2005-A	Series 2005-B	Series 2006-A	Series 2007-A	Series 2007-B	Series 2007-C	Series 2007-D	Series 2007-E	Series 2002- QZAB	Series 2004- QZAB
2010	\$ 190	\$ 8,020	\$ 5,765	\$ 9,885	\$ -	\$ 235	\$ 3,805	\$ -	\$ -	\$ -
2011	195	8,320	5,975	10,270	-	245	3,955	-	-	-
2012	200	-	6,195	10,680	-	255	4,110	4,080	-	-
2013	210	-	6,045	11,155	-	775	4,320	4,240	-	-
2014	215	-	6,330	11,660	-	4,990	4,535	4,395	-	-
2015-2019	79,675	-	35,945	67,080	-	8,725	9,760	25,045	950	-
2020-2024	43,405	-	45,305	-	80,680	49,895	-	30,965	-	2,923
2025-2029	-	-	57,740	64,875	35,545	125,965	-	39,420	-	-
2030-2032	-	-	42,035	73,405	-	-	-	39,245	-	-
Total	\$ 124,090	\$ 16,340	\$ 211,335	\$ 259,010	\$ 116,225	\$ 191,085	\$ 30,485	\$ 147,390	\$ 950	\$ 2,923

Year ended June 30	Series 2005- QZAB	Total Lease Payment & Interest	Total Payment & Interest
2010	\$ -	\$ 57,995	\$ 89,950
2011	-	60,205	87,654
2012	-	58,035	84,788
2013	-	60,150	81,774
2014	-	62,825	78,933
2015-2019	-	364,030	344,818
2020-2024	2,150	461,843	247,569
2025-2029	-	577,200	127,317
2030-2032	-	242,005	14,594
Total	\$ 2,150	\$ 1,944,288	\$ 1,157,397

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2002B Interest Rate Swap:

Swap Objective: The District entered into a floating-to-fixed cancelable interest rate swap with Citigroup Financials Products Inc., on March 21, 2002. The purpose of the transaction was to hedge against future increases in interest rates. The swap effectively converts the Certificates into 25-year synthetic fixed rate debt obligations with a coupon of 4.22%. The Certificates and swap together create low cost, long-term synthetic fixed-rate debt for the District.

Swap Terms: The Certificates and the related swap agreement have a notional amount of \$115,350,000 with an effective date of March 20, 2002 and will mature on August 1, 2027. The Certificates bear a variable rate that is reset on a weekly basis and set by the remarketing agent. The District pays a fixed rate of 4.22% and receives a variable rate payment based on the SIFMA Swap Index Rate. 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 London Interbank Offering Rate ("LIBOR"). The counterparty can pay this lower Alternate Rate if the 180-day average of the Bond Market Association ("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. In exchange for an upfront premium payment of \$6,142,000 received by the District, the swap counterparty had the right to cancel the swap on any date on or after February 1, 2007. On April 8, 2009, the District purchased the 2002B Swap cancellation option for \$2,714,000, which was recorded as interest expense.

Fair Value: At June 30, 2009, the swap had a negative fair value of \$21,186,000 based on mid-market values as of the close of business.

Risks: As of June 30, 2009, the 2002B Interest Rate Swap exposes the District to basis risk and termination risk. These risks are explained further in this section.

2003B Interest Rate Swap:

Swap Objective: The District entered into a floating-to-fixed knock-out interest rate swap with UBS AG, Stamford Branch on June 24, 2003. The purpose of the transaction was to hedge against future increases in interest rates. The swap effectively converts the Certificates into a synthetic fixed rate debt obligation with a coupon of 3.91%. The Certificates and knockout swap together create long-term synthetic fixed-rate debt for the District.

Swap Terms: The certificates and the related swap agreement have a notional amount of \$124,295,000 with an effective date of June 26, 2003, and will mature on August 1, 2029. The Certificates bear a variable rate based on the SIFMA Swap Index plus 65 basis points. The District pays a fixed rate of 3.91% and receives a variable rate payment based on the SIFMA Swap Index Rate. In exchange for an upfront premium payment of \$3,010,000 received by the District, the swap counterparty has the right to terminate or "knockout" the swap if the 180 day average of the BMA index exceeds 7.0% in the future. The knockout feature is exercisable anytime until August 1, 2018. Once the knockout option expires the District will be left with a fixed-payer swap that matures on August 1, 2029.

Fair Value: At June 30, 2009, the swap had a negative fair value of \$12,808,000 based on mid-market values as of the close of business.

Risks: As of June 30, 2009, the 2003B Interest Rate Swap exposes the District to basis risk and termination risk. These risks are explained further in this section.

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Swap Payments and Associated Debt:

As of June 30, 2009, debt service requirements and net swap payments were as follows (in thousands):

Fiscal Year	Principal	Interest	Swap Net Interest	Total Interest
2009	\$ -	\$ 2,396	\$ 9,053	\$ 11,450

Using rates as of June 30, 2009, debt service requirements for variable rate debt (2002B and 2003B COPS) and net Swap payment, assuming current interest rates remain the same, are as follows (in thousands):

Fiscal Year	Total Principal	Interest	Swap Net Interest	Total Interest
2010	\$ -	\$ 2,396	\$ 9,053	\$ 11,449
2011	-	2,397	9,053	11,450
2012	-	2,396	9,054	11,450
2013	-	2,397	9,053	11,450
2014	-	2,396	9,053	11,449
2015 - 2019	3,045	11,952	45,143	57,095
2020 - 2024	76,035	9,733	36,439	46,172
2025- 2029	160,565	4,463	16,279	20,742
Total	\$ 239,645	\$ 38,130	\$ 143,127	\$ 181,257

2002D Basis Swap:

Swap Objective: The District entered into a basis swap with Citibank, NA., on January 10, 2003. The purpose of the transaction was to reduce the net borrowing cost associated with the 2002D Certificates.

Swap Terms: The swap has a notional amount of \$100,000,000 which amortizes to match the final \$100 million of maturing principal of the underlying Certificates with an effective date of January 14, 2003, and will mature on June 30, 2028. The swap creates economics similar to a 67% of LIBOR synthetic fixed-rate financing, i.e. variable-rate bonds plus floating-to-fixed rate swap, without the District having to actually issue the underlying variable-rate bonds. Under the basis swap, in exchange for receiving a below-market percentage of LIBOR, the District pays a variable rate equal to the BMA index less a fixed margin of 66.5 basis points. Since the District both receives and pays a variable rate under the basis swap, the transaction is interest rate neutral, all else equal. However, the District does bear risk of a future reduction or elimination in the benefit of the tax exemption for municipal debt. For example, a tax cut would likely increase the variable rate paid by the District under the swap and reduce or eliminate (in a worst case scenario) the swap's expected positive cash flow and present value savings. However, the risk of radical tax reform that would severely reduce or eliminate the swap's savings is deemed to be relatively low.

Fair Value: At June 30, 2009, the swap had a negative fair value of \$2,291,000 based on mid-market values as of the close of business.

Risks: As of June 30, 2009, the 2002D Basis Swap exposes the District to basis risk and termination risk. These risks are explained further in this section.

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2002D and 2001B Interest Rate Swaptions:

Swap Objective: The transactions allowed the District to achieve a synthetic forward refunding of the Certificates to lock in and receive the present value savings based on current market conditions. Under U.S. tax law, the 2002D and 2001B Certificates were not eligible for a traditional current refunding until May 1, 2012 and May 1, 2011, respectively.

Swap Terms: Anticipating the future issuance of \$116,550,000 of variable-rate bonds to refund outstanding Certificates of Participation, Series 2002D and \$162,980,000 of variable-rate bonds to refund outstanding Certificates of Participation, Series 2001B, on August 10 and August 16, 2005 respectively, the District sold two options (the "Swaptions") on floating-to-fixed BMA interest rate swaps to Citibank, NA. The upfront gross premium amounts for the sale of the 2002D and 2001B Swaptions were \$4,240,000 and \$6,250,000 respectively. The terms of the Swaptions were structured to mirror the terms on the optional redemption features on the 2002D and 2001B Certificates. For the 2001B Swaption, the counterparty has the option to exercise the agreement on a semiannual basis beginning August 11, 2011 and ending on August 1, 2014. If the swap is exercised, the swap will commence on the option exercise date. For the 2002D Swaption, the counterparty has the option to exercise the agreement on set dates beginning August 1, 2012 and ending on February 1, 2014. If the swap is exercised, the swap will commence on the option exercise date. If the swaptions are exercised, the District would pay 4.71% and 4.59% respectively and receive the SIFMA Swap Index Rate.

Fair Value: At June 30, 2009, the swaptions had a combined negative fair value of \$25,942,000 based on mid-market values as of the close of business.

Risks: As of June 30, 2009, the 2002D and 2001B Swaptions expose the District to termination risk. These risks are explained further in this section.

2002D Constant Maturity Swap:

Swap Objective: The District executed a forward-starting floating-to-floating or basis swap with UBS AG Stamford Branch on September 13, 2006. The purpose of the transaction was to reduce the net borrowing cost associated with the 2002D Certificates.

Swap Terms: The swap has a notional amount of \$100,000,000 with an effective date of June 30, 2007 and amortizes to match the final \$100 million of maturing principal of the underlying Certificates and will mature on June 30, 2028. The District pays UBS 67% of 1-month LIBOR in exchange for receiving 59.93% of the 10-year Constant Maturity Swap ("CMS") rate. The "flat" shape of the yield curve provided an opportunity to swap the 1-month rate to a 10-year rate. Assuming the yield curve reverts to its normal positive slope, the District should earn a higher benefit as compared to the short-term swap index. If the yield curve remains flat or inverts (short-term rates exceed long-term rates), the District could incur negative cash flow on the Basis Swap.

Fair Value: At June 30, 2009, the swap had a positive fair value of \$3,257,000 based on mid-market values as of the close of business. As of June 30, 2009, the counterparty to the swap (UBS, AG) had a credit rating of A+ from S&P and Aa2 from Moody's.

Risks: As of June 30, 2009, the 2002D Constant Maturity Basis Swap exposes the District to credit risk and termination risk. These risks are explained further in this section.

Description of Risks:

Credit Risk: The District is exposed to credit risk when a swap has a positive fair value. All the swap agreements contain a collateral agreement with the Counterparty. If a Counterparty's credit rating from

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either Standard & Poor's (S&P) and/or Moody's Investor's Services is "A+"/A1, respectively or lower, and the fair value of the swap reaches certain threshold amounts, the swaps require collateralization of the fair value of the swap by the Counterparty with U. S. Government Securities. Collateral would be posted with a third party custodian.

Basis Risk: The District is exposed to basis risk when the floating rate it receives on the swap is less than the variable rate the District pays on the certificates. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination Risk: In the event the swap is terminated, the District could be exposed to higher interest rate payments on the Certificates. Also, if at the time of termination, the swap has a negative fair value, the District would be liable to the Counterparty for payment equal to the swap's fair value. The District or Counterparty may terminate a swap in accordance with the contract or if the other party fails to perform under the terms of the contract. The swap may also be terminated by the District or the Counterparty if the other's credit rating falls below designated levels.

10. RETIREMENT PLANS

Plan Description: The District contributes to the Florida Retirement System (the "System"), a cost-sharing multiple-employer pension plan administered by the State of Florida Division of Retirement. The System was created in 1970 by consolidating several employee retirement systems, including the Teachers Retirement System. All eligible employees, as defined by the State, who were hired after 1970 and those employed prior to 1970 who elect to be enrolled, are covered by the System. Employees hired prior to 1970 and not electing to enroll in the Florida Retirement System may be covered by various contributory plans, principally the Teacher's Retirement System Plan E. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established the System under Chapter 121, Florida Statutes, and has sole authority to amend benefit provisions. Each year the System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

Funding Policy: The System is non-contributory for employees and the District is required to make contributions in accordance with rates established by the Florida Legislature. During the fiscal year the rates ranged from 9.85% to 20.92% of annual covered payroll. The Teachers Retirement System is contributory and the rates for those employees still participating in this program is 11.35% and 6.25% for the employer and the employee, respectively. The District's contributions for both plans to the System are equal to the required contributions for each year as follows (in thousands):

	June 30, 2007	June 30, 2008	June 30, 2009
Florida Retirement System	\$ 91,242	\$ 94,615	\$ 94,977
Teachers' Retirement System			
Plan E: Employer	\$ 88	\$ 70	\$ 61

11. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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For those eligible employees who qualify for the Retirement Incentive Program (“RIP”), below is brief description and eligibility criteria of the Plan:

RIP 1999 – Eligibility criteria include the following:

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

The District pays an annual insurance subsidy for up to ten years beginning at \$2,400 and increasing 3% each year thereafter. Payments for this subsidy began August 1999 and are paid 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 liability and related expenditure as recorded in the Governmental Funds statements for the fiscal year ended June 30, 2009 is as follows (in thousands):

		Beginning		Ending
	Number of	Balance	Total Paid	Balance
	Participants	July 1, 2008	FY 2009	June 30, 2009
RIP 99	111	\$ 636	\$ 339	\$ 297

The District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB 45), for certain postemployment health care benefits provided by the District for the fiscal year ended June 30, 2008. The requirement of this statement was implemented prospectively.

Plan Description. Pursuant to Section 112.0801, Florida Statutes, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The plan is a single employer plan.

Funding Policy. The District is financing the post employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund and other funds where the personnel are located. For fiscal year 2009 1,434 retirees received health care benefits. The District provided required contributions of approximately \$5.9 million toward the annual OPEB cost. Retiree contributions totaled approximately \$8.8 million.

Annual OPEB Cost and Net OPEB Obligation. The District’s annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the retiree health plan (in thousands):

Annual Required Contribution	\$ 22,303
Interest on Net OPEB Obligation	834
Adjustment to Annual required Contribution	(1,377)
Annual OPEB Cost (Expense)	21,760
Contribution towards OPEB Cost	(5,881)
Increase in net OPEB obligation	15,879
Net OPEB obligation - beginning of year	27,800
Net OPEB obligation - end of year	\$ 43,679

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2009, was as follows (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 21,760	27%	\$ 43,679
June 30, 2008	\$ 31,300	11%	\$ 27,800

Funded Status and Funding Progress. As of June 30, 2009, the actuarial accrued liability for benefits was \$216.0 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$926.3 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 23.3 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of July 1, 2008. The unfunded actuarial accrued liability is

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar amount. The remaining amortization period at June 30, 2009 is thirty years (open method).

The following assumptions were made:

Retirement Age – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2008.

Covered Spouses – Assumed number of eligible spouses is based on the current census information.

Per Capita Health Claim Cost – Per capita health claim costs are developed from a combination of historical claim experience and manual claim costs developed using a representative database. The per capita cost at age 60 is \$9,186 and at age 70 \$5,292.

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

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

Healthcare Cost Trend Rate—The expected rate of increase in healthcare insurance premiums was based on District historical experience, our market-place knowledge and macro-economic theory. A rate of 11 percent initially, reduced 0.5% each year until reaching the ultimate trend rate of 5.0 percent.

Retiree Contributions – Retiree contributions are assumed to increase with healthcare cost trend.

Non-Claim Expenses – Non-claim expenses are based on the current amounts charged per retired employee.

Termination – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2008. The annual termination probability is dependent on an employee's age, gender, and years of service.

Plan Participation Percentage – It is assumed that 35% of all future retirees and their dependents who are eligible for benefits participate in the postemployment benefit plan.

Lapse Rates – Annual postretirement lapse rates of .5% for pre 65 and 1% for post 65 retirees were used.

Medicare Part D Prescription Drug Subsidy – Based on GASB Technical Bulletin No. 2006-1, an employer should apply the measurement requirements of GASB Statement 45 to determine the actuarial accrued liabilities, the annual required contribution of the employer, and the annual OPEB cost without reduction for RDS payments. For this reason, the Medicare Part D employer subsidy was excluded from this valuation.

Salary Increase Assumption – 2.5% per annum

Census Data – The census data was provided as of June 2009.

Discount Rate – 3% per annum

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with legal counsel that the final settlements of these matters will not result in a material adverse effect on the financial position of the District.

As part of its capital outlay program, the District has entered into various construction contracts. At June 30, 2009, the District had construction commitments of approximately \$172 million.

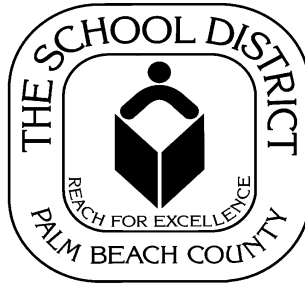
13. SUBSEQUENT EVENTS

On September 23, 2009, \$85.0 million of Tax Anticipation Notes Series 2008 were paid. (See Note 8).

On October 14, 2009 the District issued Tax Anticipation Notes ("TANS") Series 2009. This \$85.0 million issue was sold at a coupon rate of .75% with an effective yield of .31%. The notes are dated October 28, 2009, and are due February 1, 2010.

**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYEMENT BENEFITS PLAN
JUNE 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
July 1, 2008	\$ -	\$ 216,013	\$ 216,013	0.0%	\$ 926,287	23.3%
June 30, 2008	\$ -	\$ 239,500	\$ 239,500	0.0%	\$ 930,821	25.7%



SUPERINTENDENT'S ANNUAL FINANCIAL REPORT

(Unaudited)

For the Fiscal Year Ended
June 30, 2010

Arthur C. Johnson, Ph.D.
Superintendent of Schools

The School District of Palm Beach County, Florida

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BOARD MEMBERS

William G. Graham, Chair
Dr. Sandra S. Richmond, Vice Chair
Frank A. Barbieri, Jr., Esq.
Monroe Benaim, M.D.
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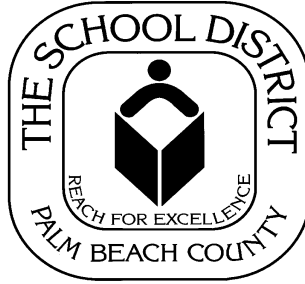
REPORT ISSUED BY:

Arthur C. Johnson, Ph.D., Superintendent
Joseph M. Moore, Chief Operating Officer
Michael J. Burke, Chief Financial Officer

REPORT PREPARED BY:

Heather Knust, Director of Accounting

The School District of Palm Beach County, Florida
3300 Forest Hill Boulevard
West Palm Beach, Florida 33406



SUPERINTENDENT'S ANNUAL FINANCIAL REPORT

(Unaudited)

For the Fiscal Year Ended
June 30, 2010

September 7, 2010

The School District of Palm Beach County, Florida
West Palm Beach, Florida

**FLORIDA DEPARTMENT OF EDUCATION
SUPERINTENDENT'S ANNUAL FINANCIAL REPORT (ESE 145)
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
For the Fiscal Year Ended June 30, 2010**

Return completed form to: Department of Education Office of Funding and Financial Reporting 325 W. Gaines St., Room 824 Tallahassee, FL 32399-0400
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The Superintendent's Annual Financial Report (ESE 145) for the fiscal year ended June 30, 2010, was submitted in accordance with Rule 6A-1.0071, F.A.C. (Section 1001.51(12)(b), F.S.). This report was approved by the school board on September 7, 2010.

District Superintendent's Signature

Date

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

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

Exhibit A-1

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

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

FINANCIAL HIGHLIGHTS

- The overall financial position of the District improved as reflected is an increase in net assets of \$77.7 million from \$2.034 billion to \$2.112 billion as a result of budget reductions, receipt of American Recovery and Reinvestment Act (ARRA) funds and the implementation of Governmental Accounting Standards Board Statement 53, Accounting and Financial Reporting for Derivative Instruments offset by an increase in the unfunded OPEB obligation.
 - The District placed a hold on non-instructional hiring and began hiring all outside personnel on an interim basis, since the majority of the District's costs are salary related at 85% of the total budget. This enabled the District to reduce the cost and size of its workforce through attrition, rather than layoffs. Remaining employees have been redirected in some instances to meet student needs. The District also implemented energy saving programs, which resulted in a decrease in electricity costs even though total square footage increased.
 - On February 17, 2009, President Barack Obama signed the American Recovery and Reinvestment Act (ARRA) into law. The Act, intended to provide a stimulus to the nation's economy, earmarks more than \$90 billion for states to use in key education areas such as the instruction of students with disabilities, services for low-income students and the stabilization of local school district funding. Even though the ARRA was signed in law during FY 2009, the District did not receive any funding until FY 2010.
 - The ARRA funds were provided in three categories: State Fiscal Stabilization (SFSF), targeted assistance, and competitive grants. The Florida Department of Education used SFSF as a stopgap for decreased state funding because of declining sales tax revenues and property tax values. SFSF represents approximately 5% of the Florida Education Financial Program (FEFP) Funding. Targeted Assistance funds were filtered through existing programs, including Title I, IDEA, and School Improvement Grants. Competitive grants include funding for areas such as school lunch equipment and educational technology.
 - During FY 2010, the District received ARRA funds of \$99.0 million in total, \$65.8 million in stabilization funds, \$33.2 million in targeted assistance and \$68,605 in competitive grants. All ARRA related funds are reported in Grants and Contributions not restricted on the government-wide financial statements and in the ARRA Economic Stimulus Fund on the fund level financial statements.
 - In June 2008, the GASB issued Statement 53, Accounting and Financial Reporting for Derivative Instruments. GASB 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The District adopted GASB statement 53 in Fiscal Year 2010. The cumulative effect of applying this statement was reported as a restatement of beginning net assets resulting in a reduction of \$17.1 million (shown as a reduction in investment earnings).

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

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

Exhibit A-1

- The current year activity resulted in an increase in investment earnings, increase in derivative instruments and related deferred outflow and increase in the borrowing. The fair value of investment derivative instruments increased \$17.3 million and the change in fair value is reported as investment earnings. Hedging derivative instruments and the related deferred outflow of hedging derivatives instruments increased \$13.4 million from \$25.2 million to \$38.6 million when compared to prior year due to a decrease in fair value of the derivative instruments. The borrowing related to the upfront payment increased \$336 thousand from \$7.8 million to \$8.1 million when compared to prior year due to imputed interest.
- Total revenues increased by \$25.9 million or 1.4%, from \$1.869 billion to \$1.894 billion when compared to the prior year. General revenue accounted for \$1.6 billion, or 83.0%, of all revenues, an increase of \$23.8 million or 1.5%. This increase is primarily attributed to an increase in grants and contributions as a result of ARRA funds received and an increase in investment earnings as a result of the implementation of GASB 53, partially offset by a decrease in property taxes. Program specific revenue in the form of charges for services, grants and contributions accounted for \$321.9 million, or 17.0% of all revenues.
- The District had \$1.8 billion in expenses related to programs which is consistent with prior year. These expenses were offset by \$321.9 million in program specific charges for services, grants and contributions. General revenues, primarily property taxes, ARRA and Florida Education Finance Program (FEFP) revenues were adequate to provide for these programs.
- As of the close of the current fiscal year, the District's governmental funds reported combined fund balances of \$578.3 million. The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$103.6 million. Of this amount, \$33.5 million is unreserved, undesignated fund balance that is available for reallocation in the subsequent fiscal year at the Board's discretion. During the current year, General Fund revenues exceeded expenditures (including other financing sources) by \$11.2 million as a result of successive budget reductions implemented beginning with fiscal year 2008.
- The District's total long-term debt decreased by \$54.9 million or 2.7%. The key factor contributing to the decrease were repayments of \$61.2 million partially offset by the net impact of the refunding of capital outlay bonds and the change in value of hedging derivative instruments.
- The District's short-term debt of \$56.0 million represents revenue anticipation notes (reduced by \$16.1 million over the prior year) issued in February 2010. In prior year, the District had commercial paper of \$150.0 million and an \$85.0 million tax anticipation note outstanding. Both were paid off during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

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

Exhibit A-1

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

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

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

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

Government-wide Statements

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

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

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

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

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

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

Exhibit A-1

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning on Page 19, Exhibit D-2.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

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

Exhibit A-1

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net assets were \$2.1 billion at June 30, 2010. The largest portion of the District's net assets, \$1.9 billion or 88.9%, reflect its investment in capital assets (i.e. land, buildings, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net assets (\$386.5 million) represents resources that are subject to external restrictions on how they may be used.

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

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

Table 1

	Summary of Net Assets Governmental Activities (in thousands)		Increase (Decrease)	Percentage Change
	June 30, 2010	June 30, 2009		
Current and other assets	\$ 858,715	\$ 1,155,217	\$ (296,502)	(25.7%)
Capital assets (net)	3,752,051	3,691,863	60,188	1.6%
Total assets	<u>4,610,766</u>	<u>4,847,080</u>	<u>(236,314)</u>	<u>(4.9%)</u>
Current and other liabilities	320,885	593,696	(272,811)	(46.0%)
Long-term liabilities	2,178,102	2,219,306	(41,204)	(1.9%)
Total liabilities	<u>2,498,987</u>	<u>2,813,002</u>	<u>(314,015)</u>	<u>(11.2%)</u>
Net assets:				
Invested in capital assets, net of related debt	1,877,199	1,798,681	78,518	4.4%
Restricted	386,534	387,194	(660)	(0.2%)
Unrestricted (deficit)	(151,954)	(151,797)	(157)	0.1%
Total net assets	<u>\$ 2,111,779</u>	<u>\$ 2,034,078</u>	<u>\$ 77,701</u>	<u>3.8%</u>

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

As reported in the Statement of Activities, the cost of all of the governmental activities this year was \$1.8 billion. Some costs were paid by those who benefited from the programs (\$321.9 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$274.5 million). The District paid for the remaining "public benefit" portion of the governmental activities with \$1.1 billion in property taxes, \$278.2 million in grants and contributions not restricted to specific programs, \$99.3 million in local sales taxes, \$23.1 million in investment earnings and \$35.4 million in other general revenue.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

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

Exhibit A-1

Table 2

Summary of Changes in Net Assets				
Governmental Activities				
(in thousands)				
	June 30, 2010	June 30, 2009	Increase (Decrease)	Percentage Change
Revenues:				
Program revenue:				
Charges for services	\$ 47,370	\$ 48,510	\$ (1,140)	(2.4%)
Operating grants and contributions	267,842	250,964	16,878	6.7%
Capital grants and contributions	6,711	20,383	(13,672)	(67.1%)
General revenue:				
Property taxes	1,136,597	1,169,627	(33,030)	(2.8%)
Local sales taxes	99,284	100,100	(816)	(0.8%)
Grants and contributions not restricted	278,238	241,445	36,793	15.2%
Investment earnings	23,066	9,903	13,163	132.9%
Other general revenue	35,356	27,675	7,681	27.8%
Total revenues	<u>1,894,464</u>	<u>1,868,607</u>	<u>25,857</u>	1.4%
Functions/Programs Expenses				
Instruction	911,518	954,271	(42,753)	(4.5%)
Instructional support services	187,979	170,854	17,125	10.0%
Board	5,634	5,293	341	6.4%
General administration	13,061	10,161	2,900	28.5%
School administration	95,817	98,528	(2,711)	(2.8%)
Facilities acquisition and construction	43,143	92,500	(49,357)	(53.4%)
Fiscal services	6,285	6,141	144	2.3%
Food services	62,997	60,858	2,139	3.5%
Central services	14,793	14,520	273	1.9%
Pupil transportation services	44,953	46,217	(1,264)	(2.7%)
Operation and maintenance of plant	195,732	178,469	17,263	9.7%
Administrative technology services	10,450	5,588	4,862	87.0%
Community services	28,626	30,125	(1,499)	(5.0%)
Interest on long-term debt	83,414	99,581	(16,167)	(16.2%)
Unallocated depreciation/amortization	112,361	108,180	4,181	3.9%
Total expenses	<u>1,816,763</u>	<u>1,881,286</u>	<u>(64,523)</u>	(3.4%)
Increase (Decrease) in net assets	<u>\$ 77,701</u>	<u>\$ (12,679)</u>	<u>\$ 90,380</u>	(712.8%)

Operating grants and contributions increased \$16.9 million or 6.7%, which is primarily attributed to an increase in Class Size Reduction of \$12.0 million and an increase in food service reimbursement revenue of \$5.0 million. The increase in Class Size Reduction is to fund the class size amendment which is due to be fully implemented in FY11. The District's cost to implement is estimated at \$59.0 million. The increase in food service reimbursement revenue is the result of an additional 7,671 or 10% of eligible students for free and reduced lunch from 78,051 students to 85,722 students.

Capital grants and contributions decreased \$13.7 million or 67.1%, which is primarily attributed to decrease in Public Education Capital Outlay revenue as a result of declining telecommunications tax revenues.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

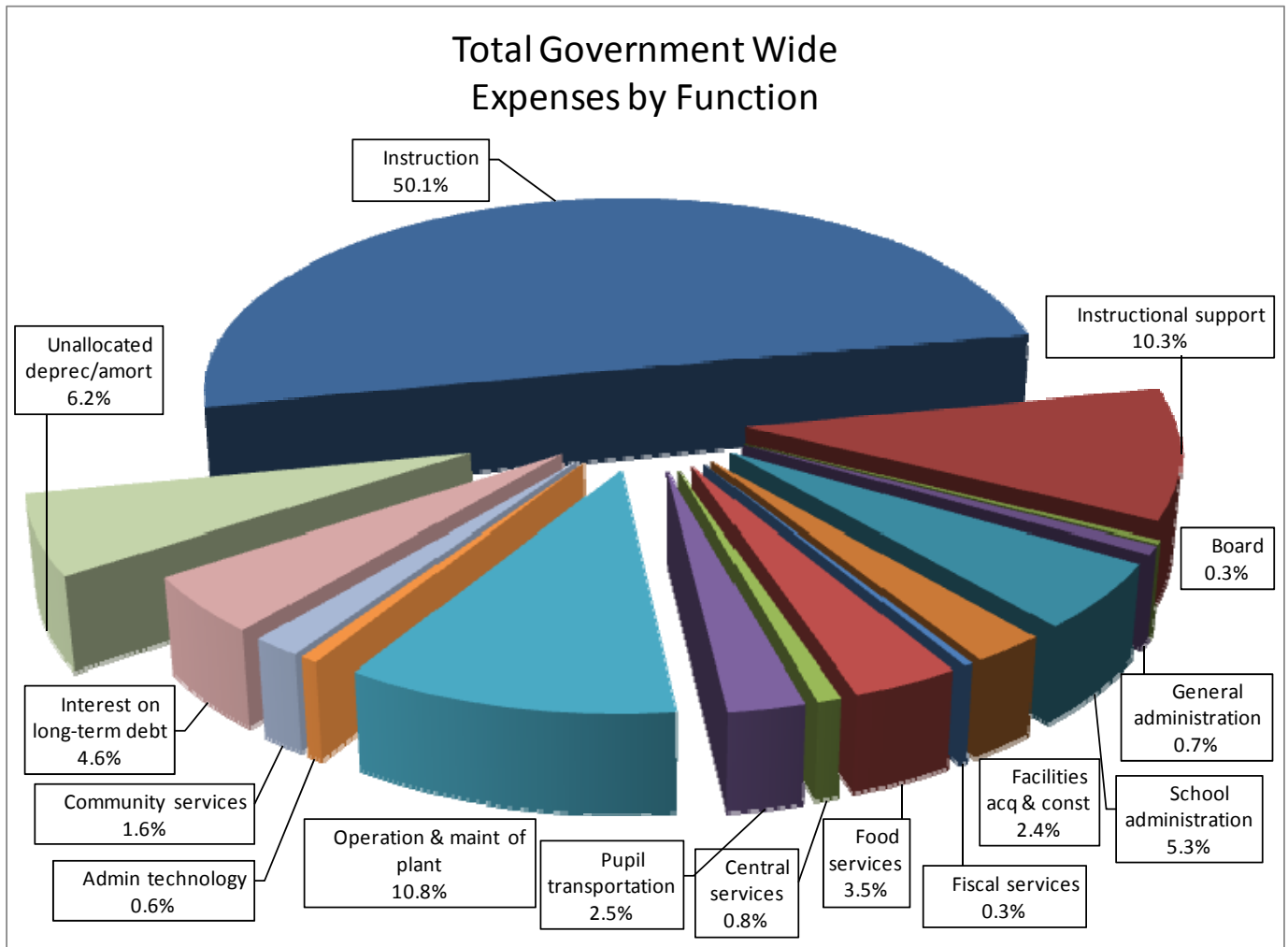
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Exhibit A-1

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

Grants and contributions not restricted increased \$36.8 million or 15.2%, which is primarily attributed to \$33.2 million in ARRA targeted assistance funds. The SFSF are excluded since the purpose of \$65.8 million was to keep the Florida Department of Education Funding whole.

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



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As of June 30, 2010 the District's governmental funds reported a combined fund balance of \$578.3 million, which is a decrease of \$57.0 million or 9.0% from the prior year.

The General Fund, which is the chief operating fund of the District and is always considered a major fund, had an increase in fund balance of \$11.2 million from \$92.4 million to \$103.6 million. The increase is primarily due to budget reductions and SFSF. At first glance, it may appear the General Fund activity significantly declined in fiscal year 2010 although \$65.8 million of General Fund revenues and expenditures were shifted to the ARRA Economic Stimulus Fund. The purpose of the SFSF is the cover the shortfall of the state funding in the General Fund; as a result it is important to consider the funds when reviewing the activity of the General Fund. At the end of the current fiscal year, unreserved, undesignated fund balance of the General Fund was \$33.5 million.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

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

Exhibit A-1

The American Recovery and Reinvestment Act (ARRA) Economic Stimulus Fund is a major fund as determined by the Florida Department of Education even though the fund does not meet the major fund determination test. The FLDOE has determined it would be misleading to not include as a major fund and is a new fund in fiscal year 2010. It includes all ARRA related funding including SFSF and ARRA targeted and competitive grant funds of \$65.8 million and \$34.2 million, respectively. Any unused fund will expire September 30, 2011.

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

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

The Other Capital Projects Fund, another major fund, reported an ending fund balance of \$171.1 million which is a decrease of \$42.0 million or 19.7% under prior year. This is largely due to capital outlay spending of \$125.5 million with no COPS issuance in the current year.

Other Governmental Funds, which represent a summarization of all the other governmental funds, ended the year with total fund balance of \$25.0 million, a reduction of approximately \$36.7 million or 59.4%.

General Fund Budgetary Highlights

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

During the year there was a \$19.6 million increase in appropriations between the original and final amended budget. The increase was possible because of additional revenues. Those revenues included \$9.1 million increase in FEFP, an increase in Class Size Reduction of \$3.0 million, an increase of \$2.3 million of property tax revenue and an increase in loss recoveries of \$4.1 million

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

- Hope-Centennial Elementary School

Completed modernized schools included the following:

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

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

Exhibit A-1

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

Table 3

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

Long-term Debt

As shown in Table 4 below, at the end of this year, the District had \$2.0 billion in debt outstanding compared to \$2.0 billion last year, a decrease of \$54.9 million or 2.7%. The key factors contributing to the decrease were debt repayments of \$61.2 million, and amortization of issuance premiums. See Note 9 of the Notes to the Financial Statements for more information on long-term liabilities.

Table 4

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

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

Exhibit A-1

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

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

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

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

The calculation of millage proceeds for inclusion in the budget is changing for FY 2011. Prior to FY 2011, the FEFP formula assumed a 95% collection rate. Beginning with FY 2011, the rate of collection used for FEFP is 96%. The result is that the FEFP includes \$8.0 million additional revenue in the formula, revenue that the district has collected in recent years, but which is now being used to fulfill the FEFP funding formula. This change effectively created an \$8.0 million reduction to the district budget. Additionally, while the usual collection rate averaged 96% from FY 2007 through FY 2009, the collection rate for FY 2010 fell to 94.6%. Should the FEFP budgeted 96% collection rate not be realized in FY 2011, actual revenue collected will be short. As with FY 2010, the actual results may not be known until receipt of the Value Adjustment Board adjustment in July 2011.

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

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

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

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

Exhibit A-1

Many factors on the horizon indicate that FY 2012 will be a challenging budget year. The FEFP funding formula is dependent on state revenues, local property taxes and state fiscal stabilization funds and the trend for each source is not positive. At the state level, ever tightening sales tax revenue streams as a result of the gulf oil spill and the continued recession, along with increasing costs, present budget issues for Florida. At the local level and throughout the state, property values are still falling, placing additional pressure on the FEFP funding formula. The critical millage of .25 mills was authorized for FY 2010 and 2011 only, and requires that voters approve the millage in order to continue assessment. The School Board has approved a referendum for the November, 2010, ballot seeking voter approval to continue the 0.25 mill levy for FY 2012 – FY 2015. Discontinuation of this millage represents a loss of approximately \$32 million in revenue. Finally, the State Fiscal Stabilization Funds provided by the federal government for FY 2010 and 2011 are scheduled to sunset on June 30, 2011. State Stabilization funding totals \$59 million for the district in FY2011. In short, all the funding sources that support K-12 education are either ending or in decline.

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

The \$10.0 billion Education Jobs Bill recently approved by Congress and the President provides \$554.8 million for Florida to fund school based personnel. States must allocate these funds to local education authorities (LEAs) in FY2011. However, LEAs or local school districts have the discretion to carry these funds forward to FY2012 if needed. Our school district expects to receive approximately \$31.0 to \$35.0 million from this Federal grant and these funds could be used to mitigate the funding cliff for FY2012 when the ARRA funds are no longer available.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

Visit our website at:

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

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

ASSETS	Account Number	Primary Government			Total Nonmajor Component Units
		Governmental Activities	Business-type Activities	Total	
Cash and Cash Equivalents	1110	484,791,523.74		484,791,523.74	0.00
Investments	1160	214,284,336.65		214,284,336.65	0.00
Taxes Receivable, Net	1120	38,331,628.54		38,331,628.54	0.00
Accounts Receivable, Net	1130	1,036,623.77		1,036,623.77	0.00
Interest Receivable	1170	3,382.50		3,382.50	0.00
Due from Reinsurer	1180	0.00		0.00	0.00
Deposits Receivable	1210	52,379.73		52,379.73	0.00
Due from Other Agencies	1220	44,192,277.25		44,192,277.25	0.00
Internal Balances		0.00		0.00	0.00
Inventory	1150	16,252,014.77		16,252,014.77	0.00
Prepaid Items	1230	3,937,212.51		3,937,212.51	0.00
<i>Restricted Assets:</i>					
Cash with Fiscal Agent	1114	2,383,990.18		2,383,990.18	0.00
<i>Deferred Charges:</i>					
Issuance Costs		14,851,161.50		14,851,161.50	0.00
Deferred Outflow of Resources		38,599,049.00		38,599,049.00	0.00
<i>Noncurrent Assets:</i>					
Other Post-employment Benefits Obligation (asset)	1410			0.00	0.00
<i>Capital Assets:</i>					
Land	1310	341,260,332.78		341,260,332.78	0.00
Land Improvements - Nondepreciable	1315	0.00		0.00	0.00
Construction in Progress	1360	226,219,123.64		226,219,123.64	0.00
Improvements Other Than Buildings	1320	39,395,182.50		39,395,182.50	0.00
Less Accumulated Depreciation	1329	(10,050,223.50)		(10,050,223.50)	0.00
Buildings and Fixed Equipment	1330	3,795,119,886.49		3,795,119,886.49	0.00
Less Accumulated Depreciation	1339	(733,921,374.04)		(733,921,374.04)	0.00
Furniture, Fixtures and Equipment	1340	165,180,642.68		165,180,642.68	0.00
Less Accumulated Depreciation	1349	(120,718,951.29)		(120,718,951.29)	0.00
Motor Vehicles	1350	99,931,223.51		99,931,223.51	0.00
Less Accumulated Depreciation	1359	(59,764,254.66)		(59,764,254.66)	0.00
Property Under Capital Leases	1370	0.00		0.00	0.00
Less Accumulated Depreciation	1379	0.00		0.00	0.00
Audio Visual Materials	1381	5,821,063.07		5,821,063.07	0.00
Less Accumulated Depreciation	1388	(5,181,953.67)		(5,181,953.67)	0.00
Computer Software	1382	49,657,808.00		49,657,808.00	0.00
Less Accumulated Amortization	1389	(40,897,904.79)		(40,897,904.79)	0.00
Total Capital Assets net of Accum. Dep'n		3,752,050,600.72	0.00	3,752,050,600.72	0.00
Total Assets		4,610,766,180.86	0.00	4,610,766,180.86	0.00
LIABILITIES AND NET ASSETS					
LIABILITIES					
Salaries and Wages Payable	2110	74,668,747.71		74,668,747.71	0.00
Payroll Deductions and Withholdings	2170	3,703,089.95		3,703,089.95	0.00
Accounts Payable	2120	35,788,192.23		35,788,192.23	0.00
Judgments Payable	2130	0.00		0.00	0.00
Construction Contracts Payable	2140	0.00		0.00	0.00
Construction Contracts Retainage Payable	2150	7,489,736.52		7,489,736.52	0.00
Due to Fiscal Agent	2240	0.00		0.00	0.00
Accrued Interest Payable	2210	41,746,201.35		41,746,201.35	0.00
Deposits Payable	2220	401,515.26		401,515.26	0.00
Due to Other Agencies	2230	0.00		0.00	0.00
Sales Tax Payable	2260	25,787.90		25,787.90	0.00
Deferred Revenue	2410	698,891.44		698,891.44	0.00
Estimated Unpaid Claims	2271	0.00		0.00	0.00
Estimated Liability for Claims Adjustment	2272	0.00		0.00	0.00
Estimated Liability for Arbitrage Rebate	2280	0.00		0.00	0.00
<i>Noncurrent Liabilities:</i>					
<i>Portion Due Within One Year:</i>					
Section 1011.13, F.S., Notes Payable	2250	56,000,000.02		56,000,000.02	0.00
Notes Payable	2310	0.00		0.00	0.00
Obligations Under Capital Leases	2315	0.00		0.00	0.00
Bonds Payable	2320	3,405,000.00		3,405,000.00	0.00
Liability for Compensated Absences	2330	11,812,835.85		11,812,835.85	0.00
Certificates of Participation Payable	2340	60,205,000.00		60,205,000.00	0.00
Estimated Liability for Long-Term Claims	2350	24,940,000.00		24,940,000.00	0.00
Other Post-employment Benefits Obligation	2360	0.00		0.00	0.00
Estimated PECO Advance Payable	2370	0.00		0.00	0.00
Estimated Liability for Arbitrage Rebate	2280	0.00		0.00	0.00
<i>Portion Due After One Year:</i>					
Notes Payable	2310	0.00		0.00	0.00
Obligations Under Capital Leases	2315	0.00		0.00	0.00
Bonds Payable	2320	26,727,097.55		26,727,097.55	0.00
Liability for Compensated Absences	2330	168,364,800.98		168,364,800.98	0.00
Certificates of Participation Payable	2340	1,885,705,779.56		1,885,705,779.56	0.00
Estimated Liability for Long-Term Claims	2350	33,730,000.00		33,730,000.00	0.00
Other Post-employment Benefits Obligation	2360	62,490,000.00		62,490,000.00	0.00
Estimated PECO Advance Payable	2370	0.00		0.00	0.00
Estimated Liability for Arbitrage Rebate	2280	1,084,288.74		1,084,288.74	0.00
Total Liabilities		2,498,986,965.06	0.00	2,498,986,965.06	0.00
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2770	1,877,199,469.20		1,877,199,469.20	0.00
<i>Restricted For:</i>					
Categorical Carryover Programs	2780	1,466,069.14		1,466,069.14	0.00
Food Service	2780	21,183,874.29		21,183,874.29	0.00
Debt Service	2780	71,888,475.13		71,888,475.13	0.00
Capital Projects	2780	290,245,786.03		290,245,786.03	0.00
Other Purposes	2780	1,750,000.00		1,750,000.00	0.00
Unrestricted	2790	(151,954,457.99)		(151,954,457.99)	0.00
Total Net Assets		2,111,779,215.80	0.00	2,111,779,215.80	0.00
Total Liabilities and Net Assets		4,610,766,180.86	0.00	4,610,766,180.86	0.00

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Total Nonmajor Component Units
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
						Governmental Activities	Business-type Activities	Total	
<i>Governmental Activities:</i>									
Instruction	5000	911,518,317.16	1,958,171.96	194,661,445.00		(714,898,700.20)		(714,898,700.20)	
Pupil Personnel Services	6100	52,675,797.49				(52,675,797.49)		(52,675,797.49)	
Instructional Media Services	6200	20,215,638.96				(20,215,638.96)		(20,215,638.96)	
Instruction and Curriculum Development Services	6300	54,148,261.92				(54,148,261.92)		(54,148,261.92)	
Instructional Staff Training Services	6400	54,161,119.03				(54,161,119.03)		(54,161,119.03)	
Instruction Related Technology	6500	6,776,397.24				(6,776,397.24)		(6,776,397.24)	
School Board	7100	5,633,857.49				(5,633,857.49)		(5,633,857.49)	
General Administration	7200	13,060,943.01				(13,060,943.01)		(13,060,943.01)	
School Administration	7300	95,817,045.30				(95,817,045.30)		(95,817,045.30)	
Facilities Acquisition and Construction	7400	43,142,971.27			1,963,985.00	(41,178,986.27)		(41,178,986.27)	
Fiscal Services	7500	6,285,431.09				(6,285,431.09)		(6,285,431.09)	
Food Services	7600	62,997,199.67	20,437,374.64	43,954,709.99		1,394,884.96		1,394,884.96	
Central Services	7700	14,793,446.31				(14,793,446.31)		(14,793,446.31)	
Pupil Transportation	7800	44,953,480.43	2,269,347.74	27,280,332.00		(15,403,800.69)		(15,403,800.69)	
Operation of Plant	7900	133,055,197.79				(133,055,197.79)		(133,055,197.79)	
Maintenance of Plant	8100	62,676,866.18				(62,676,866.18)		(62,676,866.18)	
Administrative Technology Services	8200	10,450,299.65				(10,450,299.65)		(10,450,299.65)	
Community Services	9100	28,626,206.62	22,705,042.74	1,945,474.62		(3,975,689.26)		(3,975,689.26)	
Interest on Long-term Debt	9200	83,413,648.85			4,747,065.07	(78,666,583.78)		(78,666,583.78)	
Unallocated Depreciation/Amortization Expense*		112,360,607.80				(112,360,607.80)		(112,360,607.80)	
Total Governmental Activities		1,816,762,733.26	47,369,937.08	267,841,961.61	6,711,050.07	(1,494,839,784.50)		(1,494,839,784.50)	
<i>Business-type Activities:</i>									
Self Insurance Consortium							0.00	0.00	
Daycare Operations							0.00	0.00	
Other Business-type Activity							0.00	0.00	
Total Business-type Activities		0.00	0.00	0.00	0.00		0.00	0.00	
Total Primary Government		1,816,762,733.26	47,369,937.08	267,841,961.61	6,711,050.07	(1,494,839,784.50)	0.00	(1,494,839,784.50)	
<i>Component Units:</i>									
Major Component Unit Name		0.00	0.00	0.00	0.00				
Major Component Unit Name		0.00	0.00	0.00	0.00				
Total Nonmajor Component Units		0.00	0.00	0.00	0.00				0.00

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Capital Projects
- Local Sales Taxes
- Grants and Contributions Not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Special Items
- Extraordinary Items
- Transfers

Total General Revenues, Special Items, Extraordinary Items, and Transfers

Change in Net Assets

Net Assets - July 1, 2009

Net Assets - June 30, 2010

873,358,683.92		873,358,683.92	0.00
0.00		0.00	0.00
263,238,674.50		263,238,674.50	0.00
99,283,861.69		99,283,861.69	0.00
278,238,203.36		278,238,203.36	0.00
23,065,584.38		23,065,584.38	0.00
35,356,127.60		35,356,127.60	0.00
0.00		0.00	0.00
0.00		0.00	0.00
0.00		0.00	0.00
1,572,541,135.45	0.00	1,572,541,135.45	0.00
77,701,350.95	0.00	77,701,350.95	0.00
2,034,077,864.85		2,034,077,864.85	0.00
2,111,779,215.80	0.00	2,111,779,215.80	0.00

*This amount excludes the depreciation/amortization that is included in the direct expenses of the various functions.

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

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	Account Number	General 100	ARRA Economic Stimulus Funds 430	Other Debt Service 290	Capital Improvement Section 1011.71(2) F.S. 370	Other Capital Projects 390	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Cash Equivalents	1110	141,272,308.87	2,675,438.66	0.00	170,062,973.62	119,420,394.87	21,069,835.30	454,500,951.32
Investments	1160	0.00	0.00	108,950,434.70	0.00	104,565,848.26	768,053.69	214,284,336.65
Taxes Receivable, Net	1120	29,458,169.25	0.00	0.00	8,873,459.29	0.00	0.00	38,331,628.54
Accounts Receivable, Net	1130	936,623.77	0.00	0.00	0.00	100,000.00	0.00	1,036,623.77
Interest Receivable	1170	0.00	0.00	3,382.50	0.00	0.00	0.00	3,382.50
Due from Reinsurer	1180	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposits Receivable	1210	0.00	0.00	0.00	0.00	0.00	52,379.73	52,379.73
<i>Due From Other Funds:</i>								
Budgetary Funds	1141	15,000,000.00	0.00	0.00	0.00	0.00	0.00	15,000,000.00
Internal Funds	1142	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due from Other Agencies	1220	5,131,892.42	0.00	0.00	0.00	19,544,219.77	19,516,165.06	44,192,277.25
Inventory	1150	14,813,713.80	0.00	0.00	0.00	0.00	1,438,300.97	16,252,014.77
Prepaid Items	1230	0.00	0.00	0.00	0.00	0.00	36,137.51	36,137.51
Total Assets		206,612,708.11	2,675,438.66	108,953,817.20	178,936,432.91	243,630,462.90	42,880,872.26	783,689,732.04
LIABILITIES AND FUND BALANCES								
LIABILITIES								
Salaries, Benefits and Payroll Taxes Payable	2110	75,799,306.37	0.00	0.00	0.00	0.00	0.00	75,799,306.37
Payroll Deductions and Withholdings	2170	12,450,545.71	0.00	0.00	0.00	0.00	0.00	12,450,545.71
Accounts Payable	2120	12,494,680.33	2,675,438.66	0.00	8,190,528.49	9,550,174.16	2,588,607.01	35,499,428.65
Judgments Payable	2130	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Construction Contracts Payable	2140	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Construction Contracts Payable-Retained Percentage	2150	0.00	0.00	0.00	1,196,072.93	6,293,663.59	0.00	7,489,736.52
Matured Bonds Payable	2180	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Matured Interest Payable	2190	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due to Fiscal Agent	2240	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sales Tax Payable	2260	25,787.90	0.00	0.00	0.00	0.00	0.00	25,787.90
Accrued Interest Payable	2210	0.00	0.00	0.00	0.00	259,000.00	0.00	259,000.00
Deposits Payable	2220	401,515.26	0.00	0.00	0.00	0.00	0.00	401,515.26
Due to Other Agencies	2230	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Due to Other Funds:</i>								
Budgetary Funds	2161	0.00	0.00	0.00	0.00	0.00	15,000,000.00	15,000,000.00
Internal Funds	2162	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Deferred Revenue:</i>								
Unearned Revenue	2410	1,800,000.00	0.00	0.00	0.00	439,000.80	259,890.64	2,498,891.44
Unavailable Revenue	2410	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TANS / RANS	2250	0.00	0.00	0.00	0.00	56,000,000.02	0.00	56,000,000.02
Total Liabilities		102,971,835.57	2,675,438.66	0.00	9,386,601.42	72,541,838.57	17,848,497.65	205,424,211.87
FUND BALANCES								
<i>Reserved For:</i>								
Endowments	2705	0.00	0.00	0.00	0.00	0.00	0.00	0.00
State Required Carryover Programs	2710	1,466,069.14	0.00	0.00	0.00	0.00	0.00	1,466,069.14
Encumbrances	2720	2,866,118.38	0.00	0.00	21,378,497.45	40,301,787.76	633,328.54	65,179,732.13
Inventory	2730	14,813,713.80	0.00	0.00	0.00	0.00	1,438,300.97	16,252,014.77
Debt Service		0.00	0.00	108,953,817.20	0.00	0.00	768,053.69	109,721,870.89
Other Purposes		0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Unreserved:</i>								
<i>Designated for, reported in:</i>								
General Fund - Board Contingency	2760	44,369,164.00	0.00	0.00	0.00	0.00	0.00	44,369,164.00
General Fund - Salary Increases	2760	6,608,906.00	0.00	0.00	0.00	0.00	0.00	6,608,906.00
<i>Undesignated, reported in:</i>								
General Fund	2760	33,516,901.22	0.00	0.00	0.00	0.00	0.00	33,516,901.22
Special Revenue Funds	2760	0.00	0.00	0.00	0.00	0.00	20,862,244.78	20,862,244.78
Debt Service Funds	2760	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Projects Funds	2760	0.00	0.00	0.00	148,171,334.04	130,786,836.57	1,330,446.63	280,288,617.24
Permanent Funds	2760	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Fund Balances	2700	103,640,872.54	0.00	108,953,817.20	169,549,831.49	171,088,624.33	25,032,374.61	578,265,520.17
Total Liabilities and Fund Balances		206,612,708.11	2,675,438.66	108,953,817.20	178,936,432.91	243,630,462.90	42,880,872.26	783,689,732.04

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

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2010**

Total Fund Balances - Governmental Funds 578,265,520.17

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 as assets in the governmental funds.

Cost of Assets	4,722,585,262.67	
Accumulated Depreciation	<u>(970,534,661.95)</u>	3,752,050,600.72

Debt issuance charges are reported as expenditures in the governmental funds when first incurred, however, they are included as deferred charges in the governmental activities in the statement of net assets. 14,851,161.50

Deferred outflow of resources are reported as a result of changes in fair values of hedging derivative instruments in the statement of net assets. 38,599,049.00

Investment derivative instruments reported on the statement of net assets. 756,513.00

Expenditures for insurance extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds. 3,901,075.00

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

Assets	31,918,049.60	
Liabilities (includes OPEB, compensated absences, and long term claims)	<u>(20,163,257.45)</u>	11,754,792.15
Net assets		

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 1,800,000.00

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

Bonds Payable	30,132,097.55	
Certificates of Participation	1,945,910,779.56	
Compensated Absences	165,243,848.54	
Long-term claims payable	45,270,000.00	
Other post employment benefits	61,071,280.00	
Liability for arbitrage rebate	1,084,288.74	
Accrued interest on long-term debt	<u>41,487,201.35</u>	
		<u>(2,290,199,495.74)</u>

Total Net Assets - Governmental Activities 2,111,779,215.80

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2010

	Account Number	General 100	ARRA Economic Stimulus Funds 430	Other Debt Service 290	Capital Improvement Section 1011.71(2) F.S. 370	Other Capital Projects 390	Other Governmental Funds	Total Governmental Funds
REVENUES								
Federal Direct	3100	754,931.19	0.00	0.00	0.00	0.00	6,990,452.14	7,745,383.33
Federal Through State and Local	3200	5,180,442.72	98,964,090.76	0.00	0.00	370,889.80	141,650,413.39	246,165,836.67
State Sources	3300	284,919,034.50	0.00	0.00	0.00	3,475,270.00	9,689,314.19	298,083,618.69
<i>Local Sources:</i>								
Property Taxes Levied for Operational Purposes	3411	873,358,683.92	0.00	0.00	0.00	0.00	0.00	873,358,683.92
Property Taxes Levied for Debt Service	3412	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property Taxes Levied for Capital Projects	3413	0.00	0.00	0.00	263,238,674.50	0.00	0.00	263,238,674.50
Local Sales Taxes	3418	0.00	0.00	0.00	0.00	99,283,861.69	0.00	99,283,861.69
Charges for Service - Food Service	345X	0.00	0.00	0.00	0.00	0.00	20,437,374.64	20,437,374.64
Impact Fees	3496	0.00	0.00	0.00	0.00	4,174,078.00	0.00	4,174,078.00
Other Local Revenue		56,156,418.26	0.00	96,555.05	1,466,122.34	3,336,954.13	6,338,642.76	67,394,692.54
Total Local Sources	3400	929,515,102.18	0.00	96,555.05	264,704,796.84	106,794,893.82	26,776,017.40	1,327,887,365.29
Total Revenues		1,220,369,510.59	98,964,090.76	96,555.05	264,704,796.84	110,641,053.62	185,106,197.12	1,879,882,203.98
EXPENDITURES								
<i>Current:</i>								
Instruction	5000	839,310,934.53	16,636,231.54	0.00	0.00	0.00	48,044,290.37	903,991,456.44
Pupil Personnel Services	6100	33,397,576.03	9,409,678.50	0.00	0.00	0.00	9,878,645.03	52,685,899.56
Instructional Media Services	6200	16,109,452.25	3,736,880.81	0.00	0.00	0.00	36,817.01	19,883,150.07
Instruction and Curriculum Development Services	6300	23,996,550.12	9,164,702.48	0.00	0.00	0.00	20,738,784.70	53,900,037.30
Instructional Staff Training Services	6400	12,513,310.31	14,223,863.76	0.00	0.00	0.00	25,849,678.47	52,586,852.54
Instruction Related Technology	6500	2,895,298.20	3,569,075.55	0.00	0.00	0.00	49,103.32	6,513,477.07
School Board	7100	5,578,853.24	0.00	0.00	0.00	0.00	0.00	5,578,853.24
General Administration	7200	7,363,523.54	3,128,899.19	0.00	0.00	0.00	2,693,283.40	13,185,706.13
School Administration	7300	93,237,724.92	923,587.59	0.00	0.00	0.00	672.88	94,161,985.39
Facilities Acquisition and Construction	7410	999,146.25	0.00	0.00	139,725.86	120,328.88	0.00	1,259,200.99
Fiscal Services	7500	6,192,292.41	11,204.73	0.00	0.00	0.00	30,871.53	6,234,368.67
Food Services	7600	0.00	4,968.99	0.00	0.00	0.00	63,166,884.87	63,171,853.86
Central Services	7700	15,363,022.75	236,848.07	0.00	0.00	0.00	252,244.78	15,852,115.60
Pupil Transportation Services	7800	39,332,418.28	3,168,083.67	0.00	0.00	0.00	1,954,143.62	44,454,645.57
Operation of Plant	7900	97,614,679.24	34,262,237.93	0.00	0.00	0.00	88,116.06	131,965,033.23
Maintenance of Plant	8100	60,702,314.69	0.00	0.00	0.00	0.00	0.00	60,702,314.69
Administrative Technology Services	8200	9,533,172.35	0.00	0.00	0.00	0.00	0.00	9,533,172.35
Community Services	9100	26,741,816.77	125,000.00	0.00	0.00	0.00	68,346.83	26,935,163.60
<i>Debt Service: (Function 9200)</i>								
Retirement of Principal	710	0.00	0.00	57,995,000.00	0.00	0.00	3,190,000.00	61,185,000.00
Interest	720	486,167.45	0.00	89,249,960.11	0.00	681,253.33	1,552,508.80	91,969,889.69
Dues, Fees and Issuance Costs	730	0.00	0.00	433,411.14	0.00	91,056.56	21,690.62	546,158.32
Miscellaneous Expenditures	790	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Capital Outlay:</i>								
Facilities Acquisition and Construction	7420	46,075.26	0.00	0.00	73,000,025.19	149,116,356.53	591,369.02	222,753,826.00
Other Capital Outlay	9300	1,491,137.10	362,827.95	0.00	0.00	0.00	812,423.00	2,666,388.05
Total Expenditures		1,292,905,465.69	98,964,090.76	147,678,371.25	73,139,751.05	150,008,995.30	179,019,874.31	1,941,716,548.36
Excess (Deficiency) of Revenues Over (Under) Expenditures		(72,535,955.10)	0.00	(147,581,816.20)	191,565,045.79	(39,367,941.68)	6,086,322.81	(61,834,344.38)
OTHER FINANCING SOURCES (USES)								
Long-Term Bonds Issued	3710	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Premium on Sale of Bonds	3791	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Discount on Sale of Bonds (Function 9299)	891	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Refunding Bonds Issued	3715	0.00	0.00	0.00	0.00	0.00	1,655,000.00	1,655,000.00
Premium on Refunding Bonds	3792	0.00	0.00	0.00	0.00	0.00	166,040.20	166,040.20
Discount on Refunding Bonds (Function 9299)	892	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Certificates of Participation Issued	3750	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Premium on Certificates of Participation	3793	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Discount on Certificates of Participation (Function 9299)	893	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans Incurred	3720	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Proceeds from the Sale of Capital Assets	3730	0.00	0.00	0.00	0.00	366,829.90	0.00	366,829.90
Loss Recoveries	3740	4,072,583.69	0.00	0.00	0.00	428,289.13	0.00	4,500,872.82
Proceeds of Forward Supply Contract	3760	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Special Facilities Construction Advances	3770	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payments to Refunded Bond Escrow Agent (Function 9299)	760	0.00	0.00	0.00	0.00	0.00	(1,806,012.54)	(1,806,012.54)
Transfers In	3600	79,692,944.58	0.00	149,001,970.65	0.00	0.00	0.00	228,694,915.23
Transfers Out	9700	0.00	0.00	0.00	(223,255,660.23)	(3,475,270.00)	(1,963,985.00)	(228,694,915.23)
Total Other Financing Sources (Uses)		83,765,528.27	0.00	149,001,970.65	(223,255,660.23)	(2,680,150.97)	(1,948,957.34)	4,882,730.38
SPECIAL ITEMS								
		0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXTRAORDINARY ITEMS								
		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Change in Fund Balances		11,229,573.17	0.00	1,420,154.45	(31,690,614.44)	(42,048,092.65)	4,137,365.47	(56,951,614.00)
Fund Balances, July 1, 2009	2800	92,411,299.37	0.00	107,533,662.75	201,240,445.93	213,136,716.98	20,895,009.14	635,217,134.17
Adjustment to Fund Balances	2891	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fund Balances, June 30, 2010	2700	103,640,872.54	0.00	108,953,817.20	169,549,831.49	171,088,624.33	25,032,374.61	578,265,520.17

The accompanying notes to financial statements are an integral part of this statement.
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2010**

Net Change in Fund Balances - Governmental Funds (56,951,614.00)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capitalized capital outlay (\$180,133,360.47) in excess of depreciation expense (\$110,819,835.53) in the current period. 69,313,524.94

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

Issuance Cost Amortization	(1,551,961.73)	
Issuance Cost on Current Year Refunding	15,027.66	
Premium / Discount and Deferred Refunding Amortization	7,461,116.86	
Premium on Current Year Issuance	<u>(166,040.20)</u>	5,758,142.59

Investment revenue related to derivative instruments reported in the statement of activities that are not reported as revenue in the governmental funds. 17,296,663.00

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 800,000.00

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 61,185,000.00

Bond refunding proceeds provided current financial resources to governmental funds. Bond refunding payments are expenditures in the governmental funds. The amount by which the refunding payment (\$1,806,012.54) exceeded refunding proceeds (\$1,655,000) in the current period. 151,012.54

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets. (9,124,311.43)

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

Prepaid Insurance	(69,697.00)	
Compensated Absences	3,469,766.02	
Long-term claims payable	952,000.00	
Other post employment benefits	(18,055,511.71)	
Liability for arbitrage rebate	1,103,436.66	
Imputed interest on borrowing	(336,331.00)	
Accrued interest on long-term debt and derivative instruments	<u>870,338.44</u>	(12,065,998.59)

An internal service fund is used by management to charge the cost of maintenance activities and health premiums to individual funds. The net income of internal service fund is reported with governmental activities. 1,338,931.90

Change in Net Assets of Governmental Activities 77,701,350.95

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2010

	Account Number	Business-type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds	
		Self-Insurance Consortium 911	Self-Insurance Consortium 912	Self-Insurance Consortium 913	Self-Insurance Consortium 914	Self-Insurance Consortium 915	Other Enterprise Programs 921	Other Enterprise Programs 922	Other Enterprise Funds	Totals		
ASSETS												
<i>Current Assets:</i>												
Cash and Cash Equivalents	1110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,918,049.60
Investments	1160	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Receivable, Net	1130	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Receivable	1170	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due from Reinsurer	1180	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposits Receivable	1210	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due from Other Funds-Budgetary	1141	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due from Other Agencies	1220	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory	1150	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Prepaid Items	1230	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Current Assets		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,918,049.60
<i>Noncurrent Assets:</i>												
Restricted Cash and Cash Equivalents		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Post-employment Benefits Obligation (asset)	1410	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Capital Assets:</i>												
Land	1310	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Land Improvements - Nondepreciable	1315	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Construction in Progress	1360	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Improvements Other Than Buildings	1320	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated Depreciation	1329	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Buildings and Fixed Equipment	1330	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated Depreciation	1339	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Furniture, Fixtures and Equipment	1340	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated Depreciation	1349	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Motor Vehicles	1350	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated Depreciation	1359	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Property Under Capital Leases	1370	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated Depreciation	1379	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Computer Software	1382	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated Amortization	1389	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Capital Assets net of Accum. Dep'n		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Noncurrent Assets		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Assets		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,918,049.60
LIABILITIES												
<i>Current Liabilities:</i>												
Salaries, Benefits and Payroll Taxes Payable	2110	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payroll Deductions and Withholdings	2170	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts Payable	2120	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	288,763.58
Judgments Payable	2130	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sales Tax Payable	2260	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accrued Interest Payable	2210	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposits Payable	2220	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due to Other Funds-Budgetary	2161	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Due to Other Agencies	2230	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deferred Revenue	2410	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Estimated Unpaid Claims	2271	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,400,000.00
Estimated Liability for Claims Adjustment Expense	2272	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Obligations Under Capital Leases	2315	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Liability for Compensated Absences	2330	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Post-employment Benefits Obligation	2360	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Current Liabilities		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,688,763.58
<i>Noncurrent Liabilities:</i>												
Liabilities Payable from Restricted Assets:												
Deposits Payable	2220	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Other Noncurrent Liabilities:</i>												
Obligations Under Capital Leases	2315	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Liability for Compensated Absences	2330	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,055,773.87
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Post-employment Benefits Obligation	2360	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,418,720.00
Total Noncurrent Liabilities		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,474,493.87
Total Liabilities		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	20,163,257.45
NET ASSETS												
Invested in Capital Assets, Net of Related Debt	2770	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Restricted for	2780	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unrestricted	2790	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,754,792.15
Total Net Assets		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,754,792.15
Total Liabilities and Net Assets		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,918,049.60

The accompanying notes to financial statements are an integral part of this statement.
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Account Number	Business-type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds	
		Self-Insurance Consortium 911	Self-Insurance Consortium 912	Self-Insurance Consortium 913	Self-Insurance Consortium 914	Self-Insurance Consortium 915	Other Enterprise Programs 921	Other Enterprise Programs 922	Other Enterprise Funds	Totals		
OPERATING REVENUES												
Charges for Services	3481	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28,365,112.83
Charges for Sales	3482	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Premium Revenue	3484	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	156,199,266.27
Other Operating Revenues	3489	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,598,850.76
Total Operating Revenues		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	188,163,229.86
OPERATING EXPENSES												
Salaries	100	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21,482,086.29
Employee Benefits	200	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,530,789.39
Purchased Services	300	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,003,093.10
Energy Services	400	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Materials and Supplies	500	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,065.84
Capital Outlay	600	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Expenses	700	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	156,890,276.65
Depreciation	780	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Operating Expenses		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	186,910,311.27
Operating Income (Loss)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,252,918.59
NONOPERATING REVENUES (EXPENSES)												
Interest Revenue	3430	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	86,013.31
Gifts, Grants and Bequests	3440	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous Local Sources	3495	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loss Recoveries	3740	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gain on Disposition of Assets	3780	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Expense	720	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Miscellaneous Expense	790	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loss on Disposition of Assets	810	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Nonoperating Revenues (Expenses)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	86,013.31
Income (Loss) Before Operating Transfers		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,338,931.90
Transfers In	3600	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers Out	9700	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SPECIAL ITEMS												
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EXTRAORDINARY ITEMS												
		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Change In Net Assets		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,338,931.90
Net Assets - July 1, 2009	2880	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,415,860.25
Adjustment to Net Assets	2896	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Assets - June 30, 2010	2780	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11,754,792.15

The accompanying notes to financial statements are an integral part of this statement.
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Business-type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds
	Self-Insurance Consortium 911	Self-Insurance Consortium 912	Self-Insurance Consortium 913	Self-Insurance Consortium 914	Self-Insurance Consortium 915	Other Enterprise Programs 921	Other Enterprise Programs 922	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES										
Receipts from customers and users	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	184,564,379.10
Receipts from interfund services provided	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payments to suppliers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(157,617,765.87)
Payments to employees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(28,703,876.93)
Payments for interfund services used	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other receipts (payments)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,571,569.15
Net cash provided (used) by operating activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,814,305.45
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES										
Subsidies from operating grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers from other funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers to other funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net cash provided (used) by noncapital financing activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES										
Proceeds from capital debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital contributions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Proceeds from disposition of capital assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Acquisition and construction of capital assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Principal paid on capital debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest paid on capital debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net cash provided (used) by capital and related financing activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CASH FLOWS FROM INVESTING ACTIVITIES										
Proceeds from sales and maturities of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest and dividends received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	86,013.31
Purchase of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net cash provided (used) by investing activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	86,013.31
Net increase (decrease) in cash and cash equivalents	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,900,318.76
Cash and cash equivalents - July 1, 2009	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	29,017,730.84
Cash and cash equivalents - June 30, 2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,918,049.60
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:										
Operating income (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,252,918.59
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>										
Depreciation/Amortization expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commodities used from USDA program	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Change in assets and liabilities:</i>										
(Increase) decrease in accounts receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Increase) decrease in interest receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Increase) decrease in due from reinsurer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Increase) decrease in deposits receivable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Increase) decrease in due from other funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Increase) decrease in due from other agencies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	972,718.39
(Increase) decrease in inventory	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
(Increase) decrease in prepaid items	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in salaries and benefits payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in payroll tax liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in accounts payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	279,669.72
Increase (decrease) in judgments payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in sales tax payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in accrued interest payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in deposits payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in due to other funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in due to other agencies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in deferred revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in estimated unpaid claims	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	308,998.75
Increase (decrease) in estimated liability for claims adjustment expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,561,386.86
Net cash provided (used) by operating activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,814,305.45
Noncash investing, capital, and financing activities:										
Borrowing under capital lease	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Contributions of capital assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Purchase of equipment on account	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital asset trade-ins	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Increase/(Decrease) in the fair value of investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commodities received through USDA program	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

The accompanying notes to financial statements are an integral part of this statement.
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Account Number	Total Investment Trust Funds 84X	Total Private-Purpose Trust Funds 85X	Total Pension Trust Funds 87X	Total Agency Funds 89X
ASSETS					
Cash and Cash Equivalents	1110	0.00	494,054.25	0.00	15,162,469.14
Investments	1160	0.00	0.00	0.00	0.00
Accounts Receivable, Net	1130	0.00	0.00	0.00	978,142.51
Interest Receivable	1170	0.00	0.00	0.00	0.00
Due from Other Funds-Budgetary	1141	0.00	0.00	0.00	0.00
Inventory	1150				0.00
Due from Other Agencies	1220	0.00	0.00	0.00	0.00
Total Assets		0.00	494,054.25	0.00	16,140,611.65
LIABILITIES					
Salaries, Benefits and Payroll Taxes Payable	2110	0.00	0.00	0.00	0.00
Payroll Deductions and Withholdings	2170	0.00	0.00	0.00	0.00
Accounts Payable	2120	0.00	0.00	0.00	306,111.88
Due to Other Agencies	2230	0.00	0.00	0.00	
Due to Other Funds-Budgetary	2161	0.00	0.00	0.00	0.00
Internal Accounts Payable	2290	0.00	0.00	0.00	15,834,499.77
Total Liabilities		0.00	0.00	0.00	16,140,611.65
NET ASSETS					
Assets Held in Trust for Pension Benefits		0.00	0.00	0.00	
Assets Held in Trust for Scholarships and Other Purposes		0.00	494,054.25	0.00	
Total Net Assets		0.00	494,054.25	0.00	

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

ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2010

	Account Number	Total Investment Trust Funds 84X	Total Private-Purpose Trust Funds 85X	Total Pension Trust Funds 87X
ADDITIONS				
<i>Contributions:</i>				
Employer		0.00	0.00	0.00
Plan Members		0.00	0.00	0.00
Gifts, Grants and Bequests	3440	0.00	59,177.93	0.00
<i>Investment Earnings:</i>				
Interest	3431	0.00	8,428.40	0.00
Gain on Sale of Investments	3432	0.00	0.00	0.00
Net Increase (Decrease) in the Fair Value of Investments	3433	0.00	0.00	0.00
Total Investment Earnings		0.00	8,428.40	0.00
Less Investment Expense		0.00	0.00	0.00
Net Investment Earnings		0.00	8,428.40	0.00
Total Additions		0.00	67,606.33	0.00
DEDUCTIONS				
Salaries	100	0.00	0.00	0.00
Employee Benefits	200	0.00	0.00	0.00
Purchased Services	300	0.00	0.00	0.00
Other Expenses	700	0.00	89,619.13	0.00
Refunds of Contributions		0.00	0.00	0.00
Administrative Expenses		0.00	0.00	0.00
Total Deductions		0.00	89,619.13	0.00
Change In Net Assets		0.00	(22,012.80)	0.00
Net Assets - July 1, 2009	2885	0.00	516,067.05	0.00
Net Assets - June 30, 2010	2785	0.00	494,054.25	0.00

The accompanying notes to financial statements are an integral part of this statement.
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF NET ASSETS
MAJOR AND NONMAJOR COMPONENT UNITS
June 30, 2010

	Account Number	Major Component Unit Name	Major Component Unit Name	Total Nonmajor Component Units	Total Component Units
ASSETS					
Cash and Cash Equivalents	1110	0.00	0.00	0.00	0.00
Investments	1160	0.00	0.00	0.00	0.00
Taxes Receivable, Net	1120	0.00	0.00	0.00	0.00
Accounts Receivable, Net	1130	0.00	0.00	0.00	0.00
Interest Receivable	1170	0.00	0.00	0.00	0.00
Due from Reinsurer	1180	0.00	0.00	0.00	0.00
Deposits Receivable	1210	0.00	0.00	0.00	0.00
Due from Other Agencies	1220	0.00	0.00	0.00	0.00
Internal Balances		0.00	0.00	0.00	0.00
Inventory	1150	0.00	0.00	0.00	0.00
Prepaid Items	1230	0.00	0.00	0.00	0.00
<i>Restricted Assets:</i>					
Cash with Fiscal Agent	1114	0.00	0.00	0.00	0.00
<i>Deferred Charges:</i>					
Issuance Costs		0.00	0.00	0.00	0.00
<i>Noncurrent Assets:</i>					
Other Post-employment Benefits Obligation (asset)	1410	0.00	0.00	0.00	0.00
<i>Capital Assets:</i>					
Land	1310	0.00	0.00	0.00	0.00
Land Improvements - Nondepreciable	1315	0.00	0.00	0.00	0.00
Construction in Progress	1360	0.00	0.00	0.00	0.00
Improvements Other Than Buildings	1320	0.00	0.00	0.00	0.00
Less Accumulated Depreciation	1329	0.00	0.00	0.00	0.00
Buildings and Fixed Equipment	1330	0.00	0.00	0.00	0.00
Less Accumulated Depreciation	1339	0.00	0.00	0.00	0.00
Furniture, Fixtures and Equipment	1340	0.00	0.00	0.00	0.00
Less Accumulated Depreciation	1349	0.00	0.00	0.00	0.00
Motor Vehicles	1350	0.00	0.00	0.00	0.00
Less Accumulated Depreciation	1359	0.00	0.00	0.00	0.00
Property Under Capital Leases	1370	0.00	0.00	0.00	0.00
Less Accumulated Depreciation	1379	0.00	0.00	0.00	0.00
Audio Visual Materials	1381	0.00	0.00	0.00	0.00
Less Accumulated Depreciation	1388	0.00	0.00	0.00	0.00
Computer Software	1382	0.00	0.00	0.00	0.00
Less Accumulated Amortization	1389	0.00	0.00	0.00	0.00
Total Capital Assets net of Accum. Dep'n		0.00	0.00	0.00	0.00
Total Assets		0.00	0.00	0.00	0.00
LIABILITIES AND NET ASSETS					
LIABILITIES					
Salaries and Wages Payable	2110	0.00	0.00	0.00	0.00
Payroll Deductions and Withholdings	2170	0.00	0.00	0.00	0.00
Accounts Payable	2120	0.00	0.00	0.00	0.00
Judgments Payable	2130	0.00	0.00	0.00	0.00
Construction Contracts Payable	2140	0.00	0.00	0.00	0.00
Construction Contracts Retainage Payable	2150	0.00	0.00	0.00	0.00
Due to Fiscal Agent	2240	0.00	0.00	0.00	0.00
Accrued Interest Payable	2210	0.00	0.00	0.00	0.00
Deposits Payable	2220	0.00	0.00	0.00	0.00
Due to Other Agencies	2230	0.00	0.00	0.00	0.00
Sales Tax Payable	2260	0.00	0.00	0.00	0.00
Deferred Revenue	2410	0.00	0.00	0.00	0.00
Estimated Unpaid Claims	2271	0.00	0.00	0.00	0.00
Estimated Liability for Claims Adjustment	2272	0.00	0.00	0.00	0.00
Estimated Liability for Arbitrage Rebate	2280	0.00	0.00	0.00	0.00
<i>Noncurrent Liabilities:</i>					
<i>Portion Due Within One Year:</i>					
Section 1011.13, F.S., Notes Payable	2250	0.00	0.00	0.00	0.00
Notes Payable	2310	0.00	0.00	0.00	0.00
Obligations Under Capital Leases	2315	0.00	0.00	0.00	0.00
Bonds Payable	2320	0.00	0.00	0.00	0.00
Liability for Compensated Absences	2330	0.00	0.00	0.00	0.00
Certificates of Participation Payable	2340	0.00	0.00	0.00	0.00
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	0.00
Other Post-employment Benefits Obligation	2360	0.00	0.00	0.00	0.00
Estimated PECO Advance Payable	2370	0.00	0.00	0.00	0.00
Estimated Liability for Arbitrage Rebate	2280	0.00	0.00	0.00	0.00
<i>Portion Due After One Year:</i>					
Notes Payable	2310	0.00	0.00	0.00	0.00
Obligations Under Capital Leases	2315	0.00	0.00	0.00	0.00
Bonds Payable	2320	0.00	0.00	0.00	0.00
Liability for Compensated Absences	2330	0.00	0.00	0.00	0.00
Certificates of Participation Payable	2340	0.00	0.00	0.00	0.00
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	0.00
Other Post-employment Benefits Obligation	2360	0.00	0.00	0.00	0.00
Estimated PECO Advance Payable	2370	0.00	0.00	0.00	0.00
Estimated Liability for Arbitrage Rebate	2280	0.00	0.00	0.00	0.00
Total Liabilities		0.00	0.00	0.00	0.00
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	2770	0.00	0.00	0.00	0.00
<i>Restricted For:</i>					
Categorical Carryover Programs	2780	0.00	0.00	0.00	0.00
Food Service	2780	0.00	0.00	0.00	0.00
Debt Service	2780	0.00	0.00	0.00	0.00
Capital Projects	2780	0.00	0.00	0.00	0.00
Other Purposes	2780	0.00	0.00	0.00	0.00
Unrestricted	2790	0.00	0.00	0.00	0.00
Total Net Assets		0.00	0.00	0.00	0.00
Total Liabilities and Net Assets		0.00	0.00	0.00	0.00

The accompanying notes to financial statements are an integral part of this statement.
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
MAJOR AND NONMAJOR COMPONENT UNITS

Major Component Unit Name
For the Fiscal Year Ended June 30, 2010

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Unit Activities
<i>Component Unit Activities:</i>						
Instruction	5000	0.00	0.00	0.00	0.00	0.00
Pupil Personnel Services	6100	0.00	0.00	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00	0.00	0.00
Instruction Related Technology	6500	0.00	0.00	0.00	0.00	0.00
School Board	7100	0.00	0.00	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00	0.00	0.00
Facilities Acquisition and Construction	7400	0.00	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00	0.00	0.00
Pupil Transportation Services	7800	0.00	0.00	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00	0.00	0.00
Interest on Long-term Debt	9200	0.00	0.00	0.00	0.00	0.00
Unallocated Depreciation/Amortization Expense*		0.00				0.00
Total Component Unit Activities		0.00	0.00	0.00	0.00	0.00

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Capital Projects
- Local Sales Taxes
- Grants and Contributions Not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Special Items
- Extraordinary Items
- Transfers

Total General Revenues, Special Items, Extraordinary Items, and Transfers

Change in Net Assets

- Net Assets - July 1, 2009
- Net Assets - June 30, 2010

0.00
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*This amount excludes the depreciation/amortization that is included in the direct expenses of the various functions.

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
MAJOR AND NONMAJOR COMPONENT UNITS

Major Component Unit Name
For the Fiscal Year Ended June 30, 2010

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Unit Activities
<i>Component Unit Activities:</i>						
Instruction	5000	0.00	0.00	0.00	0.00	0.00
Pupil Personnel Services	6100	0.00	0.00	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00	0.00	0.00
Instruction Related Technology	6500	0.00	0.00	0.00	0.00	0.00
School Board	7100	0.00	0.00	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00	0.00	0.00
Facilities Acquisition and Construction	7400	0.00	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00	0.00	0.00
Pupil Transportation Services	7800	0.00	0.00	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00	0.00	0.00
Interest on Long-term Debt	9200	0.00	0.00	0.00	0.00	0.00
Unallocated Depreciation/Amortization Expense*		0.00				0.00
Total Component Unit Activities		0.00	0.00	0.00	0.00	0.00

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Capital Projects
- Local Sales Taxes
- Grants and Contributions Not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Special Items
- Extraordinary Items
- Transfers

Total General Revenues, Special Items, Extraordinary Items, and Transfers

Change in Net Assets

- Net Assets - July 1, 2009
- Net Assets - June 30, 2010

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*This amount excludes the depreciation/amortization that is included in the direct expenses of the various functions.

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
MAJOR AND NONMAJOR COMPONENT UNITS
TOTAL NONMAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2010

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Units Activities
<i>Component Unit Activities:</i>						
Instruction	5000	0.00	0.00	0.00	0.00	0.00
Pupil Personnel Services	6100	0.00	0.00	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00	0.00	0.00
Instruction Related Technology	6500	0.00	0.00	0.00	0.00	0.00
School Board	7100	0.00	0.00	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00	0.00	0.00
Facilities Acquisition and Construction	7400	0.00	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00	0.00	0.00
Pupil Transportation Services	7800	0.00	0.00	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00	0.00	0.00
Interest on Long-term Debt	9200	0.00	0.00	0.00	0.00	0.00
Unallocated Depreciation/Amortization Expense*		0.00				0.00
Total Component Unit Activities		0.00	0.00	0.00	0.00	0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes	0.00
Property Taxes, Levied for Debt Service	0.00
Property Taxes, Levied for Capital Projects	0.00
Local Sales Taxes	0.00
Grants and Contributions Not Restricted to Specific Programs	0.00
Investment Earnings	0.00
Miscellaneous	0.00
Special Items	0.00
Extraordinary Items	0.00
Transfers	0.00

Total General Revenues, Special Items, Extraordinary Items, and Transfers

Change in Net Assets

Net Assets - July 1, 2009	0.00
Net Assets - June 30, 2010	0.00

*This amount excludes the depreciation/amortization that is included in the direct expenses of the various functions.

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF ACTIVITIES
MAJOR AND NONMAJOR COMPONENT UNITS
TOTAL COMPONENT UNITS
For the Fiscal Year Ended June 30, 2010

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Component Units Activities
<i>Component Unit Activities:</i>						
Instruction	5000	0.00	0.00	0.00	0.00	0.00
Pupil Personnel Services	6100	0.00	0.00	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00	0.00	0.00
Instruction Related Technology	6500	0.00	0.00	0.00	0.00	0.00
School Board	7100	0.00	0.00	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00	0.00	0.00
Facilities Acquisition and Construction	7400	0.00	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00	0.00	0.00
Pupil Transportation Services	7800	0.00	0.00	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00	0.00	0.00
Interest on Long-term Debt	9200	0.00	0.00	0.00	0.00	0.00
Unallocated Depreciation/Amortization Expense*		0.00				0.00
Total Component Unit Activities		0.00	0.00	0.00	0.00	0.00

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Capital Projects
- Local Sales Taxes
- Grants and Contributions Not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Special Items
- Extraordinary Items
- Transfers

Total General Revenues, Special Items, Extraordinary Items, and Transfers

Change in Net Assets

- Net Assets - July 1, 2009
- Net Assets - June 30, 2010

0.00
0.00
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*This amount excludes the depreciation/amortization that is included in the direct expenses of the various functions.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Exhibit D-1)
FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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Charter Schools are included in the District's total enrollment. At fiscal year end there were twenty-eight Charter Schools operating within the School District of Palm Beach County meeting the criteria for presentation as a discretely presented component unit. While it would be misleading to exclude them from the District's financial statements, none of the individual component units are considered to be major.

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

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

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

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

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

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

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

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

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

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

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

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

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

Glades Academy
1200 East Main Street
Pahokee, Florida 33476

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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aggregated and presented in a single column on the face of the Proprietary Fund statements. Fiduciary Funds are reported by fund type.

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

GOVERNMENTAL FUNDS

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

General Fund

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

ARRA Economic Stimulus Funds

Under the American Recovery and Reinvestment Act (ARRA), the district receives both state stabilization funds and targeted assistance funds. To ensure transparency and accountability for the use of these funds, they are held in separate funds. The District received \$65.8 million in state stabilization funding as part of the Florida Education Finance Program. State stabilization funds are provided to states for the intended use of avoiding job losses. Targeted assistance funds received through ARRA are extensions of the Federal entitlement grants, mainly Title I and IDEA.

Other Debt Service Fund

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

Capital Improvement Capital Projects Fund

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

Other Capital Projects Fund

The Other Capital Projects Fund includes:

- Sales Tax Capital Projects Fund which accounts for locally received funds, primarily sales tax revenue, for the acquisition, construction or renovation of capitals facilities, including land and equipment.
- Certificates of Participation (“COPS”) Capital Projects Fund which accounts for construction projects and equipment purchases financed by the sale of certificates of participation.
- Other capital projects which account for impact fees and miscellaneous state revenues received for the acquisition, construction and renovation of capital facilities.

Other Governmental Funds

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

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PROPRIETARY FUNDS

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

Internal Service Funds

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

FIDUCIARY FUNDS

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

Agency Funds

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

Private Purpose Trust Fund

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

BASIS OF ACCOUNTING

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

Modified Accrual

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

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

Accrual

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

Revenue Recognition

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

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

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

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

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

C. Budgetary Policies

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

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the current year budget. The encumbrances and revenues are reported as expenditures or revenues respectively, on the budgetary basis of accounting.

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

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

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

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

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

D. Encumbrances

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

E. Cash, Cash Equivalents and Investments

The District maintains a Treasurer's pool for the District's cash and investments. Each fund's portion of the pool is presented on the financial statements. Investments are stated at fair value, based on quoted market prices. Investments consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, money market funds investing in U.S. Treasury Securities, corporate notes, U.S. Government Supported Corporate Debt, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank and other investments allowable by the District's investment policy.

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For purposes of the statement of cash flows, cash equivalents are considered to be the money market funds and all highly liquid investments with a maturity of three months or less when purchased.

F. Inventories

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

G. Prepaid Items

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

H. Capital Assets

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

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

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

I. Long Term Debt

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

The District enters into interest rate swap agreements to modify interest rates on outstanding debt. The fair value of these instruments are reflected on the government wide financial statements. On the fund level financial statements, up-front premium payments received are recognized as other financing sources. In

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addition, the net interest expenditures resulting from these agreements are recorded in the financial statements (See Note 10).

J. Self Insurance

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

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

K. Compensated Absences

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

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

L. Reserves and Designations of Fund Equity

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

M. Accounting Estimates

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

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N. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

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

	Governmental Activities
Net Assets, previously reported	\$ 2,051,150
Adjustments of Assets:	
Deferred Outflow of Resources	25,220
Derivative Instrument - Investment	(16,540)
Adjustments of Liabilities:	
Interest Payable	(3,583)
Non-current Liabilities:	
Certificates of Participation Payable	10,860
Borrowing	(7,809)
Derivative Instrument - Hedging	(25,220)
Net Assets, as restated	\$ 2,034,078

Recently Issued Accounting Pronouncements

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

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

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

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

2. AD VALOREM TAXES

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

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

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 7.983 mills and the total assessed value on which the 2009-10 levy was based was \$149 billion. Gross taxes levied were approximately \$1.2 billion. Total revenue, net of discounts, was approximately \$1.1 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs, are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2010, the maintenance transfer amounted to approximately \$66.5 million. Additionally, approximately \$9.7 million was transferred for property insurance, approximately \$3.5 million was transferred for charter school capital outlay bringing the total transfer from capital to approximately \$79.7 million.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
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FOR THE YEAR ENDED JUNE 30, 2010

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

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

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

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

Investments

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

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FOR THE YEAR ENDED JUNE 30, 2010

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

PORTFOLIO / INVESTMENTS	CARRYING VALUE	EFFECTIVE DURATION
Cash Deposits	\$ 200,316	N/A
Money Market Funds	211,717	N/A
Florida State Board of Administration	10	0.13
Commercial Paper	958	N/A
Investment Derivative Instruments	757	16.86
Core Fund Investments		
US Treasury - Notes/Bills	22,841	2.10
Federal Agency - Bond/Notes	200,892	1.59
US Government Supported Corporate Debt	7,183	1.40
Corporate Notes	4,423	2.02
Commercial Paper	49,979	0.25
TOTAL	\$ 699,076	

Interest Rate Risk

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Exhibit D-1)
FOR THE YEAR ENDED JUNE 30, 2010

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

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

Credit Risk

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

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

Concentration of Credit Risk

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

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

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

Custodial Risk

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

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FOR THE YEAR ENDED JUNE 30, 2010

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

4. DUE FROM OTHER AGENCIES

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

5. INTERFUND ACTIVITIES

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

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

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

Interfund transfers as of June 30, 2010 were as follows (amounts in thousands):

	Transfer to:		
	General Fund	Service Fund	Total
Transfer from:		Other Debt	
Capital Improvement Fund	\$ 74,254	\$ 149,002	\$ 223,256
Other Capital Projects	3,475	-	3,475
Other Governmental Funds	1,964	-	1,964
Total	\$ 79,693	\$ 149,002	\$ 228,695

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

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FOR THE YEAR ENDED JUNE 30, 2010

6. CAPITAL ASSETS

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

Primary Government

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

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

7. RISK MANAGEMENT

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

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

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

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

The District maintains excess insurance coverage for health care costs. There have been no other significant reductions in insurance coverage. There have been no settlements that exceeded the District's coverage for fiscal years ended June 30, 2007, 2008, 2009 and 2010.

8. SHORT-TERM DEBT

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

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

Tax Anticipation Notes and Revenue Anticipation Notes

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

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

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FOR THE YEAR ENDED JUNE 30, 2010

Sales Tax Revenue Commercial Paper Notes

The District has established a commercial paper debt program whereby Tax Exempt Commercial Paper notes (TECP) issued are payable from and secured by a pledge of the proceeds received by the District from the levy and collection of a one-half cent discretionary sales surtax pursuant to Section 212.055(6), Florida Statutes. The TECP is payable solely from the sales tax revenues generated for the school construction projects identified in the sales tax resolution that was approved by the voters in Palm Beach County in November 2004. The sales tax collection began on January 1, 2005 and will be in place for six years, through December 2010. The sales tax was projected to generate at least \$560 million, or 224% of the principal over the six years. Current projections indicate the total revenues will be approximately \$603 million. Total sales tax revenue earned through June 30, 2010 is \$620.0 million with \$99.3 million received during fiscal year 2010. The District repaid the remaining TECP in December 2009, one year ahead of schedule. For fiscal year 2010, principal and interest paid were \$150 million and \$204.6 thousand respectively.

9. LONG-TERM LIABILITIES

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

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

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

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State Board of Education Capital Outlay Bond Issues

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

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

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt		Debt Matured/ Refunded FY 09-10	Debt Outstanding June 30, 2010
					Outstanding June 30, 2009	Debt Issued		
COBI 1999-A (1)	3/1/1999	\$ 2,650	4.00% to 4.750%	1/1/2019	\$ 1,745	\$ -	\$ 1,745	\$ -
COBI 2000-A (2)	3/16/2000	1,650	4.625% to 6.00%	1/1/2020	80	-	80	-
COBI 2002-A	4/15/2002	2,845	3.00% to 5.00%	1/1/2022	2,280	-	95	2,185
COBI 2002-B	7/15/2002	6,815	3.375% to 5.375%	1/1/2015	4,135	-	655	3,480
COBI 2003-A	7/15/2003	6,050	3.00% to 5.00%	1/1/2023	5,225	-	190	5,035
COBI 2005-A	5/1/2005	21,200	3.00% to 5.00%	1/1/2017	16,835	-	1,890	14,945
COBI 2005-B	7/1/2005	2,675	3.50% to 5.00%	1/1/2020	2,535	-	130	2,405
COBI 2009-A	9/10/2009	1,655	2.00% to 5.00%	1/1/2019	-	1,655	150	1,505
		<u>\$ 45,540</u>			<u>\$ 32,835</u>	<u>\$ 1,655</u>	<u>\$ 4,935</u>	<u>\$ 29,555</u>

(1) Refunded by COBI 2009-A

(2) Refunded by COBI 2005-B

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

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

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

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Capital Outlay Bond Issue Refunding

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

Certificates of Participation

On November 16, 1994, the District entered into a Master Lease Purchase Agreement (the "Master Lease") dated November 1, 1994, with the Palm Beach School Board Leasing Corporation, a Florida not-for-profit corporation, to finance the acquisition and construction of certain facilities, and equipment for District operations. The Corporation was formed by the Board solely for the purpose of acting as the lessor for Certificates of Participation financed facilities, with the District as lessee.

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

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

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

Certificates	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2009	Debt Matured FY 09-10	Debt Outstanding June 30, 2010	Ground Lease Term
Series 1994A (1)	11/1/1994	\$ 62,095	-	-	\$ -	\$ -	\$ -	6/30/2020
Series 1995A (2)	6/1/1995	133,600	-	-	-	-	-	6/30/2020
Series 1996A (3)	5/1/1996	32,155	-	-	-	-	-	8/1/2021
Series 2001A (5)	4/1/2001	135,500	4.10% to 4.25%	8/1/2011	1,670	450	1,220	8/1/2031
Series 2001B (6)	6/1/2001	169,445	4.00% to 5.375%	8/1/2025	165,640	650	164,990	n/a
Series 2002A (7)	2/1/2002	115,250	3.75% to 5.375%	8/1/2018	50,535	6,620	43,915	8/1/2023
Series 2002B	3/20/2002	115,350	4.22% Swap rate *	8/1/2027	115,350	-	115,350	8/1/2032
Series 2002C (8)	5/15/2002	161,090	3.875% to 4.25%	8/1/2012	14,825	3,555	11,270	8/1/2032
QZAB Series 2002	6/11/2002	950	-	6/11/2016	950	-	950	n/a
Series 2002D (9)	12/1/2002	191,215	3.30% to 5.25%	8/1/2028	153,680	3,850	149,830	8/1/2033
Series 2002E (10)	9/1/2002	93,350	4.00% to 5.375%	8/1/2016	76,540	9,045	67,495	n/a
Series 2003A	6/26/2003	60,865	2.25% to 5.00%	8/1/2021	46,805	3,130	43,675	8/1/2026
Series 2003B (11)	6/26/2003	124,295	Variable Est. 3.91% **	8/1/2029	124,295	-	124,295	8/1/2034
Series 2004A	5/4/2004	103,575	2.625% to 5.00%	8/1/2029	92,965	2,795	90,170	8/1/2034
QZAB Series 2004	4/30/2004	2,923	-	4/30/2020	2,923	-	2,923	n/a
Series 2005A (12)	3/22/2005	124,630	3.00% to 5.00%	8/1/2022	124,090	190	123,900	n/a
Series 2005B	6/7/2005	38,505	3.00% to 5.00%	8/1/2010	16,340	8,020	8,320	8/1/2015
QZAB Series 2005	12/15/2005	2,150	-	12/15/2020	2,150	-	2,150	n/a
Series 2006A	5/25/2006	222,015	3.625% to 5.00%	8/1/2031	211,335	5,765	205,570	8/1/2036
Series 2007A	2/28/2007	268,545	3.70% to 5.50%	8/1/2031	259,010	9,885	249,125	8/1/2036
Series 2007B (13)	3/22/2007	119,400	4.429%	8/1/2025	116,225	-	116,225	8/1/2030
Series 2007C (14)	3/22/2007	192,310	4.00% to 5.00%	8/1/2027	191,085	235	190,850	n/a
Series 2007D (15)	5/3/2007	30,485	4.00% to 5.00%	8/1/2015	30,485	3,805	26,680	n/a
Series 2007E	10/31/2007	147,390	3.625% to 5.00%	8/1/2032	147,390	-	147,390	8/1/2037
		<u>\$ 2,647,088</u>			<u>\$ 1,944,288</u>	<u>\$ 57,995</u>	<u>\$ 1,886,293</u>	

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

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

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

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

** These refunding issues were done in order to achieve debt service savings. (See Defeased Debt).
n/a – Bonds were issued to refund prior issuances – no new ground lease.

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

Due to the economic substance of the issuances of Certificates of Participation as a financing arrangement on behalf of the Board, the financial activities of the Corporation have been blended in with the financial statements of the District. For accounting purposes, due to the blending of the Corporation within the District's financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders. Payment of the outstanding Certificates of Participation is insured through AMBAC Indemnity Corporation. During the year ended June 30, 2010, approximately \$110.7 million was expended for capital outlay in the Certificates of Participation Capital Projects Funds.

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

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

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

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

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

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

Defeased Debt

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

Hedging Derivative Instrument Payments and Hedged Debt

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

Fiscal Year	Hedging Derivative Instruments,				
Ending June 30	Principal	Interest	Net	Total	
2011	\$ -	\$ 2,733	\$ 9,104	\$ 11,837	
2012	-	2,732	9,105	11,837	
2013	-	2,733	9,104	11,837	
2014	-	2,732	9,105	11,837	
2015	-	2,733	9,104	11,837	
2016-2020	3,045	13,633	45,140	61,818	
2021-2025	76,035	11,944	36,008	123,987	
2026-2029	160,565	6,156	17,786	184,507	
	\$ 239,645	\$ 45,396	\$ 144,456	\$ 429,497	

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Borrowings of Hybrid Derivative Instruments

The District sold two swaptions with the 2002D and 2001B certificates with a notional amount of \$116,555,000 and \$162,980,000, respectively. Upon entering into the swaptions, the District received up-front payments of \$4,240,000 and \$6,250,000, respectively, from the counterparty. The up-front payments were composed of the swaptions' intrinsic value and time value. Accordingly, the swaptions are hybrid instruments consisting of a borrowing and an embedded derivative instrument. The embedded derivative instrument – the option – was recorded at a value equal to the time value of the option only and the remaining value of the swaption was allocated to the companion instrument (borrowing). The embedded derivative instrument is considered an investment and is discussed in Note 3. The intrinsic value of the borrowing was calculated using the net present value method and is recorded at historical cost. During the option period interest accretes at the at the market rate at inception of the borrowing of 4.40 percent and 4.20 percent, respectively totaling \$591,307 and \$934,002, respectively, through June 30, 2010. The ending balance of borrowings including accreted interest from inception at June 30, 2010 are \$3,071,099 and \$5,074,294, respectively. The borrowing at inception was \$2,491,035 and \$3,932,139, respectively. The swaptions allow the counterparty to exercise the swaps on fixed dates starting August 2012 and August 2011, respectively through February 2014 and August 2014, respectively. If the swaptions are exercised the maturity date of the option is August 2028 and August 2025, respectively. Aggregate debt service requirements of the District's borrowing amounts assume that current interest rates on variable-rate bonds is equal to the at the market rates at inception of the derivative instruments and will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the derivative instruments will vary. Refer to Note 10 for information on derivative instruments. Debt service requirements for both the 2001B and 2002D borrowing at June 30, 2010, were as follows (amounts in thousands):

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

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10. DERIVATIVE INSTRUMENTS

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

		Changes in Fair Value		Fair Value at 6/30/10		
		Classification	Amount	Classification	Amount	Notional
Governmental Activities						
Hedging Derivatives:						
2002B-Interest Rate Swap	Deferred outflow of resources		\$ (5,662)	Debt	\$ (25,022)	\$ 115,350
	Deferred outflow of resources		\$ (7,717)	Debt	(13,577)	\$ 124,295
2003B-Interest Rate Swap					<u>(13,577)</u>	
Total Hedging Derivative Instruments					<u>\$ (38,599)</u>	
Investment Derivatives:						
2002D-Basis Swap	Investment earnings		\$ 860	Investment	\$ (1,431)	\$ 100,000
2002D-Basis Swap (CMS)	Investment earnings		2,560	Investment	5,817	100,000
2002D-Swaption	Investment earnings		4,215	Investment	(1,652)	116,555
2001B-Swaption	Investment earnings		5,843	Investment	(605)	162,980
2003B-Barrier Option at 7%	Investment earnings		\$ 3,819	Investment	<u>(1,372)</u>	\$ 100,000
Total Investment Derivative Instruments					<u>\$ 757</u>	

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

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

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

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Objective and Terms of Derivative Instruments

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

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

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Risks

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

It is the District's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

The District has no hedging derivative instruments in asset positions at June 30, 2010.

Interest rate risk. The District is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swap, as LIBOR or the SIFMA swap index decreases, the District's net payment on the swap increases which is offset by the variable rate paid on the hedged debt.

Basis risk. The District is exposed to basis risk on its pay-fixed 2002B interest rate swap hedging derivative instrument because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than interest rates the District pays on its hedged variable-rate debt, which is remarketed every 7 days. As of June 30, 2010, the weighted-average interest rate on the District's hedged variable-rate debt is 0.65 percent, while the SIFMA swap index rate is 0.28 percent and 67 percent of LIBOR is 0.18 percent.

Termination risk. The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract including if either parties credit rating falls below designated levels. In addition, the District is exposed to termination risk on its 2003B interest rate swap with barrier option because the counterparty has the option to terminate the swap if the 180 day average of the BMA index exceeds 7.0% at any time beginning on the commencement date. If at the time of termination, a hedging derivative instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

11. RETIREMENT PLANS

Plan Description: The District contributes to the Florida Retirement System (the "System"), a cost-sharing multiple-employer pension plan administered by the State of Florida Division of Retirement. The System was created in 1970 by consolidating several employee retirement systems, including the Teachers Retirement System. All eligible employees, as defined by the State, who were hired after 1970 and those employed prior to 1970 who elect to be enrolled, are covered by the System. Employees hired prior to 1970 and not electing to enroll in the Florida Retirement System may be covered by various contributory plans, principally the Teacher's Retirement System Plan E. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established the System under Chapter 121, Florida Statutes, and has sole authority to amend benefit provisions. Each year the System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

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Funding Policy: The System is non-contributory for employees and the District is required to make contributions in accordance with rates established by the Florida Legislature. During the fiscal year the rates ranged from 9.85% to 20.92% of annual covered payroll. The Teachers Retirement System is contributory and the rates for those employees still participating in this program is 11.35% and 6.25% for the employer and the employee, respectively. The District's contributions for both plans to the System are equal to the required contributions for each year as follows (amounts in thousands):

	June 30, 2008	June 30, 2009	June 30, 2010
Florida Retirement System	\$ 94,615	\$ 94,977	\$ 93,208
Teachers' Retirement System			
Plan E: Employer	\$ 70	\$ 61	\$ 33

12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to the retirement benefits described in Note 11, the District has authorized early retirement incentives to provide financial assistance for the purchase of health and life insurance to our retirees. In all cases, employees who retire from the District may purchase health and life insurance through the District. The retired employee must send a payment each month to cover the cost of the insurance premiums.

For those eligible employees who qualify for the Retirement Incentive Program ("RIP"), below is brief description and eligibility criteria of the Plan:

RIP 1999 – Eligibility criteria include the following:

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

The District pays an annual insurance subsidy for up to ten years beginning at \$2,400 and increasing 3% each year thereafter. Payments for this subsidy began August 1999 and are paid through August 2009 when the program ended.

The government-wide financial statements recognize a liability for these post-retirement benefits. Consistent with GAAP guidelines, in the governmental funds statements no expenditure or liability is recognized until the benefits are due. A summary of the total liability and related expenditure as recorded in the governmental funds statements for the fiscal year ended June 30, 2010 is as follows (amounts in thousands):

	Beginning		Ending
Number of	Balance	Total Paid	Balance
Participants	July 1, 2009	FY 2010	June 30, 2010
RIP 99	113	\$ 297	\$ 297
			-

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Exhibit D-1)
FOR THE YEAR ENDED JUNE 30, 2010

The District implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Post Employment Benefits Other than Pensions* (GASB 45), for certain post employment health care benefits provided by the District for the fiscal year ended June 30, 2010. The requirement of this statement was implemented prospectively.

Plan Description. Pursuant to Section 112.0801, Florida Statutes, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The plan is a single employer plan.

Funding Policy. The District is financing the post employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund and other funds where the personnel are located. For fiscal year 2010 1,459 retirees received health care benefits. The District provided required contributions of approximately \$3.3 million toward the annual OPEB cost. Retiree contributions totaled approximately \$7.7 million.

Annual OPEB Cost and Net OPEB Obligation. The District's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the retiree health plan (amounts in thousands):

Annual Required Contribution	\$ 22,346
Interest on Net OPEB Obligation	1,310
Adjustment to Annual Required Contribution	(1,561)
Annual OPEB Cost (Expense)	22,095
Contribution Towards OPEB Cost	(3,284)
Increase in Net OPEB Obligation	18,811
Net OPEB Obligation - Beginning of Year	43,679
Net OPEB Obligation - End of Year	\$ 62,490

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2010, was as follows (amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 22,095	34%	\$ 62,490
June 30, 2009	\$ 21,760	27%	\$ 43,679
June 30, 2008	\$ 31,300	11%	\$ 27,800

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Exhibit D-1)
FOR THE YEAR ENDED JUNE 30, 2010

Funded Status and Funding Progress. As of June 30, 2010, the actuarial accrued liability for benefits was \$219.0 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$923.5 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 23.7 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of July 1, 2008 and rollforward to July 1, 2009. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar percentage. The remaining amortization period at June 30, 2010 is thirty years (open method).

The following assumptions were made:

Retirement Age – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2008.

Covered Spouses – Assumed number of eligible spouses is based on the current census information.

Per Capita Health Claim Cost – Per capita health claim costs are developed from a combination of historical claim experience and manual claim costs developed using a representative database. The per capita cost at age 60 is \$9,186 and at age 70 \$5,292.

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

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

Healthcare Cost Trend Rate—The expected rate of increase in healthcare insurance premiums was based on District historical experience, our market-place knowledge and macro-economic theory. A rate of 11% initially, reduced 0.5% each year until reaching the ultimate trend rate of 5.0%.

Retiree Contributions – Retiree contributions are assumed to increase with healthcare cost trend.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS (Exhibit D-1)
FOR THE YEAR ENDED JUNE 30, 2010

Non-Claim Expenses – Non-claim expenses are based on the current amounts charged per retired employee.

Termination – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2008. The annual termination probability is dependent on an employee's age, gender, and years of service.

Plan Participation Percentage – It is assumed that 35% of all future retirees and their dependents who are eligible for benefits participate in the post employment benefit plan.

Lapse Rates – Annual postretirement lapse rates of 0.5% for pre 65 and 1.0% for post 65 retirees were used.

Medicare Part D Prescription Drug Subsidy – Based on GASB Technical Bulletin No. 2006-1, an employer should apply the measurement requirements of GASB Statement 45 to determine the actuarial accrued liabilities, the annual required contribution of the employer, and the annual OPEB cost without reduction for RDS payments. For this reason, the Medicare Part D employer subsidy was excluded from this valuation.

Census Data – The census data was provided as of June 2009.

Discount Rate – 3% per annum

13. COMMITMENTS AND CONTINGENCIES

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

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

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with legal counsel that the final settlements of these matters will not result in a material adverse effect on the financial position of the District.

As part of its capital outlay program, the District has entered into various construction contracts. At June 30, 2010, the District had construction commitments of approximately \$65 million.

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN
June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)/c]
7/1/2009	0	218,964,000	218,964,000	0.00%	922,938,000	23.72%
7/1/2008	0	216,013,000	216,013,000	0.00%	926,287,000	23.32%
6/30/2008	0	239,500,000	239,500,000	0.00%	930,821,000	25.73%

APPENDIX C

FORMS OF CERTAIN LEGAL DOCUMENTS

The Master Lease

Schedule 2010A

The Series 2010A Ground Lease

The Master Trust Agreement

The Series 2010A Supplemental Trust Agreement

The Series 2010A Assignment

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MASTER LEASE PURCHASE AGREEMENT

PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessor

AND

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

Dated as of November 1, 1994

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MASTER LEASE PURCHASE AGREEMENT

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

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 (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

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such Basic Lease Payments due and payable semiannually, to and including such maturity date or earlier prepayment date; and

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

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

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

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

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

ARTICLE I.

DEFINITIONS AND EXHIBITS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Cost" shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to (i) costs and expenses of the acquisition of the title to or other interest in real property, including leasehold interests, easements, rights-of-way and licenses, including, without limitation, lease payments to be made by the Corporation under the terms of a Ground Lease until the expected acceptance of the Facilities related thereto as described herein, (ii) costs and expenses incurred for labor and materials and payments to contrac-

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porting the obligations of the School Board to make Basic Lease Payments relating to such Series of Certificates.

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

"District" shall mean the School District of Palm Beach County, Florida.

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

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

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

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

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

"Government Obligations" shall mean any obligations which as to both principal and interest constitute non-callable direct obligations of, or non-callable obligations fully and

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

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

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

"Credit Facility" shall mean, with respect to a Series of Certificates, the letter of credit, insurance policy, guaranty, surety bond or other irrevocable security device, if any, sup-

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porting the obligations of the School Board to make Basic Lease Payments relating to such Series of Certificates.

unconditionally guaranteed by, the full faith and credit of the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the full faith and credit of the United States of America.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement; and

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

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

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

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

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

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

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

Certificates) are to be prepaid, notice of such prepayment shall have been given as provided in Article III of the Trust Agreement;

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

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

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

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

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

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

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

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

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

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

Payment Date, plus an amount equal to a pro rata portion of any Additional Lease Payments and Supplemental Payments then due and owing under the Lease relating to such Facility, including any prepayment premiums payable on the Certificates prepaid.

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

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

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

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

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

"Reserve Account Requirement" shall mean, in regard to a Reserve Account to secure a Series of Certificates, such amounts, if any, as shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Series and in the Schedule relating thereto, provided such Reserve Account Requirement shall not exceed the least of (i) the maximum annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, (ii) 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.

"State" shall mean the State of Florida.

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

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

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

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

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

SECTION 1.2. Rules of Construction. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing

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persons shall include firms, associations and corporations, including public bodies as well as natural persons.

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

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ARTICLE II.

LEASE AND SUBLEASE OF FACILITIES AND FACILITY SITES

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

SECTION 2.2. Lease Term. This Master Lease shall be for an original Term commencing on the date hereof through and including June 30, 1995, and automatically renewable annually thereafter through the last 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

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purchases, and in accordance with the Instructions to Bidders and General Conditions. All rules and regulations of the State Department of Education applicable to acquisition and construction of educational facilities by the School Board shall apply to the same extent to the acquisition and construction of the Facilities by the School Board acting in its capacity as agent for the Corporation.

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

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

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

The School Board may determine not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or may determine to substitute one or more of the Facilities relating to a particular Lease for other approved Facilities. Upon determination by the School Board not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or to substitute one or more of the Facilities relating to a particular Lease, the School Board may amend the related Lease and Ground Lease for the purpose of deleting or substituting such Facilities.

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SECTION 2.4. School Board's Liability. As between the Corporation and the School Board, the School Board assumes liability for all risks of loss with respect to the Facilities. The School Board shall maintain in force during the entire acquisition, construction and installation period of any Facilities, property damage insurance as required by Section 5.3 hereof and (for the benefit of Certificate holders), as assignee of the Corporation, the Trustee shall be named as an additional insured and loss payee thereon. In the event the School Board or Corporation receives any damages or other moneys from any contractor, manufacturer or supplier of any portion of the Facilities or its surety pursuant to this Section 2.4 or Section 5.3, such moneys shall be paid to the Trustee for disposition in accordance with Section 5.4 hereof.

SECTION 2.5. Possession and Enjoyment. From and after the acceptance by the School Board of any Facilities in accordance with the terms of this Master Lease, the Corporation agrees that it will not interfere with the quiet use and enjoyment of the Facilities by the School Board during the Lease Term relating to such Facilities and that the School Board shall during such Lease Term peaceably and quietly have and hold and enjoy such Facilities, without hindrance or molestation from the Corporation, except as expressly set forth herein. At the request of the School Board and at the School Board's cost, the Corporation shall join in any legal action in which the School Board asserts its right to such possession and enjoyment to the extent the Corporation lawfully may do so. Upon expiration or termination of the Lease Term other than as a result of nonappropriation or default, the School Board shall enjoy full right, title and interest in and to the Facilities, unless the Facilities are otherwise disposed of in accordance with the terms of this Master Lease.

SECTION 2.6. Trustee Access to Facilities. During the Lease Term of each Lease the School Board agrees that the Trustee, as assignee of the Corporation or its agents, shall have the right during the School Board's normal working hours on the School Board's normal working days to examine and inspect the Facilities for the purpose of assuring that the Facilities are being properly maintained, preserved, and kept in good repair and condition.

SECTION 2.7. Disclaimer of Warranties. The School Board acknowledges that each of the Corporation, the Trustee, the Certificate holders and any Credit Facility Issuer or issuer of a Reserve Account Letter of Credit/Insurance Policy MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE TITLE TO, VALUE, DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY FACILITIES OR ANY PORTION THEREOF, OR AS TO THE QUALITY OR CAPACITY OF THE MATERIAL OR WORKMANSHIP IN SUCH FACILITIES OR ANY WARRANTY THAT SUCH FACILITIES WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS

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herein is false, misleading or erroneous in any material respect.

(c) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, known to be pending or threatened against or affecting the School Board nor to the best of the knowledge of the School Board is there any basis therefor, wherein an unfavorable decision, ruling, or finding would materially and adversely affect the transactions contemplated by the School Board or which would adversely affect, in any way, the validity or enforceability of this Master Lease or any material agreement or instrument to which the School Board is a party, used or contemplated for use in the consummation of the transactions contemplated hereby.

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

(e) The moneys in each Acquisition Account and any investment earnings thereon will be used only for payment of Cost of the Facilities, including payment of Basic Lease Payments.

(f) The School Board shall have fee simple title to all Facility Sites, subject only to Permitted Encumbrances, prior to entering into any Ground Lease with respect to such Facility Sites or amending any Ground Lease to add Facility Sites.

(g) In its use of the Facilities, the School Board shall comply with all applicable Federal, State and local governmental laws, regulations, ordinances, rules, orders, standards and codes and with all hazard insurance underwriters' standards applicable to the Facilities.

(h) Adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the Facilities.

(i) The School Board intends, and will intend upon execution and delivery of each Schedule that this Master Lease shall remain in full force and effect until the last Lease Payment Date for any Facility hereunder.

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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

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(j) Each of the Facilities set forth on a Schedule will be listed on the Educational Plant Survey for Palm Beach County Schools (or a spot survey) conducted from time to time by the State of Florida Department of Education and will have been approved for lease purchase by said Department.

(k) The School Board shall comply with all continuing disclosure requirements which may be applicable to it from time to time.

SECTION 2.11. Representations, Covenants and Warranties of Corporation. The Corporation represents, covenants and warrants as follows:

(a) The Corporation is a Florida not-for-profit corporation duly created, existing and in good standing under the laws of the State, is duly qualified to do business in the State, has all necessary power to enter into this Master Lease and each Schedule hereto, is possessed of full power to own, lease and hold real and personal property and to lease and sell the same as lessor, and has duly authorized the execution and delivery of this Master Lease and this Master Lease, upon execution and delivery hereof, is a valid, legal and binding non-recourse obligation of the Corporation.

(b) Neither the execution and delivery hereof nor of any Schedule hereto, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.

(c) To the knowledge of the Corporation, there is no litigation or proceeding pending or threatened against the Corporation or any other person affecting the right of the Corporation to execute or deliver this Master Lease or to comply with its obligations under this Master Lease or to the execution and delivery of this Master Lease. Neither the execution and delivery of this Master Lease by the Corporation, nor compliance by the Corporation with its obligations under this Master Lease, require the approval of any regulatory body, any parent company, or any other entity, which approval has not been obtained.

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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 incurrence of any liabilities of the School Board hereunder and under each Schedule hereto including, without limitation, the payment of all Lease Payments and all other amounts required to be paid by the School Board under this Master Lease and each Schedule hereto, shall be subject to and dependent upon appropriations being duly made from time to time by the School Board for such purposes. Under no circumstances shall the failure of the School Board to appropriate sufficient funds constitute a default or require payment of a penalty, or in any way limit the right of the School Board to purchase or utilize educational facilities similar in function to those leased hereunder.

Unless the School Board, at a public meeting held prior to the end of the then current Fiscal Year, shall give notice of its intent not to appropriate the funds necessary to make all Lease Payments coming due in the following Fiscal Year under this Master Lease and each Schedule hereto, the Superintendent shall include in the Superintendent's tentative budget proposal the funds necessary to make such Lease Payments, and the Lease Term of all Leases shall be automatically renewed on June 30 of the current Fiscal Year, for the following Fiscal Year, subject to appropriation being made by the School Board in the final official budget. If Lease Payments are due hereunder during the period prior to the adoption of the School Board's final official budget for an ensuing Fiscal Year, the Lease Term of all Leases shall be deemed extended only if the tentative budget or extension of the prior budget (whether by Board action or operation of law) makes available to the School Board monies which may be legally used to make the Lease Payments due hereunder during such period. If no such appropriation is made in

the final official budget, or if no official budget is adopted as of the last day upon which a final budget is required to have been adopted under Chapter 237, Florida Statutes and applicable regulations thereunder, the Lease Term of all Leases shall terminate as of the date of adoption of the final official budget, or such last day, whichever is earlier.

If the School Board declares its intent at such public meeting prior to the end of the then current Fiscal Year not to appropriate the funds, the Lease Term of all Leases shall not be automatically renewed for the following Fiscal Year, but shall terminate on June 30th of the current Fiscal Year. The final Lease Term may be for a period which is less than a full Fiscal Year.

The School Board shall provide written notice of any non-appropriation of funds described herein to the Trustee, any Credit Facility Issuer and any issuer of a Reserve Account Letter of Credit/Insurance Policy within three (3) Business Days thereafter.

THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE FUNDS TO MAKE LEASE PAYMENTS SELECTIVELY ON A LEASE BY LEASE BASIS, BUT MUST APPROPRIATE FUNDS FOR ALL LEASES OR NONE OF THEM.

SECTION 3.6. Surrender of Facilities. (A) Upon the termination of the Lease Term of all Leases prior to the payment of all Lease Payments scheduled therefor or without the payment of the then applicable Purchase Option Price of the Facilities financed under such Lease, or (B) as provided in Section 8.2 hereof upon the occurrence of an event of default, the School Board shall immediately surrender and deliver possession of all the Facilities financed under this Master Lease and all Schedules hereto to the Trustee as assignee of the Corporation or any person designated by it, in the condition, state of repair and appearance required under this Master Lease, in accordance with the instructions of the Corporation. Upon such surrender, the transferee shall sell or lease the Facilities if then practicable in such manner and to such person or persons for any lawful purpose or purposes, as it shall, in its sole discretion, determine to be appropriate. The proceeds derived by such transferee from any such sale or lease of Facilities shall be applied first to the payment in full of the Series of Certificates relating to such Facilities (including all amounts owing under the applicable Lease) and then to the payment of any accrued but unpaid obligations of the Corporation under Section 3 of the Ground Lease relating to such Facilities. Any excess after all such payments shall be paid to the School Board.

If the School Board shall refuse or fail to voluntarily deliver possession of the Facilities to the Corporation or its assignee as above provided, the Corporation or its assignee may enter into and upon the Facilities, or any part thereof, and repossess the same and thereby restore the Corporation or its assignee to its former possessory estate as lessee under the

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ARTICLE IV.

TERMINATION

SECTION 4.1. Termination of Lease Term. The Lease Term will terminate upon the earliest of any of the following events:

(a) with respect to all Leases, on the latest Lease Payment Date set forth in any Schedule attached to this Master Lease;

(b) with respect to all Leases, in the event of nonappropriation of funds for payment of Lease Payments as provided in Sections 3.1, 3.4 and 3.5 of this Master Lease;

(c) with respect to all Leases, upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to Section 8.2(1) of this Master Lease;

(d) with respect to a particular Lease, upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease, or upon provision for such payment pursuant to Section 7.3 hereof, provided, however, that upon such provision for payment the obligation to make Lease Payments under such Lease shall continue to be payable solely from such provision for payment.

SECTION 4.2. Effect of Termination.

(a) Upon the termination of the Lease Term for the reason referred to in Section 4.1(b) or (c) hereof, the provisions of Section 3.6 shall be applicable. Upon such termination for the reason referred to in Section 4.1(c) hereof, the provisions of Sections 8.2 and 8.3 shall also be applicable.

(b) In the event of termination of the Lease Term for the reason referred to in Section 4.1(d) hereof, there shall be applied solely from the amounts deposited pursuant to Section 7.3 hereof as a reduction against such Basic Lease Payments to become due after such termination an amount equal to the Basic Lease Payments applicable to the Facilities.

(c) Notwithstanding the termination of the Lease Term pursuant to Section 4.1 hereof, the representations of the School Board set forth in Section 2.10 hereof and the provisions of Sections 5.7 and 5.10 hereof shall survive such termination.

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related Ground Lease and lessor hereunder and expel the School Board and remove its effects forcefully, if necessary, without being taken or deemed to be guilty in any manner of trespass in order that the Corporation or its assignee may sell or re-let the leasehold interest in the Facilities, subject to Permitted Encumbrances, for any lawful purpose or purposes, for the remainder of the term of the related Ground Lease, if applicable, and the School Board shall have no further possessory right whatsoever in the Facilities, for the remainder of the term of the respective Ground Lease; the Corporation or its assignee may exercise all available remedies at law or in equity to evict the School Board and to enjoy its possessory rights to all Facility Sites under one or more Ground Leases; and the School Board shall be responsible for the payment of damages in an amount equal to the Lease Payments which would have accrued hereunder, calculated on a daily basis, for any period during which the School Board fails to surrender the Facilities or for any other loss suffered by the Corporation or its assignee as a result of the School Board's failure to surrender the Facilities, all without prejudice to any remedy which might otherwise be available to the Corporation or its assignee for arrears of Lease Payments or for any breach of the School Board's covenants herein contained.

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

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

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ARTICLE V.

COVENANTS OF SCHOOL BOARD

SECTION 5.1. Maintenance of the Facilities by the School Board. The School Board agrees that at all times during each Lease Term, the School Board will, at the School Board's own cost and expense, maintain, preserve and keep the Facilities in good repair and condition, and that the School Board will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals, interior and exterior, thereto. The Corporation shall have no obligation in any of these matters, or for the making of repairs, improvements or additions to the Facilities. If the School Board fails to perform such obligations the Trustee may perform the School Board's obligations or perform work resulting from the School Board's actions or omissions and the cost thereof (together with interest until reimbursed) shall be immediately due and payable as Supplemental Payments.

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

SECTION 5.3. Provisions Regarding Insurance. During acquisition, construction and installation of the Facilities the School Board shall require any contractor to provide Workers' Compensation, Comprehensive General Liability Insurance, Property Insurance, Property coverage for contractor's equipment, Professional Liability Insurance, Builders Risk Insurance, Automobile Liability Insurance, and other insurance pursuant to the terms of the Instructions to Bidders and the General Conditions of the School Board. Contractors shall be required to provide builders' all risk property damage insurance in an amount not less than the full value of all work in place and materials and equipment provided or

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delivered by each supplier. The Trustee and the Corporation shall be named as additional insureds and loss payees wherever the School Board is to be so named, and shall be entitled to written notice of cancellation to the same extent as the School Board.

The School Board shall, during the Lease Term, purchase and maintain property insurance coverage in an amount not less than \$85,000,000 per occurrence, to the extent such insurance is available at commercially reasonable costs, covering the replacement cost of its property including the Facilities insuring against the perils of FIRE, LIGHTNING, WINDSTORM, HAIL, HURRICANE, WINDBLOWN RAIN, DAMAGE FROM WATER, EXPLOSION, AIRCRAFT, VEHICLES, SMOKE, VANDALISM AND MALICIOUS MISCHIEF, TRANSPORTATION HAZARDS, THEFT AND BURGLARY. The School Board shall maintain a self-insurance program for its combined general and automobile liability insurance coverage in an amount not less than \$200,000 per occurrence pursuant to the provisions contained within Florida Statute 768.28. The School Board shall also purchase and maintain, or cause to be purchased and maintained, boiler & machinery insurance coverage (including air conditioning equipment) in an amount not less than \$20,000,000 per accident.

The adequacy of the School Board's property insurance coverage shall be reviewed annually by the Insurance Consultant, and the School Board shall follow the recommendations of the Insurance Consultant so long as the recommended insurance is available at commercially reasonable costs and otherwise satisfies the criteria set forth herein. The School Board shall maintain eligibility for assistance by the Federal Emergency Management Agency.

The School Board may elect to self-insure for any such damage or liability, as provided above, upon the following terms and conditions:

(a) the self-insurance program shall be approved by the Insurance Consultant;

(b) The self-insurance program shall include a sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated at least annually by the Insurance Consultant; and any deficiencies in the fund shall be remedied in accordance with the recommendations of the Insurance Consultant;

(c) The self-insurance claims reserve fund shall be held in a bank account created for the purpose of maintaining such self-insurance funds, which bank account may be under the control of the School Board and may not be commingled with other School Board moneys; and

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In the event of any loss, damage, injury, accident, theft or condemnation involving the Facilities, the School Board shall promptly provide or cause to be provided to the Corporation and the Trustee written notice thereof, and make available or cause to be made available to the Corporation and the Trustee all information and documentation relating thereto.

Any insurance policy maintained pursuant to this Section 5.3 shall be so written or endorsed to provide that the Trustee (on behalf of the Certificate holders), and the Corporation are named as additional insureds, and the Trustee, the Corporation and the School Board are named as loss payees as their interests may appear and the Net Proceeds of any appropriation made in connection with a self-insurance election shall be payable to the School Board, the Corporation and the Trustee (on behalf of the Certificate holders) as their respective interests may appear. The Net Proceeds of the insurance required in this Section 5.3 or the Net Proceeds of any appropriation in connection with a self-insurance election shall be applied as provided in Section 5.4(a) and Section 5.4(b) hereof.

SECTION 5.4. Damage, Destruction or Condemnation. If prior to the termination of the Lease Term under a particular Lease, the Facilities financed under such Lease or any portion thereof are destroyed or are damaged by fire or other casualty, or title to, or the temporary use of such Facilities or any portion thereof shall be taken under the exercise of the power of eminent domain, the School Board shall, within sixty (60) days after such damage, destruction or condemnation elect one of the following two options by written notice from an Authorized School Board Representative of such election to the Corporation and the Trustee:

(a) **Option A - Repair, Restoration or Replacement.** Except as provided below, the School Board will cause the Net Proceeds of any insurance or the Net Proceeds of any appropriation made in connection with a self-insurance election, or the Net Proceeds of any claim or condemnation award to be applied to the prompt repair, restoration, or replacement (in which case such replacement shall become subject to the provisions of the related Lease as fully as if it were the originally leased Facilities) of such Facilities. Any such Net Proceeds received by the Trustee shall be deposited in the related Acquisition Account and be applied by the Trustee toward the payment of the Cost of such repair, restoration or replacement, utilizing the same requisition process set forth in the Trust Agreement for the payment of the Cost of the Facilities from such Acquisition Account.

(b) **Option B - Partial Prepayment.** If the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Facilities so damaged, destroyed or condemned, then the School

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(d) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund shall be maintained.

The School Board may also self-insure for the amount of the deductible portion of the above described insurance coverage. The School Board's present maximum self-insured limits are \$100,000 per occurrence for property coverage not including wind, and a maximum of \$10,000,000 and a minimum of \$10,000,000 per occurrence resulting from wind damage; \$200,000/\$200,000 per occurrence for combined general and automobile liability coverage; \$10,000 per accident for boiler & machinery (including air conditioning equipment). If the School Board revises such limits such that its self-insured retention exceeds 10% of the amount of property insurance recommended by the Insurance Consultant, the School Board will cause the adequacy of its self-insurance reserve fund to be reviewed by the Insurance Consultant on an annual basis.

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

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

Any insurance policy issued pursuant to this Section 5.3 shall provide that the Corporation and the Trustee shall be notified of any proposed cancellation of such policy thirty (30) days prior to the date set for cancellation. Any policy of all risk property insurance must be obtained from a commercial insurance company or companies rated A by A.M. Best Company or in one of the two highest rating categories of Moody's and S&P, or otherwise approved by the Credit Facility Issuer. The School Board and the Trustee shall be named as insureds and loss payees.

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

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Board shall not be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are equal to less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities, such Net Proceeds shall be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2 (C) hereof. If the Net Proceeds are equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities, such Net Proceeds shall be deposited in the Prepayment Account for the Series of Certificates relating to such Facilities to be applied to the prepayment in part of the principal portion and accrued interest portion of Basic Lease Payments relating to such Facilities represented by the Certificates in accordance with Section 7.2 hereof.

SECTION 5.5. Insufficiency of Net Proceeds. If the School Board elects to repair, restore or replace the Facilities under the terms of Section 5.4(a) hereof and the Net Proceeds therefor are insufficient to pay in full the Cost of such repair, restoration or replacement, the School Board shall complete the work and pay any Cost in excess of the amount of the Net Proceeds, and the School Board agrees that, if by reason of any such insufficiency of the Net Proceeds the School Board shall make any payments pursuant to the provisions of this Section, the School Board shall not be entitled to any reimbursement therefor from the Corporation or the Trustee nor shall the School Board be entitled to any diminution of the amounts payable under the related Lease.

SECTION 5.6. Advances. In the event the School Board shall not elect to self-insure any risk that would otherwise require the maintenance of insurance coverage hereunder, and shall fail to maintain the full insurance coverage required hereunder, the Corporation may, but shall be under no obligation to, purchase the required policies of insurance and pay the premiums on the same, or if the School Board shall fail to keep the Facilities in good repair and operating condition, the Corporation may, but shall be under no obligation to, make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Corporation shall become immediately due and payable as a Supplemental Payment under the Lease relating to such Facilities which amounts, together with interest thereon (at an annual interest rate equal to the interest portion of the Basic Lease Payments, expressed as an annual interest rate) until paid, the School Board agrees to pay.

SECTION 5.7. Release and Indemnification. To the extent permitted by Florida law, including the provisions of Section 768.28 Florida Statutes, the School Board shall indemnify and save the Corporation and the Trustee harmless from and against any and all

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liability, obligations, claims and damages, including consequential damages and reasonable legal fees and expenses, arising out of, or in connection with, the transactions contemplated by this Master Lease, all Schedules hereto, any Ground Lease, any Assignment Agreement and the Trust Agreement including, without limitation, the issuance of Certificates, except in the case of liability, obligations, claims and damages arising out of their own negligence or willful misconduct.

SECTION 5.8. Payment and Performance Bonds and other Guaranty. The School Board agrees to cause any contractor to provide performance, payment and guarantee and any additional bonds or surety bonds, if and when required pursuant to the Instructions to Bidders and the General Conditions and the provisions of Section 255.05, Florida Statutes, and other applicable provisions of Florida Law. Such bonds or other surety shall be in dual obligee form, naming the School Board and the Trustee as dual obligees.

SECTION 5.9. Essential Governmental Functions. The School Board represents and warrants that the services to be provided by or from the Facilities are essential to the delivery of the School Board's essential governmental services, and covenants that during the Lease Term it will use the Facilities to perform essential governmental functions relating to its statutory responsibility of providing for public education throughout the District. The School Board represents and covenants that it has an immediate need for the Facilities, that it does not expect such need to diminish during the Lease Term and that it intends to use the Facilities for public school educational purposes throughout each Lease Term.

SECTION 5.10. Tax Exemption; Rebates. In order to maintain the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments paid to the Certificate holders, the School Board shall comply with the provisions of the Code applicable to this Master Lease and each Schedule thereto and each Series of Certificates issued under the Trust Agreement, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of each Series of Certificates, reporting of earnings on the Gross Proceeds of each Series of Certificates, and rebating Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the School Board shall comply with the letter of instructions as to compliance with the Code with respect to each Lease and each Series of Certificates, to be delivered by Special Tax Counsel at the time each Series of Certificates is issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The School Board shall not take any action or fail to take any action which would cause a Lease and the Series of Certificates relating thereto to be "arbitrage bonds" within the meaning of

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Section 148(a) of the Code or which would otherwise cause the portion of Basic Lease Payments under such Lease representing the payment of interest as set forth in Section 3.3 hereof to be includable in the gross income of the Certificate holders.

In the event that the School Board shall fail to rebate such Excess Earnings when due, the Corporation or its assignee may, but shall be under no obligation to, pay amounts due to the Treasury; and all amounts so advanced by the Corporation or its assignee shall become immediately due and payable as a Supplemental Payment under the Lease relating to such Series of Certificates which amounts, together with interest thereon (at an annual interest rate equal to the interest portion of the Basic Lease Payments relating thereto expressed as a annual interest rate) until paid, the School Board agrees to pay.

SECTION 5.11. Budget and Tax Levy. The School Board covenants that it shall cause the Superintendent to prepare and submit the budget recommendation in accordance with Section 3.5 hereof including provision for discretionary capital outlay millage under Section 236.25, Florida Statutes, as amended, and that the School Board will act on such recommendation, will hold public hearings, will adopt tentative and final official budgets, and will submit such budgets to the Department of Education for approval, all pursuant to the requirements of the laws of Florida and the regulations of the Department of Education as in effect from time to time.

Subject to the right of non-appropriation set forth in Sections 3.1 and 3.5 hereof the School Board expects that its legally available revenues will be sufficient to meet its Lease Payment obligations under the Master Lease in each Fiscal Year.

SECTION 5.12. Compliance with Law, Regulations, Etc.

(a) The School Board has, after due inquiry, no knowledge and has not given or received any written notice indicating that its Facilities and Facility Sites or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Facilities (collectively, "Laws and Regulations"). Without limiting the generality of the foregoing, neither the School Board nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of any of the Facilities and Facility Sites has, other than as set forth in subsections (a) and (b) of this Section or as

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may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA, FRPA and Title III (as such term is defined in subsection (e)), and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the School Board, any of the Facilities or Facility Sites or the business operations conducted by the School Board thereon (collectively, "Hazardous Materials") on, from or beneath its Facilities or Facility Sites, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath its Facilities or Facility Sites, or (iii) stored any material amount of petroleum products at its Facility Sites in underground storage tanks.

(b) Excluded from the representations and warranties in subsection (a) hereof with respect to Hazardous Materials are those amounts ordinarily found in the inventory of or used in the maintenance of public schools and related facilities, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all Laws and Regulations.

(c) No Facilities or Facility Sites located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the corporation or support of the improvements to the Facilities.

(d) The School Board has not received any notice from any insurance company which has issued a policy with respect to the Facilities or Facility Sites or from the applicable state or local government agency responsible for insurance standards (or any other body exercising similar functions) requiring the performance of any repairs, alterations or other work, which repairs, alterations or other work have not been completed at the Facilities or Facility Sites. The School Board has not received any notice of default or breach which has not been cured under any covenant, condition, restriction, right-of-way, reciprocal easement agreement or other easement affecting its Facilities or Facility Sites which is to be performed or complied with by it.

(e) For purposes of this Section and Section 5.13 hereafter, the following terms shall have the following meanings:

"Asbestos Containing Materials" shall mean material in friable form containing more than one percent (1%) of the asbestiform vari-

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eties of (a) chrysotile (serpentine); (b) crocidolite (riebeckite); (c) amosite (cummingtonite-grünertite); (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 extent, if necessary to maintain the improvements to 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

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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, depositories 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,

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extent permitted and limited by applicable law and only from moneys legally available for such purpose, the School Board shall indemnify or cause to be indemnified the Corporation, against any and all claims, demands, costs or liability claimed or asserted by any person, arising out of such receipt, application or disbursement.

SECTION 5.15. Waiver of Laws. The School Board shall not at any time insist upon or plead in any manner whatsoever, or claim or suffer or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may adversely affect the covenants and agreements contained in this Master Lease and the benefit and advantage of any such law or laws is hereby expressly waived by the School Board to the extent that the School Board may legally make such waiver.

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settlement reached (five (5) Business Days' prior notice of which the Corporation, the Trustee or the Credit Facility Issuer, as appropriate, shall have delivered to the School Board) or governmental order relating to Hazardous Materials on, from or beneath any of the Facilities or Facility Sites, (iv) any violation of Environmental Regulations or subsection (a) or (b) hereof by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the School Board is strictly liable under any Environmental Regulation, its obligation to the Corporation, the Trustee and the Credit Facility Issuer and the other indemnitees under the foregoing indemnification shall likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The School Board's obligations and liabilities under this Section 5.13(c) shall survive the termination of this Master Lease.

(d) The School Board shall conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and shall maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

SECTION 5.14. Prosecution and Defense of Suits.

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

(b) The School Board shall defend, or cause to be defended against every suit, action or proceeding at any time brought against the Corporation, or its directors, officers and employees upon any claim arising out of the receipt, application or disbursement of any moneys held by the Trustee or arising out of the construction of Facilities comprising any Project and involving the rights of the Corporation, or its directors, officers and employees under this Master Lease or any act or omission of the directors, officers and employees done or omitted to be done within the scope of their respective office or employment, other than an act or omission which is the result of misconduct or negligence by such parties; provided, that the Corporation, at its election, may appear in and defend any such suit, action or proceeding. To the

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ARTICLE VI.

TITLE

SECTION 6.1. Title to Facility Sites and Facilities. Throughout the term of each Ground Lease, fee title to the Facility Sites described therein shall be in the name of the School Board, subject to Permitted Encumbrances. Until the earlier of the date on which payment in full, or provision for payment of all Lease Payments under a particular Lease or payment of the then applicable Purchase Option Price of one or more Facilities financed under such Lease, as provided in Sections 7.2 or 7.3 hereof, has been made, or until substitution of comparable Facilities for Facilities financed under a Lease as provided in Section 6.4 hereof, title to such Facilities shall remain vested in the Corporation (except as otherwise provided in the related Schedule), subject to Permitted Encumbrances. At such time as payment, or provision for payment as provided in Section 7.2 or 7.3 hereof, of all Lease Payments or the then applicable Purchase Option Price of one or more Facilities has been made in full, the School Board shall be deemed to have exercised an option to purchase such Facilities and fee simple title to such Facilities free and clear of all encumbrances, except Permitted Encumbrances, shall vest in the School Board. Upon substitution of other Facilities for Facilities financed under a Lease as herein provided, fee simple title to the Facilities for which substitution has been made, shall vest in the School Board free and clear of all encumbrances except Permitted Encumbrances. The Corporation hereby appoints the School Board as its agent to prepare and file or record in appropriate offices such documents as may be necessary to cause record title to such Facilities to vest in the School Board. The Corporation agrees to immediately execute a warranty deed for the Facilities and a written surrender and release and an assignment without recourse or warranty of all its right, title, and interest under the related Lease and Ground Lease to the School Board, or shall execute amendments to the Lease Schedule, if appropriate in the case of the purchase of portions of the Facilities financed under a Lease, as well as all other instruments necessary to vest good and marketable fee simple title to the Facilities in the School Board and relinquish the Corporation's interest therein, subject only to Permitted Encumbrances. The related Ground Lease shall then be terminated, or modified, as provided therein. The Corporation shall request the execution of such instruments by the Trustee as necessary to effect the conveyances described herein.

There shall be no merger of a Lease or of the leasehold estate thereby created in any Facilities or Facility Sites with the fee estate in such Facilities or Facility Sites with the fee estate that the same person may acquire or hold, directly or indirectly, a Lease or leasehold estate therein created or any interest therein, and the fee estate in the Facilities or Facility Sites relating to such Lease or any interest in such fee estate.

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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".

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Each Event of Extraordinary Prepayment shall result in the following action, respectively:

(i) With respect to (a) and (b) above, the Corporation and the School Board shall pay such remaining Acquisition Account monies and Net Proceeds to the Trustee, and the Trustee shall deposit such funds in the respective Prepayment Accounts applicable to each Series of Certificates relating to such Leases to be used to prepay such Series of Certificates in the manner provided in the Trust Agreement; and

(ii) With respect to (c) above, at the election of a Credit Facility Issuer the Purchase Option Price of all Facilities shall become immediately due and payable, and the Trustee shall credit the balance remaining in all Funds and Accounts for each Series of Certificates to the Prepayment Account for such Series, and upon receipt of the Purchase Option Price of all Facilities, shall deposit such moneys to the credit of the related Prepayment Account for the Series relating to each such Facility, to be used to prepay such Series of Certificates in the manner provided in the Trust Agreement.

In the event of prepayment in part under a particular Lease, the School Board will provide the Trustee a revised Schedule of Lease Payments reflecting said partial prepayment.

In the event of a payment in full of the Purchase Option Price of all Facilities financed hereunder, all covenants, agreements and other obligations of the School Board under this Master Lease shall cease, terminate and become void and be discharged and satisfied except as otherwise provided in Section 4.1(d) hereof. In such event the Trustee and the Corporation shall execute and deliver to the School Board all such instruments in recordable form at the School Board's expense as may be desirable to evidence such discharge and satisfaction.

SECTION 7.3. Prepayment Deposit. Notwithstanding any other provision of this Master Lease, the School Board may on any date secure the payment of all or a portion of the Purchase Option Price of all Facilities under a particular Schedule hereto and the related Series of Certificates, or with the prior consent of the Credit Facility Issuer, if any, for the Series of Certificates from which the Facilities in question were originally financed, the Purchase Option Price under a Schedule relating to all or a portion of one or more particular Facilities set forth on such Schedule and a corresponding amount of Certificates of the Series relating thereto, by a deposit with the Trustee as escrow holder under an escrow deposit agreement of amounts as set forth in Section 801 of the Trust Agreement.

In such event all covenants, agreements and other obligations of the School Board under the related Lease, or with respect to a

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portion of the Purchase Option Price of all Facilities under such Lease, or with respect to one or more particular Facilities financed under such Lease, shall cease, terminate and become void and be discharged and satisfied in accordance with the provisions of Section 4.1(d) hereof (or, in the case of a deposit for a portion of a Facility, modified accordingly), except the obligation of the School Board to make or cause to be made, Basic Lease Payments and any Additional Lease Payments under such Lease from the deposit made by the School Board pursuant to this Section, and except as provided in Section 4.2(c) hereof. In such event, the Trustee shall provide statements for such period or periods as shall be requested by the School Board to be prepared and filed with the School Board and, upon the request of the School Board, the Corporation or the Trustee, as appropriate, shall execute and deliver to the School Board all such instruments in recordable form at the School Board's expense as may be desirable to evidence such discharge and satisfaction.

SECTION 7.4. Refunding Certificates. The Corporation shall direct the Trustee, when directed to do so by the School Board, to issue one or more Series of refunding Certificates under a Supplemental Trust Agreement for the purpose of providing for the payment of all or a portion of Outstanding Series of Certificates, the funding of a Reserve Account, if any, and the payment of the costs of issuance in connection with such Series of refunding Certificates. Simultaneously with the issuance and delivery of such Series of refunding Certificates the applicable proceeds thereof shall be deposited with the Trustee as escrow holder under an escrow deposit agreement in such amount as set forth in Section 801 of the Trust Agreement. Upon the deposit as aforesaid, the Trustee and the School Board shall enter into an amendment to the related Lease Schedule at the School Board's expense, in order to adjust the Lease Payments to be made under such Lease to an amount sufficient to pay, as and when the same mature and become due, the principal and interest portions of the Basic Lease Payments represented by the Series of refunding Certificates and by the original Series of Certificates to the extent that such Series has not been refunded (except to such extent as the same may be payable out of moneys or Government Obligations deposited pursuant to Section 7.3 hereof).

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ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

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

(a) Failure by the School Board to pay in full any Basic Lease Payment with respect to any Lease at the time and in the manner specified herein;

(b) Failure by the School Board to pay in full any Additional Lease Payment or Supplemental Payment with respect to any Lease at the time and in the manner specified herein, and such failure shall continue for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, if any, provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, if any, in writing that such default cannot with due diligence be cured within such thirty (30) day period and that the School Board has diligently commenced to cure such default within such period, the School Board shall have a reasonable period not exceeding sixty (60) days after written notice (unless further extended by the Credit Facility Issuer, or if there be none, the Trustee) to cure such default;

(c) Failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in Section 8.1(a) or (b) for a period of sixty (60) days after written notice specifying such failure, and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, or any representation of the School Board in this Lease Purchase Agreement shall have been untrue when made; provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, in writing that such default cannot with due diligence be cured within such sixty (60) day period and that the School Board has diligently commenced to cure such default within such period, the School Board shall have a reasonable period to cure such default; or

(d) the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding by or against the School Board under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in

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effect, and, in the case of involuntary proceedings, the failure of the same to be dismissed within one hundred eighty (180) days of the filing thereof.

If by reason of force majeure the School Board is unable in whole or in part to carry out the agreements on its part herein contained, other than the obligations on the part of the School Board contained in Article III hereof, the School Board shall not be deemed in default during the continuance of such inability. The Term "force majeure" as used herein shall mean, without limitation, the following: acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies, orders or restraints of any kind of the government of the United States of America or any of its departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; hurricanes; fires; storms; droughts; floods; or explosions.

Notwithstanding anything contained in this Section 8.1 to the contrary, a failure by the School Board to pay when due any payment required to be made under this Master Lease and any Schedule hereto or a failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Master Lease, resulting from a failure by the School Board to appropriate moneys as contemplated by Sections 3.5 and 5.11 hereof, shall not constitute an event of default under this Section 8.1.

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

(1) upon written notice to the School Board, terminate the Lease Term of all Leases and, whether or not the Lease Term is terminated, exercise all available remedies at law or in equity as described in Section 3.6 hereof; or

(2) take whatever action at law or in equity as may appear necessary or desirable to collect all Lease Payments or other payments then due and thereafter to become due for the remainder of the then current Lease Term, or the Purchase Option Price then due, or to enforce performance and observance of any obligation, agreement or covenant of the School Board under this Master Lease.

SECTION 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Master Lease or now or hereafter existing at law or in equity, subject to any limitations set forth in Section 3.6 hereof.

ARTICLE IX.

MISCELLANEOUS

SECTION 9.1. Notices. All notices, certificates, requests or other communications (other than payments by the School Board) hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or three (3) Business Days after being mailed by first class mail, postage prepaid, to the parties at their respective places of business as follows (or to such other address as shall be designated by any party in writing to all other parties):

Corporation: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

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

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

Notice shall also be given by the School Board to the Rating Agencies of the occurrence of any one or more of the following: (i) the appointment of a Successor Trustee, (ii) the expiration or termination of a Credit Facility, (iii) the prepayment or defeasance of any of the Outstanding Certificates in accordance with Section 801 or 802 of the Trust Agreement or (iv) a material modification of or amendment to the Trust Agreement, this Master Lease, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility.

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

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

SECTION 9.4. Amendments. The terms of this Master Lease and any Lease Schedule shall not be waived, altered, modified, supple-

mented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee, and consented to by each Credit Facility Issuer. Copies of amendments shall be provided to the Rating Agencies. Notwithstanding the foregoing, a Lease Schedule may be amended without obtaining the consent of the Credit Facility Issuer for the purpose of adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Lease Schedule.

SECTION 9.5. Execution in Counterparts. This Master Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.6. Captions. The captions or headings in this Master Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Master Lease.

SECTION 9.7. Interest. All interest calculations hereunder shall be made on the basis of a 360-day year consisting of twelve 30-day months (unless otherwise provided with respect to Additional Lease Payments on a Schedule hereto).

SECTION 9.8. Compliance with Trust Agreement. The School Board hereby approves and agrees to the provisions of the Trust Agreement. The Corporation hereby agrees not to amend or modify the Trust Agreement in any way without the written consent of the School Board so long as this Master Lease shall be in effect. The School Board agrees to do all things within its power in order to enable the Corporation to comply with all requirements and to fulfill all covenants of the Trust Agreement which require the Corporation to comply with requests or obligations so that the Corporation will not be in default in the performance of any covenant, condition, agreement or provision of the Trust Agreement, and the School Board further agrees to comply with and perform any obligations to be complied with or performed by the School Board pursuant to the Trust Agreement.

SECTION 9.9. Memorandum of Lease. Simultaneously with the execution of this Master Lease and each Schedule hereto, and thereafter simultaneously with the execution of any Schedule, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to the Master Lease and such Schedule. Said Memorandum of Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of such instrument.

SECTION 9.10. Applicable Law. This Master Lease shall be governed by and construed in accordance with the laws of the State of Florida.

SECTION 9.11. Waiver of Choice of Remedies. The School Board hereby waives any right it may have to cause the Corporation to choose any remedy and pursue such remedy to fruition, and agrees and consents that the Corporation may simultaneously and contemporaneously pursue two or more of the several remedies available to the Corporation, all of which are agreed to be concurrent and not alternative in any way, to the end that the Corporation may exercise any self help remedy under this Master Lease as to any Lease and may file and pursue to final judgment and final collection, actions (i) to eject the School Board and reclaim possession of any and all of the Projects, and (ii) against the School Board for money damages and (iii) against the School Board for performance of any covenants, all at the same time, in any combination, in one action and in several actions, and any of them, all at the Corporation's sole discretion, provided only that the Corporation may not ultimately recover more than the total amount provided herein plus such expenses and reimbursements as provided herein for preserving, maintaining and realizing on this Master Lease and the Leases.

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

[SEAL] PALM BEACH SCHOOL BOARD LEASING CORP. By: C. Monica Uhlhorn Secretary Date: November 16, 1994 By: Jody Gleason Vice President Date: November 16, 1994

[SEAL] THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA By: C. Monica Uhlhorn Secretary Date: November 16, 1994 By: Jody Gleason Vice Chairman Date: November 16, 1994

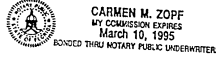
STATE OF FLORIDA)) SS: COUNTY OF PALM BEACH)

I, Carmen M. Zopf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

Carmen M. Zopf NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or Type as Commissioned.) [] Personally known to me, or [] Produced identification: Fla. License (Type of Identification Produced) [] DID take an oath, or [] DID NOT take an oath.

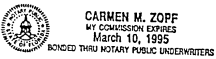
STATE OF FLORIDA)) SS: COUNTY OF PALM BEACH)

I, Carmen M. Zopf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice Chairman and Secretary, respectively of THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

Carmen M. Zopf NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or Type as Commissioned.) [] Personally known to me, or [] Produced identification: Fla. License (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:

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
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Provide Basic Lease Payment Schedule for each Facility or group of Facilities financed hereunder]

SECTION 7. Additional Lease Payments. Additional Lease Payments with respect to the Series _____ Certificates consist of the following:

- Trustee Fees:
- 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:

IN WITNESS WHEREOF, the Corporation has caused this Schedule No. _____ to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule No. _____ to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all of the day and year first written above.

[SEAL] PALM BEACH SCHOOL BOARD LEASING CORP.

Attest: By: _____

[SEAL] THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

Attest: By: _____

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 2010A

dated as of November 1, 2010

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 2010A (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 2010A 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 2010A Facilities and the Series 2010A Facility Sites described herein, together with the rights described in clauses (i), (ii) and (iii) of Section 1 in the Series 2010A Ground Lease (hereinafter defined). The Master Lease with respect to this Schedule and as modified and supplemented hereby is referred to herein as the "Series 2010A 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 2010A Lease the following terms have the meanings set forth below. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings given to them in the Master Lease or the Trust Agreement, including the Series 2010A Supplemental Trust Agreement, as appropriate.

"Closing Date" shall mean the date of delivery of the Series 2010A Certificates to the respective Series 2010A Underwriters against payment therefor.

"Commencement Date" for the Series 2010A Lease is the Closing Date.

"Series 2010A Certificates" shall mean the \$67,665,000 Certificates of Participation, Series 2010A dated as of the Closing Date, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Series 2010A Facilities" shall mean the Facilities described in this Schedule 2010A, as this Schedule 2010A may be amended or supplemented from time to time.

"Series 2010A Facility Sites" shall mean the Facility Sites described in this Schedule 2010A to be ground leased by the School Board to the Corporation, as the same may be amended or supplemented from time to time.

"Series 2010A Supplemental Trust Agreement" shall mean the Series 2010A Supplemental Trust Agreement dated as of November 1, 2010, between the Corporation and the Trustee.

"Series 2010A Underwriter" means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Section 2. Lease Term. The total of all Lease Terms of the Series 2010A Lease is expected to be approximately fifteen (15) years consisting of an "Original Term" from the Commencement Date through and including June 30, 2011, and fourteen (14) Renewal Terms of twelve (12) months each, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2011 and ending June 30, 2025, and the last Renewal Term from July 1, 2025, through and including August 1, 2025, provided that on such date no Series 2010A Certificates are "Outstanding" under the Trust Agreement. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article II of the Master Lease.

Section 3. Series 2010A Facilities to be Lease Purchased. A general description and the estimated costs of the Series 2010A Facilities to be lease-purchased under the Series 2010A Lease are described in Exhibit A hereto. The School Board reserves the right to substitute other facilities for the facilities set forth herein, in accordance with the requirements of the Master Lease.

Section 4. Series 2010A Facility Sites to be Ground Leased to the Corporation and Permitted Encumbrances. The legal descriptions of the Series 2010A Facility Sites to be ground leased to the Corporation and Permitted Encumbrances (in addition to those specified in the Master Lease) are as set forth in Exhibit B hereto. Substitutions may be made in accordance with the requirements of the Master Lease and the Series 2010A Ground Lease.

Section 5. Application of Certain Proceeds of Series 2010A Certificates. Pursuant to the provisions of Section 402 of the Series 2010A Supplemental Trust Agreement the Trustee will deposit the following sums attributable to the Series 2010A Facilities to be lease purchased hereunder in the following accounts from the proceeds of the Series 2010A Certificates:

Table with 2 columns: Amount, Account. Row 1: \$66,866,202.60 Series 2010A Acquisition Account. Row 2: \$280,483.50 Series 2010A Cost of Issuance Subaccount.

Section 6. Basic Lease Payments; Sinking Fund Payments. The principal portion of the Basic Lease Payment due on June 30, 2025, the interest portion of the Basic Lease Payments due on each June 30 and December 30, commencing June 30, 2011, and the Sinking Fund Payments due with respect to the Series 2010A Facilities to be lease purchased are set forth in Exhibit C hereto. If, upon delivery of the Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series 2010A Facilities, or if the School Board determines not to acquire, construct or install one or more components of the Series 2010A Facilities, it is determined that the cost of, and consequently the actual amount of Basic Lease Payments for, a Series 2010A Facility is different from the amount set forth herein, Exhibit A shall be revised as necessary to reflect the adjusted cost. The Schedule of

Basic Lease Payments shall be no less than the principal and interest payments with respect to the Series 2010A Certificates and shall be amended only in the event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by such portion of the Series 2010A Certificates pursuant to Section 7.2 or 7.3 of the Master Lease, and prepayment or defeasance of a portion of Series 2010A Certificates pursuant to Article III of the Series 2010A Supplemental Trust Agreement or Section 801 of the Master Trust Agreement. The Schedule of Sinking Fund Payments shall be amended only in the event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by the Series 2010A Certificates pursuant to Section 7.2 or 7.3 of the Master Lease, and prepayment or defeasance of a portion of Series 2010A Certificates pursuant to Article III of the Series 2010A Supplemental Trust Agreement or Section 801 of the Master Trust Agreement. At the direction of the Board, interest earnings on deposit in the Sinking Fund Account may be credited against the Sinking Fund Payments due as set forth on Schedule C.

The interest portion of the Basic Lease Payments represented by the Series 2010A 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 2010A Certificates are rated within the three highest rating categories by a nationally recognized rating service.

Section 7. Additional Lease Payments. Additional Lease Payments with respect to the Series 2010A Lease consist of the Sinking Fund Payments set forth in Exhibit C and the following:

- 1. Trustee Fees: Acceptance Fee of \$1,000. Annual administration fee of \$4,000, payable annually in advance.
2. Trustee Expenses: \$3,500 for counsel fees, plus out-of-pocket expenses billed at cost.

Section 8. Prepayment Provisions. In addition to or in lieu of the prepayment provisions of Section 7.2 of the Master Lease, as the case may be, the principal portion of the Basic Lease Payments due as provided in Section 6 of this Schedule 2010A is subject to the following prepayment provisions:

A. Optional Make Whole Prepayment. The Series 2010A Certificates are subject to prepayment in whole or in part on any Business Day, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series 2010A Lease, at a Prepayment Price equal to the greater of (1) 100% of the principal portion of Basic Lease Payments represented by the Series 2010A Certificates to be prepaid and (2) the Discounted Value thereof, except that for purposes of calculating such Discounted Value, the Discount Yield shall be equal to the Blended Treasury Yield plus 0.35%, plus, in each case, the accrued and unpaid interest portion of Basic Lease Payments represented by the Series 2010A Certificates to be prepaid on the Prepayment Date. All calculations and determinations referred to in this subsection will be made by a financial advisor selected by the School Board.

B. Extraordinary Prepayment.

(1) The extraordinary prepayment provisions set forth in Section 7.2(b) and Section 5.4(b) of the Master Lease shall not apply to the Series 2010A Lease.

(2) *Extraordinary Mandatory Prepayment from Unexpended Proceeds of the Series 2010A Certificates.* The principal portion of Basic Lease Payments represented by Series 2010A Certificates is subject to extraordinary mandatory prepayment, in whole or in part, on a date designated by the School Board that occurs no later than the ninetieth day following the last day of the Expenditure Period, in Authorized Denominations, in an amount equal to the unexpended proceeds of the sale of the Series 2010A Certificates held by the Trustee, at a Prepayment Price equal to (i) the principal portion of Basic Lease Payments represented by the Series 2010A Certificates called for prepayment, plus (ii) the accrued interest on the principal portion of the Series 2010A Certificates to be prepaid from the Interest Payment Date next preceding the Prepayment Date to but not including the Prepayment Date, but only to the extent that the School Board fails to expend all of the available project proceeds (as defined in Section 54A(e)(4) of the Code) of the Series 2010A Certificates for Qualified Purposes within the Expenditure Period.

(3) *Extraordinary Optional Prepayment Due to the Occurrence of an Extraordinary Event.* The Series 2010A Certificates are subject to extraordinary optional prepayment, in whole or in part, on a date designated by the School Board upon the occurrence of an "Extraordinary Event", at a prepayment price equal to the greater of: (1) 100% of the principal portion represented by the Series 2010A Certificates to be prepaid; and (2) the "Discounted Value" thereof, except that for purposes of calculating such Discounted Value, the Discount Yield shall be equal to the "Blended Treasury Yield" plus 1.00%, plus in each case the accrued interest portion of the Basic Lease Payments represented by the Series 2010A Certificates to be prepaid to the Prepayment Date.

Section 9. Other Special Provisions.

A. Representations.

(i) 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 2010A Facilities, or the cost of making them available is included in the School Board's acquisition and construction budget for the Series 2010A Facilities.

(ii) The School Board hereby confirms its representations, covenants and warranties set forth in Section 2.10 of the Master Lease and all references therein to the Facilities shall include the Series 2010A Facilities, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2010A, 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 and all references therein to the Facilities shall include the Series 2010A Facilities, except that all references therein to the Master Lease shall be deemed to refer

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to the Master Lease as supplemented by this Schedule 2010A, and except as otherwise provided below.

(iii) The School Board and the Corporation hereby represent that the Master Lease is in effect and that to their knowledge there are no defaults on the date of execution of this Schedule 2010A under any Lease, Ground Lease or the Trust Agreement.

B. Title. Notwithstanding the provisions of Section 6.1 of the Master Lease, title to the Series 2010A Facilities shall be vested in the School Board upon acquisition.

C. Continuing Disclosure. For purposes of the Series 2010A Lease, the School Board hereby covenants and agrees to comply with the terms and provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Series 2010A Lease, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, provided it has been satisfactorily indemnified in accordance with Section 602 of the Master Trust Agreement as if it were proceeding under Section 602 of the Master Trust Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount in Outstanding Series 2010A Certificates, shall) or any Holder of the Series 2010A Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the School Board to comply with its obligations under this Section 9.C. For purposes of this Section, "Beneficial Owner" means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2010A Certificates (including persons holding Series 2010A Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2010A Certificates for federal income tax purposes.

D. Section 3.2(b) of the Master Lease. For purposes of the Series 2010A Lease, Section 3.2(b) of the Master Lease shall read as follows:

(b) Upon the earlier to occur of (i) completion of acquisition and construction of the Series 2010A Facilities and payment of all Costs of the Series 2010A Facilities and (ii) the termination of the Expenditure Period, the amounts, if any, on deposit in the Series 2010A Acquisition Account shall be transferred to the Series 2010A Prepayment Account to be applied to the prepayment of Basic Lease Payments represented by Series 2010A Certificates.

E. Section 3.2(c) of the Master Lease. For purposes of the Series 2010A Lease, Section 3.2(c) of the Master Lease shall read as follows:

(c) There shall be deposited in the Series 2010A Lease Payment Account, or the Series 2010A Acquisition Account, Net Proceeds realized in the event of damage, destruction or condemnation to be applied to Basic Lease Payments or the costs of Series 2010A Facilities under the Lease, in accordance with Section 5.4(b) of the Master Lease.

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F. Section 5.4(b) of the Master Lease. For purposes of the Series 2010A Lease, Section 5.4(b) of the Master Lease shall read as follows:

(b) **Option B - Deposit to Series 2010A Lease Payment Account or Series 2010A Acquisition Account.** Provided, however, if the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Series 2010A 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 (i) less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Series 2010A Facilities and (ii) equal to or less than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under this Lease, then such Net Proceeds may, at the option of the School Board, (x) be deposited in the Series 2010A Lease Payment Account to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) hereof or (y) deposited in the Series 2010A Acquisition Account and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of this Lease as fully as if they were the originally leased Series 2010A Facilities. If the Net Proceeds are (i) equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to Series 2010A Facilities or (ii) greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under this Lease, then the Net Proceeds shall be deposited in the Series 2010A Acquisition Account and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of this Lease as fully as if they were the originally leased Series 2010A Facilities; provided, however, at the direction of the School Board, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the Series 2010A Lease Payment Account to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) hereof.

G. Section 6.4 of the Master Lease. For purposes of the Series 2010A Lease, Section 6.4 of the Master Lease shall read as follows:

SECTION 6.4. Substitution of Facilities. To the extent permitted by law, on or after the Completion Date the School Board may substitute for any Facilities other facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of substantially equal utility as the Facilities to be replaced and meet the requirement of Section 5.9 hereof, (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved by the State Department of Education. In addition, to the extent permitted by law, prior to the Completion Date the School Board may release and/or substitute for any Facilities to be acquired, constructed and installed under a particular Schedule other facilities to be acquired, constructed and installed, provided that (1) any

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substituted facilities satisfy the requirements of clauses (a), (c), (d) and (e) above and (2) following such substitution and/or release, the sum of (x) with respect to Facilities for which a Certificate of Acceptance has not been delivered, the Cost of the acquisition, construction and installation of the Facilities plus (y) with respect to Facilities for which a Certificate of Acceptance has been delivered, the fair market value of the Facilities, financed under the Schedule from which the Facilities are to be substituted and/or released is greater than or equal to the remaining principal portion of Basic Lease Payments due under such Schedule. In order to effect such substitution, the Facilities to be replaced shall be released from the encumbrance of the related Lease and Ground Lease by appropriate instrument executed by the School Board and the Corporation (or Trustee as assignee of the Corporation) in form sufficient to leave good and marketable fee simple title to such Facilities in the School Board subject only to Permitted Encumbrances, and the Facilities to be substituted shall likewise be incorporated in the appropriate Lease and Ground Lease modifications. The related Schedule shall be appropriately amended, and the related Ground Lease shall be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel as described in Section 6.1 hereof with respect to the substitute Facility Site.

For purposes hereof, "fair market value" shall be determined on the basis of an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee.

H. Section 9.4 of the Master Lease. For purposes of the Series 2010A Lease, Section 9.4 of the Master Lease shall read as follows:

SECTION 9.4. Amendments. The terms of this Master Lease and any Schedule shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee, with the consent of the Credit Facility Issuer, if any. In the event that there is no Credit Facility Issuer, except as otherwise provided herein, the consent of the Holders of at least a majority in principal amount of the Certificates Outstanding who are affected by such waiver, alteration, modification, supplement or amendment shall be required. Notwithstanding the foregoing, a Schedule may be amended without obtaining the consent of the Credit Facility Issuer, if any, or of Holders of the affected Certificates, for the purpose of (1) adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Schedule, (2) adding additional Facilities to be financed under such Schedule, (3) substituting Facilities in accordance with Section 6.4 hereof, (4) releasing a Facility or portion thereof if such Facility or portion thereof has been released from the lien of the Lease in accordance with the provisions thereof, or (5) making any other modification which is necessary or desirable and is not adverse to Holders.

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Section 10. Qualified School Construction Bonds. Notwithstanding anything to the contrary in the Master Lease, the following provisions shall apply to this Schedule 2010A:

A. Designation. The School Board hereby designates this Series 2010A Lease as a qualified school construction bond for purposes of Section 54F(a)(3) of the Code.

B. Representations, Warranties and Covenants Related to Qualified School Construction Bonds.

(1) The School Board represents and warrants that (i) prior to the expenditure of proceeds of the Series 2010A Certificates for Series 2010A Facilities and Series 2010A Facility Sites, the School Board declared its intent to reimburse such expenditure with the proceeds of the Series 2010A Certificates, (ii) not later than 60 days after payment of the original expenditure, the School Board adopted an official intent to reimburse the original expenditure with proceeds of the Series 2010A Certificates, (iii) pursuant to the provisions of the Recovery Act, the School Board has been allocated authority to issue at least \$66,665,000 aggregate principal amount of QSCB's, (iv) it reasonably expects that 100% or more of the available project proceeds (as defined in Section 54A of the Code) will be spent for one or more Qualified Purposes within the three-year period beginning on the Closing Date and a binding commitment with a third party to spend at least 10% of the available project proceeds will be incurred within the six-month period beginning on the Closing Date.

(2) The School Board covenants that (i) no more than 2% of the proceeds of the sale of the Series 2010A Certificates shall be expended for costs of issuance of the Series 2010A Certificates; (ii) no reimbursement for expenditures shall be made later than 18 months after the date the original expenditure is made, (iii) no reimbursement of expenditures from proceeds of the Series 2010A Certificates shall be made after the end of the Expenditure Period, (iv) it will submit reports required by Section 54A(d)(3) of the Code, and (v) it will comply with special rules relating to arbitrage in accordance with Section 54A(d)(4) of the Code.

(3) The School Board hereby certifies that the applicable State and local law requirements governing conflicts of interest have been satisfied.

(4) The School Board covenants that it will not take or fail to take any action, including without limitation substitution of the original Series 2010A Facilities, which could result in a loss of Qualified School Construction Bond status.

(5) Pursuant to Section 6431 of the Code as amended by Section 301 of the "Hiring Incentives to Restore Employment Act" ("HIRE"), the School

Board hereby makes an irrevocable election to have Section 6431(f)(1) and (3) apply to the Series 2010A Lease evidenced by the Series 2010A Certificates.

(6) The School Board hereby agrees to file Form 8038-CP no earlier than the ninetieth (90th) day and no later than the forty-fifth (45th) day prior to each Interest Payment Date identifying the amount of interest to be paid on the Interest Payment Date.

C. **Amendments.** In addition to the amendments permitted pursuant to Section 9.4 of the Master Lease, and notwithstanding anything to the contrary in the Lease, the Series 2010A Lease may be amended without the consent of the holders of the Series 2010A Certificates, if (i) (a) an amendment to Section 54A, 54AA, 54F or 6431 of the Code is adopted, or a new or modified official interpretation of Section 54A, 54AA, 54F or 6431 of the Code is issued, which is applicable to this Series 2010A Lease and the transactions contemplated hereby; or (b) legislation shall have been enacted by the United States or the State, or a decision shall have been rendered by a court of the United States or the Tax Court of the United States, or a ruling shall have been made or a regulation, proposed regulation or a temporary regulation or an official statement shall have been published in the Federal Register or any other release or announcement shall have been made by or on behalf of the Treasury Department of the United States, U.S. Securities and Exchange Commission or the Internal Revenue Service with respect to QSCBs, and (ii) the School Board shall have delivered to the Trustee a Favorable Opinion.

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IN WITNESS WHEREOF, the Corporation has caused this Schedule 2010A to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule 2010A to be executed in its name by its duly authorized members or officers all as of the day and year first written above.

[SEAL] **PALM BEACH SCHOOL BOARD LEASING CORP.**
Attest:
By: _____ By: _____
Dr. Art Johnson Secretary Monroe Benaim, M.D. President

[SEAL] **THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA**
Attest:
By: _____ By: _____
Dr. Art Johnson Secretary Monroe Benaim, M.D. Chair

SERIES 2010A GROUND LEASE
Dated as of November 1, 2010

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 2010A Facility Sites)

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EXHIBIT A SERIES 2010A FACILITY SITES

**SERIES 2010A GROUND LEASE
(Series 2010A Facility Sites)**

THIS SERIES 2010A GROUND LEASE dated as of November 1, 2010, between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District"), as Lessor, and the PALM BEACH SCHOOL BOARD LEASING CORP. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617 and Section 1001.453, Florida Statutes, as Lessee. Capitalized terms used, but not defined, herein shall have the meanings assigned thereto in the hereinafter described Trust Agreement.

WITNESSETH:

WHEREAS, the School Board has the power, under Section 1001.42(2), Florida Statutes, as amended, to receive, purchase, acquire, lease, sell, hold, transmit and convey title to real and personal property for educational purposes, and under Section 1001.42(9), Florida Statutes, as amended, to enter into leases or lease-purchase agreements of grounds and educational facilities, or of educational facilities for school purposes; and

WHEREAS, the Corporation has the authority to acquire educational facilities by lease or deed for the benefit of the School Board; and

WHEREAS, the Corporation is a "private corporation" within the meaning of Section 1001.42(9)(b)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 owns or holds a long-term lease on certain real property located in Palm Beach County, Florida and described in **Exhibit A** attached hereto, as the same may be amended from time to time by the addition of parcels of land to be acquired by the School Board in the future pursuant to one or more supplements thereto (which real property, together with all buildings, structures and improvements now or hereafter erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner or lessee of such land by reason of ownership of such land or a leasehold interest in 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 2010A Facility Site" or, in the case of separate parcels, such parcels are herein collectively referred to as the "Series 2010A Facility Sites"); and

WHEREAS, the School Board desires to lease-purchase one or more particular educational facilities to be located on the Series 2010A Facility Sites, and desires to lease-purchase certain other educational facilities and sites (individually and collectively, the "Series 2010A Facilities"), pursuant to Schedule 2010A 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 2010A Lease"); and

WHEREAS, it is possible that a portion of the Series 2010A Facilities may be attached to one or more existing structures of the School Board adjacent to the Series 2010A 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 2010A 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 2010A Facility Sites including, but not limited to, drainage, sewer and water service, electric, telephone and gas service and parking of vehicles (collectively, the "Services"); and

WHEREAS, the Corporation desires to acquire from the School Board, pursuant to this Series 2010A Ground Lease, and the School Board is willing to grant to the Corporation, the right to utilize the adjacent property of the School Board to the extent reasonably necessary for Access and for the Services, and the Corporation and the School Board desire to provide for the structural attachment of certain of the Series 2010A Facilities to the adjacent property of the School Board; and

WHEREAS, the School Board has on September 24, 2008, after due notice as required by law, held an open, public meeting on the proposal of entering into this Series 2010A Ground Lease, at which meeting a copy of this Series 2010A Ground Lease in substantially final form was available for inspection and review by the public; and

WHEREAS, provisions for the payment of the cost of acquiring and constructing the Series 2010A 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 2010A Supplemental Trust Agreement dated as of November 1, 2010 (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 Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee"), and irrevocably assigning to the Trustee without recourse all of the Corporation's right, title and interest in and to this Series 2010A Ground Lease and the Series 2010A Lease, except for certain rights to indemnification, to receive notices and to hold title to the Series 2010A Facilities, (b) directing the Trustee for such trust to execute and deliver to the public Certificates of Participation, Series 2010A (the "Series 2010A 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 2010A Lease, and (c) directing the Trustee to hold the proceeds of sale of the Series 2010A Certificates in trust subject to application only to pay the costs of acquisition and construction of the Series 2010A Facilities (as defined in the Trust Agreement); and

WHEREAS, each Series 2010A Certificate represents an undivided proportionate interest in the principal portion of the Basic Lease Payments set forth in the Series 2010A Lease due and payable on the maturity date or earlier prepayment date of the Series 2010A Certificates and in the interest portion of the Basic Lease Payments set forth in the Series 2010A Lease 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 2010A Ground Lease, the Series 2010A Lease and the Series 2010A Lease Payments (except for certain indemnification rights and the right of the Corporation to hold title to certain of the Series

2010A Facilities and to receive notices), pursuant to the Series 2010A Assignment Agreement dated as of November 1, 2010 (as the same may be amended or supplemented from time to time, the "Series 2010A Assignment Agreement"); and

WHEREAS, the School Board intends for the Series 2010A Lease to remain in full force and effect after the last Lease Payment Date for the Series 2010A Facilities until payment in full of the Series 2010A Certificates, unless sooner terminated in accordance with the terms provided therein; and

WHEREAS, the School Board intends for this Series 2010A 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 2010A 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 2010A Facility Sites, more particularly described in Exhibit A, as the same may be amended from time to time pursuant to one or more supplements thereto, to the Corporation, and the Corporation hereby hires, takes and leases the Series 2010A 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 2010A 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 2010A Lease terminates prior to the termination of the term of this Series 2010A 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 2010A Facility Sites.

(ii) The adjacent property of the School Board and the Series 2010A Facilities may contain certain elements, features or parts which are structural elements of both the adjacent property of the School Board and the Series 2010A Facilities. Such 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 2010A Facility Sites or Series 2010A 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 2010A Facilities and the adjacent property of the School Board upon the common line between the Series 2010A Facility Sites and the adjacent property of the School Board (hereinafter referred to as the "Lot Line") provided that the mere fact that such a division wall is found not to be on the Lot Line shall not preclude that division wall from being a Party Wall.

(C) The roof and all roof support structures and any and all appurtenances to such roof and roof support structures including, without limitation, the roof covering, roof trim and roof drainage fixtures (collectively referred to as "Roofing") to the extent interrelated between the Series 2010A Facilities and the adjacent property of the School Board. Should the Roofing of any Series 2010A 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 2010A 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 2010A Facilities and the adjacent property of the School Board (collectively referred to as "Flooring"). Should the Flooring of the Series 2010A 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 2010A Facility Sites, the right therefor is hereby reserved.

(iii) The Series 2010A Facility Sites rights further include the right of the Series 2010A 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 2010A 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 2010A Facility Sites. In addition, the Series 2010A 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 2010A Facilities. The Series 2010A 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 into the School Board) for the continued use, benefit and enjoyment and continued support, service, maintenance and repair of all such common structural elements.

The School Board, at its sole expense, shall bring or cause to be brought to the Series 2010A 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 2010A Facility Sites water services and capacity sufficient for the contemplated operation of the Series 2010A 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 2010A Facility Sites, if any, as shall be necessary and convenient for the efficient operation of the Series 2010A 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 2010A Facility Sites shall commence on the commencement date of the Series 2010A Lease (the "Commencement Date") and shall end on August 1, 2032. 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 2010A Facility Sites and Series 2010A Facilities, the School Board grants to the Corporation the right and option to renew this Series 2010A 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 2010A Ground Lease.

Notwithstanding the foregoing, this Series 2010A 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 2010A 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 2010A Facilities, and full performance and satisfaction of the School Board's obligations under the Series 2010A Lease, or (b) upon the provision for payment of all Lease Payments under the Series 2010A Lease pursuant to Section 7.3 of the Master Lease, together in each case with payment of the sum of \$1.00. This Series 2010A Ground Lease may likewise be modified at the request of the School Board at any time, upon similar notice and modification of the Series 2010A Lease (a) to reflect the substitution of all or a portion of the Series 2010A Facilities and Series 2010A Facility Sites in accordance with Section 6.4 of the Master Lease, or (b) upon payment or provision for payment of the Purchase Option Price of all or a portion of one or more particular Series 2010A Facilities pursuant to Section 7.3 of the Master Lease, to reflect the release of one or more portions of the Series 2010A Facility Sites from this Series 2010A 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 2010A Facility Sites the sum of one dollar (\$1.00) per annum, which sum shall be due in advance on the Commencement Date (pro rated) and annually thereafter on the first day of each renewal Lease Term. At the option of the Corporation, the Corporation may prepay all or a portion of the ground rent payable hereunder for the entire initial lease term hereof from the proceeds of sale of the Series 2010A 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 2010A Facility Sites an amount determined by an M.A.I. appraisal to be the fair market rental for the Series 2010A 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 June 30;

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

(iii) the fair market rental due in any year shall be paid in the current year only to the extent that the moneys received by the Trustee as assignee of the Corporation from the exercise of the remedies permitted under the Series 2010A Lease during the preceding twelve months prior to such July 1 exceeded the principal and interest portion of Basic Lease Payments under the Series 2010A 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 2010A Lease exceed the principal and interest portion of Basic Lease Payments under the Series 2010A 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 2010A 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 2010A Ground Lease by the Corporation or the Trustee as the assignee of the Corporation.

Section 4. Title to Series 2010A Facility Sites; Possession. (a) Upon the Commencement Date and throughout the term of this Series 2010A Ground Lease, fee title to the Series 2010A Facility Sites shall be in the name of the School Board, subject to Permitted Encumbrances; title to the Series 2010A Facilities constructed on the Series 2010A Facility Sites shall be in the name of the Corporation and shall remain severed from title to the Series 2010A Facility Sites until the earlier of (i) payment in full, or provision for payment, of all Lease Payments under the Series 2010A Lease or payment of the then applicable Purchase Option Price of the Series 2010A 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 2010A Ground Lease.

(b) The Corporation shall at all times during the term of this Series 2010A Ground Lease have a leasehold estate in the Series 2010A Facility Sites with full right to the use, enjoyment and possession of such leasehold estate therein in a Permitted Transferee (as defined herein).

(c) Possession and use of the Series 2010A Facility Sites, together with all improvements thereon, shall, upon the last day of the term of this Series 2010A Ground Lease or earlier termination of this Series 2010A 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 2010A Ground Lease, the Corporation shall peaceably and quietly surrender to the School Board the Series 2010A Facility Sites together with any improvements located in or upon the Series 2010A Facility Sites. Upon such surrender of the Series 2010A 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 2010A 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 2010A Facility Sites after expiration or earlier termination of the term of this Series 2010A 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 2010A Facility Sites after expiration or earlier termination of this Series 2010A Ground Lease, the Corporation or any Permitted Transferee shall be a tenant at sufferance and shall pay rent equal to the fair market rental of the Series 2010A Facility Sites determined in the manner provided in Section 3(b) hereof.

Section 5. Use of Series 2010A Facility Sites; Assignments and Subleases. The Corporation may use the Series 2010A Facility Sites for any lawful purpose; however, the parties agree that unless the Series 2010A 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 2010A Facility Sites shall be used solely for educational purposes. Unless the Series 2010A Lease shall have been so terminated, no assignment of this Series 2010A Ground Lease or subletting of the Series 2010A Facility Sites may be made except as provided in the Series 2010A Assignment Agreement, the Series 2010A 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 2010A 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 2010A 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 2010A Facilities existing from time to time on the Series 2010A Facility Sites.

The School Board represents and covenants that the Series 2010A 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 2010A 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 2010A 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 2010A 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 2010A Ground Lease is to be irrevocably assigned by the Corporation to the Trustee pursuant to the Series 2010A Assignment Agreement, except that the Corporation shall continue to hold title to the Series 2010A Facilities as described in Section 4 hereof and in the Series 2010A 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 2010A 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 holders of the Series 2010A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2010A Lease, and may, under certain circumstances assign this Series 2010A Ground Lease to a Permitted Transferee.

Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Series 2010A Ground Lease or any of the transactions contemplated hereby, the parties hereto acknowledge and agree that upon the assignment by the Corporation of its rights hereunder to the Trustee pursuant to the Series 2010A 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 2010A 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 2010A 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 2010A 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 Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2010A Lease are outstanding and except as provided in Section 2 herein, this Series 2010A Ground Lease shall not be terminated. The School Board shall have proceeds solely against the leasehold estate of the Corporation in the Series 2010A 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 2010A Certificates.

Section 8. Quiet Enjoyment. The Corporation at all times during the term of this Series 2010A Ground Lease shall peacefully and quietly have, hold and enjoy the Series 2010A Facility Sites, without hindrance or molestation subject to the provisions hereof and of the Series 2010A Lease, the Series 2010A Assignment Agreement and the Trust Agreement.

Section 9. Liens. Unless the Series 2010A 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 2010A 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 2010A 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 2010A Facility Sites, provided, however, that the School Board's title to the Series 2010A 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 2010A Facility Sites:

(a) So long as the Series 2010A Lease is in effect, the Net Proceeds resulting therefrom shall be applied pursuant to the Master Lease.

(b) After the end of the Lease Term of the Series 2010A Lease, (i) if such person acquires title to such a substantial portion of the Series 2010A 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 2010A 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 2010A 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 2010A Ground Lease, then this Series 2010A 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 2010A Facility Sites 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 2010A Ground Lease is unmodified (or, if there have been any modifications, identifying the same), that this Series 2010A 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. Other than amendments in connection with the acquisition of the Series 2010A Facility Sites, no amendment may be made to this Series 2010A Ground Lease without the prior written consent of the Trustee and each Credit Facility Issuer securing a Series of Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under

the Series 2010A Lease. In the event that there is no Credit Facility Issuer, except as otherwise provided herein, the consent of the Holders of at least a majority in principal amount of the Certificates Outstanding who are affected by such amendment shall be required. Notwithstanding the foregoing, this Series 2010A Ground Lease may be amended without the prior written consent of the Trustee and the Credit Facility Issuer, if any, or the consent of the Holders of Certificates if the purpose for such amendment does not require consent pursuant to Section 9.4 of the Series 2010A Lease. Copies of all amendments hereto shall be provided to each Rating Agency, whether effected pursuant to Section 702 or Section 703 of the Trust Agreement.

Section 13. Binding Effect. This Series 2010A 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 2010A Ground Lease or of the leasehold estate hereby created with the fee estate in the Series 2010A Facility Sites by reason of the fact that, through the exercise of remedies hereunder or otherwise, the same person may acquire or hold, directly or indirectly, this Series 2010A Ground Lease or leasehold estate hereby created or any interest herein or therein, and the fee estate in the Series 2010A Facility Sites or any interest in such fee estate. There shall be no merger of this Series 2010A Ground Lease with the Series 2010A Lease by reason of the fact that the School Board is the owner of the fee title to the Series 2010A Facility Sites and the leasehold estate in the Series 2010A Facilities created under the Series 2010A Lease or by reason of the fact that the Corporation is the owner of the leasehold estate in the Series 2010A Facility Sites created hereby and is the owner of the fee title in the Series 2010A Facilities as provided in the Series 2010A Lease.

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

Corporation:	3340 Forest Hill Boulevard West Palm Beach, Florida 33406 Attention: President
School Board:	3340 Forest Hill Boulevard West Palm Beach, Florida 33406 Attention: Superintendent of Schools

With copies to

Trustee:	The Bank of New York Mellon Trust Company, N.A. 10161 Centurion Parkway, 2 nd Floor Jacksonville, Florida 32256 Attention: Corporate Trust Department
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Section 16. Severability. In the event any provision of this Series 2010A 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 2010A 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 2010A 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 2010A Ground Lease, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to this Series 2010A 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 2010A Ground Lease. Upon the modification of this Series 2010A 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 2010A 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 2010A 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. Each Credit Facility Issuer, if any, securing a Series of Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2010A Lease shall be deemed to be a third party beneficiary of this Series 2010A Ground Lease.

Section 22. Radon. Pursuant to Section 404.056, Florida Statutes, the following notification is hereby given: "RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit."

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Corporation has caused this Series 2010A 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 2010A 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: _____
Monroe Benaim, M.D.
Chairman

Attest:

By: _____
Dr. Art Johnson, Secretary

PALM BEACH SCHOOL BOARD LEASING CORP.

[SEAL] By: _____
Monroe Benaim, M.D.
President

Attest:

By: _____
Dr. Art Johnson, Secretary

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Monroe Benaim, M.D. 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 November, 2010.

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)

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 Monroe Benaim, M.D. 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 November, 2010.

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)

MASTER TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

**NATIONSBANK OF FLORIDA, N.A.,
as Trustee**

Dated as of November 1, 1994

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MASTER TRUST AGREEMENT

THIS MASTER TRUST AGREEMENT is dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, this "Trust Agreement"), and is between NATIONSBANK OF FLORIDA, N.A., a national banking association with its designated corporate trust office in Fort Lauderdale, Florida (the "Trustee"), and PALM BEACH SCHOOL BOARD 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");

W I T N E S S E T H:

WHEREAS, the School Board of Palm Beach County, Florida (the "School Board") desires to lease-purchase certain real property, buildings and improvements and the equipment, fixtures and furnishings to be built, installed or established therein for educational purposes ("Facilities") by entering into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), between the Corporation, as lessor, and the School Board, as lessee; and

WHEREAS, pursuant to Section 2.1 of the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease (each hereinafter referred to as a "Schedule"), direct the Corporation to acquire and lease-purchase to the School Board the Facilities described in such Schedule to the Master Lease; and

WHEREAS, Facilities may be added to the Master Lease by execution of Schedules thereto from time to time; and

WHEREAS, the Master Lease and the terms and conditions thereof with respect to the particular Facilities described on a Schedule are sometimes referred to herein as a "Lease" and the Schedule describing such Facilities is sometimes referred to as "Schedule No. ____" or "Schedule ____"; and

WHEREAS, certain of the Facilities will be located on certain real property located within the School District of Palm Beach County, Florida (the "District") (each such location, or all locations on a single Schedule, together with all buildings, structures and improvements erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, on or used in connection with or attached or made to such land, a "Facility Site") to be leased by the School Board to the Corporation pursuant to a ground lease; and

WHEREAS, the relationship between the Corporation and School Board under the Master Lease is to be a continuing one and Facilities may be added to or deleted from the Master Lease from time

to time in accordance with the terms thereof and of the Schedule describing such Facilities; and

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

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

WHEREAS, upon receipt by the Trustee from the Corporation of the corresponding Assignment Agreement and satisfaction of the conditions set forth in Section 304 hereof, the Trustee shall issue a Series of Certificates that shall correspond to the Lease or Leases created by a particular Schedule or Schedules; and

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

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

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

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

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

"Capitalized Interest Account" shall mean any Capitalized Interest Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement.

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

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

"Certificate of Acceptance" shall mean the certificate of the School Board substantially in the form of Exhibit B to the Master Lease.

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

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

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

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

"Cost" shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including leasehold interests, easements, rights-of-way and licenses, including, without limitation, lease payments to be made by the Corporation under the terms of a Ground Lease until the expected acceptance of the Facilities related thereto as described herein, (ii) cost and expenses incurred for labor and materials and payments to contrac-

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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.

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

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

"Costs of Issuance Subaccount" shall mean a Costs of Issuance Subaccount within an Acquisition Account established under Section 401 hereof and in any Supplemental Trust Agreement in connection with the issuance of a Series of Certificates.

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

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

"Defeasance Securities", except as otherwise provided in a Supplemental Trust Agreement, shall mean cash or Government Obligations.

"District" shall mean the School District of Palm Beach County, Florida.

"Event of Extraordinary Prepayment" shall mean one or more of the events so designated in Section 7.2 of the Master Lease.

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

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

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

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

"Government Obligations" shall mean any obligations which as to principal and interest, constitute non-callable direct obligations of, or non-callable Obligations fully and unconditionally guaranteed by the full faith and credit of, the United States of

America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress and 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 relating to invested sinking funds; (iv) 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); (v) amounts received with respect to obligations acquired with Gross Proceeds; (vi) amounts used to pay principal and interest portions of the Basic Lease Payments represented by such Certificates; (vii) amounts in any Reserve Account established pursuant to Section 401 of this Trust Agreement and in any Supplemental Trust Agreement; and (ix) amounts received as a result of the investment of Gross Proceeds not described in (i) above.

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

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

"Investment Agreement" shall mean an agreement for the investment of moneys entered into by the Trustee with a Qualified Financial Institution whether such agreement is in the form of an interest-bearing time deposit, repurchase agreement or any similar arrangement and any note delivered by a Qualified Financial Institution pursuant to such agreement, which agreement shall have been approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

"Investment Securities" except as otherwise provided in a Supplemental Trust Agreement, shall mean any of the following securities, if and to the extent the same are at the time legal under State law for investment of the School Board's funds:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below).

(b) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(c) Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration

(d) Senior debt obligations rated "AAA" by Standard & Poor's Ratings Group and "Aaa" by Moody's Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, and other senior debt obligations of other government-sponsored agencies approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

(e) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Trustee and any of its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(f) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service and which matures not more than 270 days after the date of purchase.

(g) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's Ratings Group.

(h) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's Ratings Group and Moody's Investors Service or any successors thereto; or

(2) (x) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date of dates pursuant to such irrevocable instructions, as appropriate, and (y) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of this subsection (2) hereof may not be used as Permitted Investments without prior written approval of Standard & Poor's Ratings Group.

(i) Investment Agreements approved in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested (supported by appropriate opinions of counsel) with notice to Standard & Poor's Ratings Group.

(j) Any other investment agreed to in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested with advance notice to Standard & Poor's Ratings Group.

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

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

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

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

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

"Master Lease" shall mean the Master Lease Purchase Agreement dated as of November 1, 1994, between the Corporation and the School Board and any and all modifications, alterations, amendments and supplements thereto.

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

"Notice by Mail" shall mean a written notice meeting the requirements of this Trust Agreement mailed by first-class mail to the Certificate holders, at the addresses shown on the register maintained by the Trustee.

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

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

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

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

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

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

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

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

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

"Reserve Account Requirement" shall mean, in regard to a Reserve Account to secure a Series of Certificates, such amounts, if any, as shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Series and in the Schedule relating thereto, provided such Reserve Account Requirement shall not exceed the least of (i) the maximum annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, (ii) 125% of the average annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal 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.

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

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

"Payment Date" shall mean a date on which the principal portion or the interest portion of Basic Lease Payments is scheduled to be paid to Certificate holders pursuant to the terms of such Certificates.

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

"Prepayment Date" shall mean the date on which optional prepayment or extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a Series of Certificates Outstanding shall be made pursuant to Section 312 hereof or pursuant to any Supplemental Trust Agreement.

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

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

"Project Fund" shall mean the trust fund designated as the "Project Fund" created and established in Section 401 hereof.

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

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

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

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

"State" shall mean the State of Florida.

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

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

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

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

"Trust Estate" shall mean all estate, right, title and interest of the Trustee in and to (a) the Basic Lease Payments, the Master Lease, the Leases and each Assignment Agreement, and (b) (i) all amounts from time to time deposited in the funds and accounts created pursuant to this Trust Agreement and any Supplemental Trust Agreement in accordance with the provisions of the Master Lease, the Leases and this Trust Agreement, including investment earnings thereon; and (ii) any and all monies received by the Trustee pursuant to the provisions hereof and not required to be remitted to the School Board pursuant to the Master Lease or this Trust Agreement.

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

102. Rules of Construction. Unless the context shall otherwise indicate, words importing the singular number shall include

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the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies as well as natural persons.

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

103. Exhibits. The following Exhibits are attached hereto and by this reference made a part of this Trust Agreement:

- Exhibit A. FORM OF CERTIFICATE
- Exhibit B. FORM OF REQUISITION
- Exhibit C. FORM OF REQUISITION (COSTS OF ISSUANCE)

ARTICLE II

ASSIGNMENT; DECLARATION OF TRUST; REPRESENTATIONS

201. Assignment Agreements. The Corporation shall assign and transfer to the Trustee its rights under each Ground Lease and each Lease pursuant to and to the extent described in the corresponding Assignment Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee shall execute and deliver each Series of Certificates, evidencing an undivided proportionate interest of the Certificate holders in Basic Lease Payments under the corresponding Lease.

202. Declaration of Trust by Trustee. The Trustee hereby declares that it holds and will hold the Trust Estate conferred on it by the Corporation hereunder upon the trusts and apply the amounts as hereinafter set forth for the use and benefit of the Certificate holders, as more particularly set forth in Section 305 hereof.

203. Representations. In the Master Lease, the School Board has agreed to acquire, construct and install the Facilities as agent for the Corporation pursuant to specifications prepared by the School Board and that the School Board will be responsible for the letting of contracts for the acquisition, construction and installation of the Facilities and supervising the acquisition, construction and installation of the Facilities.

204. Description and Estimated Costs of the Facilities. The description of the Facilities to be acquired, constructed and installed and leased by the School Board from the Corporation pursuant to the Master Lease and each Schedule and the estimated Costs of such Facilities shall be set forth in the related Schedule to the Master Lease.

205. Conditions Precedent Satisfied. Each party hereto, represents with respect to itself that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and delivery of this Trust Agreement have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto each represents as to itself that it is now duly empowered to execute and deliver this Trust Agreement.

ARTICLE III

CERTIFICATES; TERMS AND PROVISIONS

301. Authorization of Certificates.

(a) The number of Series of Certificates which may be created under this Trust Agreement is not limited. The aggregate principal amount of Certificates of each Series which may be issued, authenticated and delivered under this Trust Agreement is not limited except as set forth in the Supplemental Trust Agreement creating such Series.

(b) The Certificates issuable under this Trust Agreement shall be issued in such Series as may from time to time be created in connection with one or more Leases. Each Series shall be designated "Certificates of Participation, Series _____ Evidencing an Undivided Proportionate Interest of the Registered Owners thereof in Basic Lease Payments to be Made by the School Board of Palm Beach County, Florida, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor". The Certificates may, if and when authorized by this Trust Agreement, be designated with such further appropriate particular designations added to or incorporated in such title for the Certificates of any particular Series as the Board may determine and as may be necessary to distinguish such Certificates from the Certificates of any other Series.

302. Execution and Delivery of Certificates. Each Series of Certificates shall be authorized by the Corporation at the request of the School Board and executed and delivered by the Trustee for the purpose of (a) financing the cost of acquisition, construction and equipping of any Facilities, (b) financing the cost of completing the acquisition, construction, installation and equipping of any Facilities, (c) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities, (d) paying or providing for the payment of the principal portion and interest portion of the Basic Lease Payments with respect to, or the Purchase Option Price of, all or a portion of the Facilities financed from the proceeds of any Series of Certificates theretofore executed and delivered, (e) funding a Reserve Account in an amount equal to the Reserve Account Requirement applicable thereto, (f) capitalizing the interest portion of Basic Lease Payments during construction and (g) paying the Costs of Issuance applicable thereto.

Each Series of Certificates shall be substantially in the form set forth in Exhibit A hereto, with such appropriate variations, omissions and insertions as necessary to conform to the provisions of this Trust Agreement, including any use of a book-entry-only system as described in Section 317 hereof. All Certificates may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rule and regulations of any governmental authority or of any securities

exchange on which the Certificates may be listed or any usage or requirement of law with respect thereto.

303. Terms of Series of Certificates. Certificates may be executed and delivered at any time and from time to time in one or more Series, upon such terms and conditions as may then be permitted by law and as shall be determined by the Corporation and provided in the respective Supplemental Trust Agreement under which such Series of Certificates are authorized. Certificates of any Series:

(a) shall be dated, shall represent interest at a rate not in excess of the maximum rate then permitted by applicable law (calculated on the basis of a 360 day year consisting of twelve 30 day months), and shall be payable and mature in such amounts and at such time or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(b) shall be payable, as to the principal portion, Prepayment Price, if any, and interest portion of such Series of Certificates, at such place or places in lawful money of the United States of America and may have such registration privileges and such exchange privileges as may be provided in the Supplemental Trust Agreement creating such Series of Certificates and allowable under then existing law;

(c) shall have such particular designations added to their title, and shall be in such form and denominations, as provided in the Supplemental Trust Agreement creating such Series of Certificates;

(d) shall be limited as to the maximum principal amount thereof which may be delivered by the Trustee or which may be at any time Outstanding, as provided in the Supplemental Trust Agreement creating such Series of Certificates;

(e) may contain provisions for the prepayment thereof at such Prepayment Price or Prices, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(f) may have provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificates, in such amounts, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease as shall be set forth in such Supplemental Trust Agreement;

(g) may contain such other provisions and such other special terms and conditions, not contrary to the provisions hereof, as may be provided in such Supplemental Trust Agreement;

(h) shall be payable from and secured by the Trust Estate, but solely to the extent provided in and subject to the limitations of Section 305 hereof.

304. Conditions Precedent to Delivery of a Series of Certificates. The Trustee shall execute and deliver one or more Series of Certificates for the purposes set forth in Section 302 hereof to the purchaser or purchasers thereof as requested and authorized by the Corporation in accordance with the provisions of this Section 304.

Prior to the delivery by the Trustee of any Series of Certificates there shall have been received by the Trustee:

(a) A Supplemental Trust Agreement providing for the terms and conditions upon which they shall be executed and delivered by the Trustee;

(b) An executed counterpart of a corresponding Schedule to the Master Lease (or amended Schedule in the case of Certificates issued for the purposes as described in Section 302(b) and (d) above) effective on or before the date of execution and delivery of such Series of Certificates, providing for (i) Lease Payments payable under such Schedule at least equal to the principal portion of, Prepayment Price, if any, and interest portion represented by such Series of Certificates, and (ii) the disposition of the proceeds of the sale of such Series of Certificates, including the acquisition, construction, equipping or improvement of the Facilities to be financed from the proceeds of such Series of Certificates or the payment or refunding of the Series of Certificates to be paid or refunded;

(c) An executed counterpart of an Assignment Agreement, effective on or before the date of execution and delivery of such Series of Certificates, assigning and transferring to the Trustee substantially all of the rights of the Corporation under the Lease relating to such Series of Certificates, except for the provisions with respect to release and indemnity of the Corporation and the right of the Corporation to hold title to various Facilities and to receive notices under the Master Lease;

(d) One or more opinions of Special Tax Counsel to the effect that (i) the Certificates evidence undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the corresponding Lease and (ii) the interest portion of the Basic Lease Payments represented by the Series of Certificates being issued is excludable from gross income for federal income tax purposes, and, in the case of refunding Certificates, that the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments represented by the Certificates being refunded will not be adversely affected by the issuance of the refunding Certificates being issued;

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except that to the extent that Basic Lease Payments available for payment to all Certificate holders are less than all amounts owed with respect to all Series of Certificates on any Payment Date, such amounts available shall be applied on a pro-rata basis to Certificate holders of all Series in accordance with the ratio that the principal balance due on each Series of Certificates Outstanding on such Payment Date bears to the total principal balance due on all Certificates Outstanding under this Trust Agreement on such Payment Date.

(b) Except as otherwise expressly provided in the immediately preceding paragraph and elsewhere herein, all amounts payable by the Trustee with respect to a Series of Certificates or to any Credit Facility Issuer who shall have issued a Credit Facility, if any, securing such Series pursuant to this Trust Agreement shall be paid only from the portion of the Trust Estate derived from Basic Lease Payments made pursuant to the Schedule corresponding to such Series and only to the extent that the Trustee shall have actually received sufficient income or proceeds from such portion of the Trust Estate to make such payments. Each Certificate holder agrees, and each such Credit Facility Issuer, by its execution and delivery of the Credit Facility shall be deemed to have agreed, except as otherwise expressly provided herein, to look solely to the income of and the proceeds from such portion of the Trust Estate to the extent available for distribution to such holder and each such Credit Facility Issuer as herein provided and that the Trustee is not personally liable to any Certificate holder or any such Credit Facility Issuer for any amounts payable under this Trust Agreement or subject to any liability under this Trust Agreement except liability under this Trust Agreement as a result of negligence or willful misconduct by the Trustee.

(c) So long as the Master Lease or related Ground Leases shall be in effect, all amounts of Lease Payments, insurance proceeds, indemnity payments and other payments of any kind constituting a part of the Trust Estate payable under this Trust Agreement or the Lease corresponding to such Series to the Trustee shall be paid directly to the Trustee for distribution, in accordance with Articles III, V, VI and VII of this Trust Agreement, to or for the Certificate holders or the related Credit Facility Issuer, as the case may be.

306. Execution.

The Certificates shall be executed in the name of, and by, the Trustee, solely as trustee under the Trust Agreement and not in its individual capacity, by the manual signature of any authorized signatory of the Trustee.

307. Negotiability, Transfer and Registration.

(a) The Trustee shall maintain, at its designated corporate trust office, a register of the names and addresses of all Certificate holders as of any particular time, and the Trustee

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(e) A written order to the Trustee by an Authorized Corporation Representative to execute and deliver the Series of Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified sum;

(f) Certified copies of resolutions of the Corporation and the School Board authorizing the issuance of such Series of Certificates;

(g) Evidence of approval of the related Lease by the State Department of Education, or an opinion of Special Tax Counsel to the effect that such approval is not required;

(h) Such other documents and opinions as may be provided for in the Supplemental Trust Agreement referred to in subparagraph (a) hereof, including one or more Ground Leases (or amended Ground Leases in the case of Certificates issued for the purposes described in Section 302(b) above), or as may be required under Section 6.1 of the Master Lease;

(i) One or more Opinions of Counsel in form and substance satisfactory to each Credit Facility Issuer to the effect that the issuance of such Series of Certificates for the purposes set forth in Section 302 is authorized by law, and the execution and delivery thereof and of the other documents described in this Section have been duly authorized by the School Board and the Corporation, all conditions precedent to the delivery thereof have been fulfilled and to the further effect that the execution of the Supplemental Trust Agreement is authorized or permitted hereunder; and

(j) A certificate signed by an Authorized Corporation Representative to the effect that the Master Lease is in effect and to its knowledge there are no defaults at the time of issuance under any Lease, Ground Lease or this Trust Agreement.

The proceeds of such Series of Certificates shall be held and disbursed as provided in the Supplemental Trust Agreement providing for such Series of Certificates. The Trustee shall execute and deliver such Series of Certificates to the purchaser or purchasers thereof as directed and authorized in writing by an Authorized Corporation Representative.

305. Payments from Trust Estate Only; Distribution of Trust Estate.

(a) Unless otherwise set forth in a Supplemental Trust Agreement, each Certificate within a Series of Certificates executed and delivered pursuant to this Section shall rank *pari passu* and be equally and ratably secured under this Trust Agreement with each other Certificate of such Series, but not with any Certificates of any other Series issued pursuant to this Trust Agreement and Outstanding, without preference, priority or distinction of any such Certificate over any other such Certificate,

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shall, upon request of the School Board, furnish such information to the School Board.

(b) Each Certificate shall be transferable only upon the register maintained by the Trustee, by the Certificate holder in person or by his/her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Certificate holder or his/her attorney duly authorized in writing. Upon the registration of transfer of any such Certificate, the Trustee shall deliver in the name of the transferee a new Certificate or Certificates of the same series, aggregate principal amount and maturity as the surrendered Certificate.

(c) The person in whose name any Certificate shall be registered upon the books of the Trustee shall be treated as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal portion or Prepayment Price, if applicable, and interest portion represented by such Certificate and for all other purposes, and all such payments so made to any such Certificate holder or upon his/her order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Trustee, the Corporation and the School Board shall not be affected by any notice to the contrary.

(d) Certificates, upon surrender thereof at the designated corporate trust office of the Trustee, together with an assignment duly executed by the Certificate holder or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Certificate holder thereof and upon payment by such Certificate holder of any charges which the Trustee may make as provided in Section 308 hereof, be exchanged for an equal aggregate principal amount of Certificates of the same maturity and series, of any denomination or denominations authorized by this Trust Agreement, representing interest at the same rate, and in the same form as the Certificates surrendered for exchange.

(e) Upon the occurrence and continuance of an Event of Default which requires a Credit Facility Issuer to make payments under a Credit Facility, the Credit Facility Issuer and its designated agent shall be provided with access to inspect and copy the register of the Series of Certificate holders insured by its Credit Facility.

308. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Certificates or registering the transfer of Certificates is exercised, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Trust Agreement. All Certificates surrendered in any such exchanges or registrations of transfer shall forthwith be cancelled by the Trustee. For every such exchange or registration

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of transfer of Certificates, whether temporary or definitive, the Trustee may make a charge sufficient to reimburse it for any 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 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 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.

notice, postage prepaid, not less than 30 days before the Prepayment Date in the case of optional prepayment, extraordinary prepayment resulting from damage, destruction or condemnation of Facilities or mandatory sinking fund prepayment, and not less than 5 days nor more than 10 days before the Prepayment Date in the case of extraordinary prepayment resulting from termination of all Leases as a result of nonappropriation or default by the School Board, to the Holders of any Certificates or portions of Certificates which are to be prepaid, at their last addresses appearing upon the registry books, but any defect in the notice to a particular Certificate holder shall not affect the validity of the proceedings for the prepayment of other Certificates. Notwithstanding anything in this Section 314 to the contrary, the Trustee shall not give notice that the Certificates are subject to optional prepayment pursuant to a Supplemental Trust Agreement unless and until the School Board shall have deposited with the Trustee to the credit of the related Prepayment Account an amount sufficient to pay in full the principal of the Certificates subject to prepayment, plus accrued interest and premium, if any, on such Certificates to the date established for such prepayment. Notice of such prepayment shall be provided to any depository not less than two days prior to mailing of such notice, to the extent available.

315. **Payment of Prepaid Certificates.** Notice having been given in the manner provided in Section 314, the Prepayment Price of the Certificates or portions thereof so called for prepayment shall become due and payable on the Prepayment Date so designated at the Prepayment Price, plus the interest portion accrued and unpaid to the Prepayment Date, and, upon presentation and surrender thereof at the office specified in such notice such Prepayment Price of the Certificates, or portions thereof shall be paid. If there shall be selected for prepayment less than all of the Certificates, the Trustee shall execute and deliver, upon the surrender of such Certificates, without charge to the owner thereof, for the aggregate balance of the principal amount of the Outstanding Certificates so surrendered, at the option of the owner thereof, Certificates of like maturity in any of the authorized denominations. If, on the Prepayment Date, moneys for the payment of the Prepayment Price of all the Certificates of a Series or portions thereof of any like maturity to be prepaid, shall be held by the Trustee so as to be available therefor on the Prepayment Date and if notice of prepayment shall have been given as aforesaid, then, from and after the Prepayment Date the interest portion of the Certificates or portions thereof of such maturity so called for prepayment shall cease to accrue and become payable. If said moneys shall not be so available on the Prepayment Date, the principal portion represented by such Certificates or portions thereof shall continue to bear interest until paid at the same rate as would have accrued had it not been called for prepayment.

316. **Cancellation of Certificates.** All Certificates paid or prepaid, either at or before maturity, shall be delivered to the Trustee when such payment or prepayment is made, and such Certificates shall thereupon be promptly cancelled and destroyed.

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 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

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 Certificates; 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 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:

- (i) Receipt by the Trustee and the related Credit Facility Issuer of a title insurance policy, if required by such related Credit Facility Issuer pursuant to Section 6.1 of the Master Lease (the Trustee shall be notified in writing of such requirement);
- (ii) Receipt by the Trustee and the related Credit Facility Issuer of an Opinion of Counsel described in Section 6.1 of the Master Lease;
- (iii) An executed Schedule or Amendment to the related Schedule describing the land and the cost thereof;
- (iv) A "Phase I" environmental audit prepared by an independent engineer or other qualified consultant acceptable to the applicable Credit Facility Issuer and the School Board;
- (v) A copy of a recent survey plat of the land in questions prepared, sealed and certified to the School Board and the Trustee by a licensed Florida surveyor, in form satisfactory to the School Board;
- (vi) A report on soil conditions and an engineer's certification in form and substance accept-

able to the School Board confirming the feasibility of the proposed construction; and

- (vii) Certification by the School Board that adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the land, or the cost of making them available is included in the School Board's acquisition and construction budget.

Before payment is made pursuant to a requisition for real estate improvements, regardless of whether the underlying land was previously owned by the School Board or is being acquired with Certificate proceeds, there shall be provided to the Trustee items (i) through (vii) above with respect to the land underlying such real estate improvements, and in the case of underlying land previously owned by the School Board, there shall be provided to the Trustee a related Ground Lease or amendment to the related Ground Lease adding such parcel of land thereto.

(d) Costs of Issuance of Certificates shall be paid from the related Cost of Issuance Subaccount in the related Acquisition Account upon receipt by the Trustee of a requisition substantially in the form of Exhibit C hereto, signed by an Authorized School Board Representative stating with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm, corporation or agency to whom payment is due, (3) the amount to be paid and (4) that such payment obligation has been properly incurred, is a Cost of Issuance for the related Project and has not been the basis of a previous withdrawal.

(e) The completion of the acquisition, construction and installation of the Facilities comprising each Project financed under a particular Lease shall be evidenced by a Certificate of Acceptance of the School Board and the Corporation in the form attached as Exhibit B to the Master Lease, which Certificate of Acceptance shall be filed with the Trustee upon completion of acquisition of such Facilities. Upon the filing of such certificate any amounts remaining in the related Acquisition Account shall be either (a) transferred to the related Lease Payment Account and applied as a credit to Basic Lease Payments due under the particular Schedule with respect to which such surplus is applicable, in accordance with Section 3.2(b) of the Master Lease or (b) if there shall remain in the related Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, transferred to the related Prepayment Account and utilized to prepay the related Series of Certificates at a price of par plus interest accrued to the date of prepayment, in the manner provided in the related Supplemental Trust Agreement and Section 7.2(B) of the Master Lease.

(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.

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

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amount of the disbursement made under such Reserve Account Letter of Credit/Insurance Policy.

In the event that upon the occurrence of any deficiency in a Lease Payment Account, the Reserve Account is then funded with a Reserve Account Letter of Credit/Insurance Policy, the Trustee shall, on a Payment Date to which such deficiency relates, draw upon or cause to be paid under the Account Letter of Credit/Insurance Policy an amount sufficient to remedy such deficiency, in accordance with the terms and provisions of the Reserve Account Letter of Credit/Insurance Policy as applicable, and any corresponding reimbursement or other agreement governing the Reserve Account Letter of Credit/Insurance Policy; provided, however, that if at the time of such deficiency the Reserve Account is only partially funded with a Reserve Account Letter of Credit/Insurance Policy, prior to drawing on the Reserve Account Letter of Credit/Insurance Policy, as applicable, the Trustee shall first apply any cash and securities on deposit in the Reserve Account to remedy the deficiency in accordance with the Section 4.05(b) and, if after such application a deficiency still exists, the Trustee shall make up the balance of the deficiency by drawing on the Reserve Account Letter of Credit/Insurance Policy, as provided in this sentence. Amounts drawn on the Reserve Account Letter of Credit/Insurance Policy shall be applied as set forth in Section 4.05(b). Any amounts drawn under a Reserve Account Letter of Credit/Insurance Policy shall be reimbursed to the provider thereof in accordance with the terms and provisions of the reimbursement or other agreement governing such Reserve Account Letter of Credit/Insurance Policy.

406. Prepayment Accounts.

(a) Except as may be otherwise provided in the Supplemental Trust Agreement authorizing the issuance of a Series of Certificates, the Trustee shall apply moneys in each Prepayment Account as provided in this Section 406. Amounts in a Prepayment Account shall be applied within 35 days after deposit therein, to the prepayment of Certificates of the related Series.

(b) The Trustee shall deposit in each Prepayment Account as received, all moneys, if any, paid to it for such purpose by the School Board pursuant to provisions of Section 7.2 of the Master Lease. In the event of the occurrence of an Event of Mandatory Prepayment pursuant to an election under Section 5.4(b) of the Master Lease, the Trustee shall deposit in the related Prepayment Account Net Proceeds for such purpose. Also, in the event of the occurrence of an Event of Mandatory Prepayment at the election of a Credit Facility Issuer as a result of termination of all Leases for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease, the Trustee shall deposit in the related Prepayment Account moneys paid by the School Board and the related Credit Facility Issuer for such purpose, and shall transfer to the

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on deposit in such Reserve Account shall be transferred to the related Lease Payment Account. Any provision of the Trust Agreement to the contrary notwithstanding, so long as there shall be held in any Lease Payment Account an amount sufficient to pay in full the interest portion and principal portion of all Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms, no deposits shall be required to be made into the Reserve Account established in relation to such Series.

(d) Any amounts on deposit in a Reserve Account in excess of the related Reserve Account Requirement applicable thereto shall be transferred to the Lease Payment Account relating to the Series of Certificates secured by such Reserve Account.

(e) Any income or interest earned by, or increment to any Reserve Account due to the investment thereof paid into the applicable Lease Payment Account established for the particular Series of Certificates secured by such Reserve Account pursuant to Section 408(b) hereof shall be credited toward the interest portion of Basic Lease Payments represented by such Series next coming due, and the Trustee shall (to the extent reasonably ascertainable) notify the School Board thirty (30) days before each Lease Payment Date of the funds to be available for such transfer.

(f) Notwithstanding the foregoing, in lieu of the required deposits into the related Reserve Account, the Trustee is hereby authorized to accept and the Issuer may cause to be deposited into the Reserve Account pursuant to Section 3.1 of the Master Lease, a Reserve Account Letter of Credit/Insurance Policy either in lieu of any cash amount required to be deposited therein in connection with the issuance of any Series of Certificates or in substitution for the full amounts then on deposit therein or in an amount equal to the difference between the amount required to be deposited and the sum, if any, then on deposit in the Reserve Account, which Reserve Account Letter of Credit/Insurance Policy shall be payable (upon the giving of notice as required hereunder) on any Payment Date on which a deficiency exists which cannot be remedied by moneys in any other fund or account held pursuant to the Trust Agreement and available for such purpose. If any such Reserve Account Letter of Credit/Insurance Policy is substituted for moneys on deposit in the Reserve Account, or if on a valuation date there are excess moneys in the Reserve Account, the excess moneys in the Reserve Account shall be transferred to and deposited in the related Lease Payment Account. If a disbursement is made from a Reserve Account Letter of Credit/Insurance Policy, the School Board shall be obligated to either reinstate the maximum limits of such Reserve Account Letter of Credit/Insurance Policy immediately following such disbursement or to deposit into the Reserve Account, as provided in Section 3.1 of the Master Lease for restoration of withdrawals from the Reserve Account, funds in the

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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.

407. Deposits of Money.

(a) All moneys deposited under the provisions of this Trust Agreement with the Trustee shall be held in trust and applied only in accordance with the provisions of this Trust Agreement, and the Project Fund established by this Trust Agreement shall be a trust fund for the purposes thereof.

(b) All moneys held under this Trust Agreement by the Trustee shall be invested in accordance with Section 408 hereof, provided, however, that it shall not be necessary for the Trustee to give or obtain security for the deposit of any moneys held in trust and set aside by it for the payment of the principal portion or Prepayment Price of or interest portion of the Basic Lease Payments represented by any Certificates, or to give security for any moneys which shall be represented by Investment Securities purchased as an investment of such moneys.

(c) All moneys deposited with the Trustee shall be credited to the particular account to which such moneys belong.

408. Investment of Certain Accounts.

(a) Moneys held in each Acquisition Account, Capitalized Interest Account, Lease Payment Account, Reserve Account and Prepayment Account shall be invested and reinvested by the Trustee, solely as directed by an Authorized School Board Representative, to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Accounts, provided that moneys in each Acquisition Account shall not be invested in Investment Securities maturing more than three (3) years after the date of investment, and provided, further, that moneys in each Reserve Account shall be invested in Investment Securities with maturities not longer than five (5) years. The Trustee shall make all such investments of moneys held by it only as directed in accordance with instructions (which may be standing instructions)

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confirmed in writing, received from an Authorized School Board Representative and the Trustee shall have no responsibility for determining whether Investment Securities are legal under State law for investment of the School Board's funds.

(b) Subject to the first sentence of Section 409, interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investments and net of amounts deemed Excess Earnings) earned on any moneys or investments in an Acquisition Account shall be either (i) at the direction of an Authorized School Board Representative retained in such account until delivery of a Certificate of Acceptance, or (ii) automatically transferred to the related Lease Payment Account without need for any requisition or other direction and, together with interest, earnings on investments in such Lease Payment Account, applied on the next occurring Lease Payment Date as a credit against the Basic Lease Payment then due on such date under the related Lease and deemed to be payment of the interest portion thereof. Interest earned on any moneys or investments in each Cost of Issuance Sub-account shall be deposited in the related Acquisition Account. Interest and other income received by the Trustee from investments of moneys on deposit in each Reserve Account (net of amounts deemed by the School Board to be Excess Earnings) and the related Capitalized Interest Account, if any, shall, prior to delivery of a Certificate of Acceptance, be deposited in the Acquisition Account, and after such date, be deposited in the related Lease Payment Account; provided, however, that all interest and other income received by the Trustee on investment of a Reserve Account shall be retained therein in the event that amounts on deposit in such Reserve Account are less than the Reserve Account Requirement applicable thereto. Interest earned on moneys and investments in a Prepayment Account shall be applied on the next ensuing Prepayment Date toward payment of amounts due to the related Certificate holders, in accordance with the provisions of Article III hereof. The School Board shall give written notice to the Trustee after each calculation period of amounts deemed by the School Board to be Excess Earnings and the Trustee may rely conclusively on such notice for purposes of determining the Excess Earnings amount hereunder.

(c) Nothing in this Trust Agreement shall prevent any Investment Securities acquired as investments of funds held under this Trust Agreement from being issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

409. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any Account created under the provisions of this Trust Agreement shall be deemed at all times to be a part of such Account and any profit realized from the liquidation of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged

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to, the computation of net interest earned on the moneys and investments of such Account.

In computing the amount in any Account created under the provisions of this Trust Agreement for any purpose provided in this Trust Agreement, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations plus accrued interest. Such computation shall be determined as and when needed. Investments in the Reserve Account shall be valued annually.

Except as otherwise provided in this Trust Agreement, the Trustee shall sell at the best price reasonably obtainable or present for redemption or transfer as provided in the next sentence any obligation so purchased as an investment whenever it shall be requested in writing by the Authorized School Board Representative so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Account or sub-account held by it. In lieu of such sale or presentment for redemption, the Trustee may, in making the payment or transfer from any Account mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto if such investment obligations shall mature or be collectible at or prior to the time the proceeds thereof shall be needed and such transfer of investment obligations may be made in book-entry form. The Trustee shall not be liable or responsible for making any such investment in the manner provided above.

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ARTICLE V

COVENANTS, DEFAULT AND LIMITATIONS OF LIABILITY

501. Trustee to Perform each Lease. The Trustee covenants and agrees with the Certificate holders and each Credit Facility Issuer, if any, to perform or cause to be performed all obligations and duties imposed on it as assignee of the Corporation of each Lease, and to enforce each Lease against the School Board.

502. Notice of Nonpayment. In the event of delinquency in the payment when due of Basic Lease Payments by the School Board pursuant to a Lease, the Trustee shall give notice to the School Board on the Business Day following the day payment was due, that such Basic Lease Payments have not been received. In the event of a delinquency in the payment when due of Additional Lease Payments or Supplemental Payments by the School Board pursuant to a Lease, the Trustee shall give notice to the School Board on the Business Day following the day payment was due (if payment was due to the Trustee) or on the Business Day following the date of receipt of notice of nonpayment from the party to whom such Additional Lease Payment or Supplemental Payment was due (if payment was due to a payee other than the Trustee).

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

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

(b) Payment of any principal, whether at maturity or upon call for redemption, or any redemption premium with respect to any Certificate shall not be made when the same shall become due and payable; or

(c) An "Event of Default" shall occur and be continuing under Section 8.1 of the Master Lease.

504. Remedies on Default or Non-Appropriation. Upon the occurrence of an event of default by the School Board with respect to any Lease under Section 8.1 of the Master Lease, or upon termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee, with the consent or at the direction of each Credit Facility Issuer insuring a Series of Certificates, and upon receipt of indemnity, shall be entitled to enforce the rights and exercise the remedies provided in the Master Lease, as appropriate and shall pursue one or more of such remedies at the direction of the Holders of a majority in aggregate principal amount of the Certificates of each Series Outstanding which is affected by such remedies, subject to the provisions of Section 707 hereof.

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Any amounts collected following an event of default or non-appropriation shall be applied in accordance with the provisions of this Section and if all amounts due on the Certificates or otherwise hereunder have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the School Board.

(a) All such moneys collected in connection with a particular Lease shall be deposited into one or more special accounts established by the Trustee for the Series of Certificates relating thereto and applied:

First: To the payment of the reasonable costs of the Trustee related to such Lease, including counsel fees, any disbursements of the Trustee and its reasonable compensation;

Second: To the payments related to such Lease, if any, required to be paid to the Treasury Department of the United States under the Code;

Third: To the payment to the persons entitled thereto of all installments of the interest then due represented by all Series of Certificates related to such Lease in the order of such maturity of the installments of such interest portion, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due represented by such installment, to the persons entitled thereto, without any discrimination or preference;

Fourth: To the payment to the persons entitled thereto of the unpaid principal portion or Prepayment Price of all Series of Certificates related to such Lease which shall have become due whether at maturity or by call for prepayment in the order of their due dates and, if the amount available shall not be sufficient to pay in full all Certificates due on any date, then to the payment thereof ratably, according to the amount of principal portion, or Prepayment Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

Fifth: To the payment of any ground rent or other amounts then due and payable under the corresponding Ground Lease, if any.

(b) If, at the election of a Credit Facility Issuer, an Event of Extraordinary Prepayment shall have occurred, the Trustee shall send notice of such extraordinary prepayment as required under Section 314 and shall apply all such moneys in accordance herewith and with the applicable Supplemental Trust Agreement.

Except as otherwise provided in Section 305(a) hereof, in the case of partial payment of Basic Lease Payments, whenever moneys are to be applied by the Trustee pursuant to the provisions

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of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on a Lease Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date.

505. Account and Reports.

(a) The Trustee shall keep a copy of this Trust Agreement and all Supplemental Trust Agreements and proper books of record and account in which complete and correct entries shall be made of its transactions relating to each Project and each Account established under this Trust Agreement, which shall be subject to the inspection of the Corporation and the School Board during normal business hours and upon reasonable notice and which shall be maintained by the Trustee at the expense of the School Board for a period of six (6) years following termination of this Trust Agreement.

(b) The Trustee shall advise the Corporation and the School Board promptly after the end of each month of its transactions during such month relating to each Account held by it under this Trust Agreement.

506. Liability to Certificate Holders for Payment. Except as otherwise provided in this Trust Agreement, the Trustee shall have no obligation or liability to the Certificate holders with respect to the School Board's obligation to pay Basic Lease Payments when due, or with respect to the performance by the School Board of any other covenants made by it in the Master Lease. The Trustee shall not be liable or responsible because of the failure of the Corporation or the School Board or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Corporation or the School Board or because of the loss of any money arising through the insolvency or the act or default or omission of any depository. The Trustee shall not be responsible for the application of any of the proceeds of Certificates or any other money deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Trust Agreement. The immunities and exemption from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

507. Possession and Enjoyment. With respect to each Project, from and after the acceptance by the School Board of the Facilities comprising such Project in accordance with the terms of the Master

Lease, the Trustee hereby agrees that it will not interfere with the Lease Terms and that the School Board shall, during such Lease Terms, peaceably and quietly have and hold and enjoy such Facilities, without suit, trouble or hindrance from the Trustee, except as expressly set forth in such Leases.

508. Warranties. THE TRUSTEE, BY ACCEPTANCE OF THE TRUST AGREEMENT, AND THE CORPORATION, BY DELIVERY OF THE LEASES, MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE TITLE TO, VALUE, DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY OF THE FACILITIES, OR PORTION THEREOF, OR AS TO WHETHER THE QUALITY OR CAPACITY OF THE MATERIAL OR WORKMANSHIP IN SUCH FACILITIES OR ANY WARRANTY THAT SUCH FACILITIES WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. In no event shall the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of any Lease or the existence, furnishing, functioning or the School Board's use of any item, product or service provided for in any Lease.

ARTICLE VI CONCERNING THE TRUSTEE

601. Employment of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the Trustee hereby agrees to receive, hold, invest and disburse the moneys to be paid to it pursuant to the Master Lease for credit to the various funds and accounts established by this Trust Agreement; to prepare, execute, deliver and deal with the Certificates; and to apply and disburse the Trust Estate and other moneys received pursuant to the Master Lease to the Certificate holders subject to the limitations set forth in this Trust Agreement; and to perform certain other functions, all as expressly provided in and subject to the express terms and conditions of, this Trust Agreement. Prior to the occurrence of any Event of Default hereunder and after the curing of all such Events of Default that may have occurred, the Trustee shall perform only such duties of the Trustee as are specifically set forth in this Trust Agreement.

602. Trustee Acceptance of Duties.

(a) The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Trust Agreement by executing and delivering this Trust Agreement, and by executing such acceptance the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Certificates thereafter to be delivered, but only, however, upon the express terms and conditions set forth herein.

(b) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect all books, papers and records of the School Board pertaining to each Project and each Lease, and to take such memoranda from and with regard thereto as may be desired.

(c) The Trustee shall not be required to give bond or surety in respect of the execution of said trusts powers or otherwise in respect of this Trust Agreement.

(d) Before taking any action referred to in Article V, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its failure to comply with the standard of care prescribed by Section 612 hereof or liability which is adjudicated to have resulted from its negligence or willful misconduct. Notwithstanding any other provision contained herein, the Trustee shall be under no obligation to institute any suit or to undertake any remedial proceeding in the Event of a Default under this Trust Agreement or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts hereby created

or in the enforcement of any rights and powers hereunder, including its acceptance or possession of the Facilities, until it shall be indemnified to its reasonable satisfaction against any and all reasonable costs, expenses, outlays and reasonable counsel fees and other reasonable disbursements, and against all liability, including any liability in connection with any hazardous waste on any Facility Site.

(e) The Trustee shall not be liable for any error of judgment made in good faith by any officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(f) The recitals, statements and representations in this Trust Agreement or in the Certificates, save only the Trustee's execution of the Certificates, have been made by the Corporation and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof. The Trustee shall not be responsible for the validity, priority, recording or filing of this Trust Agreement, the Master Lease, or the Assignment Agreements, or for insuring the Facilities or collecting any insurance moneys, or for the validity of the execution by the Corporation of this Trust Agreement or of any supplements hereto or instruments of further assurance, or for the sufficiency of the Trust Estate, or for the value or title of the Facilities or as to the maintenance of the security hereof, except as otherwise expressly provided herein.

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

603. Evidence on Which Trustee May Act.

(a) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of this Trust Agreement shall be protected in acting upon any such instrument reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may, but shall not be obligated to, consult with recognized counsel in the field of commercial banking and corporate trust administration, who may or may not be counsel to the School Board, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Trust Agreement in good faith and in accordance herewith.

(b) Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Trust Agreement, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established

by a certificate of an Authorized School Board Representative, and such certificate shall be full warranty for any action taken or suffered in good faith under the provisions of this Trust Agreement upon the faith thereof. But in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(c) Except as otherwise expressly provided hereunder, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the School Board to the Trustee shall be sufficiently executed in the name of the School Board by an Authorized School Board Representative.

(d) The Trustee shall not be deemed to have notice of any Event of Default hereunder except a default in the payment of Lease Payments, unless the Trustee shall have actual knowledge thereof or be specifically notified thereof in writing.

(e) The Trustee may buy, sell, own, hold and deal in any of the Certificates, and may join in any action which any Certificate holder may be entitled to take with like effect as if the Trustee were not a party to this Trust Agreement. The Trustee, either as principal or agent, may also engage in or have an interest in any financial or other transaction with the School Board or Corporation, and may act as depository, trustee, or agent for any committee or body of Certificate holders or other obligations of the School Board as freely as if it were not Trustee hereunder.

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

(g) No provision of this Trust Agreement shall be construed to relieve the Trustee from liability for its own negligent action, willful misconduct or negligent failure to act. However, in no event shall the Trustee be liable to any party: (i) for any losses on investments made in accordance with Section 408 hereof; (ii) for special, indirect or consequential damages including loss of profits or business, arising under or in connection with this Trust Agreement regardless of the form of action; (iii) for the use of the proceeds of sale of any Certificates; (iv) for compliance by the School Board with any covenant regarding the yield on investments made in accordance with Section 408 hereof.

(h) The Trustee may exercise any powers hereunder and perform any duties required of it through attorneys, agents, receivers, officers or employees, and shall be entitled to advice of counsel concerning its duties hereunder and all questions hereunder. Except as otherwise provided herein, the Trustee shall not be answerable for the exercise of any discretion or power hereunder

nor for any act or failure to act in connection with the trust hereunder, except only its own willful misconduct or negligence.

604. Compensation to Trustee. The School Board has agreed in the Master Lease to pay to the Trustee reasonable fees and expenses as agreed to between the School Board and the Trustee. The Trustee shall have a lien for the foregoing on the Trust Estate.

605. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Trust Agreement by giving not less than 60 days written notice to the Corporation, the School Board and the Holders of all Certificates Outstanding, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the School Board or the Certificate holders as provided in Section 607, in which event such resignation shall take effect immediately on the appointment of such successor provided, however, that in the event no successor has been appointed, the Trustee shall continue to serve until such appointment. The Trustee may petition a court of competent jurisdiction for the appointment of a successor.

606. Removal of Trustee. Prior to the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be removed at any time by an instrument or concurrent instruments in writing appointing a successor, filed with the Trustee, and signed by the Corporation and the School Board, with cause, or by the Holders of a majority in principal amount of each Series of Certificates then Outstanding or their attorneys-in-fact duly authorized with or without cause, or by the Credit Facility Issuers insuring a majority in principal amount of each Series of Certificates then Outstanding with cause. After the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be so removed with or without cause by the Holders of a majority in principal amount of each Series of Certificates then Outstanding or their attorneys-in-fact duly authorized, or by the Credit Facility Issuers insuring a majority in principal amount of each Series of Certificates then Outstanding.

607. Appointment of Successor Trustee.

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the School Board, as long as the School Board is not in default under the Master Lease and the Master Lease is in full force and effect. In the event that no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within 45 days after the Trustee shall have given to the School Board written

notice as provided in Section 605 or after a vacancy in the office of the Trustee shall have occurred by reason of its removal as provided in Section 606 or by reason of its inability to act, a successor Trustee may be appointed by the Holders of a majority in principal amount of each Series of Certificates then Outstanding, excluding any Certificates held by or for the account of the School Board, by an instrument or concurrent instruments in writing signed, and acknowledged by such Certificate holders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Corporation, the School Board and the predecessor. For purposes of this Article VI, "appointment" of a successor Trustee shall be deemed to occur upon designation, acceptance and commencement of performance of duties by the successor Trustee.

(b) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company or national banking association, having capital stock and surplus aggregating at least \$50,000,000, if there be such bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Trust Agreement.

(c) Each Credit Facility Issuer shall be furnished with written notice of the resignation or removal of the Trustee, Paying Agent and Registrar and of the appointment of, and acceptance of duties by, any successor thereto.

608. Transfer of Rights in Property to Successor Trustee. Any successor Trustee appointed under this Trust Agreement shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Corporation and the School Board an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Corporation, the School Board or the successor Trustee execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, assign and deliver to the successor Trustee any money or property subject to the trusts and conditions herein set forth together with any paid but unearned fees. Should any deed, conveyance or instrument in writing from the School Board and the Corporation be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, power and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and as far

as may be authorized by law, be executed, acknowledged and delivered by the School Board and the Corporation.

609. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of a state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Trust Agreement, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

610. Addition of Authorized Signature. In case any of the Certificates contemplated to be delivered under this Trust Agreement shall have been executed but not delivered, any successor Trustee may adopt the authorized signature of any predecessor Trustee so executing such Certificates and deliver such Certificates so executed; and in case any of the said Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Certificates or in this Trust Agreement provided that the certificate of the Trustee shall have.

611. Indemnification to Trustee. The School Board has in Section 5.7 of the Master Lease agreed, to the extent permitted by law, including the provisions of Section 768.28 Florida Statutes, to indemnify and save the Trustee harmless from and against all liabilities, including consequential damages and reasonable legal fees and expenses arising out of the administration of the trusts pursuant to this Trust Agreement, and all matters concerning the Trustee's duties and obligations with respect to the Leases and the Assignment Agreements including the issuance of the Certificates, except in the case of liability, obligations and damages arising out of the Trustee's negligence or willful misconduct.

612. Obligation to Act on Defaults. If any Event of Default shall have occurred and be continuing, the Trustee shall, subject to the provisions of Section 501, exercise such of the rights and remedies vested in it by this Trust Agreement and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

613. Intervention by Trustee. The Trustee may intervene, and upon the written request of Certificate holders of a majority in aggregate principal amount of each Series of Certificates then

Outstanding and receipt of indemnity shall intervene, on behalf of Certificate holders or the related Credit Facility Issuer in any judicial proceeding to which the School Board or the Corporation is a party and which in the opinion of the Trustee and its attorneys has a substantial bearing on the interests of Certificate holders. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

614. **Third Party Beneficiaries.** Each Credit Facility Issuer is hereby expressly recognized as a third party beneficiary to this Trust Agreement and, so long as the Credit Facility issued by such Credit Facility Issuer is in effect and the Credit Facility Issuer is properly honoring drawings thereunder, it shall be entitled to enforce the obligations to the Credit Facility Issuer hereunder of the Corporation and the Trustee and of the School Board to the Credit Facility Issuer under the Master Lease.

obligations of the Trustee without its written assent thereto. The Trustee shall be entitled to receive an opinion of counsel as to whether or not, in accordance with the foregoing powers of amendment, Certificates of any particular Series or maturity would be affected by any modification or amendment of this Trust Agreement. Copies of all amendments hereto shall be provided to the Rating Agencies, whether effected pursuant to Section 702 or Section 703 hereof.

703. **Consent of Certificate Holders.** The Trustee and the Corporation (at the direction of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder) may at any time enter into a Supplemental Trust Agreement making a modification or amendment permitted by the provisions of Section 702 to take effect when and as provided in this Section but subject to Section 707 hereof. A copy of such Supplemental Trust Agreement (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to affected Certificate holders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Trustee to such Certificate holders (but failure to mail such copy and request shall not affect the validity of the Supplemental Trust Agreement when consented to as provided in this Section). Such Supplemental Trust Agreement shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Certificates specified in Section 702 and (b) an Opinion of Counsel stating that such Supplemental Trust Agreement has been duly and lawfully entered into by the parties thereto and filed with the School Board, the Trustee and the Corporation in accordance with the provisions of this Trust Agreement, is authorized or permitted by this Trust Agreement, and is valid and binding upon the parties thereto in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the Holder, at the date of such consent, of the Certificates with respect to which such consent is given, which proof shall be such as is permitted by Section 802. A certificate or certificates executed by the Trustee and filed with the School Board and the Corporation stating that it has examined such proof and that such proof is sufficient in accordance with Section 802 shall be conclusive that the consents have been given by the Holders of the Certificates described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Certificates giving such consent and, anything in Section 802 to the contrary notwithstanding, upon any subsequent Holder of such Certificates and of any Certificates issued in exchange thereof (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Certificates giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 703 provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the School Board and the Corporation to the effect that no revocation

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

thereof is on file with the Trustee. At any time after the Holders of the required percentages in principal amount of Certificates shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the School Board and the Corporation a written statement that the Holders of such required percentages in principal amount of Certificates have filed such consent. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Trust Agreement (which may be referred to as a Supplemental Trust Agreement entered into by the parties thereto on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages in principal amount of Certificates and will be effective as provided in this Section 703, may be given to Certificate holders by the Trustee by mailing such notice to Certificate holders (but failure to mail such notice shall not prevent such Supplemental Trust Agreement from becoming effective and binding as in this Section 703 provided). A record, consisting of the certificates or statements required or permitted by this Section 703 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Trust Agreement making such amendment or modification shall be deemed conclusively binding upon the School Board and the Corporation, the Trustee and the Holders of all Certificates affected by such Supplemental Trust Agreement at the expiration of forty (40) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Trust Agreement in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee, the School Board and the Corporation during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Trust Agreement as they may deem expedient.

704. **Modifications by Unanimous Consent.** The terms and provisions of this Trust Agreement applicable to a Series of Certificates and the rights and obligations of the Trustee and the Corporation and of the Holders of the Certificates of such Series hereunder may be modified or amended, with the written consent of the School Board in any respect upon entering into by the parties thereto of a Supplemental Trust Agreement and the consent of the Holders of all the Certificates then Outstanding of such Series, such consent to be given as provided in Section 703 except that no notice to Certificate holders by mailing shall be required.

705. **Exclusion of Certificates.** Certificates owned or held by or for the account of the School Board shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Certificates provided for in this Article VII, and the School Board shall not be entitled with respect to such Certificates to give any consent or take any other action

provided for in this Article. At the time of any consent or other action taken under this Article, the School Board shall furnish the Trustee a certificate of an Authorized School Board Representative, upon which the Trustee may rely, describing all Certificates so to be excluded.

706. Notation on Certificates. Certificates executed and delivered after the effective date of any action taken as in this Article VII provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the School Board, the Corporation and the Trustee as to such action, and in that case upon demand of the Holder of any Certificate Outstanding at such effective date and presentation of his/her Certificate for the purpose at the designated corporate trust office of the Trustee or upon any transfer or exchange of any Certificate Outstanding at such effective date, suitable notation shall be made on such Certificate or upon any Certificates issued upon any such transfer or exchange by the Trustee as to any such action. If the School Board, the Corporation and the Trustee shall so determine, new Certificates so modified as in the opinion of the Trustee, the Corporation and the School Board to conform to such action shall be prepared, executed and delivered, and upon demand of the Holder of any Certificate then Outstanding shall be exchanged, without cost to such Certificate holder, for Certificates of the same maturity then Outstanding, upon surrender of such Certificates.

707. Credit Facility Issuers Deemed Certificate Holders. Notwithstanding any other provisions of this Trust Agreement, including without limitation this Article VII, whenever the consent of a Certificate holder shall be required under this Trust Agreement for any purpose except those modifications or amendments effecting a change in the terms of prepayment or maturity of the principal portion of any Outstanding Certificates or of any installment of the interest portion thereon or a reduction in the principal portion thereon or of the requirement that such modifications or amendments not be made without the consent of the Holders of such Certificates, any Certificate insured or guaranteed by a Credit Facility shall be deemed to be owned by the Credit Facility Issuer issuing such Credit Facility, so long as such Credit Facility Issuer has not defaulted on the obligations under its Credit Facility.

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

ARTICLE VIII
MISCELLANEOUS

801. Defeasance.

(a) If the principal portion or Prepayment Price of all Certificates, if applicable, and the interest portion due or to become due thereon, shall be paid at the times and in the manner stipulated in such Certificates and in this Trust Agreement, and all amounts owing to the Trustee under this Trust Agreement shall have been paid, then the pledge of the Trust Estate and all covenants, agreements and other obligations of the School Board under this Trust Agreement in favor of such Certificates shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause statements for such period or periods as shall be requested by the School Board to be prepared and filed with the School Board and, upon the request of the School Board, shall execute and deliver to the School Board all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the School Board all moneys or securities held by it pursuant to this Trust Agreement which are not required for the payment of the principal portion or Prepayment Price, if applicable, and interest portion due or to become due with respect to such Certificates not theretofore surrendered for such payment or prepayment or for the payment of amounts owing to any Credit Facility Issuer under a Reimbursement Agreement or as ground rent under any Ground Lease.

(b) Certificates for the payment or prepayment of which moneys shall have been set aside sufficient to pay the principal portion, the Prepayment Price, if applicable, and interest portion to become due to maturity or earlier prepayment, shall be held in trust by the Trustee as escrow holder (through deposit by the School Board of funds for such payment or prepayment of the Purchase Option Price of one or more Facilities pursuant to Section 7.3 of the Master Lease or otherwise) shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 801 except that the obligation of the School Board to make, or cause to be made, Basic Lease Payments from such set-aside amounts shall continue. Any Outstanding Certificates shall, prior to the maturity or Prepayment Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 801 if the Trustee shall receive an Opinion of Counsel to that effect and (a) in case any of said Certificates are to be prepaid on any date prior to their maturity, the School Board shall have given to the Trustee irrevocable instructions in writing from an Authorized School Board Representative to mail as provided in Article III a notice of prepayment of such Certificates (other than Certificates which have been purchased by the Trustee at the direction of the School Board or purchased or otherwise acquired by the School Board and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of prepayment) on said date, (b) there shall

directions from the School Board to the Trustee as to the manner in which such Certificates are to be applied against the obligation to pay or prepay Certificates deemed paid in accordance with this Section 801. The directions given by the School Board to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Certificates so purchased or delivered and cancelled to be applied against the obligation to pay Certificates deemed paid in accordance with this Section 801 upon their maturity date or dates and the portion, if any, of such Certificates so purchased or delivered and cancelled to be applied against the obligation to prepay Certificates deemed paid in accordance with this Section 801 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Certificates as provided in this Section 801 the total amount of moneys and Defeasance Securities remaining on deposit with the Trustee under this Section 801 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Certificates in order to satisfy subclause (b) of this subsection of Section 801, the Trustee shall, if requested by the School Board, pay the amount of such excess to the School Board free and clear of any trust, lien, pledge or assignment securing said Certificates or otherwise existing under this Trust Agreement. Except as otherwise provided in this subsection of Section 801, neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section 801 nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal portion or Prepayment Price, if applicable, and interest portion represented by said Certificates; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, as verified by a certificate delivered to the Trustee by a firm of independent certified public accountants acceptable to the Trustee, shall be paid over to the School Board as received by the Trustee, free and clear of any trust, lien or pledge securing said Certificates or otherwise existing under this Trust Agreement, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Prepayment Price, if applicable, and interest represented by said Certificates on or prior to such prepayment date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the School Board, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Certificates or otherwise existing under this Trust Agreement.

(c) Anything in this Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment of any of the Certificates which remain unclaimed for six (6) years after the date when such Certificates have become due and payable, either at their stated maturity dates or by call for-

prepayment, if such moneys were held by the Trustee at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Certificates became due and payable, shall, at the written request of the School Board be repaid by the Trustee to the School Board, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Certificate holders shall look only to the School Board for the payment of such Certificates; provided, however, that before being required to make any such payment to the School Board, the Trustee shall, at the expense of the School Board, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the School Board.

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

(a) Except as otherwise provided in Section 707 hereof, any request, consent, revocation of consent or other instrument which this Trust Agreement may require or permit to be signed and executed by the Certificate holders may be in one or more instruments of similar tenor, and shall be signed or executed by such Certificate holders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Certificates, shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable: the fact and date of the execution by any Certificate holder or his/her attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a partner of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his/her authority.

(b) The ownership of Certificates and the amount, numbers and other identification, and date of holding the same shall be proved by the register maintained by the Trustee.

(c) Any request or consent by the Holder of any Certificate shall bind all future Holders of such Certificate or any

Certificates issued in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the School Board, the Corporation or the Trustee in accordance therewith.

803. Moneys Held for Particular Certificates. Subject to Section 801(c) hereof, the amounts held by the Trustee for the payment of the interest portion, principal portion or Prepayment Price due on any date with respect to particular Certificates shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Certificates entitled thereto.

804. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject during normal business hours and upon reasonable prior notice to the inspection of the School Board and the Corporation, and any Certificate holder and their agents and their representatives, any of whom may at their own expense make copies thereof.

805. Parties Interest Herein. Subject to Section 614, nothing herein, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Corporation, the Trustee and the Holders of the Certificates, remedies or claims under or by reason hereof or any covenant, condition or stipulation thereof; provided that with respect to the provisions hereof which require the Trustee to give notice to the School Board, obtain the School Board's consent, pay or deliver to the School Board any moneys held by the Trustee hereunder or grant to the School Board any right or privilege whatsoever, such provisions shall also be for the benefit of the School Board and, upon the failure of the Trustee to comply therewith, the School Board shall have such rights, remedies and claims as are provided hereunder or by reason hereof or by law. All covenants, stipulations, promises and agreements herein contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the School Board, the Corporation, the Trustee and the Holders of the Certificates.

806. Severability. If any one or more of the covenants or agreements provided in this Trust Agreement on the part of the Corporation or the Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Trust Agreement.

807. Recording and Filing. The School Board shall be responsible for the recording and filing of instruments or documents of further assurance, if any, as may be required by law in order to effectively convey the interests contemplated by this Trust Agreement.

808. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications (other than payments by the School Board) to or upon the respective parties listed below shall be deemed to have been given (i) in the case of notice by letter, when delivered to the addressee by hand or on the third day after deposit in the mails, by first class mail, postage prepaid, return receipt requested, (ii) in the case of notice by cable, when delivered to the cable company, charges prepaid, (iii) in the case of notice by telex or bank wire, when sent, answer back received, and (iv) if given by telephone, when communicated to the person or to the holder of the office specified as the person or officeholder to whose attention communications are to be given, addressed to them as follows or to such other address as any of the parties may designate by written notice to the other party:

Corporation:

Palm Beach School Board Leasing Corp.
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board:

The School Board of Palm Beach County, Florida
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

Trustee:

NationsBank of Florida, N.A.
One Financial Plaza, 13th Floor
Fort Lauderdale, Florida 33394
Attention: Corporate Trust Department

Rating Agencies:

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

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

Credit Facility Issuers:

As set forth on the Schedule applicable to the Series of Certificates.

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.

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.

(SELL) PALM BEACH SCHOOL BOARD LEASING CORP. Attest: C. Monica Uhlhorn Secretary By: Jody Gleason Vice President

(SEAL) NATIONS BANK OF FLORIDA, N.A., as Trustee By: Michael J. Marra Assistant Vice President

STATE OF FLORIDA)) SS: COUNTY OF PALM BEACH)

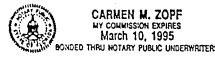
I, Carmen M. Zopf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary, of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being 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 15th day of November, 1994.

NOTARY PUBLIC SEAL OF OFFICE:

Carmen M. Zopf NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)



- Personality known to me, or Produced identification: Sh. Acime DID take an oath, or DID NOT take an oath.

STATE OF FLORIDA)) SS: COUNTY OF PALM BEACH)

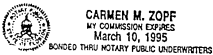
I, Carmen M. Zopf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Michael J. Marra, personally known to me to be the same person whose name is, as Assistant Vice President of NationsBank of Florida, N.A., a national banking association, subscribed to the foregoing 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 15th day of November, 1994.

NOTARY PUBLIC SEAL OF OFFICE:

Carmen M. Zopf NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)



- Personality known to me, or Produced identification: Sh. Acime DID take an oath, or DID NOT take an oath.

EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

Front of Certificate

REGISTERED NUMBER REGISTERED \$

CERTIFICATE OF PARTICIPATION SERIES

Evidencing an Undivided Proportionate Interest of the Owner Hereof in Basic Lease Payments to be Made by THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

INTEREST RATE MATURITY DATE ORIGINAL ISSUE DATE CUSIP NO.

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

THIS IS TO CERTIFY THAT the registered owner named above is the owner of this Certificate of Participation, Series (this "Certificate"), evidencing an undivided proportionate interest in Basic Lease Payments (as set forth in Schedule No. to the hereinafter mentioned Master Lease Purchase Agreement (collectively, the "Series Lease")) to be made by the School Board of Palm Beach County, Florida (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District") pursuant to the Master Lease Purchase Agreement, dated as of November 1, 1994 (the "Master Lease"), between Palm Beach School Board Leasing Corp., a not-for-profit corporation duly organized and existing under the laws of the State of Florida, as lessor (the "Corporation"), and the School Board, as lessee. Under a Series Assignment Agreement dated as of (the "Assignment Agreement") entered into by and between the Corporation and NationsBank of Florida, N.A., Fort Lauderdale, Florida, as trustee (such bank and any successor thereto hereinafter called the "Trustee"), the Corporation has transferred to the Trustee, for the benefit of the Certificate Holders, all of its rights under the Series Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series Facilities under Section 6.1 of the Master Lease and its right to receive notices under the Master Lease) including its rights to receive

Basic Lease Payments thereunder, with respect to the Series _____ Facilities identified in said Schedule No. _____ (the "Series Facilities").

The registered owner of this Certificate ("Certificate Holder") is entitled to receive, subject to the terms of the Master Lease and the Trust Agreement (hereinafter defined), on the maturity date specified above (the "Maturity Date"), unless prepaid prior thereto as provided herein, the principal sum specified above, representing the portion of the Basic Lease Payments designated as principal and coming due on the Maturity Date, and to receive on February 1 and August 1 of each year, commencing _____, to and including the final Maturity Date or the date of prepayment, whichever is earlier, the interest portion of the Basic Lease Payments payable to Certificate Holders on such dates. Said amounts are payable in lawful money of the United States of America. The amounts representing principal portion and Prepayment Price shall be payable at the designated corporate trust office of the Trustee and the amounts representing interest portion shall be payable by check or draft of the Trustee mailed to the registered owner at the address of the registered owner as it shall appear on the registration books maintained by the Trustee as of the 15th day of the month next preceding the month in which such payment is due. Such interest portion may be paid by wire transfer to the registered owners of \$1,000,000 or more upon their request in writing received at least 15 days prior to any Payment Date.

The Basic Lease Payments are payable from funds appropriated by the School Board for such purpose from current or other funds authorized by law and regulations of the State of Florida Department of Education. The School Board is not legally required to appropriate moneys for this purpose. NEITHER THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY, EXCEPT FROM APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES _____ LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

THE TRUSTEE HAS NO OBLIGATION OR LIABILITY TO MAKE PAYMENTS WITH RESPECT TO THIS CERTIFICATE EXCEPT FROM FUNDS RECEIVED BY IT PURSUANT TO THE TRUST AGREEMENT REFERRED TO ON THE REVERSE HEREOF.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS CERTIFICATE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH 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

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execution and delivery of this Certificate have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an Authorized Signatory of the Trustee, not in its individual capacity, but solely as Trustee under the Trust Agreement.

NATIONSBANK OF FLORIDA, N.A.,
as Trustee

By: _____

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Back of Certificate

Capitalized terms used herein but not otherwise defined herein shall have the meaning given to such terms in the Trust Agreement.

All amounts payable by the Trustee with respect to this Certificate shall be paid from (i) the Basic Lease Payments received by the Trustee from the School Board pursuant to the terms of the Series _____ Lease, (ii) all amounts from time to time deposited in the funds and accounts created under the Master Trust Agreement dated as of November 1, 1994, between the Corporation and the Trustee (as the same may be amended and supplemented from time to time, the "Trust Agreement"), including investment earnings; (iii) any proceeds received by the Trustee upon the sale, re-letting or other disposition of the Series _____ Facilities or the pursuit of any other remedy pursuant to the Master Lease, and (iv) Net Proceeds resulting from any insurance or other financial guaranty claim or payment or any claim or condemnation award payable with respect to the Series _____ Facilities pursuant to the Master Lease and the Trust Agreement, but only to the extent that the Trustee shall have actually received sufficient income or proceeds from the Trust Estate (defined in the Trust Agreement) to make such payments. It is provided in the Master Lease that the cost and expense of the performance by the School Board of its obligations thereunder including, without limitation, the payment of all Basic Lease Payments and all other amounts required to be paid by the School Board thereunder, shall be subject to and dependent upon appropriations being duly made from time to time by the School Board for such purposes or other amounts being lawfully available therefor. The payment of the principal portion and interest portion of the Basic Lease Payments represented by the Certificates is not a liability or charge upon the credit of the Trustee or the Corporation, and neither the Trustee nor the Corporation has any obligation to make such payments, other than the Trustee's obligation to make such payments from the income from and proceeds of the sources described above.

This Certificate has been executed by the Trustee pursuant to the Trust Agreement. Copies of the Trust Agreement and the Series _____ Lease are on file at the principal corporate trust office of the Trustee, and reference to the Trust Agreement and the Series _____ Lease and any and all supplements or amendments thereto is made for a description of the funds and accounts established under the Trust Agreement for the purpose of securing the Certificates, the agreements and covenants of the School Board in the Series _____ Lease with respect to the Series _____ Project and Basic Lease Payments to be made by the School Board, the nature, extent and manner of enforcement of such agreements and covenants, the rights and remedies of the Certificate Holders with respect thereto, certain limitations relating to the issuance of additional Series of Certificates under the Trust Agreement, the manner in which the terms of the Trust Agreement may be amended, and the other terms and conditions upon which the Certificates are delivered thereunder.

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Reference is hereby made to the Trust Agreement and any and all supplements, modifications or amendments thereof for a description of the pledge of the Trust Estate and assignment and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Holders of the Certificates with respect thereto, the terms and conditions upon which the Holders of the Certificates shall cease to be entitled to any lien, benefit or security under the Trust Agreement and for the other terms and provisions thereof and the pledge of the Trust Estate and the terms and conditions upon which all covenants of the Trustee to the Holders of such Certificates shall thereupon cease, terminate and become void and be discharged and satisfied. All covenants, agreements and obligations of the School Board under the Series _____ Lease with respect to the Series _____ Facilities or a portion thereof may be discharged and satisfied prior to the maturity or prepayment of this Certificate if moneys or certain specified securities have been deposited with the Trustee in the manner provided in the Trust Agreement.

This Certificate shall be issued initially pursuant to a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"), which shall act as securities depository for the Certificates, with no physical distribution of certificates to be made. Any provisions of the Trust Agreement or this Certificate requiring physical delivery of Certificates shall, under the book-entry-only system, be deemed to be satisfied by a notation on the records maintained by DTC of ownership interests of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Certificates ("Beneficial Owners").

This Certificate shall initially be issued in the name of Cede & Co. as nominee for DTC, and so long as this Certificate is held in book-entry-only form Cede & Co. shall be considered the registered owner for all purposes hereof, including the payment of principal and interest portions of Basic Lease Payments represented by this Certificate. Payment to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to individual Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

This Certificate shall be transferable upon the registration books of the Trustee, which shall be kept at the principal corporate trust office of the Trustee upon payment of any charges required. Except when registration of the Certificates is being maintained by persons to a book-entry-only system, the Certificate Holder may transfer this Certificate in person or by such Certificate Holder's attorney duly authorized in writing, upon surrender

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hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Certificate Holder or such Certificate Holder's duly authorized attorney. Upon the transfer of this Certificate, the Trustee shall deliver in the name of the transferee a new Certificate or Certificates of the same aggregate principal amount and maturity as the surrendered Certificate. The Trustee may deem and treat the person in whose name this Certificate is registered upon the register of the Trustee as the absolute owner hereof for all purposes, and all such payments so made to any such Certificate Holder or upon such Certificate Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Trustee shall not be affected by any notice to the contrary.

The Certificates shall be delivered in registered form in the denominations of \$5,000 or any integral multiple of \$5,000. The Certificates, upon surrender thereof at the designated corporate trust office of the Trustee with a written instruction satisfactory to the Trustee, duly executed by the Certificate Holder or such Certificate Holder's attorney duly authorized in writing, may, at the option of the Certificate Holder and upon payment by such Certificate Holder of any charges which the Trustee may make as provided in the Trust Agreement, be exchanged for an equal aggregate principal amount of registered Certificates of the same maturity of any other authorized denominations.

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

Certificates maturing after August 1, _____, shall be subject to prepayment on or after August 1, _____, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series _____ Leases in whole at any time, or in part on any Interest Payment Date, and if in part, in such order of maturity of Certificates corresponding to the due dates of the principal portion of the Basic Lease Payments under the Series _____ Lease(s) as shall be designated by the School Board to be prepaid, and by lot within a maturity in such manner as the Trustee may determine, at the Prepayment Price expressed as a percentage of the principal portion of Basic Lease Payments represented by the Certificates or portions thereof to be prepaid as set forth opposite such period in the following table, plus the interest accrued to the Prepayment Date:

Prepayment Period (Both Dates Inclusive)	Prepayment Price
August 1, _____ through July 31, _____	¾
August 1, _____ through July 31, _____	¾
August 1, _____ and thereafter	¾

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Extraordinary Prepayment: (i) Certificates shall be subject to prepayment in whole or in part at any time and if in part, in inverse order of maturity or on a proportional basis, as shall be designated by the School Board, and by lot within a maturity in such manner as the Trustee shall determine to be fair and appropriate, in an amount equal to the principal portion of Basic Lease Payments prepaid under the Series _____ Lease(s), at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if (A) there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to the Series _____ Facilities as a result of damage, destruction or condemnation of any portion of the Series _____ Facilities and an election is made by the School Board under Section 5.4(b) of the Master Lease to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to the Series _____ Facilities and represented by the Certificates, or (B) there shall remain in the Series 1994A Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under the Series _____ Lease(s), upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series _____ Facilities.

(ii) At the election of the Series _____ Credit Facility Issuer, Certificates shall be subject to prepayment in whole at any time, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if the Lease Term of all Leases is terminated for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease.

Mandatory Sinking Fund Prepayment: Certificates maturing on August 1, _____ are subject to mandatory prepayment prior to maturity in part, from payments of the principal portion of Basic Lease Payments as set forth in the Series _____ Lease, through the operation of a sinking fund on each August 1 in the years and in the following amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date.

August 1 of the Year	Principal Amount
_____	\$ _____
_____	_____
_____	_____
_____*	_____

* Final Maturity.

If less than all the Certificates of like maturity shall be called for prepayment, the particular Certificates or portions thereof to be prepaid shall be selected by lot by the Trustee in

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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 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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ASSIGNMENT

For value received _____ the undersigned does hereby sell, assign and transfer unto the within-mentioned Certificate and hereby irrevocably constitutes and appoints _____ attorney, to transfer the same on the Certificate register of the Trustee with full power of substitution in the premises.

Dated: _____
Signature Guaranteed: _____

NOTE: The signature on this Assignment must correspond with the name as written on the face of the within-mentioned Certificate in every particular without alteration or enlargement or any change whatsoever

Social Security or Other
Identifying Number of
Transferee: _____

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

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with the rights of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - _____ Custodian _____ (Minor)

_____ under Uniform Gifts to Minors

Act _____ (State)

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

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EXHIBIT B
REQUISITION NO. _____

\$ _____

CERTIFICATES OF PARTICIPATION
SERIES _____

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

TO: NationsBank of Florida, N.A.
Trustee under the Master Trust Agreement dated as of
November 1, 1994, with Palm Beach School Board Leasing
Corp. ("Trust Agreement").

This Requisition is made pursuant to Section 402(c) to pay
Costs of the Series _____ Facilities.

The Trustee is hereby directed to pay sums out of the Series
_____ Acquisition Account as follows:

<u>Name & Address</u> <u>of Payee</u>	<u>Purpose of Payment</u>	<u>Amount</u>
--	---------------------------	---------------

TOTAL _____

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The undersigned hereby certifies that (a) each obligation,
item of cost or expense herein has been properly incurred, (b) each
obligation, item of cost or expense herein is an item of the Cost
of the Series _____ Facilities and has not been the basis of any
previous withdrawal, and (c) such payment will not cause the
balance remaining in the Series Acquisition Account after such pay-
ment to be less than the amount necessary to pay the remaining
estimated Costs to be paid from the Series _____ Acquisition
Account, or sufficient other moneys are available therefor.

Dated: _____

Authorized School Board
Representative

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EXHIBIT C
REQUISITION NO. _____

\$ _____

CERTIFICATES OF PARTICIPATION
SERIES _____

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

TO: NationsBank of Florida, N.A.
Trustee under the Master Trust Agreement dated as of
November 1, 1994, with Palm Beach School Board Leasing
Corp. ("Trust Agreement")

This Requisition is made pursuant to Section 402(d) to pay
Costs of Issuance of the Certificates.

The Trustee is hereby directed to pay sums out of the Cost of
Issuance Subaccount in the Series _____ Acquisition Account as
follows:

<u>Payee</u>	<u>Purpose of Payment</u>	<u>Amount</u>
--------------	---------------------------	---------------

TOTAL \$ _____

The undersigned hereby certifies that each payment obligation
has been properly incurred, is a Cost of Issuance and has not been
the basis of a previous withdrawal.

Dated: _____

Authorized School Board
Representative

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SERIES 2010A SUPPLEMENTAL TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
(successor in interest to NationsBank of Florida, N.A.),
as Trustee

Dated as of November 1, 2010

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SERIES 2010A SUPPLEMENTAL TRUST AGREEMENT

THIS SERIES 2010A SUPPLEMENTAL TRUST AGREEMENT, dated as of November 1, 2010 (the "Series 2010A Supplemental Trust Agreement"), supplementing the Master Trust Agreement, dated as of November 1, 1994 (the "Master Trust Agreement" and together with the Series 2010A Supplemental Trust Agreement, the "Trust Agreement"), by and between **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 MELLON TRUST COMPANY, N.A.** (successor in interest to NationsBank of Florida, N.A.), a national banking association with corporate trust powers qualified to accept trusts of the type set forth in the Trust Agreement, 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 Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), between the Corporation, as lessor, and the School Board, as lessee; and

WHEREAS, pursuant to the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease, direct the Corporation to acquire, construct and lease-purchase to the School Board the items of real or personal property described in such Schedule (which items of property are collectively referred to herein as "Facilities"); and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing such Facilities may be made by the issuance and sale from time to time of one or more Series (as defined in the Trust Agreement) of certificates of participation issued under the Trust Agreement (the "Certificates"), which shall be secured by and be payable from Basic Lease Payments to be made by the School Board pursuant to the Master Lease and related Schedules; and

WHEREAS, the Trustee, at the direction of the Corporation, has issued Series of Certificates of Participation from time to time to provide funds for the lease purchase financing of certain Facilities and the refinancing of the lease-purchase of certain 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 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 2010A dated as of the date hereof, for the lease-purchase of the Series 2010A Facilities (as hereinafter defined); and

WHEREAS, the Series 2010A Facilities will be located on real property located within the School District of Palm Beach County, Florida (the "School District") (each such location, 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 "Series 2010A Facility Site") to be leased by the School Board to the Corporation pursuant to a ground lease; and

WHEREAS, the School Board and the Corporation have executed (i) the Series 2010A Ground Lease (the "Series 2010A Ground Lease") and (ii) Schedule 2010A ("Schedule 2010A"), dated as of the date hereof, to lease-purchase the Series 2010A Facilities; and

WHEREAS, the Corporation has assigned to the Trustee all of its right, title and interest in and to the Series 2010A Ground Lease and the Series 2010A Lease (as hereinafter defined) and the Lease Payments (as defined in the Master Trust Agreement), other than its rights to indemnification and to receive notices and its right to hold title to the Series 2010A Facilities, pursuant to the Series 2010A Assignment Agreement, dated as of November 1, 2010 (the "Series 2010A Assignment Agreement"), between the Corporation and the Trustee; and

WHEREAS, the School Board has designated the Series 2010A Lease as a Qualified School Construction Bond (as hereinafter defined); and

WHEREAS, the Trustee has received an order from an Authorized Corporation Representative relating to the issuance of \$67,665,000 aggregate face amount of Certificates of Participation, Series 2010A (Qualified School Construction Bonds - Federally Taxable - Interest Subsidy) 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 2010A Certificates"); and

WHEREAS, the proceeds of the Series 2010A Certificates shall be used pursuant to the Trust Agreement to finance the acquisition, construction and installation of the Series 2010A Facilities and to pay costs of issuance of the Series 2010A Certificates; and

WHEREAS, the Series 2010A Certificates shall be secured in the manner provided in the Trust Agreement and shall have the terms and provisions contained in this Series 2010A Supplemental Trust Agreement; and

WHEREAS, all things necessary to make the Series 2010A 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 2010A Supplemental Trust Agreement, and the creation, execution and issuance of the Series 2010A Certificates subject to the terms thereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS SERIES 2010A SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:

ARTICLE I
DEFINITIONS

SECTION 1.01 DEFINITIONS. Words and terms used herein and not otherwise defined herein shall have the same meanings ascribed to them in the Master Trust Agreement, unless the context or use indicates a different meaning or intent. In addition to the words and terms elsewhere defined in this Series 2010A Supplemental Trust Agreement, the following words and terms as used in this Series 2010A Supplemental Trust Agreement shall have the following meaning unless the context or use indicates another or different meaning or intent:

“**Arbitrage Certificate**” shall mean the Arbitrage and Tax Certificate dated the Closing Date, executed and delivered by the School Board in connection with the Series 2010A Certificates.

“**Authorized Denomination**” shall mean \$5,000 or any integral multiple thereof.

“**Blended Treasury Yield**” means, with respect to the Series 2010A Certificates of each maturity to be prepaid, the yield computed by the linear interpolation of two Market Treasury Yields such that the theoretical maturity that corresponds to the interpolated Market Treasury Yield equals the date that corresponds to the remaining average life of the Series 2010A Certificates of such maturity to be prepaid. The first Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no later than the date corresponding to the remaining average life of the Series 2010A Certificates of such maturity to be prepaid; and the second Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no earlier than the date corresponding to the remaining average life of the Series 2010A Certificates of such maturity to be prepaid. Notwithstanding the foregoing, if the date that corresponds to the remaining average life of the Series 2010A Certificates of a particular maturity to be prepaid is later than the latest maturity of any actively traded U.S. Treasury security or U.S. Treasury index, then the Blended Treasury Yield shall be the Market Treasury Yield of the actively traded U.S. Treasury security or U.S. Treasury index having such latest maturity.

“**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 the city in which the designated corporate trust office of the Trustee is located are required or authorized by law or executive order to close for business, and (b) a day on which The New York Stock Exchange is closed.

“**Closing Date**” shall mean the date of delivery of the Series 2010A Certificates to the Series 2010A Underwriters against payment therefor.

“**Continuing Disclosure Certificate**” shall mean that certain Continuing Disclosure Certificate, dated the Closing Date, executed and delivered by the School Board in connection with the issuance of the Series 2010A Certificates.

“**Discounted Value**” means, with respect to the Series 2010A Certificates of each maturity thereof to be prepaid, the sum of the amounts obtained by discounting all remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of

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prepayment) on such Series 2010A Certificates from their respective scheduled payment dates to the applicable Prepayment Date, at a yield (computed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months) equal to the applicable Discount Yield.

“**Event of Nonappropriation**” shall mean a failure of the School Board to appropriate sufficient funds to make Lease Payments.

“**Expenditure Period**” shall mean the three-year period beginning on the Closing Date, as such period may be extended pursuant to Section 54A(d)(2)(B) of the Code.

“**Extraordinary Event**” will have occurred (a) if a material adverse change has been made to Section 54AA or Section 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009 pertaining to “Build America Bonds”), or (b) there is any guidance published by the Internal Revenue Service or the United States Treasury with respect to such section or sections, or (c) any other determination is made by the Internal Revenue Service or the Department of Treasury, which determination is not the result of an act or omission by the School Board which negatively impacts the receipt of the Interest Subsidy from the Department of Treasury, pursuant to which the School Board’s Interest Subsidy payments from the Department of Treasury are reduced or eliminated.

“**Favorable Opinion**” shall mean a written opinion of Special Tax Counsel addressed to the School Board and the Trustee to the effect that the action proposed to be taken will not adversely affect the status of the Series 2010A Lease as a Qualified School Construction Bond or the availability or amount of the Interest Subsidy.

“**Fitch**” shall mean Fitch Ratings and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the School Board, as assigns credit ratings.

“**Interest Payment Date**” means February 1 and August 1 in each year, commencing on February 1, 2011.

“**Investment Agreement**” shall mean an agreement for the investment of moneys entered into by the Trustee with a provider rated at least AA- and Aa3 by S&P and Moody’s, respectively, and whether such agreement is in the form of an interest-bearing time deposit, repurchase agreement or any similar arrangement and any note delivered pursuant to such agreement, which such agreement includes the following restrictions:

(1) the invested funds are available for withdrawal without penalty or premium, at any time that (i) the Trustee is required to pay moneys from the Fund(s) established under this Trust Agreement to which the agreement is applicable, or (ii) any Rating Agency indicates that it will lower or actually lowers, suspends or withdraws the rating on the Bonds on account of the rating of the entity providing, guaranteeing or insuring, as applicable, the agreement;

(2) the agreement, and if applicable the guarantee or insurance, is an unconditional and general obligation of the provider and, if applicable, the guarantor or insurer of the agreement, and ranks pari passu with all other unsecured

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unsubordinated obligations of the provider, and if applicable, the guarantor or insurer of the agreement;

(3) the Trustee receives an Opinion of Counsel, which may be subject to customary qualifications, that such agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and, if applicable, an Opinion of Counsel that any guaranty or insurance policy provided by a guarantor or insurer is legal, valid, binding and enforceable upon the guarantor or insurer in accordance with its terms; and

(4) the agreement provides that if during its term the rating of the provider providing, guaranteeing or insuring, as applicable, the agreement, is withdrawn, suspended by any Rating Agency or falls below AA- by S & P or Aa3 by Moody’s, the provider must, within 10 days, either: (i) collateralize the agreement by depositing collateral with the Trustee or a third party custodian, such collateralization to be effected in a manner and in an amount sufficient to maintain the then current rating of the Series 2010A Certificates (if the agreement is not already collateralized) with Investment Securities described in paragraph (b) consisting of direct obligations of the United States Treasury that have a value equal to at least 100% of the principal plus accrued interest or senior debt obligations and/or debentures issued by the Federal agencies or government sponsored entities described in paragraph (c) or (d) of the definition of Investment Securities that have a value equal to at least 103% of the principal plus accrued interest, or (ii) terminate the agreement.

“**Investment Securities**” shall mean any of the following securities, if and to the extent the same are at the time legal under State law and School Board policy for investment of the School Board’s funds:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below).

(b) Noncallable direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(c) Noncallable obligations of any federal agency the timely payment of the principal and interest on which are guaranteed by the full faith and credit of the United States of America.

(d) Senior debt obligations rated “AAA” by S & P and “Aaa” by Moody’s issued by Fannie Mae or Freddie Mac, and other senior debt obligations of other government-sponsored agencies approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

(e) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks (including the Trustee and any of its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or

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“A-1+” by S & P and “P-1” by Moody’s and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(f) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by S & P and “P-1” by Moody’s and which matures not more than 270 days after the date of purchase.

(g) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S & P.

(h) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of S & P and Moody’s; or

(2) (x) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date of dates pursuant to such irrevocable instructions, as appropriate, and (y) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of this subsection (2) hereof may not be used as Investment Securities without prior written approval of the Rating Agency.

(i) An Investment Agreement;

(j) Repurchase agreements (“Repos”) providing for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the School Board or Trustee (buyer/lender), and the transfer of cash from the School Board or Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the School Board or Trustee in exchange for the securities at a specified date.

Repos must satisfy the following criteria:

(i) Repos must be between the School Board or Trustee and a dealer bank or securities firm satisfying the following criteria: (A) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the Securities Investor

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Protection Corporation ("SIPC") and (B) which are rated "A-" and "A3" or better by S&P and Moody's.

- (ii) The written Repo contract must include the following:
 - (A) Securities which are acceptable for transfer are:
 - (I) Obligations described in paragraph (b) above.
 - (II) Obligations described in paragraph (c) above.
 - (B) The term of the Repo may be up to 30 days.
 - (C) The collateral must be delivered to the Trustee (if the Trustee is not supplying the collateral) or a third party acting as agent for the Trustee (if the Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
 - (D) The Trustee has a perfected first priority security interest in the collateral.
 - (E) The collateral is free and clear of third party liens and in the case of SIPC brokers was not acquired pursuant to a Repo or reverse Repo.
 - (F) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate the collateral.
 - (G) Valuation of Collateral.
 - (I) The securities must be valued by the dealer bank or securities firm, as applicable, weekly, marked-to-market at current market price plus accrued interest.
 - (II) The value of collateral must be equal to 103% of the amount of cash transferred by the School Board or Trustee to the dealer bank or security firm under the Repo plus accrued interest. If the value of securities held as collateral slips below 103% of the value of the cash transferred by the School Board or Trustee, then additional cash and/or acceptable securities must be transferred.
 - (H) In the event of a provider downgrade below either "A-" or "A3" by S&P and Moody's, respectively, the agreement shall terminate.
 - (k) Forward delivery agreements with providers rated at least "A-" and "A3" by S&P and Moody's respectively, provided that, in the event of a provider downgrade below either "A-" or "A3" by S&P and Moody's, respectively, the agreement shall terminate; further provided, that no investment delivered pursuant to a forward purchase agreement may have a maturity of more than five years.

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(l) Collateralized investment agreements with providers rated at least "A-" and "A3" by S&P and Moody's, respectively, provided that (i) collateral consisting of direct obligations of the United States Treasury be posted that has a value equal to at least 104% of the principal plus accrued interest or collateral consisting of "AAA"-rated debt obligations and/or debentures described in paragraph (c) or (d) above be posted that has a value equal to at least 105% of the principal plus accrued interest, and (ii) in the event of a provider downgrade below either "A-" or "A3" by S&P and Moody's, respectively, the agreement shall terminate.

(m) Any other investment if such investment is within the guidelines of the Rating Agency for similar obligations with the then-current rating on the related Certificates, in both cases with advance notice to the Rating Agency.

"Interest Subsidy" shall mean, pursuant to Section 6431(f) of the Code, an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates on each Interest Payment Date (calculated at a rate of 5.19%) or the amount of interest which would have been payable with respect to the Series 2010A Certificates on such date if such interest were determined at the tax credit rate otherwise applicable to such Series 2010A Certificates (5.40%).

"Market Treasury Yield" means, as defined in the Series 2010A Supplemental Trust Agreement, with respect to the Series 2010A Certificates, that yield, assuming semiannual compounding based upon a 360-day year consisting of twelve 30-day months, which is equal to:

- (i) the yield for the applicable maturity of an actively traded U.S. Treasury security, reported, as of 11:00 a.m., New York City time, on the Valuation Date on the display designated as "Page PX1" of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in U.S. Treasury securities); or
- (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation Date; or
- (iii) if the yields described in (i) and (ii) above are not reported as of such time or the yields reported as of such time are not ascertainable, the yield for the applicable maturity of an actively traded U.S. Treasury security shall be based upon the average of yield quotations for such security (after excluding the highest and lowest quotations) as of 3:30 p.m., New York City time, on the Valuation Date received from no less than five primary dealers in U.S. government securities selected by the School Board.

Each yield quotation for each actively traded U.S. Treasury security required in (i) and (iii) above shall be determined using the average of the bid and ask prices for that security.

"Maturity Date" shall mean August 1, 2025.

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"Moody's" shall mean Moody's Investors Service and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the School Board, as assigns credit ratings.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2010A Certificates required to comply with the Rule in connection with the offering of the Series 2010A Certificates.

"Principal Component" shall mean the principal portion of Basic Lease Payments represented by the Series 2010A Certificates.

"QSCBs" or "Qualified School Construction Bonds" shall mean qualified school construction bonds as defined in Sections 54A and 54F of the Code.

"Qualified Purpose" shall mean the expenditure of proceeds of the Series 2010A Certificates for the construction, rehabilitation, or repair of a public school facility or the acquisition of land on which such a facility is to be constructed; eligible expenditures include, among other things, expenditures for costs of acquisition of equipment to be used in such portion or portions of the public school facility that is being constructed.

"Recovery Act" shall mean the American Recovery and Reinvestment Act of 2009.

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

"Series 2010A Acquisition Account" shall mean the Series 2010A Acquisition Account established in Section 4.01 hereof.

"Series 2010A Assignment Agreement" shall mean the Series 2010A Assignment Agreement dated as of November 1, 2010 pursuant to which the Corporation has assigned to the Trustee all of its right, title and interest in and to the Series 2010A Ground Lease and the Series 2010A Lease, except as otherwise provided therein.

"Series 2010A Certificates" shall mean the \$67,665,000 Certificates of Participation, Series 2010A (Qualified School Construction Bonds - Federally Taxable - Interest Subsidy) 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 2010A Cost of Issuance Subaccount" shall mean the Series 2010A Cost of Issuance Subaccount within the Series 2010A Acquisition Account established in Section 4.01 hereof.

"Series 2010A Facilities" shall mean the Facilities described in Schedule 2010A to the Master Lease.

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"Series 2010A Facility Sites" shall mean the Facility Sites to be ground leased by the School Board to the Corporation pursuant to the Series 2010A Ground Lease, as the same may be amended or supplemented from time to time.

"Series 2010A Ground Lease" shall mean the Series 2010A Ground Lease, dated as of November 1, 2010, between the School Board and the Corporation, as the same may be amended or supplemented from time to time.

"Series 2010A Lease" shall mean the Master Lease, as supplemented by Schedule 2010A.

"Series 2010A Lease Payment Account" shall mean the Series 2010A Lease Payment Account established in Section 4.01 hereof.

"Series 2010A Prepayment Account" shall mean the Series 2010A Prepayment Account established in Section 4.01 hereof.

"Series 2010A Project" shall mean the lease purchase financing, acquisition, construction and installation of the Series 2010A Facilities, the leasing of the Series 2010A Facility Sites by the School Board to the Corporation pursuant to the Series 2010A Ground Lease and the subleasing of the Series 2010A Facility Sites, and the leasing of the Series 2010A Facilities, to the School Board pursuant to the Series 2010A Lease.

"Series 2010A Sinking Fund Account" shall mean the Series 2010A Sinking Fund Account established in Section 4.01 hereof.

"Series 2010A Underwriter" shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated.

"Sinking Fund Payments" shall mean the aggregate of the payments made by the School Board pursuant to Section 7 of the Series 2010A Lease.

"Standard & Poor's" shall mean Standard & Poor's Rating Services, a division of The McGraw Hill Companies Inc. and its successors and assigns, or if it is dissolved or no longer assigns credit ratings, then any other nationally recognized statistical rating agency, designated by the School Board, as assigns credit ratings.

"Valuation Date" means, with respect to the Series 2010A Certificates to be prepaid, the Business Day preceding the date on which notice of such prepayment is given.

ARTICLE II

THE SERIES 2010A CERTIFICATES

SECTION 2.01 AUTHORIZATION, PURPOSE AND TERMS OF SERIES 2010A CERTIFICATES. (a) There is hereby created a Series of Certificates to be issued under

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the Trust Agreement to be known as "Certificates of Participation, Series 2010A (Qualified School Construction Bonds - Federally Taxable - Interest Subsidy), 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 2010A Certificates shall be issued for the purpose of (i) financing the acquisition, construction and installation of the Series 2010A Facilities, and (ii) paying Costs of Issuance of the Series 2010A Certificates; provided however, that proceeds of Series 2010A Certificates shall be used only for Qualified Purposes and payment of Costs of Issuance of the Series 2010A Certificates shall not exceed 2% of the proceeds of the sale of the Series 2010A Certificates.

(b) The principal portion or Prepayment Price of the Series 2010A 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 2010A Certificates, the interest portion represented by the Series 2010A Certificates shall be payable by check or draft of the Trustee mailed to the Series 2010A Certificate holder at the address of such Certificate 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 2010A Certificates upon their request in writing received no later than the Record Date next preceding any Interest Payment Date. The Trustee may charge the Series 2010A Certificate holder a reasonable fee for the cost of the wire transfer.

(c) Pursuant to Section 10A of Schedule 2010A, the School Board has designated the Series 2010A Lease as a QSCB.

(d) The Series 2010A Certificates shall be dated as of the Closing Date. The Series 2010A Certificates shall be issued in the aggregate face amount of \$67,665,000, and shall mature on August 1, 2025. The interest portion of Basic Lease Payments represented by the Series 2010A Certificates shall be payable semiannually on February 1 and August 1 of each year to and including the date of maturity or prepayment, whichever is earlier, commencing on February 1, 2011, calculated at a 5.40% interest rate per annum on the basis of a 360-day year, comprised of twelve 30-day months.

(e) The Series 2010A Certificates shall be delivered in registered form in Authorized Denominations. Subject to the provisions of the Trust Agreement, the Series 2010A Certificates shall be substantially in the form set forth in Exhibit A hereto. Unless the Corporation shall otherwise direct, the Series 2010A Certificates shall be lettered and numbered in such manner as the Trustee shall deem adequate and appropriate.

(f) So long as there shall be maintained a book-entry-only system with respect to the Series 2010A Certificates, the following provisions shall apply:

The Series 2010A 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 2010A Certificates and so long as the Series 2010A 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 2010A 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 2010A Certificates ("Beneficial Owners").

The principal and interest portions of Basic Lease Payments represented by the Series 2010A Certificates shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

The Series 2010A Certificates shall initially be issued in the form of one fully registered Series 2010A Certificate for each maturity (and for each interest rate within a maturity) and shall be held in such form until maturity. Individuals may purchase beneficial interests in the amount of \$5,000 or integral multiples thereof in book-entry-only form, without certificated Series 2010A Certificates, through DTC Participants and Indirect Participants.

DURING THE PERIOD FOR WHICH CEDE & CO. IS REGISTERED OWNER OF THE SERIES 2010A 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.

The School Board and the Trustee have entered into a Blanket Issuer Letter of Representations with DTC providing for such book-entry-only system. Such agreement may be terminated at any time by either DTC or the School Board. In the event of such termination, the School Board shall select another securities depository. If the School Board does not replace DTC, the Trustee will register and deliver to the Beneficial Owners replacement Series 2010A Certificates in the form of fully registered Series 2010A Certificates in denominations of \$5,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

SECTION 2.02 ISSUANCE OF SERIES 2010A CERTIFICATES. The Series 2010A 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; provided that the opinion of Special Tax Counsel to the effect that 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 required under Section 304, shall not be required.

SECTION 2.03 SERIES 2010A PROJECT. Upon delivery of the Series 2010A Certificates, the Series 2010A Project shall be effectuated as provided in the Trust Agreement and the Series 2010A Lease.

ARTICLE III

PREPAYMENTS

SECTION 3.01 EXTRAORDINARY PREPAYMENT OF SERIES 2010A CERTIFICATES. The Series 2010A Certificates shall be subject to extraordinary prepayment as follows:

(a) *Extraordinary Mandatory Prepayment from Unexpended Proceeds of the Series 2010A Certificates.* The Series 2010A Certificates are subject to extraordinary mandatory prepayment, in whole or in part, on a date designated by the School Board that occurs no later than the ninetieth day following the last day of the Expenditure Period, at the Prepayment Price equal to (i) the Principal Component represented by the Series 2010A Certificates called for prepayment, plus (ii) the accrued interest on the Principal Component represented by the Series 2010A Certificates called for prepayment in an amount equal to the unexpended proceeds of the sale of the Series 2010A Certificates held by the Trustee, but only to the extent that the School Board fails to expend all of the "available project proceeds" (as defined in Section 54A(e)(4) of the Code) of the Series 2010A Certificates for Qualified Purposes within the Expenditure Period.

(b) *Extraordinary Optional Prepayment Due to the Occurrence of an Extraordinary Event.* The Series 2010A Certificates are subject to extraordinary optional prepayment, in whole or in part, on a date designated by the School Board upon the occurrence of an "Extraordinary Event", at a prepayment price equal to the greater of: (1) 100% of the principal portion represented by the Series 2010A Certificates to be prepaid; and (2) the "Discounted Value" thereof, except that for purposes of calculating such Discounted Value, the Discount Yield shall be equal to the "Blended Treasury Yield" plus 1.00%, plus in each case the accrued interest portion of the Basic Lease Payments represented by the Series 2010A Certificates to be prepaid to the Prepayment Date.

SECTION 3.02 OPTIONAL PREPAYMENT.

Optional Prepayment With Make-Whole Payment. The Series 2010A Certificates are subject to prepayment in whole or in part on any Business Day, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series 2010A Lease, at a Prepayment Price equal to the greater of (1) 100% of the principal portion of Basic Lease Payments represented by the Series 2010A Certificates to be prepaid and (2) the Discounted Value thereof, except that for purposes of calculating such Discounted Value, the Discount Yield shall be equal to the Blended Treasury Yield plus 0.35%, plus, in each case, the accrued and unpaid interest portion of Basic Lease Payments represented by the Series 2010A Certificates to be prepaid on the Prepayment Date. All calculations and determinations referred to in this subsection will be made by a financial advisor selected by the School Board.

SECTION 3.03 RESCISSION OF NOTICE OF PREPAYMENT; CONDITIONAL NOTICE OF PREPAYMENT. Notwithstanding anything in Section 314 or 315 of the Master Trust Agreement to the contrary:

(a) Upon notice from the School Board that the School Board has cured the conditions that caused the Series 2010A Certificates to be subject to extraordinary mandatory prepayment, the School Board may rescind any such prepayment and notice thereof on any date prior to the date fixed for prepayment by causing written notice of the rescission to be given to the owners of the Series 2010A Certificates so called for prepayment. Notice of rescission will be given in the same manner in which notice of prepayment was originally given. The actual receipt of notice of such rescission by such owner shall not be a condition precedent to rescission and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

(b) Prior to notice being given to the owners of affected Series 2010A Certificates of any extraordinary optional or optional prepayment of Series 2010A Certificates under Section 301(b) or Section 302, respectively, either (i) there shall be deposited with the Trustee an amount sufficient to pay the Prepayment Price, 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 3.04 PARTIAL PREPAYMENT. In the event of a partial prepayment, amounts on deposit in the Series 2010A Sinking Fund Account shall be applied to such partial prepayment to the extent that deposits in the Series 2010A Sinking Fund Account exceed the funding requirements set forth in Section 54A(d)(4)(C) of the Code that would have applied had the original Principal Component been equal to the Principal Component outstanding after such prepayment.

ARTICLE IV

ESTABLISHMENT OF ACCOUNTS; APPLICATION OF SERIES 2010A CERTIFICATE PROCEEDS; DISBURSEMENTS

SECTION 4.01 ESTABLISHMENT OF ACCOUNTS.

(a) There are hereby established within the Project Fund the following Accounts and Subaccount: (i) the Series 2010A Acquisition Account and the Series 2010A Cost of Issuance Subaccount therein, more particularly described in Section 402 of the Master Trust Agreement; (ii) the Series 2010A Lease Payment Account, more particularly described in Section 404 of the Master Trust Agreement; (iii) the Series 2010A Prepayment Account, more particularly described in Section 406 of the Master Trust Agreement and (iv) the Series 2010A Sinking Fund Account as described hereinbelow.

(b) For purposes of the Series 2010A Certificates,

(i) The Trustee shall make payments from the Series 2010A Acquisition Account for costs of the Series 2010A Project upon receipt of a requisition substantially in the form of Exhibit B hereto.

(ii) Section 402(e) of the Master Trust Agreement shall read as follows:

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 the School Board and the Corporation in the form attached as Exhibit B to the Master Lease, which certificate shall be filed with the Trustee upon completion of acquisition of such Facilities. Upon the earlier to occur of the termination of the Expenditure Period and the filing of such certificate, any amounts remaining in the Series 2010A Acquisition Account shall be transferred to the Series 2010A Prepayment Account and applied in accordance with Section 3.01(a) of the Series 2010A Supplemental Trust Agreement.

(c) If on any Payment Date, the amount of all Basic Lease Payments represented by the Series 2010A Certificates due and payable exceeds the amount on hand in the Series 2010A Lease Payment Account, except as provided in Section 402 of the Master Trust Agreement, the Trustee shall apply the moneys on hand therein in accordance with the priorities set forth in Section 504 of the Master Trust Agreement.

(d) The Trustee shall deposit the Sinking Fund Payments received from the School Board and payments of the Interest Subsidy received from the Secretary of the Treasury into the Series 2010A Sinking Fund Account to be held therein until transferred to the Series 2010A Lease Payment Account and used to pay the Principal Component represented by Series 2010A Certificates due at their Maturity Date or on a Prepayment Date upon prepayment in whole of the Series 2010A Certificates. In the event of a partial prepayment, amounts on deposit in the Sinking Fund Account shall be applied to such partial prepayment to the extent that deposits exceed the funding requirements set forth in Section 54A(d)(4)(C) of the Code that would have applied had the original Principal Component been equal to the Principal Component outstanding after such prepayment. Interest earnings on amounts on deposit in the Series 2010A Sinking Fund Account shall be credited to Sinking Fund Payments due from the School Board.

(e) The Trustee shall deposit the principal portion of Basic Lease Payments represented by Series 2010A Certificates received from the School Board and Sinking Fund Payments transferred from the Series 2010A Sinking Fund Account pursuant to paragraph (d) above, to the Series 2010A Lease Payment Account to be held therein until used to pay the Principal Component represented by Series 2010A Certificates due at their Maturity Date or on a Prepayment Date in accordance with paragraph (d) above.

(f) Except as otherwise provided herein, the moneys on deposit in the Accounts and Subaccounts described herein shall be disbursed by the Trustee in the manner and for the purposes described in the Trust Agreement.

SECTION 4.02 APPLICATION OF PROCEEDS OF SERIES 2010A CERTIFICATES. The Trustee shall deposit \$66,866,202.60 in the Series 2010A Acquisition Account and \$280,483.50 in the Series 2010A Cost of Issuance Subaccount therein.

ARTICLE V

MISCELLANEOUS PROVISIONS RELATING TO SERIES 2010A CERTIFICATES

SECTION 5.01 CONTINUING DISCLOSURE. Pursuant to the Series 2010A Lease, the School Board has undertaken all responsibility for compliance with continuing disclosure requirements, and neither the Corporation nor the Trustee shall have liability to the owners of the Series 2010A Certificates or any other person with respect to the Rule. Notwithstanding any other provision of the Trust Agreement, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least 25% aggregate Principal Component represented by Outstanding Series 2010A Certificates and the delivery of indemnity satisfactory to the Trustee, shall) or any owner of the Series 2010A Certificates or Beneficial Owner 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 the Series 2010A Lease. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2010A Certificates (including persons holding Series 2010A Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2010A Certificates for federal income tax purposes.

SECTION 5.02 PROVISIONS OF TRUST AGREEMENT NOT OTHERWISE MODIFIED. Except as expressly modified or amended hereby, the Master Trust Agreement shall remain in full force and effect. To the extent of any conflict between the terms of the Master Trust Agreement and this Series 2010A Supplemental Trust Agreement, the terms hereof shall control.

SECTION 5.03 AMENDMENT OF SERIES 2010A SUPPLEMENTAL TRUST AGREEMENT. Notwithstanding anything to the contrary in the Trust Agreement, the Corporation and the Trustee may amend the Series 2010A Supplemental Agreement without the consent of the holders of the Series 2010A Certificates, if (i) (a) an amendment to Section 54A, 54AA, 54F or 6431 of the Code is adopted, or a new or modified official interpretation of Section 54A, 54AA, 54F or 6431 of the Code is issued, which is applicable to this Series 2010A Supplemental Trust Agreement and the transactions contemplated hereby; or (b) legislation shall have been enacted by the United States or the State, or a decision shall have been rendered by a court of the United States or the Tax Court of the United States, or a ruling shall have been made or a regulation, proposed regulation or a temporary regulation or an official statement shall have been published in the Federal Register or any other release or announcement shall have been made by or on behalf of the Treasury Department of the United States, U.S. Securities and Exchange Commission or the Internal Revenue Service with respect to QSCBs, and (ii) the School Board shall have delivered to the Trustee a Favorable Opinion.

SECTION 5.04 COUNTERPARTS. This Series 2010A 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 5.05 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 2010A Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 5.06 LAWS. This Series 2010A Supplemental Trust Agreement shall be construed and governed in accordance with the laws of the State of Florida.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Series 2010A 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: _____
Dr. Art Johnson
Secretary

By: _____
Monroe Benaim, M.D.
President

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

By: _____
Janalee R. Scott
Vice President

The School Board of Palm Beach County, Florida hereby consents to the execution of this Series 2010A 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: _____
Monroe Benaim, M.D.
Chairman

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, does hereby certify that Monroe Benaim, M.D. 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 uses and purposes therein set forth.

GIVEN under my hand and notarial seal this ___ day of November, 2010.

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or
Type as Commissioned)

- Personally known to me, or
 Produced identification:

(Type of Identification Produced)

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STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Janalee R. Scott, personally known to me to be the same person whose name as Vice President of The Bank of New York Mellon Trust Company, N.A., as Trustee, a national banking association organized under the laws of the United States of America, is subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereunto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for uses and purposes therein set forth.

GIVEN under my hand and notarial seal this ___ day of November, 2010.

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or
Type as Commissioned)

- Personally known to me, or
 Produced identification:

(Type of Identification Produced)

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This instrument was prepared by and when recorded
should be returned to:

Sylvia S. Penneys, Esq.
Greenberg Traurig, P.A.
333 Avenue of the Americas
(formerly known as S.E. Second Avenue)
Miami, Florida 33131-3238

(This space reserved for Clerk)

**SERIES 2010A
ASSIGNMENT AGREEMENT**

BETWEEN

PALM BEACH SCHOOL BOARD LEASING CORP.

AND

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

Dated as of November 1, 2010

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**SERIES 2010A
ASSIGNMENT AGREEMENT**

THIS SERIES 2010A ASSIGNMENT AGREEMENT (this "Agreement"), made and entered into as of November 1, 2010, 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 MELLON TRUST COMPANY, N.A., a national banking association with its designated corporate trust office in Jacksonville, Florida, as trustee (the "Trustee");

WITNESSETH THAT, in the joint and mutual exercise of their powers, and in consideration of \$10.00 and other good and valuable consideration and the mutual covenants herein contained, the parties hereto recite and agree as follows:

Section 1. Recitals.

1.01 The School Board of Palm Beach County, Florida (the "School Board"), and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), and have executed Schedule 2010A to the Master Lease, dated as of November 1, 2010, which Master Lease together with each separate schedule constitutes a separate lease (the "Series 2010A Lease"), with respect to certain educational facilities, equipment and sites being financed, and have entered into a Series 2010A Ground Lease dated as of November 1, 2010 (as the same may be amended or supplemented from time to time, the "Series 2010A Ground Lease") with respect to the Series 2010A Facility Sites (hereinafter defined).

1.02 Pursuant to the Series 2010A Lease, the School Board and the Corporation have agreed that there shall be acquired, constructed, installed and equipped for lease-purchase to the School Board certain educational facilities and sites as described in Schedule 2010A to the Master Lease (the "Series 2010A Facilities"), such facilities being located on certain lands described in Exhibit A hereto (which, together with the improvements thereon are hereinafter collectively referred to as the "Series 2010A Facility Sites"). Schedule 2010A sets forth Lease Payments (the "Series 2010A Lease Payments") to be paid by the School Board for the Series 2010A Facilities. The School Board has agreed to lease-purchase the Series 2010A 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 2010A Supplemental Trust Agreement dated as of November 1, 2010 (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 2010A Lease.

1.04 The Corporation desires to sell, assign and convey all of its right, title and interest as lessee of the Series 2010A Facility Sites under the Series 2010A Ground Lease, and as sublessor of the Series 2010A Facility Sites and lessor of the Series 2010A Facilities under the Series 2010A Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to certain of the Series 2010A Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2010A Ground Lease, and its right to receive notices under the Master Lease), to the Trustee for the benefit of the holders of the Series 2010A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2010A

Lease 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 2010A 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 holders of the Series 2010A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2010A Lease, all of its right, title and interest under the Series 2010A Ground Lease and the Series 2010A Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to certain of the Series 2010A Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2010A Ground Lease, and its rights to receive notices under the Master Lease), including, without limitation, all Series 2010A Lease Payments and other amounts required to be paid by the School Board under the Series 2010A 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 2010A Ground Lease and the Series 2010A Lease. Delivery of such documents shall make the sale, assignment and conveyance of the Series 2010A Ground Lease and the Series 2010A Lease herein made, complete and effective for all purposes. Title to the Series 2010A Facility Sites shall remain vested in the School Board throughout their Lease Terms and title to the Series 2010A 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 2010A 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 holders of the Series 2010A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2010A Lease that, upon the date of execution of this Agreement and the effective date of the sale, assignment and conveyance of the Corporation's rights under the Series 2010A Ground Lease and the Series 2010A 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 2010A Ground Lease, and the Series 2010A

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 2010A Ground Lease, the Series 2010A Lease, the Trust Agreement and this Agreement; the execution, delivery and performance of the Series 2010A Ground Lease, the Series 2010A 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 2010A Ground Lease, the Series 2010A Lease, this Agreement and the Trust Agreement are in full force and effect.

C. The execution, delivery and performance of the Series 2010A Ground Lease, the Series 2010A 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 2010A Ground Lease, the Series 2010A Lease, this Agreement and the Trust Agreement are in full force and effect and the Corporation is not in default thereunder; the Series 2010A Ground Lease, the Series 2010A 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 2010A Ground Lease and the Series 2010A 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 2010A Facility Sites and the Series 2010A Facilities.

F. The Corporation has complied and will at all times hereafter comply with and duly perform its obligations under the Series 2010A Ground Lease, the Series 2010A Lease, the Trust Agreement and this Agreement.

G. Except as disclosed in the Offering Statement dated [OS DATE] relating to the Series 2010A Certificates, there is no pending or, to the knowledge of the Corporation, threatened action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency in any way affecting the ability of the Corporation to perform its obligations under the Series 2010A Ground Lease, the Series 2010A Lease, the Trust Agreement or this Agreement.

H. The Series 2010A Ground Lease and the Series 2010A 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 2010A Lease and the Series 2010A Ground Lease, including the fact that fee title to the Series 2010A Facility Sites is vested in the School Board.

2.03 Except as otherwise set forth in Section 2.01, from and after the date of delivery to the Trustee of this Agreement, the Corporation shall have no further rights or interest under the Series 2010A Ground Lease or the Series 2010A Lease or in any Series 2010A Lease Payments or other moneys due with respect thereto or to become due under the Series 2010A 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 2010A Ground Lease and the Series 2010A 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 2010A Lease Payment or other amounts due under the Series 2010A Lease, or any part thereof, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Series 2010A 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 2010A Lease Payments or other amounts due under the Series 2010A 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 2010A Lease Payments and all other amounts coming due under the Series 2010A 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 2010A 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 2010A Lease Payments to become due thereunder or that the Series 2010A Lease will not be renewed as a result of any event of non-appropriation under the Series 2010A Lease, the Corporation shall notify the Trustee of this fact in writing no later than five Business Days after such receipt provided, however, that failure to provide such notice shall not create any liability on the part of the Corporation.

Section 3. Administrative Provisions.

3.01 This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

3.02 Any provision of this Agreement found to be prohibited by applicable laws shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

3.03 This Agreement may not be amended without the prior written consent of each Credit Facility Issuer securing a Series of Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2010A Lease. In the event that there is no Credit Facility Issuer, except as otherwise provided herein, the consent of the Holders of at least a majority in principal amount of the Certificates Outstanding who are affected by such amendment shall be required. Notwithstanding the foregoing, this Agreement may be amended without the prior written consent of the Credit Facility Issuer or the consent of the Holders of Certificates if the purpose for such amendment does not require consent pursuant to Section 9.4 of the Series 2010A Lease and the Corporation is authorized to execute any such amendments from time to time and to record such

amendments in the Official Public Records of Palm Beach County, Florida. Copies of all amendments hereto shall be provided to the Trustee and each Credit Facility Issuer securing a Series of Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2010A Lease.

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 2010A 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.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Series 2010A Assignment Agreement as of the day and year first written above.

[SEAL]

ATTEST:

**PALM BEACH SCHOOL BOARD
LEASING CORP.**

By: _____
Dr. Art Johnson
Secretary

By: _____
Monroe Benaim, M.D.
President

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

[SEAL]

By: _____
Janalee R. Scott
Vice President

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Monroe Benaim, M.D. 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 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 November, 2010.

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)

STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Janalee R. Scott, personally known to me to be the same person whose name is, as Vice President of The Bank of New York Mellon Trust Company, N.A., as Trustee, a national banking association organized under the laws of the United States of America, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereunto duly authorized, signed, sealed with the seal of said association, and delivered 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 November, 2010.

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)

APPENDIX D

FORM OF CO-SPECIAL TAX COUNSEL OPINION

APPENDIX D

PROPOSED FORM OF CO-SPECIAL TAX COUNSEL OPINION

On the date of issuance of the Series 2010A Certificates in definitive form, Greenberg Traurig, P.A., and Isaacs Williams, P.A., Co-Special Tax Counsel, expect to be able to render their approving opinions in substantially the following form.

November 15, 2010

The School Board of Palm Beach County, Florida
3300 Forest Hill Boulevard
West Palm Beach, Florida 33406

Re: Certificates of Participation, Series 2010A (Qualified School Construction Bonds - Federally Taxable - Interest Subsidy) Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to be Made by The School Board of Palm Beach County, Florida, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

Ladies and Gentlemen:

We have acted as co-special tax counsel in connection with the issuance of \$67,665,000 aggregate principal amount of Certificates of Participation, Series 2010A (Qualified School Construction Bonds - Federally Taxable - Interest Subsidy), 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 2010A 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 2010A dated as of November 1, 2010, attached to the Master Lease (the Master Lease together with Schedule 2010A being hereinafter referred to as the "Series 2010A Lease"); the Series 2010A Ground Lease, dated as of November 1, 2010, between the School Board and the Corporation; the Master Trust Agreement, dated as of November 1, 1994, as supplemented by a Series 2010A Supplemental Trust Agreement, dated as of November 1, 2010 (collectively, the "Trust Agreement"), between the Corporation and The Bank of New York Trust Company, N.A. (successor to NationsBank of Florida, N.A.), as trustee (the "Trustee"); the Series 2010A Assignment Agreement, dated as of November 1, 2010, between the Corporation and the Trustee; the form of the Series 2010A Certificate 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 2010A 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 2010A 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 2010A Lease has been duly authorized, executed and delivered by the School Board and, assuming due authorization, execution and delivery by the Corporation, constitute valid and legally binding agreements of the School Board enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights or by the exercise of judicial discretion in accordance with general principles of equity.

2. Under existing statutes, regulations, rulings and court decisions, the portion of the Basic Lease Payments designated and paid as interest to the Series 2010A Certificate holders is not excludable from gross income for federal income tax purposes. We express no opinion as to any other federal tax consequences or other federal tax matters with respect to the Series 2010A Lease or the Series 2010A Certificates. Prospective purchasers of the Series 2010A Certificates are urged to consult with their tax advisors regarding international, federal, state and local tax consequences of ownership and disposition of the Series 2010A Certificates.

3. The Series 2010A 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 2010A Lease.

We express no opinion regarding the accuracy, adequacy or completeness of the Offering Statement relating to the Series 2010A Certificates, or regarding the perfection or priority of the lien on the Trust Estate (as defined in the Trust Agreement). Further, we express no opinion regarding tax consequences arising with respect to any payments received with respect to the Series 2010A Certificates other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

GREENBERG TRAURIG, P.A.
ISAACS WILLIAMS, P.A.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$67,665,000
CERTIFICATES OF PARTICIPATION,
SERIES 2010A
(Qualified School Construction Bonds - Federally Taxable - Interest Subsidy)
Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to
be made by
THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, As Lessee, Pursuant to a
Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by The School Board of Palm Beach County, Florida (the “School Board”) in connection with the issuance of \$67,665,000 Certificates of Participation, Series 2010A (Qualified School Construction Bonds – Federally Taxable – Interest Subsidy) (the “Certificates”). The Certificates are being issued pursuant to the provisions of a Master Trust Agreement, as supplemented, dated as of November 1, 1994, as supplemented by a Series 2010A Supplemental Trust Agreement dated as of November 1, 2010 (collectively, the “Trust Agreement”), between the Palm Beach School Board Leasing Corp., and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the “Trustee”). The School Board hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School Board for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the School Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which, (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Certificates for federal income tax purposes.

“Dissemination Agent” shall mean the School Board, or any successor Dissemination Agent designated in writing by the School Board and which has filed with the School Board a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Official Statement” means that Offering Statement prepared by the School Board in connection with the sale and issuance of the Certificates.

“Participating Underwriter” shall mean any of the original underwriters of the Certificates required to

comply with the Rule in connection with the offering of the Certificates.

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

“State” shall mean the State of Florida.

SECTION 3. Provision of Annual Reports.

(a) The School Board shall, or shall cause the Dissemination Agent to, not later than each January 15th following the end of the School Board’s fiscal year (presently June 30), commencing with the report for the fiscal year ended June 30, 2011, provide to the MSRB at <http://emma.msrb.org/>, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School Board may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the School Board’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date on which the Annual Report shall be provided to the MSRB pursuant to subsection (a) above, the School Board shall provide the Annual Report to the Dissemination Agent (if other than the School Board). If the School Board is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the School Board shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the address of the MSRB; and
- (ii) if the Dissemination Agent is other than the School Board, file a report with the School Board certifying that the Annual Report has been provided pursuant to this Disclosure Certificate and stating the date it was provided to the MSRB.

(d) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Section shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 4. Content of Annual Reports. The School Board’s Annual Report shall contain or include by reference the following:

(a) If available at the time of such filing, the audited financial statements of the School Board for the prior fiscal year, prepared in accordance with generally accepted auditing standards, and Government Auditing Standards issued by the Comptroller General of the United States. If the School Board’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report within thirty (30) days of the date that they become available.

(b) the School Board’s Annual Financial Report (“AFR”) for the immediately preceding Fiscal Year; and

(c) to the extent not set forth in the AFR, additional financial information and operating data of the type included with respect to the School Board in the final Official Statement, including:

1. Updates of information in the Official Statement relating to:
 - a. Revenue sources as described under the headings "AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS" and "AVAILABLE REVENUES FOR OPERATIONAL PURPOSES;" and
 - b. Statistical Data, Statement of Operations for the General Fund and the Capital Projects Fund, Tax Levies, Assessed Values, Principal Taxpayers, Statement of District, Overlapping and Underlying Debt and Debt Ratios and Related Statistical Information as described in "APPENDIX A - GENERAL INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA" and "APPENDIX B - EXCERPTS FROM THE ANNUAL FINANCIAL REPORT OF THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2009 AND FROM THE ANNUAL FINANCIAL REPORT (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2010."
2. Description of any material litigation which would have been disclosed in the Official Statement if such litigation were pending at the time the Official Statement was prepared.
3. Any other financial information or operating data of the type included in the Official Statement which would be material to a holder or prospective holder of the Certificates.

For purposes of this Disclosure Certificate, "Fiscal Year" means the period commencing on July 1 and ending on June 30 of the next succeeding year, or such other period of time provided by applicable law.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the School Board shall give, or cause to be given, in a timely manner to the MSRB notice of the occurrence of any of the following events with respect to the Certificates, if material:

1. Principal and interest payment delinquencies,
2. Non-payment related defaults under the Master 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 interest portion of Basic Rent Payments represented by the Certificates,
7. Modifications to rights of Certificate holders,

8. Optional, contingent or unscheduled Certificate calls,
9. Defeasances,
10. Release, substitution or sale of property securing repayment of the 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. 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 Certificates pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The School Board's obligations under this Disclosure Certificate shall terminate (A) upon the legal defeasance, prior redemption or payment in full of all of the Certificates, or (B) upon the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action. If termination pursuant to (A) occurs prior to the final maturity of the Certificates, the School Board shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

SECTION 7. Dissemination Agent. The School Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the School Board pursuant to this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School Board may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized securities law counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either, (i) is approved by the Holders of the Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized securities law counsel, materially impair the

interests of the Holders or Beneficial Owners of the Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the School Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the School Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the School Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the School Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the School Board shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the School Board to comply with any provision of this Disclosure Certificate the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Certificates, shall), or any Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Master Lease, the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the School Board to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Dissemination Agent. The School Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

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SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School Board, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Certificates, and shall create no rights in any other person or entity.

Date: November 15, 2010

THE SCHOOL BOARD OF PALM BEACH COUNTY,
FLORIDA

By: _____
Monroe Benaim, M.D.
Chairman

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
Obligor: The School Board of Palm Beach County, Florida
Name of Certificate Issue: \$67,665,000 Certificates of Participation, Series 2010A
(Qualified School Construction Bonds - Federally Taxable - Interest Subsidy)
Date of Issuance: November 15, 2010
Date of Offering Statement: November 3, 2010

NOTICE IS HEREBY GIVEN that the School Board has not provided an Annual Report with respect to the above-named Certificates as required by Sections 3 and 4 of the Continuing Disclosure Certificate dated November 15, 2010, of the School Board. The School Board anticipates that the Annual Report will be filed by _____.

Dated: _____

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

By: _____

cc: The Bank of New York Mellon Trust Company, N.A., as Trustee

