



\$115,350,000
CERTIFICATES OF PARTICIPATION, SERIES 2002B
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, 2027

The Certificates of Participation, Series 2002B (the "Series 2002B 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 2002B, dated as of March 1, 2002 (together with the Master Lease, the "Series 2002B Lease") providing for the lease purchase financing of certain educational facilities by the School Board, as described herein. See "THE SERIES 2002B FACILITIES" herein.

The Series 2002B Certificates are being issued as fully registered Certificates pursuant to the provisions of a Master Trust Agreement, as supplemented, dated as of November 1, 1994 between the Corporation and The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as trustee (the "Trustee"). The Series 2002B Certificates, when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2002B Certificates, and individual purchases of Series 2002B Certificates will be made in book-entry-only form as described herein. The principal and interest portion of the Basic Lease Payments represented by the Series 2002B Certificates and the purchase price of the Series 2002B Certificates will be payable by the Trustee to DTC. Subsequent disbursements of such principal and interest will be made to the individual purchasers of beneficial interests in the Series 2002B Certificates pursuant to DTC policies as described herein. So long as Cede & Co. is the registered owner of the Series 2002B Certificates, references herein to the holders or registered owners of the Series 2002B Certificates shall mean Cede & Co. and shall not mean the beneficial owners of the Series 2002B Certificates. See "BOOK-ENTRY-ONLY SYSTEM."

The Series 2002B Certificates are initially being issued as variable rate Certificates. The interest rate on the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates and paid to the Series 2002B Certificateholders as the interest portion of the Basic Lease Payments will be accrued at a Daily Rate, a Weekly Rate, Certificate Interest Term Rates, a Long-Term Rate or an ARS Interest Rate. For the period from and including the date of delivery of the Series 2002B Certificates to and including March 27, 2002 interest will accrue at a weekly rate of return (the "Weekly Rate") determined by the Remarketing Agent (described below) on the date preceding delivery of the Series 2002B Certificates. Thereafter, the Weekly Rate will be determined by the Remarketing Agent on Wednesday of each week (or the next Business Day if Wednesday is not a Business Day) and be effective from Thursday to and including the next succeeding Wednesday. While interest accrues at the Weekly Rate, interest shall be payable on the first Thursday of each February and August. Purchases of the Series 2002B Certificates will be made in book-entry-only form in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof while the Weekly Rate Period is in effect. THIS OFFERING STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION RELATED TO THE CALCULATION OF THE INTEREST RATE OR THE DURATION OF THE INTEREST PERIOD(S) DURING ANY PERIOD WHEN THE RATE OF INTEREST IS CALCULATED USING THE ARS RATE.

During a Weekly Rate Period, the Series 2002B Certificates are subject to tender for purchase on demand of the registered owners thereof on any Business Day upon seven days' irrevocable notice given by such registered owners to The Bank of New York, New York, New York, as tender agent (the "Tender Agent"). The Series 2002B Certificates are subject to mandatory tender for purchase (i) on the first day of each Interest Rate Period, or (ii) upon the termination (except in certain circumstances described in the Standby Purchase Agreement (described herein)), replacement or expiration of the Standby Purchase Agreement or other liquidity facility.

Salomon Smith Barney Inc. will serve as the remarketing agent for the Series 2002B Certificates (the "Remarketing Agent"). The purchase of the Series 2002B Certificates upon tender may be made with the proceeds of the remarketing of such Series 2002B Certificates by the Remarketing Agent. To the extent such remarketing proceeds are insufficient, the purchase of the Series 2002B Certificates may be made with proceeds of drawings under a standby purchase agreement (the "Standby Purchase Agreement") executed among the School Board, the Trustee, the Tender Agent and Dexia Credit Local, acting through its New York Agency (the "Bank"). The Standby Purchase Agreement will initially expire on March 20, 2007, unless earlier terminated in accordance with its terms upon the occurrence of certain events described herein. Upon the occurrence of certain events specified in the Standby Purchase Agreement relating to the failure of the Insurer to pay under the Policy, issues surrounding the validity or enforceability of the Policy or the insolvency of the Insurer, the obligation of the Bank to purchase Series 2002B Certificates pursuant to the Standby Purchase Agreement shall be immediately terminated or, in some cases, suspended without notice and the Series 2002B Certificate Owners will not have the opportunity to tender their Series 2002B Certificates for purchase prior to such termination or suspension. The School Board is not obligated to provide funds for the payment of the tender price of Series 2002B Certificates. The principal portion of the Basic Lease Payments represented by the Series 2002B Certificates is subject to mandatory prepayment under certain circumstances and to optional prepayment at the election of the School Board as described herein.



THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONIES TO MAKE LEASE PAYMENTS. LEASE PAYMENTS ARE PAYABLE FROM FUNDS APPROPRIATED BY THE SCHOOL BOARD FOR SUCH PURPOSE FROM CURRENT OR OTHER FUNDS AUTHORIZED BY LAW AND REGULATIONS OF THE STATE OF FLORIDA DEPARTMENT OF EDUCATION. NEITHER THE DISTRICT, THE SCHOOL BOARD, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2002B LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER, AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS OR LIMITATION. NEITHER THE CORPORATION, THE TRUSTEE NOR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD TO PAY ANY SUMS, INCLUDING THE BASIC LEASE PAYMENTS, DUE UNDER THE SERIES 2002B LEASE. SEE "RISK FACTORS" HEREIN.

The scheduled payment of principal and interest portion of the Basic Lease Payments represented by the Series 2002B Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2002B Certificates by FINANCIAL SECURITY ASSURANCE INC.



In the opinion of Co-Special Tax Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and judicial decisions, the interest portion of the Basic Lease Payments paid to the Series 2002B Certificate holders is excluded from gross income for federal income tax purposes and the interest portion of the Basic Lease Payments is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations prior to a Conversion Date. See "TAX TREATMENT" for a description of the alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Series 2002B Certificates. However, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2002B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder. Co-Special Tax Counsel are further of the opinion that the Series 2002B Certificates and the Series 2002B Lease (described herein) are exempt from the Florida intangible personal property tax; provided, however, that no opinion is expressed with respect to the payment or reporting of intangible personal property tax on the Series 2002B Certificates following (i) a Conversion Date or (ii) termination of the Series 2002B Lease.

SEE THE INSIDE COVER FOR CERTAIN ADDITIONAL INFORMATION RELATING TO THE SERIES 2002B LEASE AND THE SERIES 2002B 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 2002B Certificates are offered when, as and if delivered and received by the Underwriters, subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida, and Edwards & Carstarphen, Miami, Florida, Co-Special Tax Counsel, and certain other conditions. Certain legal matters will be passed upon for the School Board and the Corporation by the District's Office of General Counsel and for the Underwriters by their Counsel, Nabors, Giblin & Nickerson, P.A., Tampa, Florida.
 Public Financial Management, Inc., Orlando, Florida, is acting as Financial Advisor to the School Board. It is expected that the Series 2002B Certificates will be available for delivery in New York, New York through the offices of DTC on or about March 20, 2002.

Salomon Smith Barney
A. G. Edwards & Sons, Inc.
Raymond James & Associates, Inc.

William R. Hough & Co.

UBS PaineWebber Inc.
Jackson Securities, Inc.
Sterling Financial Investment Group, Inc.

Dated: March 19, 2002

ADDITIONAL INFORMATION

The Series 2002B Certificates are being issued to provide funds for the purposes of (i) financing the acquisition, construction and installation of certain educational and related facilities to be leased to the School Board as described herein, and (ii) paying certain costs of issuance with respect to the Series 2002B Certificates.

The initial term of the Series 2002B Lease commences on March 20, 2002, through and including June 30, 2002, and is automatically renewable annually thereafter through August 1, 2027, unless sooner terminated as described herein. The School Board may enter into other Leases under the Master Lease and, in addition to the Series 2002B Lease, has heretofore entered into the Series 1994A Prior Lease, the Series 1995A Prior Lease, the Series 1996A Prior Lease, the Series 2000A Prior Lease, the Series 2001A Prior Leases and the Series 2002A Prior Leases (as each is defined herein) and may enter into other Leases under the Master Lease in the future. Failure to appropriate funds to pay Lease Payments under any such Lease, or an event of default under any such Lease, will result in the termination of all Leases, including the Series 2002B Lease. Upon any such termination, any proceeds of the disposition of leased Facilities will be applied solely to the payment of the related Series of Certificates, all as further described herein. In no event will Holders of Series 2002B Certificates have any interest in or right to the disposition of Facilities leased under any Lease other than the Series 2002B Lease. Should termination of the Master Lease occur, no provisions have been made for acceleration or prepayment of the Series 2002B Certificates. Co-Special Tax Counsel will express no opinion as to (i) tax exemption or the effect of securities laws with respect to the Series 2002B Certificates following an event of non-appropriation or an event of default under the Master Lease which results in termination of the Lease Term or (ii) tax exemption after a Conversion Date. Transfers of the Series 2002B Certificates may be subject to compliance with the registration provisions of state and federal securities laws following an event of non-appropriation or an event of default under the Master Lease which results in termination of the Lease Term of all Leases. (See "TAX TREATMENT" and "RISK FACTORS" herein). An event of non-appropriation or an event of default under the Master Lease which results in termination of the Lease Term of all Leases will not result in termination of the insurance policy to be issued by Financial Security concurrently with the delivery of the Series 2002B Certificates.

PRINCIPAL AMOUNT, MATURITY AND INITIAL CUSIP NUMBER

\$115,350,000 Term Series 2002B Certificates due August 1, 2027
Initial CUSIP Number: 696550HL9

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BOARD MEMBERS

Thomas E. Lynch, Chairperson
William Graham, Vice Chairperson
Paulette Burdick
Edward Garcia
Dr. Sandra Richmond
Debra L. Robinson, M.D.
Susan Wheelchel

SUPERINTENDENT OF SCHOOLS

Dr. Art Johnson

CHIEF OPERATING OFFICER

Bill Malone

CHIEF FINANCIAL OFFICER

Joseph Moore

TREASURER

Leanne Evans, CCM

COUNSEL TO THE SCHOOL BOARD

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

CO-SPECIAL TAX COUNSEL

Greenberg Traurig, P.A.
Miami, Florida

Edwards & Carstarphen
Miami, Florida

FINANCIAL ADVISOR

Public Financial Management, Inc.
Orlando, Florida

TRUSTEE

The Bank of New York
New York, New York

TENDER AGENT

The Bank of New York Trust Company of Florida, N.A.
as agent for the Bank of New York
Fort Lauderdale, Florida

REMARKETING AGENT

Salomon Smith Barney Inc.
New York, New York

AUDITORS

KPMG LLP
West Palm Beach, Florida

No dealer, broker, salesman or other person has been authorized by the School Board or the Underwriters to give any information or to make any representations, other than those contained in this Offering Statement, in connection with the offering contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Offering Statement does not constitute an offer to sell nor a solicitation of an offer to buy any securities, other than the securities offered hereby, or an offer or a solicitation of an offer of the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful. The information set forth herein has been obtained from the District, the School Board, the Corporation, Financial Security Assurance Inc. (the "Insurer" or "Financial Security"), Dexia Credit Local, acting through its New York Agency (the "Bank"), 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 Bank or the Insurer. The information and expressions of opinion stated herein are subject to change without notice, and neither the delivery of this Offering Statement nor any sale made hereunder under any circumstances, create any implication that there has been no change in the affairs of the District or the School Board since the date hereof.

Other than with respect to information concerning Financial Security contained under the caption "Municipal Bond Insurance" and Appendix E "Specimen Municipal Bond Insurance Policy" herein, none of the information in this Offering Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2002B Certificates; or (iii) the tax exempt status of the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFERING STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFERING STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

UPON ISSUANCE, THE SERIES 2002B 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 2002B CERTIFICATES FOR SALE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2002B CERTIFICATES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFERING STATEMENT

\$115,350,000

**CERTIFICATES OF PARTICIPATION, SERIES 2002B
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 \$115,350,000 aggregate principal amount of Certificates of Participation, Series 2002B (the "Series 2002B Certificates"). The Series 2002B 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 2002B Lease (defined below). The Series 2002B 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 2002B Supplemental Trust Agreement dated as of March 1, 2002 (the "Series 2002B Supplemental Trust Agreement," and collectively with the Master Trust Agreement, the "Trust Agreement"), each between Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation (the "Corporation") and The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as trustee (the "Trustee").

The School Board, as the governing body of the School District of Palm Beach County, Florida (the "District"), entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease") between the Corporation, as lessor, and the School Board, as lessee, for the purpose of providing for the lease purchase financing and refinancing from time to time of certain educational facilities, sites and equipment (the "Facilities") from the Corporation. Facilities to be leased from time to time are identified on separate schedules (each a "Schedule") attached to the Master Lease. Upon execution and delivery thereof, each Schedule, together with the provisions of the Master Lease, will constitute a separate lease agreement (individually a "Lease" and collectively the "Leases"). The School Board leased certain Facilities pursuant to (i) a Lease which commenced as of November 1, 1994, which Series 1994A Lease was amended and restated in its entirety on October 1, 1997 pursuant to an Amended and Restated Schedule No. 1994A, dated as of November 1, 1994, as amended and restated as of October 1, 1997 (as so amended and restated, the "Series 1994A Prior Lease") and issued (A) \$62,095,000 Certificates of Participation, Series 1994A (the "Series 1994A Prior Certificates") and (B) \$47,145,000 Certificates of Participation, Series 1997A (the "Series 1997A Prior Certificates"), the proceeds of which were applied to advance refund that portion of the Series 1994A Prior Certificates maturing on or after August 1, 2005, with respect

thereto, \$7,555,000 of which Series 1994A Prior Certificates and \$45,575,000 of which 1997A Prior Certificates are presently outstanding, (ii) a Lease which commenced as of June 1, 1995 (the "Series 1995A Prior Lease") and issued \$133,600,000 of Certificates of Participation, Series 1995A (the "Series 1995A Prior Certificates"), with respect thereto, \$105,805,000 of which are presently outstanding, (iii) a Lease which commenced as of May 1, 1996 (the "Series 1996A Prior Lease") and issued \$32,155,000 of Certificates of Participation, Series 1996A (the "Series 1996A Prior Certificates") with respect thereto, \$26,945,000 of which are presently outstanding, (iv) a Lease which commenced as of February 15, 2000 and subsequently amended and restated in its entirety on August 16, 2000 and as further amended and restated as of June 1, 2001 (the "Series 2000A Prior Lease") and issued \$169,445,000 of Certificates of Participation, Series 2001B (the "Series 2001B Prior Certificates"), with respect thereto, all of which are presently outstanding, (v) Leases which commenced as of April 1, 2001 (the "Series 2001A Prior Leases") and issued \$135,500,000 of Certificates of Participation, Series 2001A (the "Series 2001A Prior Certificates") with respect thereto, all of which are presently outstanding and (vi) Leases which commenced as of February 1, 2002 (the "Series 2002A Prior Leases") and issued \$115,250,000 of Certificates of Participation, Series 2002A (the Series 2002A Prior Certificates") with respect thereto, all of which are presently outstanding. The School Board anticipates issuing an additional \$110,000,000 aggregate principal amount of Certificates prior to June 30, 2002. The Series 1994A Prior Certificates, the Series 1995A Prior Certificates, the Series 1996A Prior Certificates, the Series 1997A Prior Certificates, the Series 2001A Prior Certificates, the Series 2001B Prior Certificates and the Series 2002A Prior Certificates are collectively referred to herein as the "Prior Certificates." The Series 1994A Prior Lease, the Series 1995A Prior Lease, the Series 1996A Prior Lease, the Series 2000A Prior Lease, the Series 2001A Prior Leases and the Series 2002A Prior Leases are collectively referred to herein as the "Prior Leases." See "THE MASTER LEASE PROGRAM."

Pursuant to the applicable provisions of Florida law, including particularly Chapters 230, 235, 236 and 237, Florida Statutes, as amended, the School Board has authorized the execution and delivery of the Master Lease and Schedule 2002B thereto, as it may be amended from time to time (together with the Master Lease, the "Series 2002B Lease") by resolution duly adopted by the School Board on February 11, 2002 (the "Resolution"). The initial term of the Series 2002B Lease will commence as of March 20, 2002 and end on June 30, 2002, and is automatically renewable annually thereafter through and including August 1, 2027, unless earlier terminated as described herein. The Facilities being lease purchased under the Series 2002B Lease include renovation and/or replacement of four (4) elementary schools, the construction of two new (2) middle schools and the acquisition of a site for a future school, as more fully described herein (collectively, the "Series 2002B Facilities"). See "THE SERIES 2002B LEASE" and "THE SERIES 2002B FACILITIES."

The School Board currently holds title to all of the sites on which the Series 2002B Facilities are to be located (collectively, the "Series 2002B Facility Sites"). Pursuant to the Series 2002B Ground Lease dated as of March 1, 2002 (the "Series 2002B Ground Lease"), the School Board will lease the Series 2002B Facility Sites to the Corporation for an initial term which commences on March 20, 2002 and ends on August 1, 2032, subject to Permitted Encumbrances (as defined in the Series 2002B Ground Lease), and subject to earlier termination or extension as set forth therein. See

"APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - The Series 2002B Ground Lease." Pursuant to the Series 2002B Assignment Agreement dated as of March 1, 2002 (the "Series 2002B Assignment"), between the Corporation and the Trustee, the Corporation will irrevocably assign to the Trustee for the benefit of the owners of the Series 2002B Certificates (herein defined) substantially all of its right, title and interest in and to the Series 2002B Ground Lease and the Series 2002B Lease including the right to receive the Basic Lease Payments and all other amounts due under the Series 2002B Lease, as herein described. See "APPENDIX C - FORMS OF CERTAIN LEGAL DOCUMENTS - Series 2002B Assignment."

Salomon Smith Barney Inc. will serve as the remarketing agent for the Series 2002B Certificates (the "Remarketing Agent"). The purchase of the Series 2002B Certificates upon tender may be made with the proceeds of the remarketing of such Series 2002B Certificates by the Remarketing Agent.

To ensure the availability of funds for the timely purchase of the Series 2002B Certificates (so long as they are subject to tender in accordance with the Trust Agreement), the School Board, the Trustee and The Bank of New York Trust Company of Florida, N.A. as agent for the Bank of New York, as tender agent (the "Tender Agent") and Dexia Credit Local, acting through its New York Agency, (the "Bank," together with the issuer of any replacement Liquidity Facility, the "Liquidity Provider"), will enter into a Standby Purchase Agreement dated March 20, 2002 (the "Standby Purchase Agreement"). The Bank's obligation to purchase Series 2002B Certificates is subject to termination or suspension without notice or opportunity to tender the Series 2002B Certificates for purchase upon the occurrence of certain events described herein. IN NO EVENT WILL THE SCHOOL BOARD BE OBLIGATED TO PAY THE PURCHASE PRICE OF ANY SERIES 2002B CERTIFICATES UPON TENDER OF SUCH SERIES 2002B CERTIFICATES. See "LIQUIDITY PROVIDER" and "SUMMARY OF CERTAIN PROVISIONS OF THE STANDBY PURCHASE AGREEMENT."

The scheduled payment of the principal portion and interest portion of Basic Lease Payments represented by the Series 2002B Certificates will be insured by an insurance policy (the "Policy") issued by Financial Security Assurance Inc. (the "Insurer" or "Financial Security") concurrently with the delivery of the Series 2002B Certificates. See "MUNICIPAL BOND INSURANCE." The Policy does not insure the payment of the purchase price of the Series 2002B Certificates.

Brief descriptions of the District, the School Board, the Bank, the Insurer, the Policy and the Series 2002B Facilities are included in this Offering Statement together with summaries of certain provisions of the Series 2002B Certificates, the Master Lease, Schedule 2002B, the Trust Agreement, the Series 2002B Ground Lease, the Series 2002B Assignment and the Standby Purchase Agreement. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Master Lease, Schedule 2002B, the Trust Agreement, the Series 2002B Ground Lease, the Series 2002B Assignment and the Standby Purchase Agreement 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 2002B CERTIFICATES

The Series 2002B Lease is being entered into by the School Board and the Series 2002B Certificates are being issued for the principal purpose of providing funds sufficient to: (i) finance the acquisition, construction and installation of certain educational and related facilities to be leased to the School Board as described herein, and (ii) pay certain costs of issuance with respect to the Series 2002B Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS"

THE SERIES 2002B CERTIFICATES

General

The Series 2002B Certificates will be dated their date of delivery and will mature on August 1, 2027. The principal portion due on the Series 2002B Certificates at maturity or earlier prepayment or purchase 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 2002B Lease with respect to the Series 2002B Certificates. The interest portion due on the Series 2002B Certificates, represents undivided proportionate interests in the interest portion of Basic Lease Payments due prior to each Interest Payment Date to and including the maturity or earlier prepayment or purchase of the Series 2002B Certificates. Interest will be paid on the Series 2002B Certificates on the following dates (each an "Interest Payment Date"); (i) for any Daily Rate Period or Weekly Rate Period, the first Thursday of each February and August; (ii) for any Long-Term Rate Period, each February 1 and August 1; (iii) for any Certificate Interest Term, the day next succeeding the last day of that Certificate Interest Term; (iv) for each Interest Rate Period, the day next succeeding the last day thereof; (v) for ARS, each ARS Interest Payment Date; (vi) for any Series 2002B Certificates which are to be prepaid, any date on which such prepayment is made; and (vii) for any Series 2002B Certificate, the Maturity Date. The principal portion, purchase price or Prepayment Price of the Series 2002B Certificates is payable to the registered owner upon presentation at the designated corporate trust office of the Trustee. The interest portion of the Basic Lease Payments represented by the Series 2002B Certificates is payable to the registered owner at the address shown on the registration books maintained by the Trustee as of the applicable Record Date.

The Series 2002B Certificates will be delivered in fully-registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for such Series 2002B Certificates. Purchases of Series 2002B Certificates will be made in book-entry-only form as described under

"BOOK-ENTRY-ONLY SYSTEM." So long as Cede & Co., as nominee for DTC, is the registered Owner of the Series 2002B Certificates, the transfer of interests in the Series 2002B Certificates shall be the sole responsibility of the DTC Participants, the Indirect Participants and the Beneficial Owners (each hereinafter defined). Neither the School Board, the Trustee nor the Tender Agent shall have any responsibility with respect to such transfers. See "BOOK-ENTRY ONLY SYSTEM."

The Series 2002B Certificates will be issued in Authorized Denominations of (i) \$100,000 or any integral multiple of \$5,000 in excess of \$100,000 during any Daily Rate Period, Weekly Rate Period or Short-Term Rate Period; (ii) \$5,000, or any integral multiple thereof, during any Long-Term Rate Period; and (iii) \$50,000, or any integral thereof, during any ARS Interest Rate Period.

The principal portion of the Basic Lease Payments represented by the Series 2002B Certificates will bear interest from and including the Interest Accrual Date immediately preceding the date of authentication of such Series 2002B Certificates, or if the date of authentication is an Interest Accrual Date to which interest has been paid in full or duly provided for, from such date of authentication or, if it is the first payment of interest, the date of such Series 2002B Certificates. However, if, as shown by the records of the Trustee, the payment of the interest portion of the Basic Lease Payments is in default, Series 2002B Certificates issued in exchange for Series 2002B Certificates surrendered for registration of transfer or exchange will bear interest from the date to which interest has been paid in full or, if no interest has been paid from the date thereof. Interest will be computed, in the case of a Long-Term Rate Period, on the basis of a 360-day year consisting of twelve 30-day months, and in the case of any other Interest Rate Period except the ARS Interest Rate Period, on the basis of a 365- or 366-day year, as appropriate, for the actual number of days elapsed.

For any Weekly Rate Period or Daily Rate Period, the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates will be payable on each Interest Payment Date for the period commencing on the prior Interest Accrual Date and ending on the day immediately preceding the Interest Payment Date (or, if sooner, the last day of such Daily or Weekly Rate Period). For any Short-Term Rate Period or Long-Term Rate Period, the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates will be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date. In any event, the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates will be payable for the final Interest Rate Period to, but not including, the date on which the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates have been paid in full or deemed paid as provided in the Trust Agreement.

The term of the accrual of the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates will be divided into consecutive Interest Rate Periods during each of which the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates will bear interest at a Daily Rate, a Weekly Rate, Certificate Interest Term Rates, a Long-Term Rate or an ARS Interest Rate. At any time, all of the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates must bear interest at a Daily Rate, a Weekly Rate,

Certificate Interest Term Rates, a Long-Term Rate or an ARS Interest Rate. Except for the Liquidity Provider, no holder of a Series 2002B Certificate shall be paid the interest portion of the Basic Lease Payments represented by such Series 2002B Certificate for any period at a rate higher than the Maximum Certificate Interest Rate. The first Interest Rate Period shall commence on the date of issuance of the Series 2002B Certificates and shall be a Weekly Rate Period. Upon the date of issuance of the Series 2002B Certificates, the initial Weekly Rate shall be determined as provided in the Trust Agreement.

The determination of each Daily Rate, each Weekly Rate, each Certificate Interest Term and Certificate Interest Term Rate and each Long-Term Rate by the Remarketing Agent shall be conclusive and binding upon the School Board, the Trustee, the Tender Agent, the Liquidity Provider and the Series 2002B Certificateholders.

In the event any Series 2002B Certificates cannot be remarketed by the Remarketing Agent, and the Liquidity Facility is either unavailable or fails to provide funds to pay the Tender Price of the Series 2002B Certificates that are not remarketed, the principal portion of the Basic Lease Payments represented by such Series 2002B Certificates will bear interest at the Libor Rate plus one-half of one percent per annum (0.50%) (which rate will not exceed the Maximum Lawful Rate) until such time as the Remarketing Agent is willing and able to remarket such Series 2002B Certificates or the Liquidity Facility is available to pay the Tender Price of such Series 2002B Certificates. IN NO EVENT WILL THE SCHOOL BOARD BE OBLIGATED TO PAY THE PURCHASE PRICE OF ANY SERIES 2002B CERTIFICATES UPON TENDER OF SUCH SERIES 2002B CERTIFICATES.

Interest Rate Periods

THIS OFFERING STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION RELATED TO THE CALCULATION OF THE INTEREST RATE OR THE DURATION OF THE INTEREST PERIOD(S) DURING ANY PERIOD WHEN THE RATE OF INTEREST IS CALCULATED USING THE ARS RATE.

Weekly Rate Period

Determination of Weekly Rate. During each Weekly Rate Period, the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be calculated at the Weekly Rate, which shall be determined by the Remarketing Agent by 5:00 p.m., New York City time, on Wednesday of each week during such Weekly Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Rate for each Weekly Rate Period shall be determined on or prior to the first day of such Weekly Rate Period and shall apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Wednesday; provided, that the first Weekly Rate for the initial Weekly Rate Period shall be determined on or prior to the date of delivery of the Series 2002B Certificates and shall apply to the period commencing on the date of issuance and ending on and including the next succeeding

Wednesday. Thereafter, each Weekly Rate shall apply to the period commencing on Thursday and ending on the next succeeding Wednesday, unless such Weekly Rate Period shall end on a day other than Wednesday, in which event the last Weekly Rate for such Weekly Rate Period shall apply to the period commencing on Thursday preceding the last day of such Weekly Rate Period and ending on the last day of such Weekly Rate Period. The Weekly Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2002B Certificates and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which would enable the Remarketing Agent to sell all of the Series of Series 2002B Certificates on such date of determination at a price (without regarding accrued interest) equal to the principal portion of the Basic Lease Payments represented by such Series 2002B Certificates. In the event that the Remarketing Agent fails to establish a Weekly Rate for any week with respect to the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates bearing interest at such rate, then the Weekly Rate for such week with respect thereto shall be the same as the Weekly Rate for the immediately preceding week if the Weekly Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the interest rate for such week shall be equal to 110% of the BMA Municipal Swap Index of Municipal Market Data, a Thomson Financial Services Company, or its successors and assigns, made available for the week preceding the date of determination, or if such index is no longer available for the week preceding the date of determination, 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* on the day the Weekly Rate would otherwise be determined in accordance with the Trust Agreement for such Weekly Rate Period.

Conversion to Weekly Rate. At any time, the School Board, by written direction to the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Provider (if any), the Auction Agent (if any) and the Broker-Dealer (if any), may elect that the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates bear interest at a Weekly Rate. Such direction of the School Board shall specify (1) the effective date of such conversion to a Weekly Rate, which shall be (A) a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (B) in case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period or a day on which the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates would otherwise be subject to optional prepayment if such Conversion did not occur, (C) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of the Short-Term Rate Period, and (D) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, and (2) the Tender Date for such Series 2002B Certificates to be purchased, which shall be the proposed effective date of the Conversion to a Weekly Rate. In addition, the direction of the School Board shall be accompanied by a form of notice to be mailed to the Series 2002B Certificateholders by the Trustee. During each Weekly Rate Period commencing on a date so specified and ending on the day immediately preceding the effective

date of the next succeeding Interest Rate Period, the interest rate borne by the principal portion of the Basic Lease Payments represented by the Series of Series 2002B Certificates shall be a Weekly Rate.

Notice of Conversion to Weekly Rate. The Trustee shall give notice by first-class mail of a Conversion to a Weekly Rate Period not less than 30 days prior to the proposed effective date of such Weekly Rate Period. Such notice shall state (1) that the interest rate on the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates will be converted to a Weekly Rate unless the School Board rescinds its election to convert the interest rate to a Weekly Rate; (2) the proposed effective date of such Weekly Rate Period; (3) that the Series 2002B Certificates are subject to mandatory tender for purchase on such effective date and setting forth the applicable Tender Price and the place of delivery for purchase of the Series 2002B Certificates; and (4) the information set forth below under "THE SERIES 2002B CERTIFICATES -- Purchase of Series 2002B Certificates -- *Notice of Mandatory Tender For Purchase.*"

Daily Rate Period

Determination of Daily Rate. During each Daily Rate Period, the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall bear interest at the Daily Rate, which shall be determined by the Remarketing Agent by 9:30 a.m., New York City time, on each Business Day during such Daily Rate Period. The Daily Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2002B Certificates and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which would enable the Remarketing Agent to sell such Series 2002B Certificates on such Business Day at a price (without regarding accrued interest) equal to the principal portion of the Basic Lease Payments represented by such Series 2002B Certificates. The Daily Rate for any day which is not a Business Day shall be the same as the Daily Rate for the immediately preceding Business Day. In the event that the Remarketing Agent fails to establish a Daily Rate for any day, then the Daily Rate for such Business Day shall be the same as the Daily Rate for such Series 2002B Certificates for the immediately preceding Business Day and such rate shall continue until the earlier of (1) the date on which the Remarketing Agent determines a new Daily Rate or (2) the seventh day succeeding the first such day on which such Daily Rate is not determined by the Remarketing Agent. In the event that the Daily Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Rate for a period of seven days as described above, then the interest rate for the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be the interest rate per annum equal to 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as reported for each Business Day (and for the next preceding Business Day for each day which is not a Business Day) until such Daily Rate is again validly determined by the Remarketing Agent.

Conversion to Daily Rate. At any time, the School Board, by written direction to the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Provider (if any), the Auction Agent (if any) and the Broker-Dealer (if any), may elect that the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates be calculated at a Daily Rate. Such direction of the School Board shall specify (1) the proposed effective date of such Conversion to a Daily Rate, which shall be (A) a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (B) in the case of a Conversion from a Weekly Rate Period, any Business Day, (C) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period or a day on which the Series 2002B Certificates would otherwise be subject to optional prepayment if such Conversion did not occur, (D) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of the Short-Term Rate Period, and (E) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, and (2) the Tender Date for such Series 2002B Certificates to be purchased, which shall be the proposed effective date of the Conversion to a Daily Rate. In addition, the direction of the School Board shall be accompanied by a form of notice to be mailed to the Series 2002B Certificateholders by the Trustee. During each Daily Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be a Daily Rate.

Notice of Conversion to Daily Rate. The Trustee shall give notice by first-class mail of a Conversion to a Daily Rate Period not less than 30 days prior to the proposed effective date of such Daily Rate Period. Such notice shall state (1) that the interest rate on the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates will be converted to a Daily Rate unless the School Board rescinds its election to convert the interest rate to a Daily Rate; (2) the proposed effective date of such Daily Rate Period; (3) that the Series 2002B Certificates are subject to mandatory tender for purchase on such effective date and setting forth the applicable Tender Price and the place of delivery for purchase of the Series 2002B Certificates; and (4) the information set forth below under "THE SERIES 2002B CERTIFICATES -- Purchase of Series 2002B Certificates - - Notice of Mandatory Tender for Purchase."

Certificate Interest Term Rate and Short-Term Rate Period

Determination of Certificate Interest Terms and Certificate Interest Term Rates. During each Short-Term Rate Period the interest portion of the Basic Lease Payments represented by a Series 2002B Certificates, shall be calculated during each Certificate Interest Term at the Certificate Interest Term Rate for that Series 2002B Certificates. The Certificate Interest Term and the Certificate Interest Term Rate need not be the same for the principal portion of the Basic Lease Payments represented by any two Series 2002B Certificates, even if determined on the same date. Each Certificate Interest Term and Certificate Interest Term Rate shall be determined by the Remarketing Agent no later than 9:00 a.m., New York City time, on the first day of each Certificate Interest Term. Except for any Series 2002B Certificate purchased by the Liquidity Provider and remaining unsold

by the Remarketing Agent at the close of business on the first day of the Certificate Interest Term, each Certificate Interest Term shall be for a period of days within the range or ranges announced by the Remarketing Agent as possible Certificate Interest Terms. Each Certificate Interest Term shall be a period of not more than 180 days, determined by the Remarketing Agent to be the period which, together with all other Certificate Interest Terms, will result in the lowest overall interest expense. Any Series 2002B Certificate purchased by the Liquidity Provider and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Certificate Interest Term for that Series 2002B Certificate shall have a Certificate Interest Term of one day or, if that Certificate Interest Term would not end on a day immediately preceding a Business Day, a Certificate Interest Term ending on the day immediately preceding the next Business Day. Each Certificate Interest Term shall end on either a day which immediately precedes a Business Day or on the day immediately preceding the Maturity Date for the applicable Series 2002B Certificates, but in no event shall the number of days in any Certificate Interest Term exceed the number of days of interest coverage provided under the Liquidity Facility, less five days. If for any reason a Certificate Interest Term cannot be determined by the Remarketing Agent, or if the determination of such Certificate Interest Term is held by a court of law to be invalid or unenforceable, then such Certificate Interest Term shall be 30 days, but if the day so determined is not a day immediately preceding a Business Day, that Certificate Interest Term shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, the Certificate Interest Term shall end on the day immediately preceding the Maturity Date. In determining the number of days in each Certificate Interest Term, the Remarketing Agent shall take into account the following factors: (1) existing short-term tax-exempt market rates and indices of such short-term rates, (2) the existing market supply and demand for short-term tax-exempt securities, (3) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality comparable to the Series 2002B Certificates, (4) general economic conditions, (5) industry, economic and financial conditions that may affect or be relevant to the Series 2002B Certificates, and (6) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent, in its sole discretion, shall determine to be relevant; provided, however, that the number of days of any Certificate Interest Term shall not exceed the number of days of interest coverage provided under the Liquidity Facility, less five days.

The Certificate Interest Term Rate for each Certificate Interest Term shall be the rate of interest per annum determined by the Remarketing Agent (based on examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2002B Certificates and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which would enable the Remarketing Agent to sell the Series 2002B Certificates on the effective date of such Certificate Interest Term at a price equal to the principal portion of the Basic Lease Payments represented by such Series 2002B Certificates. If for any reason a Certificate Interest Term Rate for any Series 2002B Certificate in a Short-Term Rate Period is not established by the Remarketing Agent for any Certificate Interest Term, or such Certificate Interest Term Rate is determined by a court of law to be invalid or unenforceable, then the Certificate Interest Term Rate for such Certificate Interest Term shall be the rate per annum equal to 70% of the interest rate on high-grade unsecured commercial paper notes sold through dealers by

major corporations as reported by *The Wall Street Journal* on the first day of such Certificate Interest Term and which maturity most nearly equals the Certificate Interest Term for which a Certificate Interest Term Rate is being calculated.

Conversion to Certificate Interest Term Rates. At any time, the School Board, by written direction to the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Provider (if any), the Auction Agent (if any), the Rating Agency (if any) and the Broker-Dealer (if any), may elect that the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall bear interest at Certificate Interest Term Rates. Such direction of the School Board shall specify (1) the proposed effective date of such Conversion to a Short-Term Rate Period (during which the principal portion of Basic Lease Payments represented by the Series 2002B Certificates shall bear interest at Certificate Interest Term Rates), which shall be (A) a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (B) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of such Long-Term Rate Period or a day on which the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates would otherwise be subject to optional prepayment if such Conversion did not occur, and (C) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, and (2) the Tender Date for such Series 2002B Certificates to be purchased, which shall be the proposed effective date of the Short-Term Rate Period. In addition, the direction of the School Board shall be accompanied by a form of notice to be mailed to the Series 2002B Certificateholders by the Trustee. During each Short-Term Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest portion of the Basic Lease Payments represented by each Series 2002B Certificate shall be calculated at a Certificate Interest Term Rate during each Certificate Interest Term for that Series 2002B Certificate.

Notice of Conversion to Certificate Interest Term Rates. The Trustee shall give notice by first-class mail of a Conversion to a Short-Term Rate Period not less than 30 days prior to the proposed effective date of such Short-Term Rate Period. Such notice shall state (1) that the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates will bear interest at Certificate Interest Term Rates unless the School Board rescinds its election to convert the interest rate to Certificate Interest Term Rates; (2) the proposed effective date of the Short-Term Rate Period; (3) that the Series 2002B Certificates are subject to mandatory tender for purchase on such effective date and setting forth the applicable Tender Price and the place of delivery for purchase of the Series 2002B Certificates; and (4) the information set forth below under "THE SERIES 2002B CERTIFICATES – Purchase of Series 2002B Certificates – *Notice of Mandatory Tender for Purchase.*"

Conversion from Short-Term Rate Period. At any time during a Short-Term Rate Period, the School Board may elect, that the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates no longer shall bear interest at Certificate Interest Term Rates and shall instead bear interest at a Daily Rate, a Weekly Rate, a Long-Term Rate or the Applicable ARS Rate, as specified in such election. The date on which all Certificate Interest Terms shall end shall be the

last day of the then-current Short-Term Rate Period and the day next succeeding such date shall be the Maturity Date or the effective date of the Daily Rate Period, the Weekly Rate Period, the Long-Term Rate Period or the ARS Interest Rate Period elected by the School Board.

Long-Term Rate Period

Determination of Long-Term Rate. During a Long-Term Rate Period, the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be calculated at the Long-Term Rate. The Long-Term Rate for each Long-Term Interest Period shall be determined by the Remarketing Agent on a Business Day no later than the effective date of such Long-Term Rate Period. The Long-Term Rate shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2002B Certificates and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate at which the Remarketing Agent will agree to purchase the Series 2002B Certificates on such effective date for resale at a price (without regard to accrued interest) equal to the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates. In the event that for any reason the Remarketing Agent does not establish the Long-Term Rate as required above, then the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall continue to bear interest at the rate in effect for the immediately prior Long-Term Rate Period for a new Long-Term Rate Period equal in length to the immediately prior Long-Term Rate Period, unless (A) the School Board is able to obtain a Favorable Opinion of Special Tax Counsel and a Liquidity Facility meeting the requirements of the Trust Agreement with respect to when a Weekly Rate Period is in effect, in which case the interest accrual period for the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be converted to the Weekly Rate Period, or (B) if no Liquidity Facility meeting the requirements of the Trust Agreement with respect to the Weekly Rate Period is available, but the School Board is able to obtain a Favorable Opinion of Special Tax Counsel, the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall continue to bear interest at the rate in effect for the immediately prior Long-Term Rate Period, but for a new Long-Term Rate Period of one year, and the Series 2002B Certificates shall continue to be subject to mandatory tender for purchase on the effective date of the new Interest Rate Period.

Conversion to or Continuation of Long-Term Rate. At any time, the School Board, by written direction to the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Provider (if any), the Auction Agent (if any), and the Broker-Dealer (if any), may elect that the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be calculated, or continue to be calculated, interest at a Long-Term Rate. Such direction of the School Board (1) shall specify the duration of the Long-Term Rate Period, (2) shall specify the proposed effective date of such Long-Term Rate Period, which date shall be (A) a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (B) in the case of Conversion from a Weekly Rate Period, any Business Day, (C) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of

the Short-Term Rate Period, and (D) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, (3) shall specify the last day of such Long-Term Rate Period (which last day shall be either the day immediately prior to the Maturity Date, or a day which both immediately precedes a Business Day and is at least 181 days after the effective date thereof), (4) shall specify a Tender Date on or prior to which holders of the Series 2002B Certificates are required to deliver the Series 2002B Certificates to be purchased, and (5) may specify prepayment prices and periods (subject to the requirement of a Favorable Opinion of Co-Special Tax Counsel), and if the last day of such Long-Term Rate Period is the day immediately prior to the Maturity Date, shall provide for such Series 2002B Certificates to mature serially in the principal amounts scheduled for mandatory sinking fund prepayment in accordance with a schedule set forth by the School Board.

If, by the second Business Day preceding the 29th day prior to the last day of any Long-Term Rate Period, the Trustee has not received notice of the School Board's election that, during the next succeeding Interest Rate Period, the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be calculated at a Daily Rate, a Weekly Rate, the applicable ARS Interest Rate or another Long-Term Rate, or at Certificate Interest Term Rates, the next succeeding Interest Rate Period shall be either (i) the shortest possible Long-Term Rate Period, if the School Board is able to obtain a Favorable Opinion of Special Tax Counsel, or (ii) a Long-Term Rate Period of the same duration as the previous Long-Term Rate Period, if the School Board is not able to obtain a Favorable Opinion of Special Tax Counsel until such time as the interest rate on the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be adjusted to a Daily Rate, a Long-Term Rate or Certificate Interest Term Rates or the Applicable ARS Rates, and the Series 2002B Certificates shall be subject to mandatory purchase on the first day of such Long-Term Rate Period.

Notice of Conversion to or Continuation of Long-Term Rate. The Trustee shall give notice by first-class mail of a Conversion to a (or the establishment of another) Long-Term Rate Period not less than 30 days prior to the effective date of such Long-Term Rate Period. Such notice shall state: (1) that the interest rate on the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be converted to, or continue to be, a Long-Term Rate unless (A) the School Board rescinds its election to adjust the interest rate to a Long-Term Rate or (B) all of the Series 2002B Certificates are not remarketed at a Long-Term Rate, (2) the proposed effective date, duration and the last day of such Long-Term Rate Period, (3) that the Series 2002B Certificates are subject to mandatory tender for purchase on such proposed effective date and setting forth the Tender Price and the place of delivery for purchase of the Series 2002B Certificates and (4) the information set forth below under "THE SERIES 2002B CERTIFICATES -- Purchase of Series 2002B Certificates -- *Notice of Mandatory Tender for Purchase.*"

Conversion from Long-Term Rate Period. The School Board may elect by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any) and the Remarketing Agent (if any) that on the day immediately following the last day of the Long-Term Rate Period or a day on which the Series 2002B Certificates would otherwise be subject to optional prepayment, the principal portion of the Basic Lease Payments represented by the Series of Series 2002B Certificates

no longer shall bear interest at the current Long-Term Rate and shall instead bear interest at a Daily Rate, Weekly Rate, Certificate Interest Term Rates, the applicable ARS Interest Rate or a new Long-Term Rate, as specified in such election. In the notice of such election, the School Board shall also specify the effective date of the new Interest Rate Period, which date shall be (1) a Business Day no earlier than the 30th day after the second Business Day following the date of receipt by the Trustee of the notice of election from the School Board or, in the case of adjustment to a new Long-Term Rate Period, the 30th day after the second Business Day following the date of receipt by the Trustee of such notice and (2) shall be the day immediately following the last day of the Long-Term Rate Period currently in effect or a day on which the Series 2002B Certificates would otherwise be subject to optional prepayment if such Conversion did not occur. The Series 2002B Certificates shall be subject to mandatory tender for purchase on the effective date of the new Interest Rate Period at a purchase price equal to the optional redemption price which would be applicable on that date. See "THE SERIES 2002B CERTIFICATES -- Purchase of Series 2002B Certificates -- Mandatory Tender for Purchase on First Day of Each Interest Rate Period."

Certain Additional Conditions to Any Adjustment of an Interest Rate Period. No Conversion from one Interest Rate Period to another shall be effective unless each of the following conditions, to the extent applicable, shall have been satisfied: (1) the School Board shall have obtained and provided to the Trustee the written consent of the Liquidity Provider, if the Liquidity Facility is to remain in effect following the Conversion, (2) with respect to the new Interest Rate Period, there shall be in effect a Liquidity Facility if and as required under the Trust Agreement, (3) the Trustee shall have received a Favorable Opinion of Special Tax Counsel, and, in the event that the Conversion would cause an Interest Payment Date to occur more often than once in thirty days, the consent of the Insurer, (4) in the case of any Conversion with respect to which there shall be no Liquidity Facility in effect to provide funds for the purchase of Series 2002B Certificates on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the Series 2002B Certificates at the Tender Price, not including premium, if any, (5) in the case of any Conversion of any ARS Interest Rate Period to any other Interest Rate Period (except a Long-Term Rate Period effective to the Maturity Date or at least one year in length if a Certificate Interest Rate Period is effective to the day immediately preceding the Maturity Date), prior to the Conversion Date the School Board shall have appointed a Liquidity Provider acceptable to the Insurer and there shall have been executed and delivered a Tender Agent Agreement and a Remarketing Agreement and a Liquidity Facility acceptable to the Insurer and the Rating Agency, (6) in the case of any Conversion from any Weekly Rate Period, Daily Rate Period, Long-Term Rate Period or Short-Term Rate Period to an ARS Interest Rate Period, prior to the Conversion Date the School Board shall have appointed an Auction Agent, Market Agent and a Broker-Dealer and there shall have been executed and delivered an Auction Agent Agreement, a Market Agent Agreement and a Broker-Dealer Agreement, (7) in the case of any Conversion from any Interest Rate Period of a duration of less than 270 days, to any Interest Rate Period of a duration of 270 days or more, or in the event of a Conversion to the ARS Interest Rate, prior to the Conversion Date, the School Board shall have entered into a written undertaking, satisfactory in form and substance to the Remarketing Agent, whereby the School Board agrees to comply with the continuing disclosure requirements of subsection (b)(5) of Rule 15c2-12 promulgated by the

Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, if and as then applicable, and (8) the School Board shall have given notice of the proposed Conversion to each national rating agency then maintaining a rating on the Series 2002B Certificates at least 30 days prior to the proposed Conversion Date.

Failure to meet Conversion Conditions. In the event that any condition to the Conversion have not been satisfied as provided under the Trust Agreement, then the Interest Rate Period shall not be converted and the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall continue to bear interest at the Weekly Rate, Daily Rate, Long-Term Rate (unless (1) the School Board is able to obtain a Favorable Opinion of Special Tax Counsel and a Liquidity Facility meeting the requirements stated in the Trust Agreement with respect to Weekly Rate Periods is in effect, in which case the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be converted to the Weekly Rate Period or (2) if no such Liquidity Facility is then in effect but the School Board is able to obtain a Favorable Opinion of Special Tax Counsel, in which case the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be converted to the shortest possible Long-Term Rate Period), Certificate Interest Term Rates or Applicable ARS Rate, as the case may be, as in effect immediately prior to such proposed Conversion, and the Series 2002B Certificates shall continue to be subject to mandatory tender for purchase (except for principal portion of the Basic Lease Payments represented by the Series 2002B Certificates in the ARS Interest Rate Period) on the date which would have been the effective date of the Conversion.

Mandatory Conversion of Series 2002B Certificates. At the direction of the Insurer the calculation of the interest portion on the Series 2002B Certificates shall be converted to the Long-Term Rate to maturity (or with the consent of the School Board, to an Auction Rate) upon the occurrence of the following events: (i) failure of the Liquidity Provider to purchase tendered Series 2002B Certificates in accordance with the Liquidity Facility, (ii) expiration or termination of the Liquidity Facility if the School Board has not provided a replacement prior to such expiration or termination, (iii) Provider Certificates are outstanding for 45 days or more in any Fiscal Year, (iv) Provider Certificates bear interest at the Maximum Lawful Rate, (v) failure of the Remarketing Agent to remarket the Series 2002B Certificates on three or more occasions, or (vi) failure of the School Board to provide an Alternate Liquidity Facility when required by the Trust Agreement.

Purchase of Series 2002B Certificates

Optional Tender During a Daily Rate Period. During any Daily Rate Period for which the book-entry-only system is in effect, any principal portion of the Basic Lease Payments represented by the Series 2002B Certificates bearing interest at the Daily Rate or portion thereof (provided that the principal amount of the Series 2002B Certificate to be purchased and the principal amount to be retained shall each be an Authorized Denomination) shall be purchased at the option of a Certificateholder on any Business Day at the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of Series 2002B Certificates, to the Trustee at its Principal Office and to the Remarketing Agent, by 11:00 a.m. on any Business

Day, of an irrevocable written notice stating the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates, the portion thereof to be purchased and the date on which the same shall be purchased. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership in the Series 2002B Certificates at least equal to the amount of Series 2002B Certificates specified in such notice, payment of the Tender Price of such Series 2002B Certificate shall be made by 3:00 p.m., or as soon as practicably possible thereafter, upon receipt by the Trustee of the Tender Price on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial interest in such Series 2002B Certificate tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 1:30 p.m., on the date specified in the notice.

Optional Tender During a Weekly Rate Period. During any Weekly Rate Period for which the book-entry-only system is in effect, the principal portion of the Basic Lease Payments represented by any Series 2002B Certificate bearing interest at the Weekly Rate or portion thereof (provided that the principal portion of the Basic Lease Payments represented by the such Series 2002B Certificate to be purchased and the principal portion to be retained shall each be an Authorized Denomination) shall be purchased at the option of a Certificateholder on any Business Day at the Tender Price upon delivery to the Tender Agent at its Principal Office of such Series 2002B Certificates, to the Trustee at its Principal Office and to the Remarketing Agent, of an irrevocable written notice stating the principal portion of such Series 2002B Certificate, the portion thereof to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven days after the date of delivery of such notice to the Trustee. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Series 2002B Certificates at least equal to the amount of Series 2002B Certificates specified in such irrevocable written notice, payment of the Tender Price of such Series 2002B Certificate shall be made by 3:00 p.m., or as soon as practicably possible thereafter, upon the receipt by the Trustee of the Tender Price on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Series 2002B Certificate tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 10:00 a.m., on the date specified in the notice.

In the event of an Immediate Termination Event or Suspension, the obligation of the Liquidity Facility Issuer to purchase the Series 2002B Certificates pursuant to the Liquidity Facility will cease without notice. The School Board will not be obligated to provide funds for the payment of the Tender Price of Series 2002B Certificates upon any tender.

Mandatory Tender for Purchase on Day Next Succeeding Last Day of Each Certificate Interest Term. On the first day following the last day of each Certificate Interest Term for a Series 2002B Certificate, unless such day is the first day of a new Interest Rate Period (in which case such Series 2002B Certificate shall be subject to mandatory purchase as described below under the subheading "-Mandatory Tender for Purchase on First Day of Each Interest Rate Period"), such Series 2002B Certificate shall be subject to mandatory tender for purchase at the Tender Price, payable by wire transfer in immediately available funds if such Series 2002B Certificate is delivered

to the Tender Agent on or prior to 12:00 noon on the Tender Date, or if delivered after 12:00 noon, on the next succeeding Business Day. Interest shall cease to accrue on the principal portion of the Basic Lease Payments represented by such Series 2002B Certificate on the last day of each Certificate Interest Term. The Tender Price shall be payable only upon surrender of such Series 2002B Certificate to the Tender Agent at its Principal Office for delivery of such Series 2002B Certificates, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Series 2002B Certificateholder or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Series 2002B Certificates shall be subject to mandatory tender for purchase on (a) the Conversion Date, and (b) for the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates bearing interest at the Certificate Interest Term Rate or the Long-Term Rate, on the first day of each Interest Rate Period with respect to such Series 2002B Certificates (or on the day which would have been the first day of an Interest Rate Period with respect to such Series 2002B Certificates had an event not occurred which resulted in the interest rate on the principal portion of the Basic Lease Payments represented by such Series 2002B Certificates not being adjusted, except for a failed Conversion from an ARS Interest Rate Period), at the Tender Price, payable in immediately available funds. For payment of the Tender Price on the Tender Date, a Series 2002B Certificate must be delivered at or prior to 10:00 a.m. on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day.

Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Liquidity Facility; Mandatory Standby Tender. If at any time the Trustee gives notice, in accordance with the provisions of the Trust Agreement, that the Tender Price on any Series 2002B Certificates tendered for purchase shall, on the date specified in such notice, cease to be subject to purchase pursuant to the Liquidity Facility then in effect as a result of (i) the termination (except in certain limited circumstances described in the Standby Purchase Agreement or other Liquidity Facility and constituting an Immediate Termination Event), replacement or expiration of the term, as extended, of that Liquidity Facility, including but not limited to termination at the option of the School Board in accordance with the terms of such Liquidity Facility, or (ii) the occurrence of a Mandatory Standby Tender, then, on the fifth Business Day preceding any such termination, replacement or expiration of such Liquidity Facility (but in the case of a Mandatory Standby Tender, in no event later than the 30th day after the receipt by the Trustee of notice from the Liquidity Provider directing the Mandatory Standby Tender), including any termination as a result of a Mandatory Standby Tender, each such Series 2002B Certificate shall be purchased or deemed purchased at the Tender Price.

Payment of the Tender Price of any such Series 2002B Certificate shall be made in immediately available funds by 3:00 p.m. on the Tender Date upon delivery of such Series 2002B Certificate to the Tender Agent at its Principal Office for delivery of such Series 2002B Certificates, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in

blank by the Series 2002B Certificateholder with the signature of such Series 2002B Certificateholder guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 12:00 noon on the Tender Date. If, as a result of any such Mandatory Standby Tender, expiration, termination with notice, or replacement of such a Liquidity Facility, any Series 2002B Certificate is no longer subject to purchase pursuant to a Liquidity Facility, the Tender Agent (upon receipt from the holder thereof in exchange for payment of the Tender Price thereof) shall present such Series 2002B Certificate to the Trustee for notation of such fact thereon. **In no event will the School Board be obligated to provide funds for the payment of the Tender Price of the Series 2002B Certificates.**

Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of Series 2002B Certificates pursuant to the provisions of the Trust Agreement described in the immediately preceding three subsections, the Trustee shall give notice of a mandatory tender for purchase. Such notice shall state (1) in the case of a mandatory tender for purchase described under "*Mandatory Tender for Purchase on First Day of Each Interest Rate Period*," the type of Interest Rate Period to commence on such mandatory purchase date; (2) in the case of a mandatory tender for purchase described under "*Mandatory Tender for Purchase upon Termination, Replacement or Expiration of Liquidity Facility; Mandatory Standby Tender*," that the Liquidity Facility will expire, terminate or be replaced and that the Series 2002B Certificates will no longer be payable from the Liquidity Facility then in effect and that any rating applicable to the Series 2002B Certificates may be reduced or withdrawn; (3) that the Tender Price of any Series 2002B Certificate subject to mandatory tender for purchase shall be payable only upon surrender of that Series 2002B Certificate to the Tender Agent at its Principal Office for delivery of such Series 2002B Certificates, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Series 2002B Certificateholder or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (4) that, provided that moneys sufficient to effect such purchase shall have been provided through the remarketing of such Series 2002B Certificates by the Remarketing Agent or through the Liquidity Facility, all such Series 2002B Certificates subject to mandatory tender for purchase shall be purchased on the Mandatory Tender Date; and (5) that if any holder of a Series 2002B Certificate subject to mandatory tender for purchase does not surrender that Series 2002B Certificate to the Tender Agent for purchase on the mandatory Tender Date, then that Series 2002B Certificate shall be deemed to be an Undelivered Certificate, that no interest shall accrue on the principal portion of the Basic Lease Payments represented by that Series 2002B Certificate on and after the mandatory Tender Date and that the holder shall have no rights under the Trust Agreement other than to receive payment of the Tender Price.

Irrevocable Notice Deemed to be Tender; Undelivered Series 2002B Certificates. The giving of notice by a holder of Series 2002B Certificates shall constitute the irrevocable tender for purchase of each Series 2002B Certificate with respect to which such notice is given, regardless of whether that Series 2002B Certificate is delivered to the Tender Agent for purchase on the relevant Tender Date. The Tender Agent may refuse to accept delivery of any Series 2002B Certificate for which a proper instrument of transfer has not been provided. However, such refusal shall not affect the

validity of the purchase of such Series 2002B Certificate as described in the Trust Agreement. If any holder of a Series 2002B Certificate who has given notice of tender of purchase or any holder of a Series 2002B Certificate subject to mandatory tender for purchase shall fail to deliver that Series 2002B Certificate to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver that Series 2002B Certificate properly endorsed, that Series 2002B Certificate shall constitute an Undelivered Certificate. If funds in the amount of the purchase price of the Undelivered Certificate are available for payment to the holder thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (1) the Undelivered Certificate shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Trust Agreement; (2) interest shall no longer accrue on the Undelivered Certificate; and (3) funds in the amount of the Tender Price of the Undelivered Certificate shall be held uninvested by the Trustee for the benefit of the holder thereof (provided that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Certificate to the Tender Agent at its Principal Office for delivery of such Series 2002B Certificates.

Prepayment Prior To Maturity

The principal and interest portions of the Basic Lease Payments represented by the Series 2002B Certificates shall be subject to prepayment prior to maturity as follows:

Optional Prepayment

During a Daily Rate Period or a Weekly Rate Period. During a Daily Rate Period or Weekly Rate Period, the Series 2002B Certificates shall be subject to optional prepayment by the School Board, in whole or in part on any date, at a prepayment price of 100% of the principal portion of the Basic Lease Payments represented thereby, without premium, plus interest accrued to the prepayment date.

During a Short-Term Rate Period. During a Certificate Interest Term Period, the Series 2002B Certificates shall be subject to optional prepayment by the School Board in whole or in part on the day succeeding the last day of any Certificate Interest Term, at a prepayment price of 100% of the principal portion of the Basic Lease Payments represented thereby, without premium, plus interest accrued to the prepayment date.

During a Long-Term Rate Period. During a Long-Term Rate Period, the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates bearing interest at a Long-Term Rate shall be subject to optional prepayment by the School Board in whole or in part, (1) on the first day of such Long-Term Rate Period, in whole or in part, at a prepayment price of 100% of the principal portion thereof, without premium, plus interest accrued to the prepayment date and (2) at the times and at the prices specified below and in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct, plus accrued interest on the principal portion, if any, to the prepayment date:

<u>Years from Conversion Date until end of Long-Term Rate Period</u>	<u>First Day of Prepayment Period</u>	<u>Prepayment Price</u>
More than fifteen	Tenth anniversary of Conversion Date	101% declining by 1% on the next anniversary after the tenth anniversary of the Conversion Date and thereafter at 100%
More than ten but not more than fifteen	Seventh anniversary of Conversion Date	101% declining by 1% on the next anniversary after the seventh anniversary of the Conversion Date and thereafter at 100%
More than seven but not more than ten	Fifth anniversary of Conversion Date	101% declining by 1% on the next anniversary after the fifth anniversary of the Conversion Date and thereafter at 100%
More than four but not more than seven	Third anniversary of Conversion Date	101% declining by 1% on the next anniversary after the third anniversary of the Conversion Date and thereafter at 100%
Four or fewer	Second anniversary of Conversion Date	100%

Notwithstanding any provision in the Trust Agreement or the Series 2002B Certificates to the contrary, the Series 2002B Supplemental Trust Agreement and the Series 2002B Certificates may be amended as of the Conversion Date to a Long-Term Rate Period upon the request of the School Board, without the consent of any of the Series 2002B Certificateholders, to change the prepayment provisions applicable during such Long-Term Rate Period to such prepayment provisions as are recommended by the Remarketing Agent as conforming to then current market practices and acceptable to the School Board provided the School Board provides a Favorable Opinion of Co-Special Tax Counsel to the Trustee.

ARS Interest Rate Period. The ARS are subject to prepayment by the School Board, on any ARS Interest Payment Date, as a whole or in part in an Authorized Denomination, at a prepayment

price equal to the principal portion represented thereby to be prepaid, plus accrued but unpaid interest to the prepayment date, and without premium.

Mandatory Sinking Fund Prepayment

The principal portion of the Basic Lease Payments represented by the Series 2002B Certificates is 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 2002B Lease, on the dates listed below, commencing August 2, 2018, at a prepayment price equal to 100% of the principal portion prepaid plus accrued interest thereon to the prepayment date, in the amounts set forth below:

<u>Date</u>	<u>Prepayment Amount</u>
August 2, 2018	\$ 3,045,000
August 1, 2019	10,420,000
August 6, 2020	10,810,000
August 5, 2021	11,370,000
August 4, 2022	11,875,000
August 3, 2023	12,410,000
August 1, 2024	12,970,000
August 7, 2025	13,510,000
August 6, 2026	14,150,000
August 1, 2027*	14,790,000

*Final Maturity

Any Series 2002B Certificate subject to mandatory prepayment may be purchased by the School Board prior to the forty-fifty (45th) day preceding the respective Prepayment Date at a price (including any brokerage and other charges) not exceeding the principal amount thereof, plus accrued interest to the date of purchase. At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such applicable Prepayment Date, the School Board may receive a credit against its mandatory prepayment obligation for the applicable Series 2002B Certificates which prior to such date have been (i) purchased by the School Board and presented to the Trustee for cancellation or (ii) prepaid (otherwise than through the operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund prepayment obligation. Each Series 2002B Certificate so purchased, delivered or previously prepaid shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the School Board on such sinking fund prepayment date. Any excess over such obligation shall be credited against applicable future sinking fund prepayment obligations, or deposits with respect thereto, in chronological order, and the principal amount of such Series 2002B Certificates to be prepaid by operation of the mandatory sinking fund shall be accordingly reduced.

Mandatory sinking fund prepayments scheduled to occur during an Auction Period of less than 180 days shall be made on the Interest Payment Date immediately succeeding the Auction Period during which such scheduled sinking fund prepayment would otherwise have occurred. Mandatory sinking fund prepayments scheduled to occur during an Auction Period of 180 days or more shall be made on the scheduled sinking fund prepayment date. The Trustee shall provide notice to the Tender Agent, the Auction Agent and the Broker-Dealers of mandatory sinking fund prepayments which occur while the Series 2002B Certificates are ARS.

Extraordinary Prepayment

The Series 2002B Certificates shall be subject to prepayment in whole or in part at any time and if in part, in such order of maturity as shall be designated by the School Board, and by lot within a maturity in such manner as the Trustee shall determine to be fair and appropriate, in an amount equal to the principal portion of Basic Lease Payments prepaid under the Series 2002B Lease, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to the Series 2002B Facilities as a result of damage, destruction or condemnation of any portion of the Series 2002B Facilities and an election is made by the School Board under the Master Lease to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to the Series 2002B Facilities and represented by the Series 2002B Certificates.

At the election of the Insurer, Series 2002B 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.

Selection of Series 2002B Certificates to be Prepaid. In the case of any prepayment in part of the Series 2002B Certificates, the Series of Series 2002B Certificates to be prepaid under "THE SERIES 2002B CERTIFICATES -- Prepayment Prior to Maturity -- *Optional Prepayment*" and "*Extraordinary Prepayment*" shall be selected by the School Board. A prepayment of Series 2002B Certificates shall be a prepayment of the whole or of any part of the Series 2002B Certificates, provided, that there shall be no partial prepayment of less than \$5,000. If less than all the Series 2002B Certificates shall be called for prepayment under any provision of the Trust Agreement permitting such partial prepayment, the particular Series 2002B Certificates to be prepaid shall be selected by the Trustee, in such manner as the Trustee in its discretion may deem fair and appropriate consistent with the requirements of the last paragraph of "THE SERIES 2002B CERTIFICATES -- Prepayment Prior to Maturity -- *Mandatory Sinking Fund Prepayment*"; provided, however (a) that the portion of any Series 2002B Certificate to be prepaid under any provision of the Trust Agreement shall be in the principal portion of \$5,000 or any multiple thereof, (b) that, in selecting Series 2002B Certificates for prepayment, the Trustee shall treat each Series 2002B Certificate as representing that number of Series 2002B Certificates which is obtained by dividing the principal portion of such Series 2002B Certificate by \$5,000 and (c) that, to the extent practicable, the Trustee will not select any Series 2002B Certificate for partial prepayment if the amount of such Series 2002B Certificate

remaining Outstanding would be reduced by such partial prepayment to less than the Authorized Denomination. If there shall be called for prepayment less than all of a Series 2002B Certificate, the School Board shall execute and deliver and the Trustee shall authenticate, upon surrender of such Series 2002B Certificate, and at the expense of the School Board and without charge to the owner thereof, a replacement Series 2002B Certificate in the principal portion of the unprepaid balance of the Series 2002B Certificate so surrendered.

Provider Certificates will be selected for prepayment prior to any other Series 2002B Certificates, except with respect to mandatory sinking fund prepayments, in which event, Provider Certificates will be selected for prepayment prior to other Series 2002B Certificates of the same maturity.

Notice. When prepayment of Series 2002B Certificates is required, the Trustee will mail a copy of the notice required by the Trust Agreement, postage prepaid, not less than thirty days before the prepayment date in the case of optional prepayments or extraordinary mandatory prepayment due to damage destruction or condemnation of the Series 2002B Facilities, and not less than five days nor more than ten days before the prepayment date in the case of prepayment for termination of the Lease Term upon an event of non-appropriation or in certain events of default under any Lease, to the Holders of any Series 2002B Certificates or portions thereof to be prepaid, at their last addresses appearing upon the Series 2002B Certificates registry books, but any defect in the notice to a particular Series 2002B Certificate holder will not affect the validity of the proceedings for the prepayment of Series 2002B Certificates.

Effect of Prepayment. If, on the prepayment date, moneys for the payment of the Prepayment Price of the Series 2002B Certificates or portions thereof to be prepaid are held by the Trustee and available therefore on the Prepayment Date and if notice of prepayment has been given as described above, then from and after the Prepayment Date, the interest portion of the Series 2002B Certificates or the portion thereof called for prepayment will cease to accrue. If such moneys are not available on the prepayment date, the principal portion represented by such Series 2002B 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 SCHOOL BOARD BELIEVES TO BE RELIABLE, BUT THE SCHOOL BOARD DOES NOT TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Series 2002B Certificates will initially be issued as book-entry only obligations and be held by DTC as securities depository. The ownership of one fully registered Series 2002B

Certificate for each maturity, in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co. as nominee for DTC.

DTC is a limited-purpose trust company organized under the laws of the State of New York, 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, as amended. DTC was created to hold securities of its participants ("DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic computerized book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, certain of which own DTC either directly or through their representatives. Access to the DTC system is also available to other entities such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant. The Rules applicable to DTC and DTC Participants are on file with the Securities and Exchange Commission.

So long as the book-entry only system is in effect, beneficial interests in the Series 2002B Certificates will only be available in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2002B Certificates will not receive certificates representing their beneficial interests in the Series 2002B Certificates purchased. The Underwriters are to confirm original issuance purchases of beneficial interests with statements containing certain terms of the Series 2002B Certificates in which such beneficial interests are purchased.

Purchases of beneficial interests in the Series 2002B Certificates may be made by or through brokers and dealers who are, or act through, DTC Participants. Such DTC Participants and the persons for whom they acquire interests in the Series 2002B Certificates as nominees will not receive certificated Series 2002B Certificates, but each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant's interest in the Series 2002B Certificates, which will be confirmed in accordance with DTC's standard procedures. The ownership interest of the actual purchaser of each Series 2002B Certificate (the "Beneficial Owner") will be recorded in the records of the DTC Participant. DTC has no knowledge of the actual Beneficial Owners of the Series 2002B Certificates; DTC's records reflect only the identity of the DTC Participants to whose accounts such Series 2002B Certificates are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers. DTC Participants are required to provide Beneficial Owners with a written confirmation of their purchase containing details of the Series 2002B Certificates in which beneficial interests are purchased, as well as periodic statements of their holdings. Transfers of ownership interests in the Series 2002B Certificates will be accomplished by book-entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners.

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

The Trustee will make payments of principal of, premium, if any, and interest on the Series 2002B Certificates to DTC or its nominee, Cede & Co., as registered owner of the Series 2002B Certificates. The deposit of Series 2002B Certificates with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. The current practice of DTC is to credit the accounts of the DTC Participants immediately upon receipt of moneys in accordance with their respective holdings as shown on the records of DTC. Payments by DTC Participants to Beneficial Owners will be in accordance with standing instructions and customary practices such as those which are now in effect for municipal securities held by DTC Participants in bearer form or registered in "street name" for the accounts of customers, and will be the responsibility of DTC Participants and not the responsibility of DTC, the Trustee, the School Board, or the Tender Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal and interest to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants shall be the responsibility of DTC and disbursements of such payments to the Beneficial Owners shall be the responsibility of DTC Participants.

The Trustee will send any notice of redemption or other notice only to DTC as the registered owner of the Series 2002B Certificates. If less than all of the Series 2002B Certificates within an issue are being redeemed, DTC's present practice is to determine by lot the amount of the interest of each DTC Participant in such issue to be redeemed. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Series 2002B Certificates called for redemption or of any other action premised on such notice. Redemption of portions of any maturity of the Series 2002B Certificates will reduce the outstanding principal amount of such maturity held by DTC. In such event, DTC may implement, through its book-entry system, a redemption of beneficial interests in Series 2002B Certificates held for the account of DTC Participants in accordance with its own rules or other agreements with DTC Participants, and then DTC Participants may implement a redemption of beneficial interests in Series 2002B Certificates for the Beneficial Owners.

NEITHER THE SCHOOL BOARD, THE TENDER AGENT NOR THE TRUSTEE SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE BENEFICIAL OWNERS, DTC PARTICIPANTS OR THE PERSONS FOR WHOM DTC PARTICIPANTS ACT AS NOMINEES WITH RESPECT TO THE SERIES 2002B CERTIFICATES, FOR THE ACCURACY OF RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO THE SERIES 2002B CERTIFICATES OR THE PROVIDING OF NOTICE OR PAYMENT OF THE PRINCIPAL OR INTEREST PORTION OR ANY PREMIUM ON THE SERIES 2002B CERTIFICATES, TO DTC PARTICIPANTS OR BENEFICIAL OWNERS, OR THE SELECTION OF SERIES 2002B CERTIFICATES FOR PREPAYMENT.

Neither the School Board, the Tender Agent nor the Trustee can give any assurances that DTC, DTC Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2002B Certificates paid to DTC or its nominee, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve or act in a manner described in this Offering Statement.

For every transfer and exchange of beneficial interests in the Series 2002B Certificates, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its services with respect to the Series 2002B Certificates at any time by giving notice to the School Board and the Trustee and discharging its responsibilities with respect thereto under applicable law. In addition, the School Board, may determine to discontinue the use of book-entry transfers through DTC (or any successor securities depository). Under such circumstances, certificated Series 2002B Certificates are required to be delivered as described in the Trust Agreement.

SECURITY FOR THE SERIES 2002B CERTIFICATES

General

The Series 2002B Certificates evidence undivided proportionate interests in Basic Lease Payments made by the School Board under the Series 2002B Lease. The Series 2002B Certificates are secured by and payable from the Trust Estate established for the Series 2002B 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 2002B 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 2002B 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 2002B Facilities to the Trustee. Upon termination of the Series 2002B Lease upon the occurrence of an event of non-appropriation or in the case of certain events of default, however, the Series 2002B Lease provides that the School Board must surrender possession of the Series 2002B Facilities to the Trustee as assignee of the Corporation for disposition by sale or re-letting of its interest in the Series 2002B Facilities as provided in the Trust Agreement, and any proceeds of any such disposition will be applied to the payment of the Series 2002B Certificates, after payment of the expenses of the Trustee. See "THE SERIES 2002B FACILITIES" for a description of the Series 2002B Facilities against which the Trustee has rights. See also "THE SERIES 2002B 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 2002B Lease and all other Leases will be made from funds authorized by law and regulations of the State of Florida Department of Education to be used for such purpose and budgeted and appropriated for such purpose by the School Board. Revenues available to the District for operational purposes and capital projects such as the Series 2002B 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 2002B Lease Payment Account for deposit of Basic Lease Payments appropriated and paid under the Series 2002B Lease. Separate Lease Payment Accounts are established for each new group of Facilities to be financed by a Series of Certificates issued under the Trust Agreement. Lease Payments due under the schedules to the Master Lease are subject to annual appropriation by the School Board on an all-or-none basis and are payable on a parity basis solely from legally available funds appropriated by the School Board for such purposes; provided that Lease Payments with respect to a particular schedule and Series of Certificates may be additionally and separately secured by a Credit Facility. Such additional Facilities may be financed through the sale of additional Series of Certificates under the Trust Agreement. THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE FOR A PORTION OF LEASE PAYMENTS DUE FOR ALL OF THE PROJECTS LEASED UNDER THE MASTER LEASE; IT MUST BUDGET AND APPROPRIATE FOR ALL SUCH LEASE PAYMENTS OR NONE OF THEM. THERE CAN BE NO ASSURANCE THAT SUFFICIENT FUNDS WILL BE APPROPRIATED OR OTHERWISE BE MADE AVAILABLE TO MAKE ALL OF THE LEASE PAYMENTS DUE UNDER THE MASTER LEASE.

Limited Obligation of the School Board

THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO MAKE LEASE PAYMENTS. LEASE PAYMENTS ARE PAYABLE FROM FUNDS APPROPRIATED BY THE SCHOOL BOARD FOR SUCH PURPOSE FROM CURRENT OR OTHER FUNDS AUTHORIZED BY LAW AND REGULATIONS OF THE STATE OF FLORIDA DEPARTMENT OF EDUCATION. NEITHER THE DISTRICT, THE SCHOOL BOARD, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES 2002B LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER, AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NEITHER THE CORPORATION, THE TRUSTEE NOR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL

BOARD TO PAY ANY SUMS, INCLUDING THE BASIC LEASE PAYMENTS, DUE UNDER THE SERIES 2002B LEASE. SEE "RISK FACTORS" HEREIN.

Additional Leases

As noted above, the School Board has entered into the Prior Leases and expects to enter into a Lease in connection with the issuance of an additional Series of Certificates prior to June 30, 2002, and may enter into other Additional Leases under the Master Lease in addition to the Prior Leases and the Series 2002B Lease. See "THE MASTER LEASE PROGRAM." Failure to appropriate funds to make Lease Payments under any Additional Lease will, and certain events of default under an Additional Lease may, result in the termination of the Lease Term of all Leases, including the Series 2002B Lease. Upon any such termination of the Lease Term of all Leases, the School Board must surrender all but certain excluded Facilities, including the Series 2002B Facilities, to the Trustee for sale or re-letting of the Trustee's interest. The proceeds of any such disposition of Series 2002B Facilities will be applied solely to the payment of the Series 2002B 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 2002B Facilities will produce sufficient amounts to pay the outstanding Series 2002B 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 2002B 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 2002B CERTIFICATES - Optional Prepayment Price") of, all or a portion of the Facilities financed from the proceeds of any series of Certificates previously executed and delivered; (e) funding a Reserve Account in an amount equal to the applicable Reserve Account Requirement, if any; (f) capitalizing the interest portion of Basic Lease Payments during construction; or (g) paying the applicable Costs of Issuance. The aggregate principal amount of Additional Certificates which may be executed and delivered under the provisions of the Trust Agreement is not limited, except as may be provided with respect to a particular series of Additional Certificates in any Supplemental Trust Agreement creating such series.

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

As noted under the caption "INTRODUCTION," with respect to the Series 1994A Prior Lease, the Series 1995A Prior Lease, Series 1996A Prior Lease, the Series 2000A Prior Lease, the 2001A Prior Leases and the Series 2002A Prior Leases, the Corporation authorized and the Trustee executed and delivered the Series 1994A Prior Certificates in the original principal amount of \$62,095,000, \$7,555,000 aggregate principal amount of which are currently outstanding; the Series 1995A Prior Certificates in the original principal amount of \$133,600,000, \$105,805,000 aggregate principal amount of which are currently outstanding; the Series 1996A Prior Certificates in the original principal amount of \$32,155,000, \$26,945,000 aggregate principal amount of which are currently outstanding; the Series 1997A Prior Certificates (the proceeds of which were applied to advance refund a portion of the Series 1994A Prior Certificates) in the original principal amount of \$47,145,000, \$45,575,000 aggregate principal amount of which are currently outstanding; the Series 2001A Prior Certificates in the original principal amount of \$135,500,000, all of which are currently outstanding; the Series 2001B Prior Certificates in the original principal amount of \$169,445,000, all of which are currently outstanding; and the Series 2002A Prior Certificates in the original principal amount of \$115,250,000, all of which are currently outstanding and expects to issue approximately \$110,000,000 of new Certificates prior to June 30, 2002.

Optional Prepayment Price

The School Board has the right to prepay all or a portion of the Basic Lease Payments represented by the Series 2002B Certificates and in connection therewith remove all or a portion of the Series 2002B Facilities from the Series 2002B Lease and from the lien of the Series 2002B Ground Lease by paying the Purchase Option Price for the specific Series 2002B Facilities being purchased or, to the extent permitted by law, by substituting other Facilities for the Series 2002B Facilities being acquired. No such partial prepayment of the Series 2002B Certificates which is accomplished by the removal of the Series 2002B Facilities from the Series 2002B Lease and from the lien of the Series 2002B Ground Lease may be made without the prior consent of the Insurer. The Purchase Option Price, as of each Lease Payment Date, is: (i) the Basic Lease Payment then due plus the amount designated in the Series 2002B Lease; (ii) minus any credits pursuant to the provisions of the Series 2002B Lease; (iii) plus an amount equal to the interest to accrue with respect to the Series 2002B Certificates to be prepaid from such Lease Payment Date to the next available

date for prepaying the Series 2002B Certificates; (iv) plus an amount equal to any other amounts then due and owing under the Series 2002B Lease, including any prepayment premiums payable on the Series 2002B 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 2002B LEASE - TERMINATION OF LEASE TERM" AND "EFFECT OF TERMINATION FOR NON-APPROPRIATION OR DEFAULT." THERE CAN BE NO ASSURANCE THAT THE REMEDIES AVAILABLE TO THE TRUSTEE IN THE EVENT OF NON-APPROPRIATION WILL PRODUCE SUFFICIENT AMOUNTS TO FULLY PAY THE OUTSTANDING SERIES 2002B CERTIFICATES OR REIMBURSE THE INSURER FOR PAYING SUCH SUMS.

Standby Purchase Agreement

As described under the caption "THE SERIES 2002B CERTIFICATES -- Purchase of Series 2002B Certificates," in certain circumstances, owners of the Series 2002B Certificates may elect or be required to tender their Series 2002B Certificates for purchase. Pursuant to the Standby Purchase Agreement, the Bank has agreed, upon and subject to the terms and conditions of the Standby Purchase Agreement, to provide funds to the Tender Agent in an amount equal to the aggregate Tender Price of all or such portion of Eligible Certificates (as defined in the Standby Purchase Agreement) that are tendered to the Tender Agent. Funds provided under the Standby Purchase Agreement will be applied to purchase Series 2002B Certificates for the Bank's account. The Standby Purchase Agreement secures only the payment of the Tender Price and does not secure payment of the principal portion of or premium, if any, or interest portion on the Series 2002B Certificates. See "SUMMARY OF CERTAIN PROVISIONS OF THE STANDBY PURCHASE AGREEMENT."

Information regarding the Bank, which has been supplied by the Bank, is contained under the caption "LIQUIDITY PROVIDER."

Municipal Bond Insurance

The scheduled payment of principal portion and interest portion of Basic Lease Payments represented by the Series 2002B Certificates when due will be insured by an insurance policy (the "Policy") to be issued by Financial Security Assurance Inc. simultaneously with the delivery of the

Series 2002B Certificates. See "MUNICIPAL BOND INSURANCE" herein and APPENDIX E hereto. The Policy does not insure payment of the purchase price of the Series 2002B Certificates.

No Reserve Account for Series 2002B Certificates

There is no Reserve Account for the Series 2002B 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."

LIQUIDITY PROVIDER

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

Dexia is a subsidiary of the Dexia Group, which was created in 1996. The Dexia Group is a major European banking organization that is the product of several cross-border mergers. Dexia is an authentically European bank in terms of both its management organization and the scope of its different lines of business. The Dexia Group is listed on the Brussels, Paris and Luxembourg stock exchanges. With a stock market capitalization of more than 17 billion euros as of March 14, 2001, the Dexia Group ranks in the top third of the Euronext 100 companies.

Dexia specializes in the Dexia Group's first line of business—public and project finance and financial services for the public sector. Worldwide, Dexia federates group entities involved in this business and spearheads their development. Dexia has recognized expertise in local sector financing and project finance. It is backed by a network of specialized banks, which employ 2,500 professionals.

Through this network of subsidiaries, affiliates and branches, Dexia is present in almost all of the countries of the European Union. It is progressively expanding its activities to Asia Pacific, South America and the Caribbean, and countries around the Mediterranean. Dexia, known as Dexia Public Finance Bank until March 8, 2001, is a bank with its principal office located in Paris, France. In issuing the facility, Dexia will act through its New York Agency, which is licensed by the Banking Department of the State of New York as an unincorporated agency of Dexia Credit Local, Paris. Dexia is the leading local authority lender in Europe, funding its lending activities in 2000 primarily through the issuance of euro and U.S. dollar-denominated bonds. In 2000, total funding raised by Dexia and Dexia Municipal Agency was 11 billion euros.

The acquisition by the Dexia Group of Financial Security Assurance Holdings Ltd. ("FSA Holdings"), the holding company for FSA was completed on July 5, 2000. As of December 31, 2000, Dexia had total consolidated assets of 145.9 billion euros, outstanding medium and long term loans to customers of 117.6 billion euros and shareholders' equity of nearly 2.8 billion euros (Tier I plus Tier II), and for the year then ended had consolidated net income of 578 million euros, determined in accordance with generally accepted accounting principles in France. Dexia maintains its records and prepares its financial statements in euros. At December 31, 2000, the exchange rate was 1.0000 euro equals 0.9305 United States dollar. Such exchange rate fluctuates from time to time. Dexia is rated Aa2 long-term and P-1 short-term by Moody's, AA long-term and A-1+ short-term by S&P, and AA+ long-term and F1+ short-term by Fitch.

Dexia will provide without charge a copy of its most recent publicly available annual report. Written requests should be directed to: Dexia Credit Local, New York Agency, 445 Park Avenue, 8th Floor, New York, New York 10022, Attention: General Manager. The delivery of this information shall not create any implication that the information contained or referred to herein is correct as of any time subsequent to its date.

SUMMARY OF CERTAIN PROVISIONS OF THE STANDBY PURCHASE AGREEMENT

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

Definitions

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

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

"*Available Interest Commitment*" initially means Seven Million Ninety-one Thousand Six Hundred Fifty-five Dollars (\$7,091,655) (an amount equal to one hundred eighty-seven (187) days' interest (calculated on the actual number of days elapsed based on a year of 365 days), computed as if the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates bore interest at the rate of twelve percent (12%) per annum) and thereafter means such amount adjusted from time to time as follows: (a) downward by an amount that bears the same proportion to such amount as the amount of any reduction in the Available Principal Commitment bears to the Available Principal Commitment prior to such reduction; and (b) upward by an amount that bears the same proportion to such amount as the amount of any increase in the Available Principal Commitment pursuant to clause (c) of the definition of "Available Principal Commitment" bears to

the Available Principal Commitment prior to such increase; provided that after giving effect to such adjustment the available interest commitment shall never exceed Seven Million Ninety-one Thousand Six Hundred Fifty-five Dollars (\$7,091,655). Any adjustments pursuant to clauses (a) and (b) above shall occur simultaneously with the event requiring such adjustment.

"Available Principal Commitment" initially means One Hundred Fifteen Million Three Hundred Fifty Thousand Dollars (\$115,350,000) and thereafter means such amount adjusted from time to time as follows: (a) downward by the amount of any reduction of the Available Principal Commitment pursuant to Section 2.03 of the Standby Purchase Agreement; (b) downward by the principal amount of any Series 2002B Certificates purchased by the Bank pursuant to Section 2.02 of the Standby Purchase Agreement; and (c) upward by the principal amount of any Series 2002B Certificates theretofore purchased by the Bank pursuant to Section 2.02 of the Standby Purchase Agreement, which are resold by a holder of Purchased Certificates pursuant to Section 2.04(b) of the Standby Purchase Agreement, or which cease to bear interest at the Purchased Certificate Rate (as defined in the Standby Purchase Agreement) pursuant to Section 2.04(d) of the Standby Purchase Agreement; provided that after giving effect to such adjustment the Available Principal Commitment shall never exceed One Hundred Fifteen Million Three Hundred Fifty Thousand Dollars (\$115,350,000). Any adjustments pursuant to these clauses shall occur simultaneously with the event requiring such adjustment.

"Defaulted Interest" means accrued interest payable on a Series 2002B Certificate which was not paid when due under the terms of the Trust Agreement.

"Eligible Certificate" means the portion of any Series 2002B Certificates representing interest at a variable rate, other than Series 2002B Certificates owned by, for the account of, or on behalf of, the School Board and excludes, in any event, Purchased Certificates and Series 2002B Certificates that have been removed from coverage under the Standby Purchase Agreement by prepayment, defeasance or substitution of an Alternate Liquidity Facility.

"Insurer Event of Insolvency" means the occurrence and continuance of one or more of the following events: (a) the issuance, under Article 74 of the Insurance Law of New York or any successor provision thereto (or any other law under which the Insurer is at the time organized), of an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution of the Insurer that is not dismissed within 90 days; (b) the commencement by the Insurer of a voluntary case or other proceeding seeking an order for relief, liquidation, rehabilitation, conservation, reorganization or dissolution with respect to itself or its debts under the laws of the state of incorporation or formation of the Insurer or any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for itself or any substantial part of its property; (c) the consent of the Insurer to any relief referred to in the preceding clause (b) in an involuntary case or other proceeding commenced against it; (d) the making by the Insurer of an assignment for the benefit of creditors; (e) the failure of the Insurer to generally pay its debts or claims as they become due; or (f) the initiation by the Insurer of any actions to authorize any of the foregoing; provided that any

failure by the Insurer to make payment on any municipal bond insurance policy (i) that is being contested in good faith or (ii) with respect to which 30 days have not elapsed, shall not constitute a failure by the Insurer to generally pay its debts or claims as they become due.

"*Purchase Period*" means the period from the Effective Date (as defined in the Standby Purchase Agreement) to and including the earliest of 5:00 p.m. on (i) March 20, 2007, (ii) the date of receipt by the purchaser of a certificate signed by the Trustee stating that the Standby Purchase Agreement has been terminated pursuant to the terms of the Trust Agreement because (a) an Alternate Liquidity Facility has been provided and become effective under the Trust Agreement, (b) no Series 2002B Certificates remain Outstanding under the Trust Agreement or (c) all of the Series 2002B Certificates have been converted to a non-covered interest rate, (iii) the date specified in a written notice delivered by the School Board to the purchaser that the School Board has elected to terminate the Standby Purchase Agreement pursuant to Section 8.07(b) thereof or (iv) the Purchase Termination Date.

"*Purchase Price*" means an amount equal to 100% of the unpaid principal amount of any Tendered Series 2002B Certificate, plus accrued and unpaid interest thereon from and including the Interest Payment Date (as defined in the Standby Purchase Agreement) next preceding the Purchase Date thereof, in each case without premium to the date of purchase; provided, however, that if the date of purchase is an Interest Payment Date, then the Purchase Price shall not include accrued and unpaid interest; and provided, further that the aggregate amount of the Purchase Price constituting the Interest Component (as defined in the Standby Purchase Agreement) shall not exceed the amount specified in Section 2.01 of the Standby Purchase Agreement.

"*Purchase Termination Date*" means the date on which the Bank is no longer required to purchase Tendered Series 2002B Certificates pursuant to Section 7.02(a), (b) or (c) of the Standby Purchase Agreement.

"*Purchased Certificates*" means each Series 2002B Certificate purchased with funds provided by the Bank under the Standby Purchase Agreement, until such Series 2002B Certificates are remarketed in accordance with Section 2.04(b) of the Standby Purchase Agreement or cease to bear interest at the Purchased Certificate Rate pursuant to Section 2.04(c) of the Standby Purchase Agreement. "*Purchased Certificates*" are defined as "*Provider Certificates*" in the Trust Agreement.

"*Related Documents*" means the Trust Agreement, Series 2002B Lease, Series 2002B Ground Lease, Series 2002B Assignment, the Series 2002B Certificates, the Policy, the Remarketing Agreement and the Certificate Purchase Agreement.

Commitment to Purchase Certificates

The Bank has agreed, on the terms and subject to the satisfaction of the conditions contained in the Standby Purchase Agreement, to extend credit to the School Board through the purchase of Tendered Certificates, for the Bank's own account, from time to time during the Purchase Period at

the Purchase Price. The aggregate principal amount (or portion thereof) of any Series 2002B Certificate purchased by the Bank on any Purchase Date shall be an authorized denomination applicable to Eligible Certificates pursuant to the Trust Agreement, and the aggregate principal amount of all Series 2002B Certificates purchased on any Purchase Date shall not exceed the Available Principal Commitment on such date. The aggregate amount of the Purchase Price comprising interest on the Series 2002B Certificates purchased on any Purchase Date shall not exceed the lesser of (i) the Available Interest Commitment on such date and (ii) the actual aggregate amount of interest accrued on each such Series 2002B Certificate, other than Defaulted Interest, to such Purchase Date; provided, however, that in the event the Purchase Date is also an Interest Payment Date for the Series 2002B Certificates to be purchased, no accrued interest on such Series 2002B Certificates shall be included in the Purchase Price. Any Series 2002B Certificates so purchased shall thereupon constitute Purchased Certificates and shall, from the date of such purchase and while they are Purchased Certificates, bear interest at the Purchased Certificate Rate and have other characteristics of Purchased Certificates as set forth in the Standby Purchase Agreement and in the Trust Agreement.

The Bank's commitment under the Standby Purchase Agreement is limited to the purchase of Tendered Certificates, and does not cover the payment of principal of, premium, if any, or interest on the Purchased Certificates.

In the event that the Bank purchases any Tendered Certificate in accordance with the provisions of Section 2.01 of the Standby Purchase Agreement, the Bank shall be entitled to exercise all of the rights of and shall be secured to the same extent as, any other holder of Series 2002B Certificates under the Trust Agreement, including, without limitation, the right to receive payments of principal and interest, all rights with respect to payments under the Policy, the right to have such Purchased Certificates remarketed pursuant to the Trust Agreement and the Remarketing Agreement and all rights under the Trust Agreement upon the occurrence and continuation beyond any applicable grace period of any "event of default" under the Trust Agreement.

Mandatory Reduction of Commitment

Upon (i) any redemption, prepayment or other payment pursuant to the Trust Agreement of all or any portion of the principal amount of the Series 2002B Certificates (other than Purchased Certificates) such that such Series 2002B Certificates cease to be Outstanding or (ii) any conversion of all or a portion of the Series 2002B Certificates to a Non-Covered Interest Rate pursuant to Sections 202 and 204 of the Series 2002B Supplemental Trust Agreement, the aggregate Available Principal Commitment shall automatically be reduced by the principal amount of such Series 2002B Certificates so redeemed, paid, deemed paid or converted, as the case may be, and the Available Interest Commitment shall also be simultaneously reduced as provided in the definition thereof. The Trustee shall notify the Bank within one (1) Business Day of such redemption, repayment or other payment or conversion of the Series 2002B Certificates.

Events of Termination

Each of the following constitutes an "Event of Termination" under the Standby Purchase Agreement:

(a) Any principal or interest due on the Series 2002B Certificates is not paid when due and such principal or interest is not paid by the Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Policy; or

(b) The Insurer, in writing to the Trustee, claims that the Policy with respect to the payment of principal or interest on the Series 2002B Certificates is not valid and binding on the Insurer, and repudiates the obligations of the Insurer under the Policy with respect to payment of principal or interest with respect to the Series 2002B Certificates, or the Insurer initiates any legal proceedings seeking an adjudication that the Policy, with respect to the payment of principal or interest with respect to the Series 2002B Certificates, is not valid and binding on the Insurer, or any court or governmental authority with jurisdiction to rule on the validity of the Policy announces, finds or rules that the Policy is not valid and binding on the Insurer; or

(c) The occurrence of an Insurer Event of Insolvency; or

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

(e) Any material representation or warranty made by the School Board under or in connection with the Standby Purchase Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(f) Non-payment of commitment fees due under Section 2.05 of the Standby Purchase Agreement (together with interest thereon at the default rate) within 10 days after the Trustee, the Insurer and the School Board have received written notice from the Bank that the same were not paid when due; or

(g) Non-payment of any other fees or amounts payable under the Standby Purchase Agreement (together with interest thereon at the default rate) within 20 days after written notice thereof to the School Board, the Trustee and the Insurer by the Bank; or

(h) The breach by the School Board of certain covenants of the Standby Purchase Agreement; or

(i) The breach by the School Board of any terms or provisions of the Standby Purchase Agreement (other than as specified in (h) above) which is not remedied within 30 days after written notice thereof shall have been received by the School Board and the Insurer by the Bank; or

(j) The School Board shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debts, or (ii) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the School Board shall make a general assignment for the benefit of its creditors; (iii) there shall be commenced against the School Board any case, proceeding or other action of a nature referred to in clause (A) above which (1) results in an order for such relief or in the appointment of a receiver or similar official or (2) remains undismissed, undischarged or unbonded for a period of 60 days; (3) there shall be commenced against the School Board any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (4) the School Board shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i) or (ii) above; or (iv) the School Board shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its Debts; or

(k) Any material provision of the Standby Purchase Agreement or any Related Document (other than the Policy) shall at any time for any reason cease to be valid and binding on the School Board or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the School Board or by any Governmental Authority having jurisdiction, or the School Board shall deny that it has any further liability or obligation under any such document, or such document is cancelled or terminated without the Bank's prior written consent; or

(l) The Insurer fails to maintain the Permitted Minimum COP Insurer Rating (as defined in the Standby Purchase Agreement) for a period of 30 consecutive days; or

(m) The occurrence of any "event of default" as defined in any of the Related Documents (which is not waived pursuant to the terms thereof) which is not otherwise described in the Standby Purchase Agreement, other than the failure of the Bank to provide funds for the purchase of Tendered Certificates when required by the terms and conditions of the Standby Purchase Agreement.

(n) The School Board shall have defaulted in the payment or performance of any obligation of a principal amount of \$5,000,000 or more which constitutes Debt, and such default permits the acceleration of the payment of moneys.

Remedies

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

(a) In the case of an Event of Termination specified in subsections (a), (c) or (d) in the immediately preceding section, the Available Commitment and Purchase Period and the obligation of the Bank to purchase Series 2002B Certificates will immediately terminate without notice or demand, and thereafter the Bank will be under no obligation to purchase Series 2002B Certificates.

(b) In the case of an Event of Termination specified in subsections (f), (g), (h) (as it relates to Section 6.01(g) of the Standby Purchase Agreement) or (j), (k), (l) or (n) in the immediately preceding section, the Bank may terminate the Available Commitment and Purchase Period by giving written notice to the Trustee, the Tender Agent, the School Board, the Remarketing Agent and the Insurer, specifying the date on which the Available Commitment and Purchase Period will terminate, which will be not less than 30 days from the date of receipt of such notice by the Trustee, and on and after the Purchase Termination Date, the Bank will be under no further obligation to purchase Series 2002B Certificates under the Standby Purchase Agreement.

(c) In the case of an Event of Termination specified in subsection (b) in the immediately preceding section, the Bank's obligations to purchase Series 2002B Certificates shall be immediately suspended without notice or demand and thereafter the Bank shall be under no obligation to purchase Series 2002B Certificates until the Available Commitment is reinstated as described in the Standby Purchase Agreement.

(d) During the pendency of a potential Event of Termination pursuant to subsection (c) (with respect to an order described in clause (a) of the definition of Insurer Event of Insolvency) or (d) in the immediately preceding section the Bank's obligations to purchase Series 2002B Certificates will be immediately suspended without notice or demand and thereafter the Bank will be under no obligation to purchase Series 2002B Certificates until the Available Commitment is reinstated as described in the Standby Purchase Agreement.

(e) In addition to the rights and remedies set forth in subsections (a), (b), (c) and (d) above, the Bank has certain other rights and remedies as set forth in the Standby Purchase Agreement.

MUNICIPAL BOND INSURANCE

THE FOLLOWING INFORMATION CONCERNING FINANCIAL SECURITY ASSURANCE INC. AND THE POLICY HAS BEEN OBTAINED FROM FINANCIAL SECURITY ASSURANCE INC. WHILE THE SCHOOL BOARD BELIEVES SUCH SOURCE IS RELIABLE, IT TAKES NO RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED UNDER THIS HEADING.

Bond Insurance Policy

Concurrently with the issuance of the Series 2002B Certificates, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy for the Series 2002B Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2002B Certificates when due as set forth in the form of the Policy included as an appendix to this Offering Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation and of Dexia Credit Local, the Bank delivering the Standby Bond Purchase Agreement. Dexia Credit Local is a direct wholly-owned subsidiary of Dexia, S.A. For additional information regarding Dexia Credit Local, see "Liquidity Provider." Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At December 31, 2001, Financial Security's total policyholders' surplus and contingency reserves were approximately \$1,593,569,000 and its total unearned premium reserve was approximately \$810,898,000 in accordance with statutory accounting principles. At December 31, 2001, Financial Security's total shareholders' equity was approximately \$1,698,672,000 and its total net unearned premium reserve was approximately \$669,534,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Offering Statement until the termination of the offering of the Series 2002B Certificates. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Series 2002B Certificates, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Series 2002B Certificates or the advisability of investing in the Series 2002B Certificates. Financial Security makes no representation regarding the Offering Statement, nor has it participated

in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Offering Statement.

THE SERIES 2002B FACILITIES

General Description

The Series 2002B Facilities consist of the lease purchase financing, acquisition and construction of certain educational facilities, the leasing of the Series 2002B Facility Sites by the School Board to the Corporation pursuant to the Series 2002B Ground Lease and the subleasing of the Series 2002B Facility Sites back to the School Board. All of the Series 2002B Facilities are or will be located within the District. Set forth below is a brief, general description of the schools and facilities comprising the Series 2002B Facilities. See "- Substitution of Series 2002B Facilities" below.

Belvedere Elementary Modernization / Replacement

This project encompasses the partial replacement and modernization of an elementary school, which is located in the central part of Palm Beach County in the City of West Palm Beach. New construction will include 9 kindergarten classrooms, 9 intermediate classrooms, 3 ESE classrooms, 5 resource rooms, 2 supplementary instruction rooms, music, art, 2 skills labs, physical education storage, covered play area, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. Remaining classrooms will be remodeled. Furniture, fixtures and equipment ("FFE") for this project is being financed by the Series 2002A Prior Certificates. The modernized school will have a student capacity of 750 and is scheduled to open in 2003.

Greenacres Elementary Modernization / Replacement

This school, located in the central part of Palm Beach County in the City of Greenacres, will have a recommended student capacity of 650 with a core capacity of 750. The modernized school will have 5 kindergarten classrooms, 11 primary classrooms, 7 intermediate classrooms, 4 ESE classrooms, 2 supplementary instruction rooms, music, art, 2 skills labs, physical education storage, covered play area, 5 regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. Remaining classrooms will be remodeled. FFE for this project is being financed by the Series 2002A Prior Certificates. This school is scheduled to open in 2003.

Jupiter Elementary Modernization / Replacement

This school, located in the northern part of Palm Beach County in the Town of Jupiter, will have a recommended student capacity of 750. The modernized school will have 5 kindergarten classrooms, 14 primary classrooms, 8 intermediate classrooms, 3 ESE classrooms, 2 supplementary instruction rooms, music, art, 2 skills labs, physical education storage, 5 regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. FFE for this project is being financed by the Series 2002A Prior Certificates. Remaining classrooms will be remodeled. This school is scheduled to open in fiscal year 2004.

Lantana Middle School Modernization / Replacement

This school, located in the central part of Palm Beach County in the Town of Lantana, will have a recommended student capacity of 1,018. The modernized school will have 16 general classrooms, 6 science demonstration classrooms, 2 ESE classrooms, 3 skills labs, 2 supplementary instruction rooms, music, art, gymnasium, 2 technology labs, 2 exploration labs, 5 regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. Remaining classrooms will be remodeled. FFE for this project is being financed by the Series 2002A Prior Certificates. This school is scheduled to open in 2004.

South Olive Elementary Modernization / Replacement

This school, located in the central part of Palm Beach County in the City of West Palm Beach, will have a recommended student capacity of 800. The school will have 5 kindergarten classrooms, 15 primary classrooms, 9 intermediate classrooms, 3 ESE classrooms, 2 supplementary instruction rooms, music, art, 2 skills labs, physical education storage, 5 regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. Remaining classrooms will be remodeled. FFE for this project is being financed by the Series 2002A Prior Certificates. This school is scheduled to open in fiscal year 2003.

West Palm Beach Area Middle School (98-EE)

This school, to be located in the central part of Palm Beach County, will have a recommended student capacity of 1,301. This new school will have 21 general classrooms, 7 science demonstration classrooms, 7 ESE classrooms, 3 ESE resource rooms, 3 skills labs, 3 supplementary instruction rooms, music, art, gymnasium, 2 business labs, 2 technology labs, 2 exploration labs, 5 regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. FFE for this project is being financed by the 2002 COP Series A. This school is scheduled to open in fiscal year 2004.

Boca Raton / Delray Area Middle School (98-gg)

This project includes the purchase of land and an existing building, located in the southern part of Palm Beach County, in the City of Boca Raton. The building has 134,440 gross square feet will be used as a middle school, which is scheduled to open in 2004.

Estimated Series 2002B Facilities Budget

The following table sets forth the School Board's current estimates of the cost of the Series 2002B Facilities. Actual costs may be greater or less than those shown.

<u>Project Description</u>	<u>Planning</u>	<u>Construction/ Acquisition</u>	<u>Land Acquisition</u>	<u>Total Project Cost</u>
Belvedere Elementary Modernization/Replacement	\$ 366,000	\$12,262,251		\$12,628,251
Greenacres Elementary Modernization/Replacement	315,000	11,843,098		12,158,098
Jupiter Elementary Modernization/Replacement	343,000	12,576,394		12,919,394
South Olive Elementary Modernization/Replacement	390,000	13,763,421		14,153,421
Lantana Middle School Modernization/Replacement	685,000	20,668,292		21,353,292
West Palm Beach Area Middle School (98-EE)	1,108,533	20,232,665		21,341,198
Boca Raton/Delray Area Middle School (98-GG) Site Acquisition			\$19,500,000	\$19,500,000
<hr/> Total	\$3,207,533	\$91,346,121	\$19,500,000	\$114,053,654

The foregoing reflects the current expectations of the School Board as of the date of this Offering Statement as to the nature, scope and cost of the Series 2002B Facilities and is subject to change and amendment.

Substitution of Series 2002B Facilities

To the extent permitted by law and with the prior consent of the Insurer, the School Board may substitute for any portion of the Series 2002B 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 2002B Facilities for which they are substituted (based on an MAI appraisal); (c) are of substantially equal usefulness as the Series 2002B Facilities to be replaced and provide essential governmental services; and (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances. In order to effect such substitution, Series 2002B Facilities or Series 2002B Facility Sites to be replaced will be released from the encumbrance of the Series 2002B Lease and Series 2002B Ground Lease and the Facilities to be substituted shall be incorporated into the Series 2002B Lease and Series 2002B Ground Lease.

ESTIMATED SOURCES AND USES OF FUNDS

It is estimated that proceeds received from the sale and delivery of the Series 2002B Certificates, will be used as follows:

Estimated Sources:

Principal Amount of Series 2002B Certificates	<u>\$115,350,000</u>
Total Sources of Funds	<u>\$115,350,000</u>

Estimated Uses:

Deposit to Series 2002B Acquisition Account	\$114,053,654
Series 2002B Certificates Cost of Issuance ⁽¹⁾	<u>1,296,346</u>
Total Uses of Funds	<u>\$115,350,000</u>

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- (1) Includes, without limitation, underwriters' discount, bond insurance premium, fees related to the issuance of the Standby Purchase Agreement, interest rate swap insurance, printing costs, legal, accounting and financial advisory fees and other costs associated with the issuance of the Series 2002B Certificates.

COMBINED CERTIFICATE PAYMENT

Payment requirements on the Prior Certificates and the Series 2002B Certificates are as follows:

Certificate Year Ending August 1	Series 1994A Prior Certificates	Series 1995A Prior Certificates	Series 1996A Prior Certificates	Series 1997A Prior Certificates	Series 2001A Prior Certificates	Series 2001B Prior Certificates	Series 2002A Certificates	Series 2002B Certificates ⁽¹⁾			Combined Total
								Principal Portion	Interest Portion	Total	
2002	\$2,812,767.50	\$10,922,387.50	\$2,663,565.00	\$2,558,977.50	\$7,343,466.26	\$10,241,578.33	\$ 4,692,193.75	--	\$ 1,853,419.15	\$ 1,853,419.15	\$ 43,088,354.99
2003	2,813,892.50	10,921,862.50	2,665,285.00	2,560,002.50	7,337,816.26	8,994,625.00	10,213,387.50	--	5,239,807.07	5,239,807.07	50,746,678.33
2004	2,814,280.00	10,919,952.50	2,662,885.00	2,560,212.50	9,065,936.26	8,993,725.00	10,317,437.50	--	5,132,305.69	5,132,305.69	52,466,734.45
2005		10,920,472.50	2,666,245.00	5,374,415.00	8,888,486.26	8,996,012.50	10,302,237.50	--	5,145,028.88	5,145,028.88	52,292,897.64
2006		10,918,572.50	2,664,745.00	5,369,275.00	8,221,666.26	8,991,802.50	10,302,037.50	--	5,145,155.98	5,145,155.98	51,613,254.74
2007		10,919,772.50	2,664,745.00	5,374,875.00	7,479,166.26	8,995,922.50	10,306,587.50	--	5,145,155.98	5,145,155.98	50,886,224.74
2008		10,921,272.50	2,664,420.00	5,375,025.00	7,811,831.26	8,993,235.00	10,225,087.50	--	5,226,956.78	5,226,956.78	51,217,828.04
2009		10,923,307.50	2,663,360.00	5,374,180.00	7,149,031.26	8,994,016.26	10,303,887.50	--	5,145,028.88	5,145,028.88	50,552,811.38
2010		10,918,887.50	2,666,140.00	5,376,540.00	7,405,581.26	8,993,016.26	10,305,637.50	--	5,145,155.98	5,145,155.98	50,810,958.48
2011		10,920,231.25	2,662,050.00	5,371,030.00	7,145,131.26	8,994,666.26	10,306,075.00	--	5,145,155.98	5,145,155.98	50,544,339.74
2012		10,918,462.50	2,665,900.00	5,377,030.00	7,139,093.76	8,994,351.26	10,315,875.00	--	5,132,305.69	5,132,305.69	50,543,018.19
2013		10,922,506.25	2,663,700.00	5,372,885.00	7,141,653.76	8,991,276.26	10,303,875.00	--	5,145,028.89	5,145,028.89	50,540,925.15
2014		10,920,750.00	2,665,450.00	5,370,212.50	7,142,578.76	8,996,086.26	10,212,956.26	--	5,239,807.07	5,239,807.07	50,547,840.83
2015		10,922,118.75	2,665,600.00	5,373,012.50	7,136,818.76	8,993,251.26	10,305,012.50	--	5,145,155.98	5,145,155.98	50,540,969.74
2016			2,663,875.00		13,964,558.76	18,462,931.26	10,314,050.00	--	5,132,305.69	5,132,305.69	50,537,720.69
2017					13,969,833.76	21,121,618.76	10,305,062.50	--	5,145,028.88	5,145,028.88	50,541,543.88
2018					13,968,358.76	21,127,500.00	7,235,250.00	\$ 3,045,000.00	5,145,155.98	8,190,155.98	50,521,264.74
2019					13,968,233.76	21,127,500.00		10,420,000.00	5,010,007.84	15,430,007.84	50,525,741.60
2020					13,969,203.76	21,121,750.00		10,810,000.00	4,619,037.20	15,429,037.20	50,519,990.96
2021					13,965,543.76	21,128,750.00		11,370,000.00	4,064,962.30	15,434,962.30	50,529,256.06
2022					13,963,143.76	21,131,000.00		11,875,000.00	3,557,969.90	15,432,969.90	50,527,113.66
2023					13,966,593.76	21,126,750.00		12,410,000.00	3,028,328.74	15,438,328.74	50,531,672.50
2024					13,964,375.00	21,129,250.00		12,970,000.00	2,468,650.01	15,438,650.01	50,532,275.01
2025					11,183,968.76	21,126,000.00		13,510,000.00	1,931,032.41	15,441,032.41	47,751,001.17
2026					32,641,312.50			14,150,000.00	1,294,314.83	15,444,314.83	48,085,627.33
2027								14,790,000.00	659,456.75	15,449,456.75	15,449,456.75
Totals	<u>\$ 8,440,940.00</u>	<u>\$152,890,556.25</u>	<u>\$39,967,965.00</u>	<u>\$66,787,672.50</u>	<u>\$275,933,383.98</u>	<u>\$335,766,614.67</u>	<u>\$166,266,650.01</u>	<u>\$115,350,000.00</u>	<u>\$111,041,718.53</u>	<u>\$226,391,718.53</u>	<u>\$1,272,445,500.79</u>

(1) Assumes an issue size of \$115,350,000 and a true interest cost of 4.53%. The Interest Portion reflects an estimate of remarketing and liquidity facility fees.

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 2002B Lease is one of the nine leases entered into under the Master Lease and provides for the leasing of the Series 2002B Facilities by the Corporation to the School Board. See "THE SERIES 2002B LEASE" and "THE SERIES 2002B 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 and expects to lease certain facilities pursuant to the Series 2002B Lease to be funded from the proceeds of the Series 2002B Certificates. Pursuant to the Series 1994A Prior Lease, the School Board is lease-purchasing two elementary schools, two middle schools and a learning center, all of which were completed as of March, 1996. Pursuant to the Series 1995A Prior Lease, the School Board is lease-purchasing six elementary schools, one middle school, one high school and various classroom additions to three other schools, all of which were completed as of August, 1998. Pursuant to the Series 1996A Prior Lease, the School Board is lease-purchasing two middle schools, both of which were completed as of August, 1998. Pursuant to the Series 2000A Prior Lease, the School Board is lease purchasing a high school replacement, a new middle school, six new elementary schools and additions to three other elementary schools, all of which are expected to be completed by the end of the 2002-03 Fiscal Year. Pursuant to the Series 2001A Prior Leases, the School Board is lease purchasing eight new elementary schools, the replacement of one elementary school, modernization and replacement of one elementary school and classroom addition at one high school and districtwide portable classroom replacement, all of which are expected to be completed by the end of the 2003-04 Fiscal Year. Pursuant to the Series 2002A Prior Leases, the School Board is lease purchasing a new high school, a central bus compound and sites for additional schools, all of which are expected to be completed by the end of the 2003-04 Fiscal Year.

The School Board may arrange for one or more lease purchase financings of additional educational facilities under the Master Lease in future Fiscal Years. See "SECURITY FOR THE SERIES 2002B 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 2002B Lease or any other Leases.

THE SERIES 2002B LEASE

The following is a brief summary of certain provisions of the Series 2002B 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 2002B Lease is entered into pursuant to the authority granted under Chapters 230, 235, 236 and 237, Florida Statutes, as amended, for the purpose of providing for the acquisition, construction and lease purchase financing of Series 2002B Facilities.

Lease Term

Under the Series 2002B Lease, the Corporation leases to the School Board, and the School Board leases from the Corporation, the Series 2002B Facilities. The Series 2002B Lease has an original Lease Term which commences on March 1, 2002 through and including June 30, 2002, and is automatically renewable annually thereafter through August 1, 2027, unless sooner terminated in accordance with the provisions of the Series 2002B Lease. See "THE SERIES 2002B LEASE - Termination of Lease Term."

Lease Payments

Subject to the conditions stated in the Series 2002B Lease, the School Board has expressed its current intent to make all Lease Payments due under the Series 2002B 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 LEASES FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE UNDER THE LEASES, AND THE SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. All Lease Payments due under the Leases will be made from current or other funds authorized by law and regulations of the State of Florida Department of Education and appropriated for such purpose by the School Board.

On June 30, 2002 and thereafter on January 5 and June 30 of each year, the Series 2002B Lease Payment Dates preceding each Series 2002B 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 2002B Certificate Payment. The School Board is also required to pay, when due, Additional Lease Payments and Supplemental Payments, consisting, among other things, of the fees and expenses of the Trustee and the Corporation. Lease Payments due under the Series 2002B Lease may be reduced, when applicable, by amounts credited as follows:

(a) The Trustee will deposit into the Series 2002B Lease Payment account interest income in accordance with the Trust Agreement and apply such interest income as a credit against the next ensuing Lease Payment to the extent provided in the Trust Agreement.

(b) The Trustee will deposit in the Series 2002B Lease Payment Account, as the case may be, Net Proceeds realized in the event of damage, destruction or condemnation to be applied to Basic Lease Payments under the Series 2002B Lease or the Prepayment Price of the Series 2002B Certificates.

Assignment of Lease to Trustee

Pursuant to the Series 2002B Assignment, substantially all right, title and interest of the Corporation in and to the Series 2002B Ground Lease and in and to the Series 2002B Lease, including the right to receive Basic Lease Payments thereunder, has been absolutely and unconditionally assigned by the Corporation to the Trustee for the benefit of the Series 2002B Certificate holders. The School Board has consented to such assignment.

Lease Covenants

Under the Series 2002B Lease, the School Board is responsible for acquisition, construction and installation of the Series 2002B Facilities pursuant to the specifications of the School Board, including the letting of all contracts for the acquisition, construction and installation of the Series 2002B Facilities. In the Series 2002B Lease, the School Board covenants that it will: (i) maintain the Series 2002B Facilities at all times during the Lease Term in good repair and condition; (ii) pay applicable taxes, utility charges and other governmental charges; and (iii) provide applicable insurance coverage, including property and liability insurance, all in accordance with the terms and provisions relating to these requirements, contained in the Series 2002B Lease.

Budget and Appropriation

The cost and expense of the performance by the School Board of its obligations under the Series 2002B Lease and under the Prior Leases and any Additional Leases and the incurrence of any liabilities of the School Board under the Series 2002B 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 2002B 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 2002B LEASE - Effect of Termination for Non-Appropriation or Default."

Termination and Defeasance of Lease Term

The Lease Term of the Leases, including the Series 2002B Lease, will either terminate or be defeased upon the earliest of any of the following events:

- (a) Each Lease, including the Series 2002B Lease, shall terminate on the latest Lease Payment Date set forth in any Lease;
- (b) All Leases, including the Series 2002B Lease, shall terminate in the event of non-appropriation of funds for the payment of Lease Payments as provided in said Leases;
- (c) All Leases, including the Series 2002B Lease, shall terminate upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to the Master Lease.
- (d) A particular Lease will terminate upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease by the School Board.

Effect of Termination for Non-Appropriation or Default

Upon termination of the Lease Term for the reasons referred to in (b) or (c) under "SERIES 2002B LEASE - Termination and Defeasance of Lease Term" above, the School Board is required to immediately surrender and deliver use, possession and control of all the Facilities (other than certain excluded Facilities) financed under all Leases to the Trustee in the condition, state of repair and appearance required under the Leases and in accordance with the Trustee's instructions. Upon such surrender, the Trustee (or other transferee) will attempt to sell or re-let its interest in such facilities in such manner and to such person or persons for any lawful purpose or purposes as it, in its sole discretion, determines to be appropriate. Unless the Insurer is in default of its obligations under the Policy, the Insurer is entitled to control and direct the rights and remedies of the Trustee. See "RISK FACTORS - No Right of Certificate Holders to Direct Remedies." The proceeds derived from any such sale or reletting of the School Board's leasehold interest in such Facilities, if any, will be applied first to the payment of the fees and expenses of the Trustee, second to payment in full of the Series of Certificates relating to such Facilities and then to the payment of other outstanding amounts as described in said Lease(s). The proceeds of any such disposition of the Series 2002B Facilities will be applied to the payment of the Series 2002B Certificates, in accordance with the terms of the Series 2002B Lease. See "RISK FACTORS - Limitation Upon Disposition; Ability to Sell or Relet." IN NO EVENT WILL OWNERS OF THE SERIES 2002B CERTIFICATES HAVE ANY INTEREST IN OR RIGHT TO ANY PROCEEDS OF THE DISPOSITION OF THE FACILITIES FINANCED WITH THE PROCEEDS OF ANOTHER SERIES OF CERTIFICATES EXCEPT FOR ANY CERTIFICATES ISSUED TO COMPLETE THE SERIES 2002B FACILITIES; NOR WILL THE HOLDERS OF ANY OTHER SERIES OF CERTIFICATES HAVE ANY INTEREST IN OR RIGHT TO ANY PROCEEDS OF THE DISPOSITION OF THE SERIES 2002B FACILITIES.

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 2002B Facilities will produce sufficient amounts to pay the Series 2002B Certificates. Federal income tax status of payments made to Series 2002B 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 2002B 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 2002B Certificates will not be impaired following termination of the Lease Term of the Leases. See "RISK FACTORS."

THE CORPORATION

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

There is no litigation pending against the Corporation.

Pursuant to the Series 2002B Assignment, the Corporation has made an absolute and unconditional assignment of substantially all its right, title and interest under the Series 2002B Lease to the Trustee, retaining its rights to indemnification, its right to hold title to the Series 2002B 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 2002B Certificates. The credit of the Corporation is not material to any of the transactions contemplated in this Offering Statement. No financial information concerning the Corporation has been included herein, nor is it contemplated that any such financial information will be included in any future Offering Statement relating to the sale of any Additional Certificates or other obligations of the School Board or the Corporation.

THE DISTRICT

General

The District is the fourteenth largest in the United States and the fourth largest in Florida as measured by student enrollment. The geographic boundaries of the District are coterminous with those of Palm Beach County, Florida (the "County"). The County, established in 1909, had a 2000 U.S. Census population of 1,131,184. It is the third largest county in Florida with a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 38 municipalities within the boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Lake Worth, Delray Beach and Boca Raton.

As of June 30, 2001, the District consisted of 147 schools, approximately 157,075 full time-equivalent ("FTE") students and 18,223 full and part-time employees, including approximately 9,706 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The Tax Collector of Palm Beach County, Florida (the "County Tax Collector") collects the ad valorem school tax for the District, but the County exercises no control over its expenditures.

Certain Statistical Information

The following table sets forth certain statistical information about the District. Statistical and demographic data concerning the County are set forth in Appendix A hereto.

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

<u>School Year</u>	<u># of Schools in Operation</u>	<u>Number of Instructional Personnel at Fiscal Year-End</u>	<u>Unweighted FTE Student^{s(1)}</u>	<u>Average Expenditure per FTE Student⁽²⁾</u>
2001-02	153			
2000-01	147	9,706	157,075	\$5,432
1999-00	143	9,657	161,670	5,280
1998-99	138	9,478	156,087	5,141
1997-98	138	8,608	150,719	4,825
1996-97	137	8,924	146,106	4,746
1995-96	133	8,389	141,629	4,831
1994-95	127	8,223	137,224	5,345

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

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

Growth Projections for FTE

The actual and estimated Full-Time Equivalent (FTE) Enrollment for School Years 1996-97 through 2001-02 were/are as follows:

<u>School Year</u>	<u>FTE Enrollment</u>	<u>Percentage Change</u>
1996-97 ⁽¹⁾	146,106	--
1997-98 ⁽¹⁾	150,719	3.2%
1998-99 ⁽¹⁾	156,087	3.6
1999-00 ⁽¹⁾	161,670	3.6
2000-01 ⁽²⁾	157,075	1.6
2001-02 ⁽³⁾	161,927	3.1

- (1) Actual.
- (2) Enrollment reduced in FY 01 due to transfer of FTE of adults to the community college.
- (3) Projected.

School District of Palm Beach County, Florida
Profile of Enrollments
Full-Time Equivalent Students⁽¹⁾
1997-2001

	<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>
Grades K-3	31,585	30,972	30,914	30,856	31,095
Grades 4-8	42,591	40,475	39,285	35,727	34,740
Grades 9-12	30,813	28,854	28,171	26,769	24,981
Exceptional Ed.	29,960	28,253	27,124	26,781	26,243
Vocational Ed.	7,327	7,532	7,144	6,745	6,831
At Risk Programs	<u>15,302</u>	<u>14,960</u>	<u>14,077</u>	<u>19,294</u>	<u>12,894</u>
Total	<u>157,578</u>	<u>151,046</u>	<u>146,715</u>	<u>146,172</u>	<u>136,784</u>

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

The School Board

The School Board is a public corporation existing under the laws of the State of Florida, particularly Section 230.21, Florida Statutes, and is the governing body of the District. The School Board consists of seven members elected from single member districts for overlapping four-year terms. The principal office of the School Board is located in West Palm Beach, Florida.

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

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

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

The Chairman of the School Board is elected by the members of the School Board annually.

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

The Superintendent of Schools

The chief executive officer of the District is the Superintendent of Schools (the "Superintendent"), is appointed by, and serves at the discretion of, the School Board and serves pursuant to negotiated contract. The Superintendent oversees operations of the school system, makes policy recommendations to the School Board and performs the duties assigned by law and the regulations of the State of Florida Department of Education.

The Superintendent prepares the annual budget for approval by the School Board, recommends the tax levy based upon needs illustrated by the budget, recommends debt issuance and borrowing plans of the District when necessary, provides recommendations for the investment of District funds and keeps records with respect to all funds and financial transactions of the District.

Biographical Information for Certain Administrators

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

Dr. Art Johnson accepted the responsibilities of Superintendent of Schools on March 28, 2001. Dr. Johnson, a lifelong educator, began his career as an elementary school teacher and later served as a principal at both the elementary and secondary levels. Dr. Johnson received his bachelor's degree from the University of South Florida. He received his master's degree and doctorate from Florida State University.

Bill Malone, Chief Operating Officer, joined the District in July 2000. Mr. Malone brought over 30 years of management experience to the District, 21 with the US Army Corps of Engineers, and 14 with the South Florida Water Management District. He has a Civil Engineering degree from Vanderbilt University.

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

Leanne Evans, Treasurer, joined the Palm Beach County School District in February 1997 with six years of cash management experience in private industry. Ms. Evans graduated from

Florida Atlantic University with a Bachelor of Business Administration in Finance and a Bachelor of Science in International Business. In addition, Ms. Evans has qualified for the Certified Cash Manager credential in Treasury Management.

Total School Personnel

The professional staff of the District includes approximately 10,269 teachers, supervisors, analysts, specialists, and administrators. 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, 2001 was 18,223, the largest number of employees of any one employer in the County.

Employee Relations

Approximately 53% of all employees of the District are represented by the Palm Beach County Classroom Teachers Association ("CTA"), which is affiliated with Florida Education Association-United. Another 39% are represented by non-instructional collective bargaining agents. While the School Board believes that the employee relations among all segments of the educational community have been satisfactory to resolving problems internally in the best interest of the District, it has been involved in a dispute with the CTA over salary increases. See "LITIGATION."

As of June 30, 2001, the Board employed 18,223 persons representing the following groups:

Instructional	9,706
School and District Administrators	563
Clerical, Police, Secretarial, Professional Staff	4,203
Bus, Custodial, Maintenance and Mechanics	2,803
Part-time hourly	949

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

Teachers	June 30, 2002
Clerical	June 30, 2002
Bus, Custodial, Maintenance and Mechanics	June 30, 2002
Police	June 30, 2002 and June 30, 2003

Accreditation

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

Budget Process

The Superintendent, with input from his staff, principals and interested community groups, prepares and submits to the School Board a recommended budget. The School Board adopts the recommended budget, with such modifications as it deems necessary, as the tentative budget for the District. After public hearings on the tentative budget, the School Board adopts a final budget and forwards it to the State of Florida Department of Education. When approved by the State of Florida Department of Education, the final budget is designated as the official budget and governs the general operations for the Fiscal Year, unless subsequently amended by the School Board. The budget for the Fiscal Year ending June 30, 2002 was adopted at a public hearing held on September 10, 2001. Revisions may be made to the adopted budget in accordance with Florida law and may be necessary in light of recent cuts in the State budget made by the Florida Legislature. See "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Special Session of the Florida Legislature."

Capital Improvement Program

The School Board requires the development of a continuous five-year Capital Improvement Program (the "CIP"). In each year, the CIP is reviewed and revised as necessary to reflect the District's long range capital construction program, additions to the capital construction program resulting from accelerated student enrollment growth and improvements and additions to non-school sites. An annual update of the CIP provides, upon approval by the School Board, a continuous five-year program. The most recent annual update of the CIP occurred in September 2001.

REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT

The following briefly describes revenues available to the District for operating and capital purposes, financial results of the District and certain District liabilities. For additional information concerning such matters see "APPENDIX B - GENERAL PURPOSE FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2001."

Operating Revenues of the District

The District derives its operating income from a variety of federal, state and local sources. The major categories of these income sources for the Operating Funds are briefly described below. See also "– Special Session of the Florida Legislature" below for information regarding certain reductions in State Funding.

State Sources

Florida Educational Finance Program. The major portion of State support is distributed under the provisions of the Florida Education Finance Program (FEFP), which was enacted by the State Legislature in 1973. Basic FEFP funds are provided on a weighted full-time equivalent student ("FTE") basis and through a formula that takes into account: (i) varying program costs; (ii) cost differentials between districts; (iii) differences in per-student costs due to the density of student population; and (iv) the required level of local support. Program cost factors are determined by the State Legislature. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in variables comprising the formula.

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

The FEFP revenues received by the District for Fiscal Year 2000-01 were \$237,902,000 and are expected to be \$257,549,774 in Fiscal Year 2001-02.

State Lottery Revenues. A portion of the revenues generated from the state lottery is distributed to each Florida school district. The District received \$12,425,285 lottery revenues for Fiscal Year 2000-01. The District budgeted \$11,295,830 of lottery revenues for Fiscal Year 2001-02.

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

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

Total state revenues from State Categorical Programs for the District's operations were \$49,233,777 for Fiscal Year 2000-01 and are projected to be \$57,094,886 in Fiscal Year 2001-02.

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 236, Florida Statutes, as amended, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's appropriation of FEFP funds for current operations must levy the millage certified by the Commissioner of the State of Florida Department of Education "required local effort," which is set each year by the State Legislature. In addition to the "required local effort," school districts are entitled to a non-voted current operating discretionary millage. Moreover, the 1994 State Legislature authorized school districts to levy not to exceed .25 mills for operating purposes designed to raise up to but not more than \$50 per full-time equivalent student. For districts that cannot raise \$50 per student from the .25 mills, the State will provide the difference. For Fiscal Years 2001 and 2002 the District levied 6.4870 mills and 6.5470 mills, respectively, under this provision. See "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - District Revenues for Capital Projects - Local Capital Outlay Sources."

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

Federal Sources

The District receives certain federal moneys, both directly and through the State, substantially all of which are restricted for specific programs. Direct federal revenue sources were \$6,297,294 in Fiscal Year 2000-01 and are projected to be \$6,400,000 in Fiscal Year 2001-02. Federal funds through the State totaled \$111,749,790 in Fiscal Year 2000-01 and are projected to be \$112,000,000 in Fiscal Year 2001-02. Such funds are not available to make Lease Payments on the Series 2002B Lease.

District Revenues for Capital Projects

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

State Sources

PECO. The primary source of State educational funding contributions for the District's capital outlay requirements is the Florida Public Education Capital Outlay Program (PECO). The method of allocating funds to the various school districts within the State is provided by State law based upon a statutory formula, a component of which is the number of students in the various districts. The State Commissioner of Education administers PECO and allocates or reallocates funds as authorized by law. PECO funds of \$16,439,442 were allocated to the District for Fiscal Year 2000-01. Funding in the amount of \$24,984,829 is budgeted for Fiscal Year 2001-02 based on State projections.

CO&DS Funds. The District receives a portion of the revenues generated by the State from the sale and renewal of motor vehicle licenses. The distributed revenues are designated as capital outlay and debt service (CO&DS) funds. CO&DS funds can be used by the District to make Lease Payments, but only if the facilities being lease-purchased appear on the project priority list approved by the State Board of Education. The District received \$810,662 of CO&DS funds in Fiscal Year 2000-01 and expects to receive \$700,000 of CO&DS funds in Fiscal Year 2001-02.

State Indebtedness on Behalf of the District

Capital Outlay Bonds. The State of Florida Board of Education Capital Outlay Bonds are serviced entirely by the State using a portion of the District's share of revenue derived from automobile registrations. The annual sinking fund requirements are determined by the State Board of Administration and amounts necessary to retire bonds and pay interest are withheld from amounts due to the District. At June 30, 2001, amounts withheld and in the custody of the State totaled \$1,406,069.

Classrooms First Program

On November 24, 1997, the Governor of the State signed into law a bill creating the "Public School Capital Outlay Program Act" (the "Act"). Among the several programs established by the Act is the "Classrooms First Program," which provides for the issuance by the State of revenue bonds, the proceeds of which will be distributed to the various school districts based upon a formula similar to the formula used in allocating PECO funds. The proceeds of such revenue bonds must be applied by a school district for new construction, remodeling, renovation or major repairs. If a school district certifies that it has no unmet need for permanent classroom facilities or if its unmet needs are less than its proposed allocation of the revenue bond proceeds, it may choose to receive an annual distribution of State lottery revenues in lieu of all or a portion of its allocation of State bond proceeds. Such annual distribution must be used to construct, renovate, remodel, repair or maintain educational facilities. Such funds, whether in the form of State revenue bond proceeds or annual distributions of State lottery revenues, may not be used to make lease purchase payments. In addition, in order to receive any of such State funds, a school district must fully bond all of its CO&DS funds allocation.

Local Capital Outlay Sources

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

The table below sets forth the millage levy that would provide 1.00x coverage of the maximum annual payments represented by the Prior Certificates and the Series 2002B Certificates, assuming a 95% collection of the taxes levied.

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

	Fiscal Year 2001-02
Net Taxable Assessed Valuation (2001)	\$79,634,180,000 ⁽¹⁾
Funds Generated from Local Option Capital Outlay Millage which are Available to Make Lease Payments	\$113,478,708 ⁽²⁾
Maximum Annual Lease Payments Represented by the Prior Certificates and the Series 2002B Certificates	\$52,466,734 ⁽³⁾
Millage Levy Required to Produce 1.00x Coverage of Maximum Annual Lease Payments represented by the Prior Certificates and the Series 2002B Certificates	0.92 ⁽²⁾⁽³⁾

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

- (1) 2001 tax year; prior to adjustments on appeals from taxpayers.
- (2) This number calculated using 95% of the net taxable assessed valuation and assuming only 75% of the Local Option Capital Outlay Millage levy is available to make payments represented by the Prior Certificates and the Series 2002B Certificates.
- (3) Assumes the issuance of \$115,350,000 aggregate principal amount of Series 2002B Certificates at a true interest cost of 4.53%.

General Obligation Debt. In addition to the School Board-set levies, qualified electors, by referendum, may vote an additional millage levy for District operation and capital outlay purposes, as prescribed by the Florida constitution and applicable statutes. Qualified electors within the District may authorize issuance of general obligation bonds to be retired by a millage levy. In 1986, the voters of the County approved the issuance of up to \$317,000,000 of general obligation bonds for school construction and renovation. The bonds were sold in two installments. The Series A Bonds, in the amount of \$250,000,000, were issued on September 3, 1987. The Series B Bonds, in the amount of \$67,000,000, were issued on June 28, 1989. In 1992, the District issued \$184,215,000 of general obligation refunding bonds to advance refund a portion of the outstanding Series A Bonds, a portion of which 1992 general obligation bonds are, in turn, being refunded from a 2002 general obligation refunding bond issue. In 1993 the District issued \$65,315,000 of the general obligation refunding bonds to advance refund all of the outstanding Series B Bonds. The District currently has no issuance capacity remaining under its general obligation school bond authorization for new projects. The approval of the majority of the qualified electors voting in a new referendum would

be required to issue additional general obligation debt for school construction and renovation. Principal and interest on the authorized and outstanding general obligation bonds is paid from ad valorem school district taxes levied on all taxable real and personal property within the District, excluding exempt property as required by Florida law. See "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Liabilities."

Financial Results

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

General Fund Revenue Sources

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

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

Fiscal Year Ended <u>June 30,</u>	Federal <u>Funds</u> ⁽²⁾	State <u>Funds</u>	Local <u>Funds</u> ⁽³⁾	Total <u>Revenue</u>
2002 ⁽⁴⁾	\$3,600,000	\$351,700,000	\$535,500,000	\$890,800,000
2001	3,400,000	364,000,000	490,000,000	857,400,000
2000	3,000,000	324,400,000	476,200,000	803,600,000
1999	2,400,000	320,300,000	477,900,000	800,600,000
1998	500,000	311,700,000	440,800,000	753,000,000

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

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

General Fund Operations

The following table summarizes results of operations for the general fund, special revenue fund and capital projects fund of the District for the Fiscal Years ended June 30, 1998 through June 30, 2001 and budgeted results of operations for Fiscal Year ending June 30, 2002.

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

	Results of Operations				Budget
	1998	1999	2000	2001	2002
Beginning Fund Balance:					
Encumbered	\$ 6.2	\$24.0	\$30.5	\$31.1	\$22.7
Categoricals	19.7	18.6	10.6	9.9	0.0
Unencumbered	<u>27.2</u>	<u>21.0</u>	<u>23.8</u>	<u>21.7</u>	<u>0.0</u>
Total	<u>\$53.1</u>	<u>\$63.6</u>	<u>\$64.9</u>	<u>\$62.7</u>	<u>\$22.7</u>
Revenues:					
Local Sources:					
Ad Valorem Taxes	\$410.1	\$437.8	431.4	452.2	444.5
Interest Income	12.6	23.6	27.4	19.6	10.9
Other Revenue	18.2	16.6	17.4	17.8	30.4
Transfers In	<u>38.6</u>	<u>37.5</u>	<u>37.6</u>	<u>0.0</u>	<u>30.2</u>
Total Local Sources	<u>\$479.5</u>	<u>\$515.5</u>	<u>\$513.8</u>	<u>\$489.6</u>	<u>\$516.0</u>
State Sources:					
FL Educ. Finance Pro. & Lottery	\$195.1	\$217.4	\$218.5	\$273.9	\$289.1
Categorical Grants	<u>116.6</u>	<u>102.9</u>	<u>105.9</u>	<u>90.2</u>	<u>73.6</u>
Total State sources	<u>\$311.7</u>	<u>\$320.3</u>	<u>\$324.4</u>	<u>\$364.1</u>	<u>\$362.7</u>
Federal Sources	<u>0.5</u>	<u>2.4</u>	<u>3.0</u>	<u>3.4</u>	<u>2.4</u>
Total Revenues	<u>\$791.7</u>	<u>\$838.2</u>	<u>\$841.2</u>	<u>\$857.1</u>	<u>\$881.1</u>
Total Rev. & Fund Balance	<u>\$844.8</u>	<u>\$901.8</u>	<u>\$906.1</u>	<u>\$919.8</u>	<u>\$903.8</u>
Expenditures:					
Salaries	\$556.1	\$578.4	\$547.6	\$579.9	\$581.6
Employee Benefits	114.2	127.0	150.8	162.6	174.6
Purchased Services	41.0	63.4	45.7	47.5	56.1
Other Non-personnel	68.0	67.1	98.5	106.6	108.6
Transfer Out	<u>2.0</u>	<u>1.0</u>	<u>.8</u>	<u>0.0</u>	<u>0.0</u>
Total Expenditures	<u>\$781.3</u>	<u>\$836.9</u>	<u>\$843.4</u>	<u>\$896.6</u>	<u>\$920.9</u>
Excess of Revenues Over (Under)					
Expenditures	10.4	1.3	(2.2)	(39.5)	(39.8)
Ending Fund Balance:					
Encumbered	\$ 8.7	\$ 9.8	\$ 7.1	\$ 5.6	\$ 0.0
Reserved for Inventory	7.3	8.3	11.0	12.5	0.0
Reserved for Board Contingency	8.0	12.4	13.0	29.3	22.7
Reserved for Carryover Programs	7.3	6.3	3.6	4.9	0.0
Designed for Local Categoricals	11.2	4.3	6.3	5.7	0.0
Unencumbered	<u>21.0</u>	<u>23.8</u>	<u>21.7</u>	<u>3.8</u>	<u>0.0</u>
Total Fund Balance	<u>63.5</u>	<u>64.9</u>	<u>62.7</u>	<u>61.8</u>	<u>22.7</u>
Total Expenditure & Fund Balance	\$844.8	\$901.8	\$906.1	\$958.4	\$943.6

Source: Results of operations derived from the general purpose financial statements of the School District of Palm Beach County, Florida for the 1998-2001 Fiscal Years. Budget numbers derived from the District.

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

	Results of Operations				Budget
	1998	1999	2000	2001	2002
REVENUES:					
Local Sources:					
Food service sales	\$ 13.3	\$ 14.3	\$ 15.2	\$ 17.1	\$ 16.9
Interest income and other	<u>3.9</u>	<u>2.2</u>	<u>4.7</u>	<u>7.3</u>	<u>8.1</u>
Total Local Sources	<u><u>\$ 17.2</u></u>	<u><u>\$ 16.5</u></u>	<u><u>\$ 19.9</u></u>	<u><u>\$ 24.4</u></u>	<u><u>\$ 25.0</u></u>
State Sources					
food service grants	1.2	2.3		0.9	1.0
			<u>3.9</u>	<u>5.8</u>	<u>1.7</u>
Total State Sources	<u>1.2</u>	<u>2.3</u>	<u>3.9</u>	<u>6.7</u>	<u>2.7</u>
Federal Sources:					
Federal grants	\$ 56.2	\$ 69.3	\$ 81.8	89.2	\$ 90.7
Food service	<u>21.6</u>	<u>23.9</u>	<u>24.5</u>	<u>25.4</u>	<u>25.8</u>
Total Federal Sources	<u><u>\$ 77.8</u></u>	<u><u>\$ 93.2</u></u>	<u><u>\$106.3</u></u>	<u><u>\$ 114.6</u></u>	<u><u>\$116.5</u></u>
TOTAL REVENUES	<u><u>\$ 96.2</u></u>	<u><u>\$112.0</u></u>	<u><u>\$130.1</u></u>	<u><u>\$145.7</u></u>	<u><u>\$144.2</u></u>
EXPENDITURES:					
Current:					
Instructional services	\$ 16.5	\$ 17.7	\$ 24.0	\$ 37.4	\$ 38.8
Instructional support services	18.5	29.8	29.6	24.1	30.4
Pupil transportation services	0.1	0.1	0.0	0.2	0.1
Operation and maintenance of plant	0.5	0.3	0.3	0.8	1.6
School administration	0.4	0.3	0.6	0.2	0.4
General administration	1.0	1.5	1.8	2.0	3.3
Food service	33.4	22.5	39.6	43.8	0.0
Community services and other	19.3	35.8	32.3	35.3	40.1
Capital Outlay:					
Facilities acquisition and construction	0.2	0.0	0.0	0.1	0.3
Other capital outlay	<u>4.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>0.2</u>
Total Expenditures	<u><u>\$ 94.2</u></u>	<u><u>\$108.2</u></u>	<u><u>\$128.3</u></u>	<u><u>\$143.9</u></u>	<u><u>\$115.2</u></u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1.9	3.8	1.8	1.8	29.0
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0.0	0.6	0.0	0.0	0.0
Operating transfers out	<u>(0.6)</u>	<u>(0.5)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Other Financing Sources (Uses)	<u><u>(0.6)</u></u>	<u><u>(0.1)</u></u>	<u><u>0.0</u></u>	<u><u>0.0</u></u>	<u><u>0.0</u></u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1.3	3.9	1.8	1.8	29.0
Beginning Fund Balances	<u>4.2</u>	<u>5.5</u>	<u>9.4</u>	<u>11.2</u>	<u>10.3</u>
Ending Fund Balances	<u><u>\$ 5.5</u></u>	<u><u>\$ 9.4</u></u>	<u><u>\$ 11.2</u></u>	<u><u>\$ 13.0</u></u>	<u><u>\$ 39.3</u></u>

Source: Results of operations derived from the general purpose financial statements of the School District of Palm Beach County, Florida for the 1998-2001 Fiscal Years. Budget numbers derived from the District.

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

	Results of Operations				Budget
	1998	1999	2000	2001	2002
REVENUES:					
Local Sources:					
Ad valorem taxes	\$116.1	\$121.9	\$130.9	\$139.4	\$151.3
Interest income and other	21.7	11.5	37.0	28.2	18.0
Total Local Sources	<u>\$137.8</u>	<u>\$133.4</u>	<u>\$167.9</u>	<u>\$167.6</u>	<u>\$169.3</u>
State Sources:					
Capital outlay distributed to					
District - net	\$ 1.1	\$ 0.9	\$ 0.8	\$ 0.8	\$ 0.7
Public education capital outlay	18.6	9.7	6.7	2.3	25.0
Classrooms first program	0.0	17.3	69.8	42.9	0.0
School infrastructure thrift	0.0	5.2	0.5	1.9	1.0
Interest and other	0.0	0.1	0.2	2.3	0.0
Total State Sources	<u>\$ 19.8</u>	<u>\$ 33.2</u>	<u>\$ 78.0</u>	<u>\$ 50.2</u>	<u>\$ 26.7</u>
TOTAL REVENUES	<u>\$157.6</u>	<u>\$166.6</u>	<u>\$245.9</u>	<u>\$217.8</u>	<u>\$196.0</u>
EXPENDITURES:					
Facilities acquisition and construction:					
Land	\$ 2.5	\$ 9.7	\$ 7.6	\$ 19.7	\$ 24.0
Buildings	86.3	90.1	143.4	156.3	169.2
Improvements	2.9	2.7	1.9	4.1	53.1
Total facilities acquisition & construction	\$ 91.7	\$102.5	\$152.9	\$180.1	\$246.3
Other capital outlay:					
Furniture, fixtures and equipment	28.3	28.0	26.7	30.7	24.6
Interest	0.0	0.0	0.0	0.0	0.0
TOTAL EXPENDITURES	<u>\$120.0</u>	<u>\$130.5</u>	<u>\$179.6</u>	<u>\$210.8</u>	<u>\$270.9</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER (UNDER) EXPENDITURES	37.6	36.1	66.3	7.0	(74.9)
OTHER FINANCING SOURCES (USES):					
Operating transfers in	0.0	0.0	0.0	0.0	0.0
Operating transfers out	(55.4)	(56.3)	(60.3)	(69.2)	(87.7)
Proceeds from sale of land	0.0	2.6	0.0	0.0	0.0
Proceeds from issuance of					
long-term debt	2.6	0.0	155.7	134.1	138.2
Total Other Financing Sources (Uses)	<u>52.8</u>	<u>53.7</u>	<u>95.4</u>	<u>64.9</u>	<u>55.5</u>
EXCESS (DEFICIENCY) OF REVENUES					
AND OTHER FINANCING SOURCES					
OVER (UNDER) EXPENDITURES					
AND OTHER FINANCING USES	(15.2)	(17.6)	161.7	71.9	(19.4)
Beginning Fund Balances	181.4	166.2	148.5	310.2	382.1
Ending Fund Balances	<u>\$166.2</u>	<u>\$148.6</u>	<u>\$310.2</u>	<u>\$382.1</u>	<u>\$362.7</u>

Source: Results of operations derived from the general purpose financial statements of the School District of Palm Beach County, Florida for the 1998-2001 Fiscal Years. Budget numbers derived from the District.

Special Session of the Florida Legislature

As a result of the State of Florida revenue estimates being lower than anticipated when the State's budget was initially approved during the Florida legislature's 2001 regular session, a special session was convened in late October 2001, and a subsequent special session was convened in late November 2001, to address the expected budget deficit. As a result of legislature action during the second special session, the District's projected FEFP and major categorical fund revenues were reduced by \$13.7 million, or approximately 1.4%.

In October 2001, the District was proactive and developed a plan to reduce its budget by \$13.7 million. Once the results of the second special session were released, the District took action to reduce the budget. The actions taken were designed to effectively deal with the projected revenue reduction while minimizing the impact on classroom instruction.

Ad Valorem Tax Procedures, Assessed Valuations and Collections

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

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

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

Procedure for Ad Valorem Tax Collections. All real and tangible personal property taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the County Tax Collector based on the valuation as of January 1 of such year. On or about November 1 of the year of valuation, the County Tax Collector mails to each property owner on the assessment roll a notice of taxes levied by the County, the District and other taxing authorities. Taxes may be paid upon receipt of such notice with discounts at the rate of four percent if paid in the month of November, three percent if paid in the month of December, two percent if paid in the month of January and one percent if paid in the month of February. Taxes paid during the month of March are without discount. All unpaid taxes on real and tangible personal property become delinquent on April 1 of the year following the year in which taxes were levied or within sixty days after the mailing of the original tax notice of the final assessment rate, whichever is later. All taxes collected are remitted by the County Tax Collector to the governmental unit levying the taxes.

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

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

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

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

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Gross Assessed</u> <u>Value⁽¹⁾</u>	<u>Total Taxable Value for</u> <u>Operating Millages</u>	<u>% Taxable to Total</u> <u>Assessed Value</u>
2001 ⁽²⁾	\$100,998,488	\$79,634,180	78.85%
2000	93,138,129	72,128,814	77.44
1999	85,425,333	67,531,963	79.05
1998	79,872,734	63,246,633	79.18
1997	75,907,680	60,169,431	79.27

Source: The School District of Palm Beach County, Florida Final Budget for the Fiscal Year Ending June 30, 2001.

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

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The following table sets forth millage rates for the District for 2002 and for the last four years.

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

	<u>Fiscal Year Ended June 30,</u>				Fiscal Year Ending June 30, 2002
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
<u>General Fund</u>					
District School Tax:					
State - Required Local Effort	6.427	6.549	5.962	5.8670	5.9350
Local - Discretionary	<u>0.632</u>	<u>0.630</u>	<u>0.625</u>	<u>0.620</u>	<u>0.6120</u>
Sub-total	7.060	7.179	6.587	6.487	6.5470
<u>Capital Projects Funds</u>					
Local Option Capital Outlay Millage	<u>2.000</u>	<u>2.000</u>	<u>2.000</u>	<u>2.000</u>	<u>2.000</u>
Sub-total	9.060	9.177	8.587	8.487	8.5470
<u>Debt Service - Interest and Sinking Funds</u>					
	<u>0.497</u>	<u>0.503</u>	<u>0.456</u>	<u>0.431</u>	<u>0.4010</u>
TOTAL MILLAGE LEVY	<u><u>9.557</u></u>	<u><u>9.682</u></u>	<u><u>9.043</u></u>	<u><u>8.918</u></u>	<u><u>8.9480</u></u>

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

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

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

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001.

**Palm Beach County, Florida
Ten Largest Taxpayers
(in thousands)
For the Fiscal Year Ending June 30, 2001**

<u>Taxpayer</u>	<u>2000 Taxes Paid</u>	<u>Percentage of Total Taxes Levied</u>
Florida Power & Light	\$ 17,052	1.15%
BellSouth	11,568	.78
U.S. Sugar Corporation	5,542	.37
Lawrence L. Landry	3,498	.24
Okeelanta Corporation	3,452	.23
Breakers Palm Beach, Inc.	3,380	.23
Panthers BRHC	3,197	.21
Town Center	3,134	.21
Boynton JCP Assoc. Ltd.	2,359	.16
Phillips Point Inc.	2,136	.14
Total of Top 10	<u>\$ 55,318</u>	<u>3.72%</u>
Total Taxes Levied	\$1,488,217	100.00%

Source: School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2001.

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)**

	<u>General Obligation</u>	<u>Non-Self Supporting Revenue Debt⁽¹⁾</u>
DIRECT DEBT (As of June 30, 2000)		
<u>State of Florida</u>		
State Board of Education Capital Outlay Bonds, Series 1991-A		\$6,555
State Board of Education Capital Outlay Bonds, Series 1992-A		1,640
State Board of Education Capital Outlay Bonds, Series 1994-A		4,770
State Board of Education Capital Outlay Bonds, Series 1995-A		3,470
State Board of Education Capital Outlay Bonds, Series 1996-A		22,025
State Board of Education Capital Outlay Bonds, Series 1996-B		0
State Board of Education Capital Outlay Bonds, Series 1997-A		5,960
State Board of Education Capital Outlay Bonds, Series 1998-A		2,330
State Board of Education Capital Outlay Bonds, Series 1999-A		2,505
State Board of Education Capital Outlay Bonds, Series 2000-A		1,605
<u>District Bonds</u>		
General Obligation Refunding Bonds, Series 1992	\$132,700	
General Obligation Refunding Bonds, Series 1993B	<u>37,520</u>	_____
TOTAL DIRECT DEBT	\$170,220	\$ 50,860

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001.

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

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

OVERLAPPING DEBT (COUNTY)	<u>General Obligation</u>	<u>Non-Self Supporting Revenue Debt</u>	<u>Self Supporting Revenue Debt</u>
Total General Obligations Bonds	\$205,855		
Total Non-self Supporting Debt		\$401,430	
Total Self Supporting Debt	_____	_____	<u>\$652,970</u>
TOTAL COUNTY DIRECT DEBT	\$205,855	\$401,430	\$652,970
TOTAL DISTRICT DEBT ⁽¹⁾	\$170,220	\$ 50,860	
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$376,075</u>	<u>\$452,290</u>	<u>\$652,970</u>

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2000.

(1) From prior page.

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

1.	Population (2000)	1,062,400
2.	Total Taxable Valuation (2000)	\$72,006,247,000
3.	Direct General Obligation Debt	\$205,855,000
	a) As a Percent of Taxable Valuation	0.28%
	b) Per Capita	\$193.76
4.	Direct and Overlapping General Obligation Debt	\$376,075,000
	a) As a percent of Taxable Valuation	0.52%
	b) Per Capita	\$353.99
5.	Direct Non-Self Supporting Revenue and Direct General Obligation Debt	\$607,285,000
	a) As a percent of Taxable Valuation	0.84%
	b) Per Capita	\$571.62
6.	Direct and Overlapping General Obligation and Direct Non-Self Supporting Revenue Debt	\$777,505,000
	a) As a percent of Taxable Valuation	1.08%
	b) Per Capita	\$731.84

Sources: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2001 and Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2000.

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 2002B Lease or any other Leases.

Florida Retirement System. The State has established the State of Florida Retirement System ("FRS") for state, county, municipal and school district employees. All employees hired after 1970, and those employed prior to 1970 who elected to be enrolled, are covered by the FRS. Accordingly,

substantially all employees of the District are covered by the FRS. The Division of Retirement, Department of Administration of the State of Florida administers the FRS. Contribution rates are established by law for all participating governmental units. State law provides that employers, such as the District, are obligated to contribute 10.15% of the salary of regular members, 17.99% of the salary of School Board members, and 21.16% of the salary of special risk members. For the Fiscal Year ended June 30, 2001, the District contributed \$59,288,004 for employees of all funds.

Employees hired prior to 1970 and not electing to enroll in the FRS may be covered by alternate contributory plans, principally the Teachers' Retirement System Plan E, administered by the FRS. State law requires the District to contribute 11.18% of the earnable compensation of members to these plans. The District's contribution for the Fiscal Year ended June 30, 2001, was \$197,413.

RISK FACTORS

Each purchaser of Series 2002B Certificates is subject to certain risk and each prospective purchaser of Series 2002B 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 2002B Certificates to an extent that cannot be determined.

Annual Right of the School Board to Terminate the Series 2002B Lease

Although the School Board has determined that the Series 2002B Facilities are necessary to its operations and currently intends to continue the Series 2002B Lease in force and effect for the Lease Term and has covenanted in the Series 2002B Lease that the Superintendent will include a sufficient amount in the tentative budget to enable the School Board to make the Lease Payments due in each Fiscal Year, the School Board is not required to appropriate funds for Basic Lease Payments due in each Fiscal Year. If for any Fiscal Year the School Board does not approve a final budget which appropriates sufficient funds from legally available revenues in a line item specifically identified for payment of its obligations under the Series 2002B 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 2002B 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 2002B 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 2002B CERTIFICATE HOLDERS, INCLUDING THE CONTINUING FUTURE UTILITY OF THE SERIES 2002B 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 2002B Lease or an event of non-appropriation, the Trustee as assignee of the Corporation may take possession of the Series 2002B Facilities and sell or re-let the leasehold interests therein. The Trustee's ability to actually achieve such a disposition of the Series 2002B Facilities is limited by its inability to convey fee simple title to the Series 2002B Facilities and by the governmental nature of the Series 2002B 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 2002B 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 2002B Facilities will produce sufficient amounts to make timely payments of the principal and interest portions due on the outstanding Series 2002B Certificates.

No Right of Certificate Holders to Direct Remedies

Unless the Insurer is in default of its obligations under the Policy, the Insurer is entitled to control and direct any of the rights or remedies of the Trustee including the right to direct the Trustee as to whether or not to re-let or sell the Series 2002B Facilities. However, the Insurer has no fiduciary responsibility to the Series 2002B Certificate holders with respect to the direction of such remedies and has no obligation to preserve the exclusion from gross income for federal income tax purposes, of amounts paid to Series 2002B Certificate holders by the Insurer and designated as interest.

Termination of Liquidity Facility Without Notice

In the event of an Immediate Termination Event or Suspension, the obligation of the Liquidity Facility Issuer to purchase the Series 2002B Certificates pursuant to the Liquidity Facility will cease without notice. The School Board is not obligated to provide funds for the payment of the Tender Price of Series 2002B Certificates upon optional or mandatory tender.

Tax Treatment

Upon termination of the Series 2002B Lease, there is no assurance that payments made by the Trustee or the Insurer with respect to the Series 2002B Certificates and designated as interest will be excludable from gross income for federal income tax purposes or that the ownership or disposition of the Series 2002B Certificates will not be subject to Florida's intangible personal property tax. See "TAX TREATMENT."

Applicability of Securities Laws

After termination of the Series 2002B Lease, the transfer of a Series 2002B 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 2002B Certificates will not be impaired following termination of the Series 2002B Lease.

Capital Outlay Millage Revenue

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

State Revenues

A large portion of the District's funding is derived from state sources. See "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT." A significantly large percentage of such state revenues is generated from the levy of the state sales tax. The amounts budgeted for distribution from the State to the District are subject to change in the event that projected revenues are not realized. The State has experienced some significant shortfalls in sales tax revenues in recent years, and especially during the 2001 calendar year, which have resulted in significant cuts to school budgets. See "REVENUES, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Special Session of the Florida Legislature" herein for information regarding reductions in the amount of certain State funding for the District for Fiscal Year 2002.

Additional Leases

Pursuant to the Master Lease, the School Board may enter into other Leases in addition to the Prior Leases and the Series 2002B 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 2002B Lease. Upon any such termination of all Leases, the School Board must surrender all Facilities, including the Series 2002B 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 2002B Certificates have any interest in or right to any proceeds of the disposition of Facilities financed with the proceeds of another Series of Certificates. There can be no assurance that the remedies available to the Trustee upon any such termination of all Leases and the disposition of the Series 2002B Facilities will produce sufficient amounts to pay the outstanding Series 2002B Certificates or reimburse the Insurer for paying such sums.

Additional Indebtedness

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

the Series 2002B Certificates. Incurring such additional indebtedness may adversely affect the School Board's ability to make Lease Payments under the Master Lease.

LITIGATION

There is no litigation now pending or threatened: (i) to restrain or enjoin the issuance or sale of the Series 2002B Certificates; (ii) questioning or affecting the validity of the Series 2002B 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 2002B Certificates.

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

RATINGS

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") are expected to assign ratings of "Aaa/VMIG1" and "AAA/F1+," respectively, to the Series 2002B Certificates with the understanding that upon delivery of the Series 2002B Certificates, the Insurer will issue its Policy insuring the payments of the Basic Lease Payments represented by the Series 2002B Certificates when due. Moody's and Fitch have also assigned underlying ratings of "A2" and "A+," respectively, to the Series 2002B Certificates without regard to the Policy. An explanation of the rating given by Moody's may be obtained from Moody's at 99 Church Street, New York, New York 10007, (212) 553-0470. An explanation of the rating given by Fitch may be obtained from Fitch at One State Street Plaza, New York 10004, (212) 908-0500. Certain information and materials concerning the Series 2002B Certificates, the School Board and the District were furnished to Moody's and Fitch by the District. If in its judgment circumstances so warrant, any rating service may raise, lower or withdraw its rating. If a downward change or withdrawal occurs, it could have an adverse effect on the resale price of the Series 2002B 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 2002B Certificates are subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida, and Edwards & Carstarphen, Miami, Florida, Co-Special Tax Counsel. The proposed form of such opinion is included herein as Appendix D. Certain legal matters will be passed upon for the School Board and the Corporation by the Office of General Counsel of the District. Certain legal matters will be passed upon for the Underwriters by their counsel Nabors, Giblin & Nickerson, P.A., Tampa, Florida.

UNDERWRITING

The Underwriters set forth on the cover page hereof have agreed to purchase the Series 2002B Certificates at a price of \$115,069,209 (which represents the \$115,350,000 principal amount of the Series 2002B Certificates less an underwriters' discount of \$280,791). The Underwriters will purchase all of the Series 2002B Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions contained in the Purchase Contract and the approval of certain legal matters by counsel.

The Underwriters may offer and sell the Series 2002B Certificates to certain dealers and others at prices lower than the respective public offering prices stated herein. After the initial public offering, the respective offering prices may be changed from time to time by the Underwriters.

TAX TREATMENT

The Internal Revenue Code of 1986, as amended (the "Code"), includes certain requirements which the School Board must continue to meet subsequent to the issuance and delivery of the Series 2002B Certificates be and remain excluded from gross income from federal income tax purposes. Non-compliance may cause the portion of the Basic Lease Payments designated and paid as interest to the Series 2002B Certificate holders to be included in gross income for federal income tax purposes retroactive to the date of execution and delivery of the Series 2002B Certificates, regardless of the date on which such non-compliance occurs or is ascertained. The School Board has covenanted in the Series 2002B Lease to comply with such requirements in order to maintain the exclusion from federal gross income of the portion of the Basic Lease Payments designated and paid as interest to the Series 2002B Certificate holders.

In the opinion of Co-Special Tax Counsel, assuming continuing compliance by the School Board with the aforementioned covenants, under existing statutes, regulations, rulings and judicial decisions, prior to the termination of the Master Lease resulting from an Event of Non-Appropriation or Event of Default thereunder, the portion of the Basic Lease Payments designated and paid as interest to the Series 2002B Certificate holders is excluded from gross income for federal income

tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. However, the portion of the Basic Lease Payments designated and paid as interest to the Series 2002B Certificate holders is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. However, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2002B Certificates following (i) a Conversion Date or (ii) termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an Event of Default thereunder.

Co-Special Tax Counsel are further of the opinion that the Series 2002B Lease and Series 2002B Certificates are exempt from the Florida intangible personal property tax. However, no opinion is expressed with respect to the payment or reporting of intangible personal property tax following termination of the Master Lease.

Except as described above, Co-Special Tax Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the portion of the Basic Lease Payments designated and paid as interest to the Series 2002B Certificate holders, or the ownership or disposition of the Series 2002B Certificates. Prospective purchasers of Series 2002B Certificates should be aware that the ownership of Series 2002B Certificates may result in other collateral federal tax consequences, including the following: (i) the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2002B Certificates or, in the case of a financial institution, that portion of the owner's interest expense allocable to the portion of the Basic Lease Payments designated and paid as interest to the Series 2002B Certificate holders; (ii) with respect to certain property and casualty insurance companies, the Code reduces the deduction for loss reserves by fifteen percent (15%) of the sum of certain items, including the portion of the Basic Lease Payments designated and paid as interest to Series 2002B Certificate holders; (iii) the portion of the Basic Lease Payments designated and paid as interest to certain foreign corporate Series 2002B Certificate holders doing business in the United States could be subject to a branch profits tax imposed by the Code; (iv) passive investment income, including the portion of the Basic Lease Payments designated and paid as interest to Series 2002B Certificate holders may be subject to federal income taxation for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than twenty-five percent (25%) of the gross receipts of such Subchapter S corporation is passive investment income; and (v) the Code requires recipients of certain Social Security and Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts and accruals of the portion of the Basic Lease Payments designated and paid as interest to the Series 2002B Certificate holders.

FINANCIAL ADVISOR

Public Financial Management, Inc., Orlando, Florida is serving as Financial Advisor to the School Board. The Financial Advisor assisted in matters relating to the planning, structuring, execution and delivery of the Series 2002B Certificates and provided other advice. The Financial

Advisor did not engage in any underwriting activities with regard to the sale of the Series 2002B Certificates.

GENERAL PURPOSE FINANCIAL STATEMENTS

The general purpose financial statements of the District for the Fiscal Year ended June 30, 2001, included in this Offering Statement have been audited by KPMG LLP, independent certified public accountants, as stated in their report appearing in Appendix B.

CONTINUING DISCLOSURE

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

With respect to the Series 2002B 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 2002B Certificates.

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

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

By: */s/ Thomas E. Lynch*
Chairman

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

APPENDIX A

INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

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APPENDIX A

INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

General Information

Palm Beach County was founded in 1909 and encompasses an area of 2,023 square miles. It is located on the lower east coast of the Florida peninsula with 46 miles of Atlantic ocean frontage and 25 miles of frontage on Lake Okeechobee. The County has a semi-tropical climate with an average temperature of 75.5F degrees and an average rainfall of 60.77 inches. These and other natural amenities, including 88 local, State and federal recreational areas of more than 10 acres and 163 golf courses, have enabled the County to develop a year-round tourist industry.

There are 38 incorporated municipalities within the County, nine of which have a population in excess of 25,000. West Palm Beach is the County seat and is the largest city in the County, with a 2000 U.S. Census population of 1,062,400.

Population

In 2001, Palm Beach County was the third largest county in the State in terms of population. Its population increased 65.3% in the 1970 - 1980 decade, 49.7% in the 1980 - 1990 decade and 23.1% in the period 1990 - 2000.

Population Growth

<u>Year</u>	<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⁽¹⁾</u>	<u>Change</u>
1994	937,190	2.1%	13,878,905	2.0%	259,718,000	1.0%
1995	962,802	2.7	14,149,317	1.9	262,176,000	.9
1996	981,793	2.0	14,411,563	1.9	266,538,000	1.7
1997	1,003,798	2.2	14,712,365	2.1	267,636,000	.4
1998	1,020,521	1.7	15,475,000	5.2	270,733,000	1.2
1999	1,042,196	2.1	15,322,000	(1.0)	272,190,000	.5
2000	1,062,400	1.9	15,982,378	4.3	275,860,949	1.3

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2000.

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

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

<u>Age Group</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>
0-14	18%	18%	18%	18%	18%	18%
15-44	37	37	37	37	37	38
45-64	17	17	22	22	21	20
65+	24	24	24	24	24	24

Source: U.S. Bureau of the Census

Income

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

Per Capita Personal Income

	<u>Palm Beach County</u>			<u>Florida</u>		<u>U.S.</u>
	<u>Dollars</u>	<u>% of Fla.</u>	<u>% of U.S.</u>	<u>Dollars</u>	<u>% of U.S.</u>	<u>Dollars</u>
1992	\$31,828	160.8%	158.0%	\$19,795	98.3%	\$20,147
1993	33,124	158.0	159.2	20,961	100.7	20,812
1994	34,138	156.8	157.3	21,767	100.3	21,696
1995	36,213	156.5	155.0	23,139	99.1	23,359
1996	38,081	157.4	155.9	24,198	99.0	24,436
1997	38,272	149.2	147.6	25,645	98.9	25,924
1998	40,044	149.2	147.2	28,845	98.7	27,203

Source: 2000 Florida Statistical Abstract based upon data provided by the U.S. Department of Commerce, Bureau of Economic Analysis. Data for 1999 and 2000 is not available at this time.

Employment

Tourism and agriculture, together with the service industries related to these activities, are the leading sources of income for the County's residents. Manufacturing, primarily electronics and other high technology products, also plays an important role in the County's economy. The table

that follows shows the County's estimated average annual non-farm employment by economic sector.

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

	<u>1999</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
All Industries	394,919	380,821	367,398	348,879	342,098
Agriculture Forestry and Fisheries	18,619	18,091	17,850	17,103	18,886
Mining	13	22	24	23	22
Construction	26,136	24,824	24,068	23,140	21,432
Manufacturing	30,638	30,007	28,980	28,990	29,929
Transportation Communications and Public Utilities	15,680	15,480	15,316	14,559	14,722
Wholesale Trade	21,786	20,315	19,132	17,763	16,603
Retail Trade	91,326	89,150	88,086	85,585	85,926
Finance Insurance and Real Estate	31,714	29,403	27,830	26,353	26,731
Services	156,630	150,843	143,853	132,414	126,470
Other	2,373	2,687	2,259	2,950	1,377

Source: University of Florida, Bureau of Economic and Business Research, based upon data from U.S. Bureau of the Census; 1994-2000 Florida Statistical Abstracts.

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

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

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rates</u>		
		<u>Palm Beach County</u>	<u>Florida</u>	<u>United States</u>
1996	471,494	5.6	4.5	5.0
1997	482,883	6.9	5.2	5.2
1998	509,648	5.9	4.3	4.5
1999	517,910	4.9	3.9	4.1
2000	524,708	4.1	3.6	4.0
2001*	544,909	6.1	5.0	5.0

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

*Preliminary estimates through October, 2001 (not seasonally adjusted).

Largest Employers

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

	<u>No. of Employees</u>
Motorola Inc. (Electronic Pagers)	2,300
Florida Power & Light Company (Utilities)	2,300
Boca Raton Resort & Club (Hotel)	1,850
Office Depot (Retail-Office Supplies)	1,500
The Breakers (Hotel)	1,500
Siemens Companies (PBX Systems)	1,500
Palm Beach Newspapers, Inc. (Newspaper Publishing)	1,300
Pratt & Whitney Aircraft (Jet Engines)	1,300
BellSouth (Utilities)	1,200
Rexall Sundown (Vitamin Manufacturer)	1,200

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2000.

Tourism

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

Agriculture

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

Banking

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

Total Bank Deposits (in thousands)

Fiscal Year	<u>Commercial Banks</u>	<u>Federal Savings and Loan Associations</u>
1994	\$ 8,601,035	\$7,805,278
1995	9,055,476	7,606,601
1996	9,545,424	6,578,158
1997	9,911,930	5,941,909
1998	10,715,881	6,949,839
1999	13,283,898	7,243,923
2000	12,843,897	7,646,519

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2000.

Construction

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

Building Permit Activity County of Palm Beach, Florida (Dollars in Thousands) 1995 - 2000

Calendar Year	<u>Number of Units</u>		<u>Residential Valuation</u>
	<u>Single Family</u>	<u>Multi- Family</u>	
1996	8,328	1,643	1,086,165
1997	6,189	2,788	966,631
1998	6,328	3,346	1,045,622
1999	5,319	3,015	941,435
2000	5,869	2,996	1,070,918
2001	670	397	117,244

Source: University of Florida, College of Business Administration, Bureau of Economic and Business Research, Building Permit Activity in Florida, 1996-2001.

Retail Sales

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

Retail Sales

<u>Year</u>	<u>Retail Sales</u>
1996	\$24,818,102,000
1997	27,600,033,550
1998	27,828,417,249
1999	30,213,935,156
2000	34,393,335,408

Source: State of Florida, Department of Revenue.

Sales Tax Collections

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

Historic Sales Tax Collections 1995-2000

<u>Calendar Year</u>	<u>State</u>	<u>% Change</u>	<u>Palm Beach County</u>	<u>% Change</u>
1995	\$10,918,894,957	7.01%	\$790,814,993	8.25%
1996	11,362,706,202	4.06	828,062,334	4.71
1997	12,413,088,825	6.05	905,094,278	6.55
1998	13,306,339,390	7.20	962,361,902	6.33
1999	14,383,302,923	8.09	1,025,692,885	6.58
2000	15,407,538,088	7.12	1,102,943,524	7.53

Source: State of Florida, Department of Revenue.

APPENDIX B

**GENERAL PURPOSE FINANCIAL STATEMENTS
OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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GENERAL PURPOSE FINANCIAL STATEMENTS



THE GENERAL PURPOSE FINANCIAL STATEMENTS PROVIDE AN OVERVIEW OF THE FINANCIAL POSITION OF ALL FUND TYPES, ACCOUNT GROUPS AND COMPONENT UNITS AS WELL AS THE OPERATING RESULTS OF ALL FUND TYPES AND COMPONENT UNITS.



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY
PRESENTED COMPONENT UNITS (in thousands)
JUNE 30, 2001**

	<u>GOVERNMENTAL FUND TYPES</u>			
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
<u>ASSETS AND OTHER DEBITS</u>				
ASSETS :				
Cash, cash equivalents and investments	\$ 115,223	\$ 13,924	\$ 50,205	\$ 381,009
Taxes receivable (net of uncollectible taxes)	12,902	-	860	3,943
Accounts and interest receivable	1,145	253	-	-
Due from other governments or agencies	138	8,077	-	82,852
Due from other funds	1,324	-	-	-
Inventories	12,513	2,322	-	-
Other assets	11	-	-	-
Fixed assets, net	-	-	-	-
TOTAL ASSETS	<u>143,256</u>	<u>24,576</u>	<u>51,065</u>	<u>467,804</u>
OTHER DEBITS:				
Amount available in debt service funds	-	-	-	-
Amount to be provided for retirement of general long-term debt and other long-term liabilities	-	-	-	-
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 143,256</u>	<u>\$ 24,576</u>	<u>\$ 51,065</u>	<u>\$ 467,804</u>
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>				
LIABILITIES:				
Accounts and contracts payable and accrued expenditures/expenses	\$ 14,659	\$ 4,780	\$ -	\$ 8,730
Accrued payroll and payroll deductions	21,301	-	-	-
Due to other funds	269	884	-	118
Due to student organizations	-	-	-	-
Due to other governments or agencies	263	393	-	2,782
Estimated claims liability	-	-	-	-
Retainage payable on contracts	-	-	-	10,171
Long-term debt payable	-	-	-	-
Liability for compensated absences	-	-	-	-
Tax anticipation notes payable	42,000	-	-	-
Interest payable	1,464	-	446	-
Deferred revenue	1,464	5,423	-	63,868
TOTAL LIABILITIES	<u>81,420</u>	<u>11,480</u>	<u>446</u>	<u>85,669</u>

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (Memorandum Only)	COMPONENT UNITS	TOTALS (Memorandum Only)
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	PRIMARY GOVERNMENT		REPORTING ENTITY
\$ 70	\$ 33,815	\$ 12,359	\$ -	\$ -	\$ 606,605	\$ 1,407	\$ 608,012
-	-	-	-	-	17,705	-	17,705
-	-	553	-	-	1,951	61	2,012
-	-	-	-	-	91,067	41	91,108
3	293	3	-	-	1,623	49	1,672
7	-	-	-	-	14,842	-	14,842
-	151	-	-	-	162	108	270
17	67	-	2,031,313	-	2,031,397	698	2,032,095
97	34,326	12,915	2,031,313	-	2,765,352	2,364	2,767,716
-	-	-	-	50,619	50,619	-	50,619
-	-	-	-	766,517	766,517	6	766,523
\$ 97	\$ 34,326	\$ 12,915	\$ 2,031,313	\$ 817,136	\$ 3,582,488	\$ 2,370	\$ 3,584,858
\$ 3	\$ 59	\$ 53	\$ -	\$ -	\$ 28,284	\$ 146	\$ 28,430
-	-	-	-	-	21,301	10	21,311
-	87	265	-	-	1,623	49	1,672
-	-	12,176	-	-	12,176	-	12,176
-	-	-	-	-	3,438	-	3,438
-	29,813	-	-	-	29,813	-	29,813
-	-	-	-	-	10,171	-	10,171
-	-	-	-	706,335	706,335	-	706,335
-	-	-	-	110,801	110,801	6	110,807
-	-	-	-	-	42,000	-	42,000
-	-	-	-	-	1,910	-	1,910
-	-	-	-	-	70,755	-	70,755
3	29,959	12,494	-	817,136	1,038,607	211	1,038,818

(Continued)



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY
PRESENTED COMPONENT UNITS (in thousands)
JUNE 30, 2001**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
FUND EQUITY AND OTHER CREDITS:				
Contributed capital	\$ -	\$ -	\$ -	\$ -
Retained earnings (deficit) - unreserved	-	-	-	-
Investment in general fixed assets	-	-	-	-
Fund balances reserved:				
Reserved for encumbrances	5,603	2,814	-	100,003
Reserved for inventory	12,513	580	-	-
Reserved for board contingency	29,252	-	-	-
Reserved for carryover programs	4,861	-	-	-
Reserved for debt service	-	-	50,619	-
Reserved for scholarships	-	-	-	-
Fund balances unreserved:				
Designated for local categoricals	5,765	-	-	-
Designated for capital projects	-	-	-	282,132
Undesignated	3,842	9,702	-	-
TOTAL FUND EQUITY AND OTHER CREDITS	61,836	13,096	50,619	382,135
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 143,256	\$ 24,576	\$ 51,065	\$ 467,804

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTALS (Memorandum Only)	COMPONENT UNITS	TOTALS (Memorandum Only)
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	PRIMARY GOVERNMENT		REPORTING ENTITY
\$ 189	\$ 3,724	\$ -	\$ -	\$ -	\$ 3,913	\$ -	\$ 3,913
(95)	643	-	-	-	548	-	548
-	-	-	2,031,313	-	2,031,313	698	2,032,011
-	-	-	-	-	108,420	-	108,420
-	-	-	-	-	13,093	-	13,093
-	-	-	-	-	29,252	-	29,252
-	-	-	-	-	4,861	-	4,861
-	-	-	-	-	50,619	-	50,619
-	-	421	-	-	421	-	421
-	-	-	-	-	5,765	-	5,765
-	-	-	-	-	282,132	-	282,132
-	-	-	-	-	13,544	1,461	15,005
<u>94</u>	<u>4,367</u>	<u>421</u>	<u>2,031,313</u>	<u>-</u>	<u>2,543,881</u>	<u>2,159</u>	<u>2,546,040</u>
<u>\$ 97</u>	<u>\$ 34,326</u>	<u>\$ 12,915</u>	<u>\$ 2,031,313</u>	<u>\$ 817,136</u>	<u>\$ 3,582,488</u>	<u>\$ 2,370</u>	<u>\$ 3,584,858</u>

(Concluded)



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**COMBINING BALANCE SHEET
COMPONENT UNITS (in thousands)
JUNE 30, 2001**

	ED VENTURE CHARTER SCHOOL	JOSEPH LITTLES NGUZO SABA CHARTER SCHOOL	LAKESIDE ACADEMY CHARTER SCHOOL
<u>ASSETS AND OTHER DEBITS</u>			
ASSETS :			
Cash, cash equivalents and investments	\$ 446	\$ 173	\$ 377
Accounts and interest receivable	50	11	-
Due from other governments or agencies	-	-	-
Due from other funds	-	-	-
Other assets	7	37	19
Fixed assets	122	260	18
TOTAL ASSETS	625	481	414
OTHER DEBITS:			
Amount to be provided for retirement of general long-term debt and other long-term liabilities	-	6	-
TOTAL ASSETS AND OTHER DEBITS	\$ 625	\$ 487	\$ 414
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>			
LIABILITIES:			
Accounts and contracts payable and accrued expenditures/expenses	\$ 7	\$ 6	\$ -
Accrued payroll and payroll deductions	-	10	-
Due to other funds	-	-	-
Liability for compensated absences	-	6	-
TOTAL LIABILITIES	7	22	-
FUND EQUITY AND OTHER CREDITS:			
Investment in general fixed assets	122	260	18
Fund balances - undesignated	496	205	396
TOTAL FUND EQUITY AND OTHER CREDITS	618	465	414
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ 625	\$ 487	\$ 414

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

<u>DELRAY BEACH ACADEMY CHARTER SCHOOL</u>	<u>RENAISSANCE LEARNING CENTER CHARTER SCHOOL</u>	<u>ACADEMY SCHOOL OF BOCA CHARTER SCHOOL</u>	<u>TOTALS</u>
\$ 344	\$ 19	\$ 48	\$ 1,407
-	-	-	61
-	41	-	41
-	-	49	49
1	-	44	108
<u>18</u>	<u>8</u>	<u>272</u>	<u>698</u>
<u>363</u>	<u>68</u>	<u>413</u>	<u>2,364</u>
-	-	-	6
<u>\$ 363</u>	<u>\$ 68</u>	<u>\$ 413</u>	<u>\$ 2,370</u>
\$ -	\$ 1	\$ 132	\$ 146
-	-	-	10
-	-	49	49
-	-	-	6
<u>-</u>	<u>1</u>	<u>181</u>	<u>211</u>
18	8	272	698
<u>345</u>	<u>59</u>	<u>(40)</u>	<u>1,461</u>
<u>363</u>	<u>67</u>	<u>232</u>	<u>2,159</u>
<u>\$ 363</u>	<u>\$ 68</u>	<u>\$ 413</u>	<u>\$ 2,370</u>



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED COMPONENT UNITS (in thousands)
FOR THE YEAR ENDED JUNE 30, 2001**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
REVENUES:				
Local sources:				
Ad valorem taxes	\$ 452,145	\$ -	\$ 30,408	\$ 139,353
Food service sales	-	17,141	-	-
Interest income and other	19,594	7,296	1,362	28,282
Local grants and other	17,799	-	-	-
Total local sources	489,538	24,437	31,770	167,635
State sources:				
Florida education finance program	273,902	-	-	-
Capital outlay distributed to District - net	-	-	-	811
Public education capital outlay	-	-	-	2,302
Classrooms first program	-	-	-	42,936
Class size reduction	-	-	-	1,553
School infrastructure thrift	-	-	-	1,903
Food service	-	885	-	-
State grants and other	90,185	5,763	5,357	647
Total state sources	364,087	6,648	5,357	50,152
Federal sources:				
Federal grants	3,413	89,189	-	-
Food service	-	25,446	-	-
Total Federal sources	3,413	114,635	-	-
TOTAL REVENUES	857,038	145,720	37,127	217,787
EXPENDITURES:				
Current:				
Instructional services	564,985	37,391	-	-
Instructional support services	73,027	24,097	-	-
Pupil transportation services	29,334	245	-	-
Operation and maintenance of plant	109,367	802	-	-
School administration	85,842	231	-	-
General administration	14,408	1,998	-	-
Food service	-	43,685	-	-
Scholarship disbursements	-	-	-	-
Community services and other	17,394	35,291	-	-
Capital outlay	590	123	-	210,808
Debt service:				
Retirement of principal	-	-	30,525	-
Payment of interest	1,675	-	32,037	-
Dues, fees and other	-	-	1,371	-
TOTAL EXPENDITURES	896,622	143,863	63,933	210,808

<u>FIDUCIARY FUND TYPE</u> <u>EXPENDABLE TRUST</u>	TOTALS (Memorandum Only) PRIMARY GOVERNMENT	COMPONENT UNITS	TOTALS (Memorandum Only) REPORTING ENTITY
\$ -	\$ 621,906	\$ 1,690	\$ 623,596
-	17,141	-	17,141
113	56,647	159	56,806
-	17,799	-	17,799
<u>113</u>	<u>713,493</u>	<u>1,849</u>	<u>715,342</u>
-	273,902	1,367	275,269
-	811	-	811
-	2,302	71	2,373
-	42,936	-	42,936
-	1,553	-	1,553
-	1,903	1,397	3,300
-	885	-	885
-	101,952	61	102,013
-	<u>426,244</u>	<u>2,896</u>	<u>429,140</u>
-	92,602	319	92,921
-	25,446	-	25,446
-	<u>118,048</u>	<u>319</u>	<u>118,367</u>
<u>113</u>	<u>1,257,785</u>	<u>5,064</u>	<u>1,262,849</u>
-	602,376	1,895	604,271
-	97,124	178	97,302
-	29,579	1	29,580
-	110,169	312	110,481
-	86,073	385	86,458
-	16,406	587	16,993
-	43,685	30	43,715
76	76	-	76
-	52,685	16	52,701
-	211,521	524	212,045
-	30,525	-	30,525
-	33,712	1	33,713
-	1,371	-	1,371
<u>76</u>	<u>1,315,302</u>	<u>3,929</u>	<u>1,319,231</u>

(Continued)



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND
DISCRETELY PRESENTED COMPONENT UNITS (in thousands)
FOR THE YEAR ENDED JUNE 30, 2001**

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (39,584)	\$ 1,857	\$ (26,806)	\$ 6,979
OTHER FINANCING SOURCES (USES):				
Operating transfers in	38,614	6	30,575	-
Operating transfers out	(6)	-	-	(69,189)
Proceeds from issuance of long-term debt	-	-	435	134,147
Proceeds from sale of fixed assets and other	123	-	-	8
TOTAL OTHER FINANCING SOURCES (USES)	<u>38,731</u>	<u>6</u>	<u>31,010</u>	<u>64,966</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(853)	1,863	4,204	71,945
FUND BALANCES, JULY 1, 2000	<u>62,689</u>	<u>11,233</u>	<u>46,415</u>	<u>310,190</u>
FUND BALANCES, JUNE 30, 2001	<u>\$ 61,836</u>	<u>\$ 13,096</u>	<u>\$ 50,619</u>	<u>\$ 382,135</u>

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

<u>FIDUCIARY FUND TYPE</u> <u>EXPENDABLE TRUST</u>	<u>TOTALS (Memorandum Only)</u> <u>PRIMARY GOVERNMENT</u>	<u>COMPONENT UNITS</u>	<u>TOTALS (Memorandum Only)</u> <u>REPORTING ENTITY</u>
\$ 37	\$ (57,517)	\$ 1,135	\$ (56,382)
-	69,195	-	69,195
-	(69,195)	-	(69,195)
-	134,582	-	134,582
-	131	-	131
-	<u>134,713</u>	<u>-</u>	<u>134,713</u>
37	77,196	1,135	78,331
<u>384</u>	<u>430,911</u>	<u>326</u>	<u>431,237</u>
<u>\$ 421</u>	<u>\$ 508,107</u>	<u>\$ 1,461</u>	<u>\$ 509,568</u>

(Concluded)



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
COMPONENT UNITS (in thousands)
FOR THE YEAR ENDED JUNE 30, 2001**

	ED VENTURE CHARTER SCHOOL	JOSEPH LITTLES NGUZO SABA CHARTER SCHOOL	LAKESIDE ACADEMY CHARTER SCHOOL
REVENUES:			
Local sources:			
Ad valorem taxes	\$ 239	\$ 202	\$ 377
Interest income and other	117	23	11
Total local sources	<u>356</u>	<u>225</u>	<u>388</u>
State sources:			
Florida education finance program	153	152	284
Public education capital outlay	-	65	-
School infrastructure thrift	-	635	297
State grants and other	61	-	-
Total state sources	<u>214</u>	<u>852</u>	<u>581</u>
Federal sources:			
Federal grants	55	103	-
Total Federal sources	<u>55</u>	<u>103</u>	<u>-</u>
TOTAL REVENUES	<u>625</u>	<u>1,180</u>	<u>969</u>
EXPENDITURES:			
Current:			
Instructional services	306	187	305
Instructional support services	6	95	21
Pupil transportation services	1	-	-
Operation and maintenance services	51	129	19
School administration	20	-	103
General administration	35	201	175
Food service	30	-	-
Community services and other	-	-	-
Capital outlay	97	224	8
Debt Service:			
Payment of interest	-	1	-
TOTAL EXPENDITURES	<u>546</u>	<u>837</u>	<u>631</u>
EXCESS OF REVENUES OVER EXPENDITURES	79	343	338
FUND BALANCES, JULY 1, 2000	<u>417</u>	<u>(138)</u>	<u>58</u>
FUND BALANCES, JUNE 30, 2001	<u>\$ 496</u>	<u>\$ 205</u>	<u>\$ 396</u>

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

	DELRAY BEACH ACADEMY CHARTER SCHOOL	RENAISSANCE LEARNING CENTER CHARTER SCHOOL	ACADEMY SCHOOL OF BOCA CHARTER SCHOOL	TOTALS
\$	206	\$ 69	\$ 597	\$ 1,690
	8	-	-	159
	<u>214</u>	<u>69</u>	<u>597</u>	<u>1,849</u>
	155	173	450	1,367
	-	6	-	71
	225	20	220	1,397
	-	-	-	61
	<u>380</u>	<u>199</u>	<u>670</u>	<u>2,896</u>
	63	64	34	319
	<u>63</u>	<u>64</u>	<u>34</u>	<u>319</u>
	<u>657</u>	<u>332</u>	<u>1,301</u>	<u>5,064</u>
	207	171	719	1,895
	14	20	22	178
	-	-	-	1
	9	-	104	312
	102	-	160	385
	55	86	35	587
	-	-	-	30
	16	-	-	16
	-	24	171	524
	-	-	-	1
	<u>403</u>	<u>301</u>	<u>1,211</u>	<u>3,929</u>
	254	31	90	1,135
	<u>91</u>	<u>28</u>	<u>(130)</u>	<u>326</u>
\$	<u>345</u>	\$ <u>59</u>	\$ <u>(40)</u>	\$ <u>1,461</u>



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES (in thousands)
FOR THE YEAR ENDED JUNE 30, 2001**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)
REVENUES:						
Local sources:						
Ad valorem taxes	\$ 452,145	\$ 452,145	\$ -	\$ -	\$ -	-
Food service sales	-	-	-	17,141	17,141	-
Interest income and other	19,089	19,594	505	12,662	7,296	(5,366)
Local grants and other	17,796	17,799	3	-	-	-
Total local sources	489,030	489,538	508	29,803	24,437	(5,366)
State sources:						
Florida education finance program	273,893	273,902	9	-	-	-
Food service	-	-	-	885	885	-
State grants and other	90,604	90,185	(419)	6,621	5,763	(858)
Public education capital outlay	-	-	-	-	-	-
Classrooms first program	-	-	-	-	-	-
Effort index grant	-	-	-	-	-	-
Class size reduction	-	-	-	-	-	-
Capital outlay, debt service and other	-	-	-	-	-	-
Total state sources	364,497	364,087	(410)	7,506	6,648	(858)
Federal sources:						
Federal grants	3,414	3,413	(1)	110,991	89,189	(21,802)
Food service	-	-	-	25,446	25,446	-
Total Federal sources	3,414	3,413	(1)	136,437	114,635	(21,802)
TOTAL REVENUES	856,941	857,038	97	173,746	145,720	(28,026)
EXPENDITURES:						
Current:						
Instructional services	585,938	567,718	18,220	47,603	38,503	9,100
Instructional support services	80,675	73,538	7,137	33,860	25,139	8,721
Pupil transportation services	30,180	29,530	650	355	245	110
Operation and maintenance of plant	112,632	110,929	1,703	2,206	808	1,398
School administration	87,721	86,233	1,488	742	233	509
General administration	15,360	14,501	859	2,984	1,998	986
Community services and other	20,572	17,488	3,084	41,187	35,517	5,670
Food service	-	-	-	44,121	44,103	18
Capital outlay	742	613	129	398	131	267
Debt Service:						
Retirement of principal	-	-	-	-	-	-
Payment of interest	1,675	1,675	-	-	-	-
Dues, fees and other	-	-	-	-	-	-
TOTAL EXPENDITURES	935,495	902,225	33,270	173,456	146,677	26,779

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)
\$ 30,408	\$ 30,408	\$ -	\$ 139,353	\$ 139,353	\$ -	\$ 621,906	\$ 621,906	\$ -
-	-	-	-	-	-	17,141	17,141	-
1,362	1,362	-	28,282	28,282	-	61,395	56,534	(4,861)
-	-	-	-	-	-	17,796	17,799	3
<u>31,770</u>	<u>31,770</u>	<u>-</u>	<u>167,635</u>	<u>167,635</u>	<u>-</u>	<u>718,238</u>	<u>713,380</u>	<u>(4,858)</u>
-	-	-	-	-	-	273,893	273,902	9
-	-	-	-	-	-	885	885	-
-	-	-	-	-	-	97,225	95,948	(1,277)
-	-	-	16,440	16,440	-	16,440	16,440	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
5,357	5,357	-	3,361	3,361	-	8,718	8,718	-
<u>5,357</u>	<u>5,357</u>	<u>-</u>	<u>19,801</u>	<u>19,801</u>	<u>-</u>	<u>397,161</u>	<u>395,893</u>	<u>(1,268)</u>
-	-	-	-	-	-	114,405	92,602	(21,803)
-	-	-	-	-	-	25,446	25,446	-
-	-	-	-	-	-	139,851	118,048	(21,803)
<u>37,127</u>	<u>37,127</u>	<u>-</u>	<u>187,436</u>	<u>187,436</u>	<u>-</u>	<u>1,255,250</u>	<u>1,227,321</u>	<u>(27,929)</u>
-	-	-	-	-	-	633,541	606,221	27,320
-	-	-	-	-	-	114,535	98,677	15,858
-	-	-	-	-	-	30,535	29,775	760
-	-	-	-	-	-	114,838	111,737	3,101
-	-	-	-	-	-	88,463	86,466	1,997
-	-	-	-	-	-	18,344	16,499	1,845
-	-	-	-	-	-	61,759	53,005	8,754
-	-	-	-	-	-	44,121	44,103	18
-	-	-	656,809	310,811	345,998	657,949	311,555	346,394
30,525	30,525	-	-	-	-	30,525	30,525	-
32,037	32,037	-	-	-	-	33,712	33,712	-
1,371	1,371	-	-	-	-	1,371	1,371	-
<u>63,933</u>	<u>63,933</u>	<u>-</u>	<u>656,809</u>	<u>310,811</u>	<u>345,998</u>	<u>1,829,693</u>	<u>1,423,646</u>	<u>406,047</u>

(Continued)



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES (in thousands)
FOR THE YEAR ENDED JUNE 30, 2001**

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (78,554)	\$ (45,187)	\$ 33,367	\$ 290	\$ (957)	\$ (1,247)
OTHER FINANCING SOURCES (USES):						
Operating transfers in	38,614	38,614	-	6	6	-
Operating transfers out	(6)	(6)	-	-	-	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-
Proceeds from sale of fixed assets and other	-	123	123	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>38,608</u>	<u>38,731</u>	<u>123</u>	<u>6</u>	<u>6</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ <u>(39,946)</u>	(6,456)	\$ <u>33,490</u>	\$ <u>296</u>	(951)	\$ <u>(1,247)</u>
FUND BALANCES, JULY 1, 2000 (GAAP BASIS)		<u>62,689</u>			<u>11,233</u>	
FUND BALANCES, JUNE 30, 2001 (BUDGETARY BASIS)		56,233			10,282	
Adjustments To Conform With GAAP:						
Elimination of encumbrances		5,603			2,814	
PECO revenue recognition adjustment		-			-	
Classrooms first revenue recognition adjustment		-			-	
Class size reduction revenue recognition adjustment		-			-	
FUND BALANCES, JUNE 30, 2001 (GAAP BASIS)		<u>\$ 61,836</u>			<u>\$ 13,096</u>	

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

DEBT SERVICE FUNDS			CAPITAL PROJECTS FUNDS			TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVOR- ABLE)
\$ (26,806)	\$ (26,806)	\$ -	\$ (469,373)	\$ (123,375)	\$ 345,998	\$ (574,443)	\$ (196,325)	\$ 378,118
30,575	30,575	-	-	-	-	69,195	69,195	-
-	-	-	(69,189)	(69,189)	-	(69,195)	(69,195)	-
435	435	-	134,147	134,147	-	134,582	134,582	-
-	-	-	8	8	-	8	131	123
<u>31,010</u>	<u>31,010</u>	<u>-</u>	<u>64,966</u>	<u>64,966</u>	<u>-</u>	<u>134,590</u>	<u>134,713</u>	<u>123</u>
<u>\$ 4,204</u>	<u>4,204</u>	<u>\$ -</u>	<u>\$ (404,407)</u>	<u>(58,409)</u>	<u>\$ 345,998</u>	<u>\$ (439,853)</u>	<u>(61,612)</u>	<u>\$ 378,241</u>
	<u>46,415</u>			<u>310,190</u>			<u>430,527</u>	
	50,619			251,781			368,915	
	-			100,003			108,420	
	-			(14,138)			(14,138)	
	-			42,936			42,936	
	-			1,553			1,553	
	<u>\$ 50,619</u>			<u>\$ 382,135</u>			<u>\$ 507,686</u>	

(Concluded)



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES (in thousands)
FOR THE YEAR ENDED JUNE 30, 2001
(With comparative totals for the year ended June 30, 2000)**

	ENTERPRISE FUND	INTERNAL SERVICE FUNDS	TOTALS (MEMORANDUM ONLY)	
			2001	2000
OPERATING REVENUES:				
Premiums	\$ -	\$ 13,334	\$ 13,334	\$ 10,950
Service revenue	323	33,593	33,916	31,669
Other income	-	14	14	426
TOTAL OPERATING REVENUES	<u>323</u>	<u>46,941</u>	<u>47,264</u>	<u>43,045</u>
OPERATING EXPENSES:				
Claims	-	13,968	13,968	11,453
Salaries	109	21,235	21,344	19,622
Benefits	46	6,419	6,465	5,981
Purchased services	-	5,293	5,293	4,300
Energy services	-	8	8	9
Materials and supplies	138	215	353	373
Other	-	2,616	2,616	2,100
Depreciation	16	24	40	41
TOTAL OPERATING EXPENSES	<u>309</u>	<u>49,778</u>	<u>50,087</u>	<u>43,879</u>
OPERATING INCOME (LOSS)	14	(2,837)	(2,823)	(834)
NONOPERATING REVENUES (EXPENSES):				
Loss recoveries	-	1,456	1,456	1,498
Loss on disposition of assets	-	-	-	(6)
Interest and other income	3	1,699	1,702	1,385
TOTAL NONOPERATING REVENUES	<u>3</u>	<u>3,155</u>	<u>3,158</u>	<u>2,877</u>
NET INCOME	17	318	335	2,043
RETAINED EARNINGS (DEFICIT)- UNRESERVED, JULY 1, 2000				
	<u>(112)</u>	<u>325</u>	<u>213</u>	<u>(1,830)</u>
RETAINED EARNINGS (DEFICIT)- UNRESERVED, JUNE 30, 2001				
	(95)	643	548	213
CONTRIBUTED CAPITAL	<u>189</u>	<u>3,724</u>	<u>3,913</u>	<u>3,912</u>
TOTAL FUND EQUITY, JUNE 30, 2001	<u>\$ 94</u>	<u>\$ 4,367</u>	<u>\$ 4,461</u>	<u>\$ 4,125</u>

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

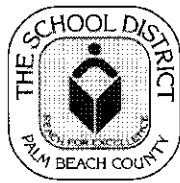


THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES (in thousands)
FOR THE YEAR ENDED JUNE 30, 2001
(With comparative totals for the year ended June 30, 2000)

	ENTERPRISE FUND	INTERNAL SERVICE FUNDS	TOTALS (MEMORANDUM ONLY)	
			2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash receipts from services provided to other funds	\$ -	\$ 33,507	\$ 33,507	\$ 31,149
Cash receipts from insurance premiums	-	13,344	13,344	11,093
Cash receipts from other income	-	14	14	426
Cash received from customers	320	-	320	313
Cash payments to suppliers for goods and services	(141)	(8,556)	(8,697)	(7,152)
Cash payments for insurance claims	-	(13,337)	(13,337)	(11,612)
Cash payments for salaries, benefits, and other expenses	(155)	(27,654)	(27,809)	(25,671)
Net cash provided by (used in) operating activities	<u>24</u>	<u>(2,682)</u>	<u>(2,658)</u>	<u>(1,454)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash receipts from loss recoveries	-	1,456	1,456	1,498
Interest payments on loans	-	(361)	(361)	(411)
Net cash provided by noncapital financing activities	<u>-</u>	<u>1,095</u>	<u>1,095</u>	<u>1,087</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Payments for purchases of equipment	-	(5)	(5)	(9)
Net cash used in capital and related financing activities	<u>-</u>	<u>(5)</u>	<u>(5)</u>	<u>(9)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest earnings on investments	4	2,061	2,065	1,795
Net cash provided by investing activities	<u>4</u>	<u>2,061</u>	<u>2,065</u>	<u>1,795</u>
Net increase in cash and cash equivalents	28	469	497	1,419
Cash and cash equivalents, beginning of year	42	33,346	33,388	31,969
Cash and cash equivalents, end of year	<u>\$ 70</u>	<u>\$ 33,815</u>	<u>\$ 33,885</u>	<u>\$ 33,388</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Operating income (loss)	\$ 14	\$ (2,837)	\$ (2,823)	\$ (834)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	16	24	40	41
Changes in assets and liabilities:				
Decrease in accounts receivable	-	10	10	2
(Increase) decrease in due from other funds	(3)	(85)	(88)	51
Decrease in inventory	1	-	1	-
Decrease in due from reinsurer	-	-	-	144
Increase in other assets	-	(151)	(151)	-
Increase (decrease) in estimated claims liability	-	632	632	(159)
Increase (decrease) in due to other funds	-	(248)	(248)	51
Decrease in due to other agencies	-	-	-	(1)
Decrease in accounts payable and accrued expenses	(4)	(27)	(31)	(749)
Total adjustments	<u>10</u>	<u>155</u>	<u>165</u>	<u>(620)</u>
Net cash provided by (used in) operating activities	<u>\$ 24</u>	<u>\$ (2,682)</u>	<u>\$ (2,658)</u>	<u>\$ (1,454)</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, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District of Palm Beach County, Florida (the "District") have been prepared to conform to Accounting Principles Generally Accepted in the United 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 237.01, 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 230 of Florida Statutes. The District's boundaries are coterminous with those of Palm Beach County. Management of the 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 chief 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. The criteria for inclusion in the reporting entity involve those cases where: 1) the District or its officials appoint a voting majority of an organization's governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the District, 2) the organization is fiscally dependent on the District, or 3) 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. Based on the foregoing criteria, District management has determined that the component units and/or joint ventures reportable within the accompanying financial statements under the requirements of GASB 14, "The Financial Reporting Entity," are the Palm Beach School Board Leasing Corporation, (the "Corporation") and six of the nine Charter Schools operating within the District. The other three District Charter Schools are component units of other entities. The Corporation meets criteria number one above and the Charter Schools meet criteria number three above.

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; however, the Board of the Corporation consists of the seven Board members of the District. Therefore, the financial activities of the Corporation have been blended (reported as of if it were part of the District) with those of the District.

Discretely Presented Component Units - Florida State Statute 228.056 authorized the establishment of Charter Schools as part of the State's education program. All Charter Schools are fully recognized as public schools. As such, Charter Schools are funded on the same basis and are subject to the same financial reporting requirements as the District. Additionally, all students enrolled in Charter Schools are included in the District's total enrollment. Currently, there are six Charter Schools operating within the School District of Palm Beach County meeting the criteria for presentation as a discretely presented component unit. The financial activity of the Charter Schools are accounted for as discretely presented (reported separately from the District's activity) component units in the combined financial statements.



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Reporting Entity, Continued

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

Delray Beach Academy Charter School
1101 N.W. 2nd Street
Delray Beach, Florida 33445

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

Joseph Littles-Nguzo Saba Charter School
5829 Corporate Way
West Palm Beach, Florida 33409

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

Renaissance Learning Center
4075 Holly Drive
Palm Beach Gardens, Florida 33410

Academy School of Florida, Inc.
23078 Sandlefoot Plaza Boulevard
Boca Raton, Florida 33428

The accompanying financial statements include the operations of the District, the Corporation, and the Charter Schools. The district is independent of and is not financially accountable for other governmental units or civic entities other than the Corporation and the Charter Schools. The financial statements included herein represent all of the funds and account groups of the School District and the Corporation as a governmental unit, as well as the six Charter Schools as discretely presented component units. The Charter Schools are presented as a governmental fund type.

B. Fund Accounting

The accounts of the District are organized as funds or groups of accounts, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts which comprise the fund's assets, liabilities, fund balance, fund equity, revenues, expenditures and expenses as appropriate. The District uses the following funds and account groups:

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 Proprietary Funds and similar Trust 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 Governmental Fund types:

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than major capital projects, requiring separate accountability because of legal restrictions, regulatory provisions, or administrative action. Activities accounted for in Special Revenue Funds include a group of programs and projects comprising the federal grants and food service operations.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for the scheduled payment of principal, interest and fees on the long-term general obligation debt and obligations under lease purchase agreement represented by Certificates of Participation.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources segregated for the acquisition, construction or renovation of capital facilities, including land and equipment.

PROPRIETARY FUNDS

Proprietary Funds are used to account for the District's 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.

Enterprise Fund

The Enterprise Fund is used to account for operations of the administrative cafeteria. This fund is operated in a manner similar to private business enterprises, where the intent is that the costs of providing goods to the general public on a continuing basis are financed or recovered primarily through charges for services.

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's Internal Service Funds include self-insurance programs, central printing services, legal services, administrative services, and maintenance services.

FIDUCIARY FUNDS

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

Agency Funds

Agency Funds consist of activity funds, which are established at each school to account for the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The District retains no equity interest in these funds.



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Expendable Trust Fund

An expendable 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.

ACCOUNT GROUPS

Account Groups are used to establish accounting control and accountability over the District's general fixed assets and general long-term debt.

General Fixed Assets Account Group

This account group is used to account for the accumulation of the fixed assets of the District other than those accounted for in the Proprietary Funds.

General Long-term Debt Account Group

This account group is used to account for outstanding long-term debt that is guaranteed by the full faith and credit of the District and for other long-term liabilities other than those accounted for in the Proprietary Funds.

C. Measurement Focus and Basis of Accounting

The Governmental Funds and the Expendable Trust Fund 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. Proprietary Funds are accounted for on an "economic resources" measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Equity for Proprietary Funds reports increases and decreases in total economic net worth.

The modified accrual basis of accounting is utilized by all funds except for the proprietary funds. Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e. both available and measurable. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include ad valorem taxes, reimbursable-type grants and interest on investments. The District considers ad valorem taxes as available, if they are collected within sixty days after year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred. However, exceptions include the amount of unmatured principal and interest on general long-term debt, which is recognized when the principal and interest are due.



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In applying the susceptible to accrual concept to revenues from federal and state sources, the legal contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be received by the District; therefore, revenues are recognized based upon the incurrence of expenditures. In the other type, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed legal and contractual requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met. In all cases, monies received before the revenue recognition criteria have been met are reported as deferred revenue or due from other agencies. Revenue recognition for Public Education Capital Outlay Funds ("PECO") and Classrooms First are recorded as discussed above. PECO and Classrooms First funds are distributed from the state based upon cash flow needs for capital and other projects. Allocation of funds are recorded as deferred revenue and recognized upon the incurrence of expenditures.

The accrual basis of accounting is used in the Proprietary Funds. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

D. 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. Budgets for governmental fund types are adopted on a basis consistent with GAAP, except for encumbrances. The budgetary process includes encumbrances in the current year budget.

Annual budgets are legally adopted for the General Fund and each individual fund in the Special Revenue Funds, the Debt Service Funds, the Capital Project Funds, Enterprise Fund, and the Internal Service Funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget through September 19, 2001, the date of the final amendment approved by the Board. Significant dates in the budgeting timetable follow:

1. The Palm Beach County Property Appraiser certifies to the District the taxable value of all nonexempt District property by July 1 of each year, or the Clerk of the Circuit Court is required to certify an interim tax roll.
2. Within 24 days of tax roll certification, the Board considers and approves for advertising a tentative budget.
3. Within 29 days after tax roll certification, the District advertises the tentative budget and the millage rates therein.
4. A public hearing to adopt the tentative budget and proposed millage rate is held not less than two nor more than five days after the budget is advertised.
5. Within 35 days of tax roll certification, the District notifies the Palm Beach County Property Appraiser of proposed millage rates.
6. A final public hearing within 80 days, but not less than 65 days, after tax roll certification, the Board adopts the District budget.



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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. In the Capital Projects, Debt Service, Special Revenue-Food Service, Enterprise, and Internal Service Funds, budget amendments must also have Board approval between object codes. All budget amendments in the Special Revenue Funds 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 2001, budget amendments were approved as necessary to comply with legal requirements.

Unreserved appropriations for funds under budgetary control 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, 2001, for funds under budgetary control have been reappropriated for the fiscal year 2002 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.

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of an applicable appropriation, is utilized for budgetary control purposes. Encumbrances are not the equivalent of expenditures, and accordingly, amounts reserved for encumbrances indicate that portion of the fund balance segregated for expenditure upon vendor performance. Encumbrances outstanding at year end are reappropriated into the following year's budget. All prior year General Fund encumbrances are closed no later than December 31 of the following year.

F. Cash, Cash Equivalents and Investments

The District maintains a Treasurer's pool for the District's cash and investments. Each fund type's portion of the pool is presented on the combined balance sheet. Investments are stated at fair value. Investments consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, and money market funds investing in U.S. Treasury Securities. For purposes of the statement of cash flows, cash equivalents are considered to be the money market funds and all highly liquid investments with a maturity of three months or less when purchased.

G. Inventories

Inventories are valued at cost, which approximates market, using the average cost method. The District's inventories include various items consisting of school supplies, paper, books, maintenance items, transportation items, commodities, etc. United States Department of Agriculture ("USDA") commodities received from the federal government are recorded at the value established by the federal government using the average cost method. Inventoriable items are recorded as expenditures when shipped to schools and department offices (the consumption method). The reserve for inventories is equal to the amount of inventories (except for USDA commodities) at year-end to indicate the portion of the Governmental Fund Balances that are not available for appropriation and expenditure. The amount of unused USDA commodities at year-end is reported as deferred revenue.



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Fixed Assets

Fixed assets represent the cumulative amount of fixed assets owned by the District's governmental fund types. Purchased assets are recorded as expenditures in the General Fund, Special Revenue Funds and Capital Projects Funds and capitalized at cost in the General Fixed Assets Account Group. In the case of gifts or contributions, such assets are recorded as general fixed assets at fair market value at the time received. Depreciation is not provided on general fixed assets, nor has interest been capitalized as part of the cost of constructed assets.

Fixed assets purchased in the operations of Proprietary Funds are accounted for in the respective funds. Depreciation expense is also recorded in the Proprietary Funds. Depreciation is based on the straight-line method. In the Enterprise and Internal Service Funds, the estimated useful life for furniture, fixtures, and equipment is 10 years and 5 years for computer equipment and software.

I. Application of Financial Accounting Standards Board (FASB) Pronouncements to Proprietary Funds

The District has elected not to apply those FASB interpretations and statements issued subsequent to November 30, 1989 to its Proprietary Funds.

J. Reserves of Fund Equity

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

K. Self - Insurance

The District is self-insured for portions of its general and automobile liability insurance and workers' compensation. The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See Note 6).

L. 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. They are recorded as expenditures when used or are accrued as a payable to employees who are entitled to cash payment in lieu of taking leave. District employees may accumulate unused vacation and sick leave up to a specified amount depending on their date of hire. Vacation and sick is payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement.

M. Comparative Total Data

Comparative total data has been presented in the accompanying combined proprietary financial statements in order to facilitate financial analysis. Combined data in these columns, titled "Memorandum Only," is not comparable to a consolidation, and does not present consolidated financial position, results of operations, or the cash flows in conformity with GAAP. Interfund eliminations have not been made in the aggregation of this data.



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. 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 disclosure 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.

O. Reporting Change

GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, has been implemented for fiscal year ended June 30, 2001. This Statement, effective for periods beginning after June 15, 2000, establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources (for example taxes, grants and donations). The adoption of GASB 33 did not have a material effect on the District's financial statements.

2. AD VALOREM TAXES

The Board is authorized by Florida Statutes to levy property taxes for District operations, capital improvements and debt service. Property taxes consist of ad valorem taxes on real and personal property within the District. The Palm Beach County Property Appraiser assesses property values and the Palm Beach County Tax Collector collects the property taxes. Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to four percent are available for early payment. The majority of ad valorem taxes are collected in November and December and remitted to the District. 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. Levies were 6.4870 mills, 0.4310 mills and 2.0000 mills for the General Fund, Debt Service Fund and Capital Projects Funds, respectively. Total assessed value on which the 2000-01 levy was based was \$72,128,814,198. Total taxes levied for the General Fund, Debt Service Funds and Capital Projects Funds were \$467,899,618, \$31,087,519 and \$144,257,628, respectively. A portion of the taxes levied for the Capital Project Funds, designated for repairs and maintenance programs, are transferred to the General Fund as provided by Section 236.25, Florida Statutes. For fiscal year end 2001, the transfer amounted to \$36,481,551.



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

2. AD VALOREM TAXES, Continued

As prescribed by GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, tax revenue is recognized in the fiscal year that it is levied. Taxes receivable at year-end, net of uncollectible taxes, are \$12,902,084, \$859,752 and \$3,942,572 in the General Fund, Debt Service Funds and Capital Project Funds, respectively. If taxes deemed uncollectible are subsequently received, they are recognized as revenue in the year collected.

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, including the cash with fiscal agent, 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, including the cash with fiscal agent, are fully insured or collateralized. At June 30, 2001, the carrying amount of the District's cash deposits was \$2,782,153 and the bank balance was \$25,878,219. The carrying amount of the School Activity Funds cash deposits was \$11,938,189.

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

Investments

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

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

Florida Statutes allow the School District to purchase individual or pooled investments through the State Board of Administration (the "SBA"). Funds invested with the SBA are invested in the Local Government Surplus Funds Trust Fund Investment Pool (the "Pool"). Regulatory oversight of the Pool is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the SBA. The fair value of the District's position in the Pool is the same as the value of the District's Pool shares. The District invests



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

3. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

idle cash of individual funds in three different ways. First, overnight balances in the School District's master account are held in interest bearing accounts at a qualified public depository. Second, liquidity needs are met by investing in the SBA. Third, investments are purchased as allowed by Statute and the District's investment policy. All investments are held in the District's name in a third party safekeeping account.

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

Investments in the SBA, funds held in trust by the State for State Board of Education Capital Outlay Bond Issues ("COBI"), and funds held by trustee are not categorized, either because they are not evidenced by securities that exist in physical or book entry form, or because they are subject to control solely of the fiscal agent. All other cash and investments at June 30, 2001 are classified as Credit Risk Category 1.

The District's cash, cash equivalents and investments at June 30, 2001 are as follows:

	Carrying Amount @ Fair Value
Cash and Cash Equivalents:	
Deposits	\$ 2,782,153
Deposits - School Activity Funds	11,938,189
Investments in SBA	269,939,164
Investments in Fixed Income Securities (maturities less than three months from date of purchase)	517,570
Cash with Fiscal Agent	621,752
Total Cash and Cash Equivalents	<u>285,798,828</u>
Investments:	
Investments in Fixed Income Securities (maturities greater than three months from date of purchase)	54,510,488
Funds held by Trustee - Certificates of Participation for Debt Service	20,965,159
Funds held by Trustee - Certificates of Participation issued by the Corporation	243,924,472
Funds held in trust by the State	1,406,069
Total Investments	<u>320,806,188</u>
Total Cash, Cash Equivalents and Investments	<u><u>\$ 606,605,016</u></u>



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

3. CASH, CASH EQUIVALENTS AND INVESTMENTS, Continued

GASB Statement No. 31 entitled Accounting and Financial Reporting for Certain Investments and External Investment Pools, effective for periods beginning after June 15, 1997, establishes accounting and financial reporting standards for certain investments. The statement requires these investments to be reported in the balance sheet at fair value rather than cost. The fair value of investments held as of June 30, 2001 are provided by the trustee and the safekeeping agent who use pricing services that provide fair market valuations of securities. The application of GASB 31 resulted in a net unrealized gain of \$879,544. This amount was allocated to all funds based on the fund equity in the Treasurer's Pool at June 30, 2001.

4. DUE FROM OTHER GOVERNMENTS OR AGENCIES

At June 30, 2001, the District had a total of \$91,067,000 in "Due from other governments or agencies". Approximately \$9 million is due from Palm Beach County for impact fees. Approximately \$24 million, \$27 million and \$6 million are due from the state for the Effort Index Grants, Public Education Capital Outlay and Class Size Reduction programs, respectively. Another \$17 million of this total is from the Classrooms First Program. This program was bonded from lottery proceeds and is to be used for the construction of new classrooms.

5. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2001 (in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 1,324	\$ 269
Special Revenue Funds -		
Food Service	-	94
Contracted Programs	-	790
Capital Projects Funds -		
PECO	-	27
Capital Improvement	-	44
Local Revenue	-	47
Enterprise Fund	3	-
Internal Service Funds -		
Administrative Services	-	14
Maintenance Services	293	73
Agency Fund	3	265
Total Interfund	\$ 1,623	\$ 1,623



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

5. INTERFUND ACTIVITIES, Continued

A summary of interfund transfers as of June 30, 2001 is as follows (in thousands):

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 38,614	\$ 6
Special Revenue Fund -		
Contracted Services	6	-
Debt Service Fund -		
Other Debt Service	30,575	-
Capital Projects Funds -		
Capital Improvement	-	65,056
Local Revenue	-	4,133
Total Transfers	<u>\$ 69,195</u>	<u>\$ 69,195</u>

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and students; natural disasters. The District established a Self-Insurance Internal Service Fund to account for and finance its uninsured risks of loss up to certain limits for claims incurred for auto and general liability and workers' compensation. The District is self-insured for automobile and general liability claims for the first \$100,000 per person per accident up to \$200,000 per accident. The workers' compensation program is self-insured up to \$300,000 per injury to satisfy indemnity and medical costs. These self-insured funds are administered by a third party. The District purchases commercial insurance for certain risks in excess of coverage provided by the Internal Service Funds and certain other risks of loss.

All funds of the District participate in the program and make payments to the Self-Insurance Funds. The claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2001 using a discounted rate factor of 5.0%. The liability for such funds consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2001, the liability for insurance claims consisted of \$5,503,000 for Auto and General Liability and \$24,310,000 for Workers' Compensation.



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

6. RISK MANAGEMENT, Continued

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

	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000
Beginning Balance	\$ 29,181,000	\$ 29,340,000
Additions:		
Current year claims and changes in estimates	13,968,209	11,453,835
Reductions:		
Claim payments (net of recoveries)	(13,336,209)	(11,612,835)
Ending Balance	<u>\$ 29,813,000</u>	<u>\$ 29,181,000</u>

The District maintains insurance coverage for other areas of risk (see Table 13). There have been no significant reductions in insurance coverage from the prior year. There have been no settlements that exceeded the District's insurance coverage for fiscal years ended June 30, 1999, 2000 and 2001.

7. TAX ANTICIPATION NOTES PAYABLE

On October 11, 2000, the District issued Tax Anticipation Notes ("TANS"), Series 2000. This \$42,000,000 issue was sold at a coupon interest rate of 5.0 percent with an effective yield of 4.32 percent. Interest costs incurred on this issue for the year ended June 30, 2001, were \$1,274,264 net of a premium of \$189,902. Note proceeds were used to pay fiscal year 2001 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 2000. The notes are due September 27, 2001.



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

8. LONG-TERM DEBT PAYABLE AND OTHER LONG-TERM LIABILITIES

A summary of changes in long-term debt and other long-term liabilities for the year ended June 30, 2001, is as follows (in thousands):

	Capital Outlay Bond Issue	General Obligation Bonds	Certificates of Participation	Compensated Absences	Totals
Balance July 1, 2000	\$ 53,440	\$ 189,685	\$ 358,235	\$ 102,047	\$ 703,407
Additions:					
New Debt Issued	-	-	135,500	-	135,500
Other Long-term Additions	-	-	-	11,495	11,495
Reductions:					
Other Long-term Reductions	-	-	-	2,741	2,741
Debt Retired	2,580	19,465	8,480	-	30,525
Balance June 30, 2001	\$ 50,860	\$ 170,220	\$ 485,255	\$ 110,801	\$ 817,136

Note: The amount recorded as "proceeds from issuance of long-term debt" on page 13 is net of debt discounts/premiums, insurance expense and underwriter discounts totaling \$918,000.

State Board of Education Capital Outlay Bond Issues

State Board of Education Capital Outlay Bond Issues ("COBI") are serviced entirely by the state using a portion of the District's share of revenue derived from motor vehicle license taxes pursuant to Chapter 320, Florida Statutes, and Article XII, Section 9(d), of the Florida Constitution. The State Board of Administration determines the annual sinking fund requirements. The amounts necessary to retire bonds and interest payable are withheld from the entitlement to the District. Interest rates on the COBI bonds range from 4.00 percent to 6.625 percent. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

The amount withheld and in the custody of the state in excess of amounts needed to pay principal and interest on COBI issues was \$1,406,069 at June 30, 2001. This fund held in trust is included in investments in the debt service funds in the accompanying combined balance sheet.

General Obligation Bond Issues

General Obligation Bonds constitute general obligations of the District and are payable from ad valorem taxes levied on all taxable property within the District without limitation as to rate or amount. These bonds carry effective interest rates ranging from 3.50 to 6.00 percent. Interest is payable semiannually on February 1 and August 1. All bonds issued are subject to arbitrage rebate, however, at June 30, 2001, the arbitrage was zero.



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

8. LONG-TERM DEBT PAYABLE AND OTHER LONG-TERM LIABILITIES, Continued

Defeased Debt

In prior years, the District defeased bond issues and certificates of participation by creating separate irrevocable trust funds. New debt was 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 District's Long-Term Debt Account Group. As of June 30, 2001, the amount of defeased debt removed from the General Long-Term Debt Account Group amounted to \$42,550,000.

Annual requirements to amortize all bond issues outstanding as of June 30, 2001 are as follows (in thousands):

Year Ended June 30	Capital Outlay Bonds	General Obligation Bonds	Total Interest	Total Principal and Interest
2002	\$ 2,720	\$ 20,510	\$ 11,819	\$ 35,049
2003	2,870	21,630	10,515	35,015
2004	3,035	22,835	9,113	34,983
2005	3,200	24,130	7,618	34,948
2006	3,390	25,520	6,012	34,922
2007-2011	15,320	55,595	10,787	81,702
2012-2016	18,175	-	3,298	21,473
2017-2021	2,150	-	196	2,346
Total	\$ 50,860	\$ 170,220	\$ 59,358	\$ 280,438

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, 2001 the statutory limit for the District was approximately \$7.2 billion, providing additional debt capacity of approximately \$7.0 billion.



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

8. LONG-TERM DEBT PAYABLE AND OTHER LONG-TERM LIABILITIES, Continued

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 and April 1, 2001 the Corporation issued Certificates of Participation ("Certificates") Series 1994A, Series 1995A, Series 1996A, Series 2000A and Series 2001A in the amounts of \$62,095,000, \$133,600,000, \$32,155,000, \$155,000,000 and \$135,500,000 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 and Series 2001A Facilities sites. In addition, on September 1, 1997 the District issued \$47,145,000 of Certificates of Participation Series 1997A to advance refund and defease a portion of the Series 1994A Certificates of Participation which mature on or after August 1, 2005 in order to achieve debt service savings. (See Defeased Debt.)

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 2000A and Series 2001A 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 2000A and Series 2001A 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 the Ground Lease terms are presented below:

<u>Certificates</u>	<u>Ground Lease Term</u>
Series 1994A	June 30, 2020
Series 1995A	June 30, 2020
Series 1996A	August 1, 2021
Series 2000A	August 1, 2030
Series 2001A	August 1, 2031

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 District 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



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

8. LONG-TERM DEBT PAYABLE AND OTHER LONG-TERM LIABILITIES, Continued

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 are 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, 2001, \$61,242,505 was expended for capital outlay in the Certificates of Participation Capital Projects Funds, which are included within the Other Local Revenue Funds.

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

Year ended June 30	Series 1994A	Series 1995A	Series 1996A	Series 1997A	Series 2000A	Series 2001A	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2002	\$ 2,255	\$ 5,120	\$ 1,185	\$ 315	\$ -	\$ -	\$ 8,875	\$ 25,027	\$ 33,902
2003	2,380	5,345	1,240	325	-	355	9,645	25,754	35,399
2004	2,515	5,585	1,300	340	-	360	10,100	25,280	35,380
2005	2,660	5,840	1,360	355	-	2,100	12,315	24,743	37,058
2006	-	6,115	1,430	3,185	-	1,995	12,725	24,126	36,851
2007-2011	-	36,125	8,305	18,225	-	4,355	67,010	110,793	177,803
2012-2016	-	46,795	10,785	23,145	-	2,680	83,405	91,514	174,919
2017-2021	-	-	2,525	-	64,960	41,490	108,975	65,045	174,020
2022-2027	-	-	-	-	90,040	82,165	172,205	29,898	202,103
Total	\$ 9,810	\$ 110,925	\$ 28,130	\$ 45,890	\$ 155,000	\$ 135,500	\$ 485,255	\$ 422,180	\$ 907,435

Liability for Compensated Absences

At June 30, 2001, the accrued liability payable from future resources for accumulated vested vacation and sick leave was \$11,524,295 and \$99,276,847 respectively, and was reported in the general long-term debt account group. These amounts also include the related employer's share of applicable taxes and retirement contributions. The District budgets an annual amount for payoff of sick and annual leave earned upon termination or retirement.



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

9. FIXED ASSETS

A summary of changes in general fixed assets for the fiscal year ended June 30, 2001, is as follows:

Assets	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land	\$ 123,229,757	\$ 21,124,168	\$ -	\$ 144,353,925
Land improvements	45,116,445	196,098	-	45,312,543
Buildings	1,298,747,509	65,295,115	7,918,971	1,356,123,653
Furniture, Fixtures & Equipment	168,826,628	21,540,873	15,861,340	174,506,161
Motor Vehicles	47,161,587	6,565,557	272,519	53,454,625
Construction in Progress	163,410,228	129,537,276	61,863,482	231,084,022
Computer Software	23,374,975	3,279,007	175,953	26,478,029
Total	\$ 1,869,867,129	\$ 247,538,094	\$ 86,092,265	\$ 2,031,312,958

The following is a summary of Proprietary Funds fixed assets at June 30, 2001:

Assets	Enterprise Fund	Internal Service Funds
Furniture, Fixtures & Equipment	\$ 153,864	\$ 482,817
Software	-	4,000
Subtotal	153,864	486,817
Less: Accumulated Depreciation	(136,676)	(419,539)
Total Fixed Assets	\$ 17,188	\$ 67,278

The estimated useful life for furniture, fixtures, and equipment is 10 years. The estimated useful life for computer equipment and software is 5 years. The District maintains records of capitalized property for furniture, fixtures and equipment in accordance with Florida Statutes, which define capitalized property to be items costing greater than or equal to \$750 with a life expectancy greater than one year. In order to comply with the method of capitalizing fixed assets and accounting for construction in progress required by the State Department of Education's Financial and Program Cost Accounting and Reporting for Florida Schools, only new construction and construction that will increase the square footage of a facility is capitalized. Remodeling, renovations or improvement of buildings taking place within the existing floor area are generally not capitalized. Thus, such items have not been included as part of construction in progress nor added to the General Fixed Assets Account Group.



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

10. RETIREMENT PLANS

The District has adopted the provisions of GASB Statement No. 27 Accounting for Pensions by State and Local Government Employers in the following disclosure:

Plan Description: The District contributes to the Florida Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida Division of Retirement. The System was created in 1970 by consolidating several employee retirement systems, including the Teachers Retirement System. All eligible employees, as defined by the State, who were hired after 1970 and those employed prior to 1970 who elect to be enrolled, are covered by the System. Employees hired prior to 1970 and not electing to enroll in the Florida Retirement System may be covered by various contributory plans, principally the Teacher's Retirement System Plan E. The system provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature established the System under Chapter 121, Florida Statutes, and has sole authority to amend benefit provisions. Each year the System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Florida Department of Management Services, Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Funding Policy: The system is non-contributory for employees and the District is required to contribute an actuarially determined rate. During the fiscal year the rates ranged from 9.15% to 20.29% of annual covered payroll. The Teachers Retirement System is contributory and the rates for those employees still participating in this program is 11.18% and 6.25% for the employer and the employee, respectively. The contributions of the District are established and may be amended by the State Legislature. The District's pension liability at June 30, 2001 was zero. The District's contributions for both plans to the System are equal to the required contributions for each year as follows:

	<u>June 30, 1999</u>	<u>June 30, 2000</u>	<u>June 30, 2001</u>
Florida Retirement System	\$ 90,382,231	\$ 61,510,873	\$ 59,288,004
Teachers' Retirement System			
Plan E: Employer	443,700	297,096	197,413



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

11. POST RETIREMENT BENEFITS

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

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

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

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

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

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

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

RIP 1999 – Eligibility criteria included the following:

- 30 years of service with the Palm Beach County School District or
- Age 62 or higher (60 or higher if in TRS) with at least 10 years of service with the Palm Beach County School District or
- Employees whose age plus years of service equal or exceed 80 and
- Employees must have retired 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 SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

11. POST RETIREMENT BENEFITS, Continued

The District's expenditures are recognized in the fiscal year in which they are paid, and are not advance funded on an actuarially determined basis. A summary of the total estimated expenditures for the fiscal year ended June 30, 2001 is as follows:

	Number of Participants	Health Insurance*	Life Insurance	Insurance Subsidy	Incentive	Total Paid FY 2001
RIP 92	196	\$ 209,658	\$ 5,000	\$ -	\$ -	\$ 214,658
RIP 93	11	-	-	5,500	-	5,500
RIP 96	27	-	-	53,700	-	53,700
RIP 99	116	-	-	279,840	1,410,438	1,690,278
Total	350	\$ 209,658	\$ 5,000	\$ 339,040	\$ 1,410,438	\$ 1,964,136

* Net of Florida Retirement System subsidy if applicable.

12. COMMITMENTS AND CONTINGENCIES

The District has various agreements with other governmental agencies which may require the District to contribute additional financial resources, as anticipated by such agreement. Such liabilities are accrued at the time they become known to the District.

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 Special Revenue Funds include federal grant programs. For budgetary purposes, at year-end, purchase orders are encumbered and will be funded by future grant revenues. Encumbrances are not the equivalent of expenditures, and accordingly, amounts reserved for encumbrances indicate the portion of the fund balance segregated for expenditure. Future revenues will fund these encumbrances and will eliminate the undesignated fund deficit. At June 30, 2001, the encumbrances for Special Revenue Fund - Contracted Programs Funds amounted to \$2,395,280.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal Government. Any disallowed claims, including amounts already collected, might constitute a liability of the applicable funds. It is management's opinion that there are not any significant contingent liabilities relating to these grants.

As part of its capital outlay program, the District has entered into various construction contracts. At June 30, 2001, all committed funds are included in the reserve for encumbrances in the Capital Project Funds.



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

12. COMMITMENTS AND CONTINGENCIES, Continued

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimate liability for insurance risks and pending claims in the accompanying financial 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, the final settlements of these matters will not result in a material adverse effect on the financial position of the District.

13. RETAINED DEFICIT

The Enterprise Fund includes the Administrative Cafeteria, which is open to the general public. Its revenues are generated primarily through charges for services and catering District meetings. For the year ended June 30, 2001, the administrative cafeteria had a retained deficit of \$94,930, which, when combined with contributed capital of \$188,957, resulted in net fund equity of \$94,027.

The Workers' Compensation internal service fund provides coverage for workers' compensation claims. User fees are charged to other funds based on rates established using comparable industry norms. The retained deficit amounted to \$1.941 million at June 30, 2001. District management believes that sound administrative practices together with ongoing changes in fund operations will improve the District's workers' compensation loss expense during fiscal year 2002. Total fund equity at June 30, 2001, is \$1.351 million due to contributed capital of \$3.292 million.

14. DEFERRED COMPENSATION

The District offered certain employees a deferred compensation plan that was created in accordance with Internal Revenue Code Section 457. The plan permitted these employees to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Under GASB Statement No. 32 Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the District is not required to report its Section 457 Deferred Compensation Plan. As required by the Internal Revenue Code, the District established a trust for the assets and income of the Plan with an independent trustee for the exclusive benefit of participants and their beneficiaries and no longer holds assets in a trustee capacity. Therefore, the District discontinued its practice of accounting for and reporting the Deferred Compensation Plan as an Agency Fund.

15. SCHOOL ACTIVITY FUNDS

The Student Activity Funds are being accounted for as an Agency Fund to better reflect the type of activity these funds generate. The purpose for an Agency Fund is to perform as the custodian for other funds, such as the individual school's activity funds. Since Agency Funds are custodial in nature and do not measure the results of operations, only the assets and liabilities, as well as changes in net assets are presented. The Agency Fund Schedule of Changes in Assets and Liabilities is as follows:



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

15. SCHOOL ACTIVITY FUNDS, Continued

	Balance June 30, 2000	Additions	Deletions	Balance June 30, 2001
ASSETS				
Cash and Cash Equivalents	\$ 11,331	\$ 51,411	\$ 50,804	\$ 11,938
Accounts Receivable	554	553	554	553
Due from other funds	-	3	-	3
Total Assets	<u>\$ 11,885</u>	<u>\$ 51,967</u>	<u>\$ 51,358</u>	<u>\$ 12,494</u>
LIABILITIES				
Accounts Payable	\$ 78	\$ 53	\$ 78	\$ 53
Due to Other Funds	89	265	89	265
Due to Student Organizations	11,718	51,649	51,191	12,176
Total Liabilities	<u>\$ 11,885</u>	<u>\$ 51,967</u>	<u>\$ 51,358</u>	<u>\$ 12,494</u>

16. RECONCILIATION OF SUPERINTENDENT'S ANNUAL FINANCIAL REPORT

The School District issued the Superintendent's Annual Financial Report (the "Annual Financial Report") to the Commissioner of Education on September 11, 2001. This Annual Financial Report is compiled on a basis promulgated by the Commissioner of Education, which differs in some aspects from GAAP.

The following is a reconciliation (in thousands) of fund equity as shown on the Annual Financial Report and in the accompanying financial statements at June 30, 2001:

	<u>Capital Projects Fund Equity</u>
Balance per Annual Financial Report	\$ 446,001
Adjustments:	
PECO revenue recognition	(27,640)
Classrooms First revenue recognition	(7,024)
Effort index grant revenue recognition	(23,700)
Class size reduction revenue recognition	<u>(5,502)</u>
Balance per Combined Balance Sheet	<u>\$ 382,135</u>



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

16. RECONCILIATION OF SUPERINTENDENT'S ANNUAL FINANCIAL REPORT, Continued

The School District, at various times, receives authorization for the expenditure of funds for PECO, Classrooms First, Effort index grant and Class size reduction projects from the State of Florida. At the time authorization is approved by the State, PECO, Classrooms First, Effort index grant and Class size reduction revenue is recognized. For financial reporting purposes however, as there is no assurance that all funds made available will be spent and since the authorizations are made available for several years, revenue is not recognized until the expenditure is incurred.

17. SUBSEQUENT EVENTS

On July 24, 2001, the District issued certificates of participation of \$169,445,000 (par value) with interest rates ranging from 2.70% - 5.375% to advance refund certificate payments with interest rates ranging from 5.75% - 6.00% and a par value of \$155,000,000. The certificates mature on August 1, 2025. The certificates were issued at a net discount of \$2,868,161 and, after paying issuance costs of \$1,626,925, the net proceeds were \$164,949,914. The net proceeds from the issuance of the certificates were used to purchase U.S. Government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the certificates are called. The advance refunding meets the requirements of an in-substance debt defeasance and the liability for the certificates will be removed from the District's financial statements in fiscal year 2002.

As a result of the advance refunding, the District will reduce its total debt service requirements by \$7,985,328, which will result in an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$4,666,048.

APPENDIX C

FORMS OF CERTAIN LEGAL DOCUMENTS

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Schedule 2002B

The Series 2002B Ground Lease

The Master Trust Agreement

The Series 2002B Supplemental Trust Agreement

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MASTER LEASE PURCHASE AGREEMENT

PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessor

AND

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

Dated as of November 1, 1994

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MASTER LEASE PURCHASE AGREEMENT

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

WITNESSETH

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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ARTICLE I.

DEFINITIONS AND EXHIBITS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"District" shall mean the School District of Palm Beach County, Florida.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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- (i) the Lease relating thereto and any liens and encumbrances created or permitted thereby;
- (ii) the Assignment Agreement relating thereto and any liens and encumbrances created or permitted thereby;
- (iii) the Trust Agreement and liens and encumbrances created or permitted thereby;
- (iv) any Ground Lease applicable thereto and any liens and encumbrances created or permitted thereby;
- (v) subject to the provisions of Section 6.2 of the Master Lease, any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the provisions of the Master Lease.
- (vi) (a) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law; (b) any liens for taxes, assessments, levies, fees, water and sewer rents or charges and other government and similar charges, which are not due and payable or which are not delinquent or the amount or validity of which are being contested and execution thereon is stayed; (c) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances and irregularities in the title to any property which, in the opinion of the School Board, do not materially impair the use of such property or materially and adversely affect the value thereof; and (d) rights reserved to or vested in any municipality or public authority to control or regulate any property or to use such property in any manner that do not in the Opinion of Counsel, materially affect the use of the Facility Site for educational purposes or the benefits enjoyed by any Permitted Transferee in the Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement; and
- (vii) any other liens or encumbrances permitted by the Schedule relating to such Facility Site, provided such lien or encumbrance shall not, as expressed in an Opinion of Counsel, materially adversely affect the intended use of such Facility Site by the School Board for educational purposes or the benefits enjoyed by any Permitted Transferee in the Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement, and such liens and encumbrances are approved by the Credit Facility Issuer for the Series of Certificates relating to such Facility Site.

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

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

"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.

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

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

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

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

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

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

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

"State" shall mean the State of Florida.

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

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

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

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

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

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

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

ARTICLE II.

LEASE AND SUBLEASE OF FACILITIES AND FACILITY SITES

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

SECTION 2.2. Lease Term. This Master Lease shall be for an original Term commencing on the date hereof through and including June 30, 1995, and automatically renewable annually thereafter through the last date set forth on any Schedule hereto unless sooner terminated in accordance with the provisions hereof, including in particular Sections 3.5 and 4.1 hereof. Upon expiration or termination of the Lease Term, other than pursuant to Section 4.1(b) or (c) hereof, the Trustee, the School Board and the Corporation, at the expense of the School Board, shall execute and deliver such documents, if any, as shall be necessary to evidence such termination. The useful life of the Facilities shall extend beyond the last date set forth on the particular Schedule relating to such Facilities.

SECTION 2.3. Acquisition of Facilities. The School Board shall be responsible for acquisition, construction and installation of the Facilities, as agent for the Corporation, pursuant to the specifications of the School Board, including the letting of all contracts for the acquisition, construction and installation of the Facilities and for supervising the acquisition, construction and installation of the Facilities.

Contracts in connection with the acquisition, construction and installation of the Facilities shall be let in accordance with the competitive bidding policies of the School Board and laws applicable to school boards, including where applicable the requirements of Sections 235.056(3) and 235.26, Florida Statutes, as amended, Chapters 234 and 237, Florida Statutes, as amended, and regulations promulgated by the State Department of Education thereunder, including Rule 6A-2 FAC, and § 6A-1.013 FAC regarding pool purchases, and in accordance with the Instructions to Bidders and General Conditions. All rules and regulations of the State Department of Education applicable to acquisition and construction of educational facilities by

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Corporation receives any damages or other moneys from any contractor, manufacturer or supplier of any portion of the Facilities or its surety pursuant to this Section 2.4 or Section 5.3, such moneys shall be paid to the Trustee for disposition in accordance with Section 5.4 hereof.

SECTION 2.5. Possession and Enjoyment. From and after the acceptance by the School Board of any Facilities in accordance with the terms of this Master Lease, the Corporation agrees that it will not interfere with the quiet use and enjoyment of the Facilities by the School Board during the Lease Term relating to such Facilities and that the School Board shall during such Lease Term peaceably and quietly have and hold and enjoy such Facilities, without hindrance or molestation from the Corporation, except as expressly set forth herein. At the request of the School Board and at the School Board's cost, the Corporation shall join in any legal action in which the School Board asserts its right to such possession and enjoyment to the extent the Corporation lawfully may do so. Upon expiration or termination of the Lease Term other than as a result of nonappropriation or default, the School Board shall enjoy full right, title and interest in and to the Facilities, unless the Facilities are otherwise disposed of in accordance with the terms of this Master Lease.

SECTION 2.6. Trustee Access to Facilities. During the Lease Term of each Lease the School Board agrees that the Trustee, as assignee of the Corporation or its agents, shall have the right during the School Board's normal working hours on the School Board's normal working days to examine and inspect the Facilities for the purpose of assuring that the Facilities are being properly maintained, preserved, and kept in good repair and condition.

SECTION 2.7. Disclaimer of Warranties. The School Board acknowledges that each of the Corporation, the Trustee, the Certificate holders and any Credit Facility Issuer or issuer of a Reserve Account Letter of Credit/Insurance Policy MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE TITLE TO, VALUE, DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY FACILITIES OR ANY PORTION THEREOF, OR AS TO THE QUALITY OR CAPACITY OF THE MATERIAL OR WORKMANSHIP IN SUCH FACILITIES OR ANY WARRANTY THAT SUCH FACILITIES WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. In no event shall the Corporation, the Trustee, the Certificate holders or any Credit Facility Issuer or issuer of a Reserve Account Letter of Credit/Insurance Policy be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Master Lease or the existence, furnishing, functioning or School Board's use of the Facilities, or any item, product or service provided for in this Master Lease.

SECTION 2.8. Warranties of the Facilities. The Corporation hereby appoints the School Board its agent and attorney-in-fact during the Lease Term to assert from time to time

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the School Board shall apply to the same extent to the acquisition and construction of the Facilities by the School Board acting in its capacity as agent for the Corporation.

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

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

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

The School Board may determine not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or may determine to substitute one or more of the Facilities relating to a particular Lease for other approved Facilities. Upon determination by the School Board not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or to substitute one or more of the Facilities relating to a particular Lease, the School Board may amend the related Lease and Ground Lease for the purpose of deleting or substituting such Facilities.

SECTION 2.4. School Board's Liability. As between the Corporation and the School Board, the School Board assumes liability for all risks of loss with respect to the Facilities. The School Board shall maintain in force during the entire acquisition, construction and installation period of any Facilities, property damage insurance as required by Section 5.3 hereof and (for the benefit of Certificate holders), as assignee of the Corporation, the Trustee shall be named as an additional insured and loss payee thereon. In the event the School Board or

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whatever claims and rights, including warranties of the Facilities, which the Corporation or the School Board may have against the contractor, manufacturer or supplier of any Facilities or portion thereof.

SECTION 2.9. Compliance with Law. The School Board and the Corporation each represents, warrants and covenants that it has complied and will comply throughout the Lease Term of each Lease with the requirements of Sections 235.056(3) and 286.011, as well as Chapter 119, Florida Statutes relating to public access to its records and the openness of its meetings to the public.

SECTION 2.10. Representations, Covenants and Warranties of the School Board. The School Board represents, covenants and warrants as follows:

(a) The School Board is the governing body of the District, a body corporate pursuant to Article IX, Section 4(a) of the Florida Constitution (1968) and Chapter 230, Florida Statutes, has power to enter into this Master Lease and each Schedule hereto and has duly authorized and taken the necessary acts required prior to (including all required approvals) the execution and delivery of this Master Lease. The School Board warrants that this Master Lease, upon the execution and delivery hereof, is a valid, legal and binding limited obligation of the School Board, payable from current or other funds authorized by law and appropriated for such purpose as provided in Section 3.1 hereof.

(b) Neither the execution and delivery of this Master Lease nor of any Schedule nor the consummation of the transactions contemplated hereby and thereby, nor the fulfillment of or compliance with the terms and conditions hereof and thereof conflicts with or results in a breach of the terms, conditions, or provisions of any restriction or any agreement or instrument to which the School Board is now a party or by which the School Board is bound or constitutes a default under any of the foregoing, nor conflicts with or results in a violation of any provision of law governing the School Board and no representation, covenant and warranty herein is false, misleading or erroneous in any material respect.

(c) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, known to be pending or threatened against or affecting the School Board nor to the best of the knowledge of the School Board is there any basis therefor, wherein an unfavorable decision, ruling, or finding would materially and adversely affect the transactions contemplated by the School Board or which would adversely affect, in any way, the validity or enforceability of this Master Lease or any material agreement or instrument to which the School Board is a party, used or contemplated for use in the consummation of the transactions contemplated hereby.

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

(e) The moneys in each Acquisition Account and any investment earnings thereon will be used only for payment of Cost of the Facilities, including payment of Basic Lease Payments.

(f) The School Board shall have fee simple title to all Facility Sites, subject only to Permitted Encumbrances, prior to entering into any Ground Lease with respect to such Facility Sites or amending any Ground Lease to add Facility Sites.

(g) In its use of the Facilities, the School Board shall comply with all applicable Federal, State and local governmental laws, regulations, ordinances, rules, orders, standards and codes and with all hazard insurance underwriters' standards applicable to the Facilities.

(h) Adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the Facilities.

(i) The School Board intends, and will intend upon execution and delivery of each Schedule that this Master Lease shall remain in full force and effect until the last Lease Payment Date for any Facility hereunder.

(j) Each of the Facilities set forth on a Schedule will be listed on the Educational Plant Survey for Palm Beach County Schools (or a spot survey) conducted from time to time by the State of Florida Department of Education and will have been approved for lease purchase by said Department.

(k) The School Board shall comply with all continuing disclosure requirements which may be applicable to it from time to time.

SECTION 2.11. Representations, Covenants and Warranties of Corporation.
The Corporation represents, covenants and warrants as follows:

(a) The Corporation is a Florida not-for-profit corporation duly created, existing and in good standing under the laws of the State, is duly qualified to do business in the State, has all necessary power to enter into this Master Lease and each Schedule hereto, is possessed of full power to own, lease and hold real and personal property and to lease and sell the same as lessor, and has duly authorized the execution and delivery of

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this Master Lease and this Master Lease, upon execution and delivery hereof, is a valid, legal and binding non-recourse obligation of the Corporation.

(b) Neither the execution and delivery hereof nor of any Schedule hereto, nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.

(c) To the knowledge of the Corporation, there is no litigation or proceeding pending or threatened against the Corporation or any other person affecting the right of the Corporation to execute or deliver this Master Lease or to comply with its obligations under this Master Lease. Neither the execution and delivery of this Master Lease by the Corporation, nor compliance by the Corporation with its obligations under this Master Lease, require the approval of any regulatory body, any parent company, or any other entity, which approval has not been obtained.

ARTICLE III.

LEASE PAYMENTS

SECTION 3.1. Payment of Lease Payments. Subject to the conditions stated herein, the School Board agrees to pay the Basic Lease Payments stated on each particular Schedule hereto and agrees to pay and discharge Additional Lease Payments, including all other amounts, liabilities and obligations which the School Board assumes or agrees to pay to the Corporation or to others as provided herein and on each Schedule hereto, together with interest on any overdue amount, PROVIDED HOWEVER, THAT NEITHER THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION THEREOF, SHALL BE OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD APPROPRIATED FUNDS, ANY SUMS DUE HEREUNDER FROM ANY SOURCE OF TAXATION AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE HEREUNDER AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NEITHER THE CORPORATION, THE TRUSTEE, NOR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD TO PAY THE LEASE PAYMENTS HEREUNDER. All Basic Lease Payments, Additional Lease Payments and all Supplemental Payments shall be made from current or other funds authorized by law and appropriated for such purpose by the School Board.

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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

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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

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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 nonappropriation of funds described herein to the Trustee, any Credit Facility Issuer and any issuer of a Reserve Account Letter of Credit/Insurance Policy within three (3) Business Days thereafter.

THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE FUNDS TO MAKE LEASE PAYMENTS SELECTIVELY ON A LEASE BY LEASE BASIS, BUT MUST APPROPRIATE FUNDS FOR ALL LEASES OR NONE OF THEM.

SECTION 3.6. Surrender of Facilities. (A) Upon the termination of the Lease Term of all Leases prior to the payment of all Lease Payments scheduled therefor or without the payment of the then applicable Purchase Option Price of the Facilities financed under such Lease, or (B) as provided in Section 8.2 hereof upon the occurrence of an event of default, the School Board shall immediately surrender and deliver possession of all the Facilities financed under this Master Lease and all Schedules hereto to the Trustee as assignee of the Corporation or any person designated by it, in the condition, state of repair and appearance required under this Master Lease, in accordance with the instructions of the Corporation. Upon such surrender, the transferee shall sell or lease the Facilities if then practicable in such manner and to such person or persons for any lawful purpose or purposes, as it shall, in its sole discretion, determine to be appropriate. The proceeds derived by such transferee from any such sale or lease of Facilities shall be applied first to the payment in full of the Series of Certificates relating to such Facilities (including all amounts owing under the applicable Lease) and then to the payment of any

accrued but unpaid obligations of the Corporation under Section 3 of the Ground Lease relating to such Facilities. Any excess after all such payments shall be paid to the School Board.

If the School Board shall refuse or fail to voluntarily deliver possession of the Facilities to the Corporation or its assignee as above provided, the Corporation or its assignee may enter into and upon the Facilities, or any part thereof, and repossess the same and thereby restore the Corporation or its assignee to its former possessory estate as lessee under the related Ground Lease and lessor hereunder and expel the School Board and remove its effects forcefully, if necessary, without being taken or deemed to be guilty in any manner of trespass in order that the Corporation or its assignee may sell or re-let the leasehold interest in the Facilities, subject to Permitted Encumbrances, for any lawful purpose or purposes, for the remainder of the term of the related Ground Lease, if applicable, and the School Board shall have no further possessory right whatsoever in the Facilities, for the remainder of the term of the respective Ground Lease; the Corporation or its assignee may exercise all available remedies at law or in equity to evict the School Board and to enjoy its possessory rights to all Facility Sites under one or more Ground Leases; and the School Board shall be responsible for the payment of damages in an amount equal to the Lease Payments which would have accrued hereunder, calculated on a daily basis, for any period during which the School Board fails to surrender the Facilities or for any other loss suffered by the Corporation or its assignee as a result of the School Board's failure to surrender the Facilities, all without prejudice to any remedy which might otherwise be available to the Corporation or its assignee for arrears of Lease Payments or for any breach of the School Board's covenants herein contained.

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

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

ARTICLE IV.

TERMINATION

SECTION 4.1. Termination of Lease Term. The Lease Term will terminate upon the earliest of any of the following events:

- (a) with respect to all Leases, on the latest Lease Payment Date set forth in any Schedule attached to this Master Lease;
- (b) with respect to all Leases, in the event of nonappropriation of funds for payment of Lease Payments as provided in Sections 3.1, 3.4 and 3.5 of this Master Lease;
- (c) with respect to all Leases, upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to Section 8.2(1) of this Master Lease;
- (d) with respect to a particular Lease, upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease, or upon provision for such payment pursuant to Section 7.3 hereof, provided, however, that upon such provision for payment the obligation to make Lease Payments under such Lease shall continue to be payable solely from such provision for payment.

SECTION 4.2. Effect of Termination.

- (a) Upon the termination of the Lease Term for the reason referred to in Section 4.1(b) or (c) hereof, the provisions of Section 3.6 shall be applicable. Upon such termination for the reason referred to in Section 4.1(c) hereof, the provisions of Sections 8.2 and 8.3 shall also be applicable.
- (b) In the event of termination of the Lease Term for the reason referred to in Section 4.1(d) hereof, there shall be applied solely from the amounts deposited pursuant to Section 7.3 hereof as a reduction against such Basic Lease Payments to become due after such termination an amount equal to the Basic Lease Payments applicable to the Facilities.
- (c) Notwithstanding the termination of the Lease Term pursuant to Section 4.1 hereof, the representations of the School Board set forth in Section 2.10 hereof and the provisions of Sections 5.7 and 5.10 hereof shall survive such termination.

ARTICLE V.

COVENANTS OF SCHOOL BOARD

SECTION 5.1. Maintenance of the Facilities by the School Board. The School Board agrees that at all times during each Lease Term, the School Board will, at the School Board's own cost and expense, maintain, preserve and keep the Facilities in good repair and condition, and that the School Board will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals, interior and exterior, thereto. The Corporation shall have no obligation in any of these matters, or for the making of repairs, improvements or additions to the Facilities. If the School Board fails to perform such obligations the Trustee may perform the School Board's obligations or perform work resulting from the School Board's actions or omissions and the cost thereof (together with interest until reimbursed) shall be immediately due and payable as Supplemental Payments.

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

SECTION 5.3. Provisions Regarding Insurance. During acquisition, construction and installation of the Facilities the School Board shall require any contractor to provide Workers' Compensation, Comprehensive General Liability Insurance, Property Insurance, Property coverage for contractor's equipment, Professional Liability Insurance, Builders Risk Insurance, Automobile Liability Insurance, and other insurance pursuant to the terms of the Instructions to Bidders and the General Conditions of the School Board. Contractors shall be required to provide builders' all risk property damage insurance in an amount not less than the full value of all work in place and materials and equipment provided or delivered by each supplier. The Trustee and the Corporation shall be named as additional insureds and loss payees wherever the School Board is to be so named, and shall be entitled to written notice of cancellation to the same extent as the School Board.

The School Board shall, during the Lease Term, purchase and maintain property insurance coverage in an amount not less than \$85,000,000 per occurrence, to the extent such insurance is available at commercially reasonable costs, covering the replacement cost of its

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the adequacy of its self-insurance reserve fund to be reviewed by the Insurance Consultant on an annual basis.

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

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

Any insurance policy issued pursuant to this Section 5.3 shall provide that the Corporation and the Trustee shall be notified of any proposed cancellation of such policy thirty (30) days prior to the date set for cancellation. Any policy of all risk property insurance must be obtained from a commercial insurance company or companies rated A by A.M. Best Company or in one of the two highest rating categories of Moody's and S&P, or otherwise approved by the Credit Facility Issuer. The School Board and the Trustee shall be named as insureds and loss payees.

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

In the event of any loss, damage, injury, accident, theft or condemnation involving the Facilities, the School Board shall promptly provide or cause to be provided to the Corporation and the Trustee written notice thereof, and make available or cause to be made available to the Corporation and the Trustee all information and documentation relating thereto.

Any insurance policy maintained pursuant to this Section 5.3 shall be so written or endorsed to provide that the Trustee (on behalf of the Certificate holders), and the Corporation are named as additional insureds, and the Trustee, the Corporation and the School Board are named as loss payees as their interests may appear and the Net Proceeds of any appropriation made in connection with a self-insurance election shall be payable to the School Board, the Corporation and the Trustee (on behalf of the Certificate holders) as their respective interests may appear. The Net Proceeds of the insurance required in this Section 5.3 or the Net Proceeds

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property including the Facilities insuring against the perils of FIRE, LIGHTNING, WINDSTORM, HAIL, HURRICANE, WINDBLOWN RAIN, DAMAGE FROM WATER, EXPLOSION, AIRCRAFT, VEHICLES, SMOKE, VANDALISM AND MALICIOUS MISCHIEF, TRANSPORTATION HAZARDS, THEFT AND BURGLARY. The School Board shall maintain a self-insurance program for its combined general and automobile liability insurance coverage in an amount not less than \$200,000 per occurrence pursuant to the provisions contained within Florida Statute 768.28. The School Board shall also purchase and maintain, or cause to be purchased and maintained, boiler & machinery insurance coverage (including air conditioning equipment) in an amount not less than \$20,000,000 per accident.

The adequacy of the School Board's property insurance coverage shall be reviewed annually by the Insurance Consultant, and the School Board shall follow the recommendations of the Insurance Consultant so long as the recommended insurance is available at commercially reasonable costs and otherwise satisfies the criteria set forth herein. The School Board shall maintain eligibility for assistance by the Federal Emergency Management Agency.

The School Board may elect to self-insure for any such damage or liability, as provided above, upon the following terms and conditions:

- (a) the self-insurance program shall be approved by the Insurance Consultant;
- (b) The self-insurance program shall include a sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated at least annually by the Insurance Consultant; and any deficiencies in the fund shall be remedied in accordance with the recommendations of the Insurance Consultant;
- (c) The self-insurance claims reserve fund shall be held in a bank account created for the purpose of maintaining such self-insurance funds, which bank account may be under the control of the School Board and may not be commingled with other School Board moneys; and
- (d) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund shall be maintained.

The School Board may also self-insure for the amount of the deductible portion of the above described insurance coverage. The School Board's present maximum self-insured limits are \$100,000 per occurrence for property coverage not including wind, and a maximum of \$10,000,000 and a minimum of \$10,000,000 per occurrence resulting from wind damage; \$200,000/\$200,000 per occurrence for combined general and automobile liability coverage; \$10,000 per accident for boiler & machinery (including air conditioning equipment). If the School Board revises such limits such that its self-insured retention exceeds 10% of the amount of property insurance recommended by the Insurance Consultant, the School Board will cause

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of any appropriation in connection with a self-insurance election shall be applied as provided in Section 5.4(a) and Section 5.4(b) hereof.

SECTION 5.4. Damage, Destruction or Condemnation. If prior to the termination of the Lease Term under a particular Lease, the Facilities financed under such Lease or any portion thereof are destroyed or are damaged by fire or other casualty, or title to, or the temporary use of such Facilities or any portion thereof shall be taken under the exercise of the power of eminent domain, the School Board shall, within sixty (60) days after such damage, destruction or condemnation elect one of the following two options by written notice from an Authorized School Board Representative of such election to the Corporation and the Trustee:

(a) **Option A - Repair, Restoration or Replacement.** Except as provided below, the School Board will cause the Net Proceeds of any insurance or the Net Proceeds of any appropriation made in connection with a self-insurance election, or the Net Proceeds of any claim or condemnation award to be applied to the prompt repair, restoration, or replacement (in which case such replacement shall become subject to the provisions of the related Lease as fully as if it were the originally leased Facilities) of such Facilities. Any such Net Proceeds received by the Trustee shall be deposited in the related Acquisition Account and be applied by the Trustee toward the payment of the Cost of such repair, restoration or replacement, utilizing the same requisition process set forth in the Trust Agreement for the payment of the Cost of the Facilities from such Acquisition Account.

(b) **Option B - Partial Prepayment.** If the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Facilities so damaged, destroyed or condemned, then the School Board shall not be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are equal to less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities, such Net Proceeds shall be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2 (C) hereof. If the Net Proceeds are equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities, such Net Proceeds shall be deposited in the Prepayment Account for the Series of Certificates relating to such Facilities to be applied to the prepayment in part of the principal portion and accrued interest portion of Basic Lease Payments relating to such Facilities represented by the Certificates in accordance with Section 7.2 hereof.

SECTION 5.5. Insufficiency of Net Proceeds. If the School Board elects to repair, restore or replace the Facilities under the terms of Section 5.4(a) hereof and the Net Proceeds therefor are insufficient to pay in full the Cost of such repair, restoration or

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replacement, the School Board shall complete the work and pay any Cost in excess of the amount of the Net Proceeds, and the School Board agrees that, if by reason of any such insufficiency of the Net Proceeds the School Board shall make any payments pursuant to the provisions of this Section, the School Board shall not be entitled to any reimbursement therefor from the Corporation or the Trustee nor shall the School Board be entitled to any diminution of the amounts payable under the related Lease.

SECTION 5.6. Advances. In the event the School Board shall not elect to self-insure any risk that would otherwise require the maintenance of insurance coverage hereunder, and shall fail to maintain the full insurance coverage required hereunder, the Corporation may, but shall be under no obligation to, purchase the required policies of insurance and pay the premiums on the same, or if the School Board shall fail to keep the Facilities in good repair and operating condition, the Corporation may, but shall be under no obligation to, make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced therefor by the Corporation shall become immediately due and payable as a Supplemental Payment under the Lease relating to such Facilities which amounts, together with interest thereon (at an annual interest rate equal to the interest portion of the Basic Lease Payments, expressed as an annual interest rate) until paid, the School Board agrees to pay.

SECTION 5.7. Release and Indemnification. To the extent permitted by Florida law, including the provisions of Section 768.28 Florida Statutes, the School Board shall indemnify and save the Corporation and the Trustee harmless from and against any and all liability, obligations, claims and damages, including consequential damages and reasonable legal fees and expenses, arising out of, or in connection with, the transactions contemplated by this Master Lease, all Schedules hereto, any Ground Lease, any Assignment Agreement and the Trust Agreement including, without limitation, the issuance of Certificates, except in the case of liability, obligations, claims and damages arising out of their own negligence or willful misconduct.

SECTION 5.8. Payment and Performance Bonds and other Guaranty. The School Board agrees to cause any contractor to provide performance, payment and guarantee and any additional bonds or surety bonds, if and when required pursuant to the Instructions to Bidders and the General Conditions and the provisions of Section 255.05, Florida Statutes, and other applicable provisions of Florida Law. Such bonds or other surety shall be in dual obligee form, naming the School Board and the Trustee as dual obligees.

SECTION 5.9. Essential Governmental Functions. The School Board represents and warrants that the services to be provided by or from the Facilities are essential to the delivery of the School Board's essential governmental services, and covenants that during the Lease Term it will use the Facilities to perform essential governmental functions relating to its statutory responsibility of providing for public education throughout the District. The School Board represents and covenants that it has an immediate need for the Facilities, that it does not

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expect such need to diminish during the Lease Term and that it intends to use the Facilities for public school educational purposes throughout each Lease Term.

SECTION 5.10. Tax Exemption; Rebates. In order to maintain the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments paid to the Certificate holders, the School Board shall comply with the provisions of the Code applicable to this Master Lease and each Schedule thereto and each Series of Certificates issued under the Trust Agreement, including without limitation the provisions of the Code relating to the computation of the yield on investments of the Gross Proceeds of each Series of Certificates, reporting of earnings on the Gross Proceeds of each Series of Certificates, and rebating Excess Earnings to the Department of the Treasury of the United States of America. In furtherance of the foregoing, the School Board shall comply with the letter of instructions as to compliance with the Code with respect to each Lease and each Series of Certificates, to be delivered by Special Tax Counsel at the time each Series of Certificates is issued, as such letter may be amended from time to time, as a source of guidance for achieving compliance with the Code.

The School Board shall not take any action or fail to take any action which would cause a Lease and the Series of Certificates relating thereto to be "arbitrage bonds" within the meaning of Section 148(a) of the Code or which would otherwise cause the portion of Basic Lease Payments under such Lease representing the payment of interest as set forth in Section 3.3 hereof to be includable in the gross income of the Certificate holders.

In the event that the School Board shall fail to rebate such Excess Earnings when due, the Corporation or its assignee may, but shall be under no obligation to, pay amounts due to the Treasury; and all amounts so advanced by the Corporation or its assignee shall become immediately due and payable as a Supplemental Payment under the Lease relating to such Series of Certificates which amounts, together with interest thereon (at an annual interest rate equal to the interest portion of the Basic Lease Payments relating thereto expressed as an annual interest rate) until paid, the School Board agrees to pay.

SECTION 5.11. Budget and Tax Levy. The School Board covenants that it shall cause the Superintendent to prepare and submit the budget recommendation in accordance with Section 3.5 hereof including provision for discretionary capital outlay millage under Section 236.25, Florida Statutes, as amended, and that the School Board will act on such recommendation, will hold public hearings, will adopt tentative and final official budgets, and will submit such budgets to the Department of Education for approval, all pursuant to the requirements of the laws of Florida and the regulations of the Department of Education as in effect from time to time.

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Subject to the right of non-appropriation set forth in Sections 3.1 and 3.5 hereof the School Board expects that its legally available revenues will be sufficient to meet its Lease Payment obligations under the Master Lease in each Fiscal Year.

SECTION 5.12. Compliance with Law, Regulations, Etc.

(a) The School Board has, after due inquiry, no knowledge and has not given or received any written notice indicating that its Facilities and Facility Sites or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Facilities (collectively, "Laws and Regulations"). Without limiting the generality of the foregoing, neither the School Board nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of any of the Facilities and Facility Sites has, other than as set forth in subsections (a) and (b) of this Section or as may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA, FRPA and Title III (as such term is defined in subsection (e)), and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the School Board, any of the Facilities or Facility Sites or the business operations conducted by the School Board thereon (collectively, "Hazardous Materials") on, from or beneath its Facilities or Facility Sites, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath its Facilities or Facility Sites, or (iii) stored any material amount of petroleum products at its Facility Sites in underground storage tanks.

(b) Excluded from the representations and warranties in subsection (a) hereof with respect to Hazardous Materials are those amounts ordinarily found in the inventory of or used in the maintenance of public schools and related facilities, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all Laws and Regulations.

(c) No Facilities or Facility Sites located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used

for any purpose other than the corporation or support of the improvements to the Facilities.

(d) The School Board has not received any notice from any insurance company which has issued a policy with respect to the Facilities or Facility Sites or from the applicable state or local government agency responsible for insurance standards (or any other body exercising similar functions) requiring the performance of any repairs, alterations or other work, which repairs, alterations or other work have not been completed at the Facilities or Facility Sites. The School Board has not received any notice of default or breach which has not been cured under any covenant, condition, restriction, right-of-way, reciprocal easement agreement or other easement affecting its Facilities or Facility Sites which is to be performed or complied with by it.

(e) For purposes of this Section and Section 5.13 hereafter, the following terms shall have the following meanings:

"Asbestos Containing Materials" shall mean material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (riebeckite); (c) amosite (cummingtonite-grunerite); (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 (915 U.S.C. Section 2601 *et seq.*) (together with the regulations promulgated thereunder, "TSCA"), and any state or local similar laws and regulations and any so-called local, state or federal "superfund" or "superlien" law.

SECTION 5.13. Environmental Compliance.

(a) The School Board shall not use or permit the Facilities or Facility Sites or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the

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extent, if necessary to maintain the improvements on the Facilities or Facility Sites and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor shall it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of or used in the maintenance of public schools and related facilities, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the School Board shall promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Corporation all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials, so released, on, from or beneath the Facilities or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained herein, underground storage tanks shall only be permitted subject to compliance with subsection (d) of this Section and only to the extent necessary to maintain the improvements on the Facilities or Facility Sites.

(b) The School Board shall comply with, and shall cause its tenants, subtenants, licensees, guests, invitees, contractors, employees and agents to comply with, all Environmental Regulations, and shall keep the Facility Sites free and clear of any liens imposed pursuant thereto (provided, however, that any such liens, if not discharged, may be bonded). The School Board shall cause each tenant under any lease, and use its best efforts to cause all of such tenant's subtenants, agents, licensees, employees, contractors, guests and invitees and the guests and invitees of all of the foregoing to comply with all Environmental Regulations with respect to the Facilities and Facility Sites; provided, however, that notwithstanding that a portion of this covenant is limited to the School Board's use of its best efforts, the School Board shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the School Board's obligations contained in subsection (c) hereof as provided in subsection (c) hereof. Upon receipt of any notice from any Person with regard to the Release of Hazardous Materials on, from or beneath the Facilities and Facility Sites, the School Board shall give prompt written notice thereof to the Trustee, the Corporation and the Credit Facility Issuer (and, in any event, prior to the expiration of any period in which to respond to such notice under any Environmental Regulations).

(c) Irrespective of whether any representation or warranty contained in Section 5.12 is not true or correct, the School Board shall defend, indemnify and hold harmless the Corporation, the Trustee and the Credit Facility Issuer, its partners, depositors and each of its and their employees, agents, officers, directors, trustees,

(b) The School Board shall defend, or cause to be defended against every suit, action or proceeding at any time brought against the Corporation, or its directors, officers and employees upon any claim arising out of the receipt, application or disbursement of any moneys held by the Trustee or arising out of the construction of Facilities comprising any Project and involving the rights of the Corporation, or its directors, officers and employees under this Master Lease or any act or omission of the directors, officers and employees done or omitted to be done within the scope of their respective office or employment, other than an act or omission which is the result of misconduct or negligence by such parties; provided, that the Corporation, at its election, may appear in and defend any such suit, action or proceeding. To the extent permitted and limited by applicable law and only from moneys legally available for such purpose, the School Board shall indemnify or cause to be indemnified the Corporation, against any and all claims, demands, costs or liability claimed or asserted by any person, arising out of such receipt, application or disbursement.

SECTION 5.15. Waiver of Laws. The School Board shall not at any time insist upon or plead in any manner whatsoever, or claim or suffer or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may adversely affect the covenants and agreements contained in this Master Lease and the benefit and advantage of any such law or laws is hereby expressly waived by the School Board to the extent that the School Board may legally make such waiver.

successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in this Section 5.13), consultants' fees, investigation and laboratory fees, liabilities, settlements (five (5) Business Days' prior notice of which the Corporation, the Trustee or the Credit Facility Issuer, as appropriate, shall have delivered to the School Board), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, Release, threat of Release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Facilities or Facility Sites, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened, settlement reached (five (5) Business Days' prior notice of which the Corporation, the Trustee or the Credit Facility Issuer, as appropriate, shall have delivered to the School Board) or governmental order relating to Hazardous Materials on, from or beneath any of the Facilities or Facility Sites, (iv) any violation of Environmental Regulations or subsection (a) or (b) hereof by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the School Board is strictly liable under any Environmental Regulation, its obligation to the Corporation, the Trustee and the Credit Facility Issuer and the other indemnitees under the foregoing indemnification shall likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The School Board's obligations and liabilities under this Section 5.13(c) shall survive the termination of this Master Lease.

(d) The School Board shall conform to and carry out a reasonable program of maintenance and inspection of all underground storage tanks, and shall maintain, repair, and replace such tanks only in accordance with Laws and Regulations, including but not limited to Environmental Regulations.

SECTION 5.14. Prosecution and Defense of Suits.

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

**ARTICLE VI.
TITLE**

SECTION 6.1. Title to Facility Sites and Facilities. Throughout the term of each Ground Lease, fee title to the Facility Sites described therein shall be in the name of the School Board, subject to Permitted Encumbrances. Until the earlier of the date on which payment in full, or provision for payment of all Lease Payments under a particular Lease or payment of the then applicable Purchase Option Price of one or more Facilities financed under such Lease, as provided in Sections 7.2 or 7.3 hereof, has been made, or until substitution of comparable Facilities for Facilities financed under a Lease as provided in Section 6.4 hereof, title to such Facilities shall remain vested in the Corporation (except as otherwise provided in the related Schedule), subject to Permitted Encumbrances. At such time as payment, or provision for payment as provided in Section 7.2 or 7.3 hereof, of all Lease Payments or the then applicable Purchase Option Price of one or more Facilities has been made in full, the School Board shall be deemed to have exercised an option to purchase such Facilities and fee simple title to such Facilities free and clear of all encumbrances, except Permitted Encumbrances, shall vest in the School Board. Upon substitution of other Facilities for Facilities financed under a Lease as herein provided, fee simple title to the Facilities for which substitution has been made, shall vest in the School Board free and clear of all encumbrances except Permitted Encumbrances. The Corporation hereby appoints the School Board as its agent to prepare and file or record in appropriate offices such documents as may be necessary to cause record title to such Facilities to vest in the School Board. The Corporation agrees to immediately execute a warranty deed for the Facilities and a written surrender and release and an assignment without recourse or warranty of all its right, title, and interest under the related Lease and Ground Lease to the School Board, or shall execute amendments to the Lease Schedule, if appropriate in the case of the purchase of portions of the Facilities financed under a Lease, as well as all other instruments necessary to vest good and marketable fee simple title to the Facilities in the School Board and relinquish the Corporation's interest therein, subject only to Permitted Encumbrances. The related Ground Lease shall then be terminated, or modified, as provided therein. The Corporation shall request the execution of such instruments by the Trustee as necessary to effect the conveyances described herein.

There shall be no merger of a Lease or of the leasehold estate thereby created in any Facilities or Facility Sites with the fee estate in such Facilities or Facility Sites by reason of the fact that the same person may acquire or hold, directly or indirectly, a Lease or leasehold estate therein created or any interest therein, and the fee estate in the Facilities or Facility Sites relating to such Lease or any interest in such fee estate.

If required by a Credit Facility Issuer the School Board shall provide one or more policies of title insurance naming the School Board, the Corporation and the Trustee as insureds, as their interests may appear, in amounts as required by such Credit Facility Issuer. Proceeds of any

payment under a title insurance policy shall be paid to the Trustee and held for application (at the direction of the School Board prior to the occurrence of an Event of Default or a nonappropriation hereunder) first, to cure any defect in title, and second, in accordance with the priorities set forth in Section 504(a) of the Trust Agreement. The execution of each Ground Lease and each amendment thereto adding or modifying a Facility Site shall be subject to the approval of the related Credit Facility Issuer (no approval shall be required to add a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Ground Lease), if any, and at the time of such execution there shall be delivered by the School Board to the Trustee an Opinion of Counsel with respect to each Facility Site to the effect that there are no liens or encumbrances thereon that are not Permitted Encumbrances under the Master Lease, and that there shall be no merger of the fee estate of the School Board in the Facility Sites with the leasehold estates created therein by a Ground Lease or this Master Lease, notwithstanding the fact that the same person may hold one or more leasehold estates and such fee estate.

SECTION 6.2. Liens. Except as permitted under this Master Lease, during the Lease Term each of the Corporation and the School Board shall not, directly or indirectly, create, incur, assume or suffer to exist any security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein, other than the respective rights of the Trustee, the Corporation and the School Board as herein provided. If such security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein shall exist, it shall be the duty of the School Board, within ninety (90) days after the School Board shall have been given written notice of such security interest, pledge, lien, charge, encumbrance, or claim being filed, to cause the Facilities or Facility Sites to be released from such security interest, pledge, lien, charge, encumbrance, or claim either by payment or by posting of a bond or by the payment into a court of competent jurisdiction of the amount necessary to relieve and release the Facilities or Facility Sites from such security interest, pledge, lien, charge, encumbrance, or claim or in any other manner which, as a matter of law, will result within such period of ninety (90) days in releasing the Corporation and the title of the Corporation from such security interest, pledge, lien, charge, encumbrance or claim; provided, however, that if such security interest, pledge, lien, charge, encumbrance or claim cannot, with due diligence, be discharged or removed within such ninety (90) day period and the School Board has diligently commenced to discharge or remove such security interest, pledge, lien, charge, encumbrance or claim within such period, the School Board shall have a reasonable period of time to discharge or remove such security interest, pledge, lien, charge, encumbrance or claim. The School Board shall reimburse the Corporation or the Trustee for any expense incurred by the Corporation or the Trustee in order to discharge or remove any such security interest, pledge, lien, charge, encumbrance or claim, provided, however, that neither the Corporation nor the Trustee is under any obligation to incur such expense without having been provided, in advance, with any amounts needed to pay such expense.

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For purposes hereof, "fair market value" shall be determined on the basis of an MAI appraisal performed by an appraiser jointly selected by the School Board and the Trustee.

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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.

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ARTICLE VII.

ASSIGNMENT, OPTION TO PURCHASE, AND PREPAYMENT

SECTION 7.1. Assignments; Subleasing.

(A) It is understood that substantially all right, title and interest of the Corporation in and to each Lease including the right to receive Basic Lease Payments thereunder, is to be assigned by the Corporation to the Trustee for the benefit of the holders of the Series of Certificates relating thereto, pursuant to the Assignment Agreement relating to such Lease. The School Board consents to such assignment and agrees that upon such assignment the Trustee shall have all of the rights of the Corporation thereunder, and shall be deemed to be the Corporation for all purposes of such Lease and the School Board agrees to pay to the Trustee at its principal corporate trust office all payments payable by the School Board to the Corporation pursuant to such Lease, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of the Lease or otherwise) that the School Board may from time to time have against the Corporation or any person or entity associated or affiliated therewith.

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

(i) Such Facilities may be subleased for educational or other purposes, in whole or in part, subject to the rules and regulations of the State Department of Education, only to an agency or department or political subdivision of the State, or to another entity or entities if, in the opinion of Special Tax Counsel, such sublease will not impair the exclusion from federal income tax of the designated interest component of Basic Lease Payments payable by the School Board under the Lease relating to such Facilities;

(ii) This Master Lease, and the obligations of the School Board hereunder and under each Schedule hereto, shall, at all times during each Lease Term, remain obligations of the School Board, and the School Board shall maintain its direct relationships with the Corporation and its assignee, notwithstanding any sublease;

(iii) The School Board shall furnish or cause to be furnished to the Corporation and its assignee a copy of any sublease agreement;

(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

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Constitution, statutes or laws of the State, or the rules and regulations of the State Department of Education; and

(v) The term of any sublease cannot extend beyond the end of the then current Lease Term, and shall be subject to immediate cancellation upon the occurrence of a nonappropriation or event of default hereunder.

SECTION 7.2. Prepayment.

(A) Optional. The principal portion of the Basic Lease Payments due under a particular Lease represented by a Series of Certificates shall be subject to prepayment at the option of the School Board, in the manner and at the times set forth in the Schedule to this Master Lease relating to such Series.

(B) Extraordinary. In the event that:

(a) there shall remain in the Acquisition Account relating to a particular Series of Certificates upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Facilities financed under a Lease relating to such Series of Certificates (including the failure of the School Board to acquire any component of such Facilities) an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, or

(b) there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to Facilities financed under a particular Lease, as a result of damage to or destruction or condemnation of any portion of such Facilities, and an election is made by the School Board in accordance with Section 5.4(b) hereof to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to such Facilities, or

(c) the Lease Term is terminated for the reasons referred to in Sections 4.1(b) or 4.1(c) hereof;

then, in each case, same shall constitute an "Event of Extraordinary Prepayment".

Each Event of Extraordinary Prepayment shall result in the following action, respectively:

(i) With respect to (a) and (b) above, the Corporation and the School Board shall pay such remaining Acquisition Account monies and Net Proceeds to the Trustee,

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).

and the Trustee shall deposit such funds in the respective Prepayment Accounts applicable to each Series of Certificates relating to such Leases to be used to prepay such Series of Certificates in the manner provided in the Trust Agreement; and

(ii) With respect to (c) above, at the election of a Credit Facility Issuer the Purchase Option Price of all Facilities shall become immediately due and payable, and the Trustee shall credit the balance remaining in all Funds and Accounts for each Series of Certificates to the Prepayment Account for such Series, and upon receipt of the Purchase Option Price of all Facilities, shall deposit such moneys to the credit of the related Prepayment Account for the Series relating to each such Facility, to be used to prepay such Series of Certificates in the manner provided in the Trust Agreement.

In the event of prepayment in part under a particular Lease, the School Board will provide the Trustee a revised Schedule of Lease Payments reflecting said partial prepayment.

In the event of a payment in full of the Purchase Option Price of all Facilities financed hereunder, all covenants, agreements and other obligations of the School Board under this Master Lease shall cease, terminate and become void and be discharged and satisfied except as otherwise provided in Section 4.1(d) hereof. In such event the Trustee and the Corporation shall execute and deliver to the School Board all such instruments in recordable form at the School Board's expense as may be desirable to evidence such discharge and satisfaction.

SECTION 7.3. Prepayment Deposit. Notwithstanding any other provision of this Master Lease, the School Board may on any date secure the payment of all or a portion of the Purchase Option Price of all Facilities under a particular Schedule hereto and the related Series of Certificates, or with the prior consent of the Credit Facility Issuer, if any, for the Series of Certificates from which the Facilities in question were originally financed, the Purchase Option Price under a Schedule relating to all or a portion of one or more particular Facilities set forth on such Schedule and a corresponding amount of Certificates of the Series relating thereto, by a deposit with the Trustee as escrow holder under an escrow deposit agreement of amounts as set forth in Section 801 of the Trust Agreement.

In such event all covenants, agreements and other obligations of the School Board under the related Lease, or with respect to a portion of the Purchase Option Price of all Facilities under such Lease, or with respect to one or more particular Facilities financed under such Lease, shall cease, terminate and become void and be discharged and satisfied in accordance with the provisions of Section 4.1(d) hereof (or, in the case of a deposit for a portion of a Facility, modified accordingly), except the obligation of the School Board to make or cause to be made, Basic Lease Payments and any Additional Lease Payments under such Lease from the deposit made by the School Board pursuant to this Section, and except as provided in Section 4.2(c) hereof. In such event, the Trustee shall provide statements for such period or periods as shall be requested by the School Board to be prepared and filed with the School Board and, upon the

ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

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

(a) Failure by the School Board to pay in full any Basic Lease Payment with respect to any Lease at the time and in the manner specified herein;

(b) Failure by the School Board to pay in full any Additional Lease Payment or Supplemental Payment with respect to any Lease at the time and in the manner specified herein, and such failure shall continue for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, if any, provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, if any, in writing that such default cannot with due diligence be cured within such thirty (30) day period and that the School Board has diligently commenced to cure such default within such period, the School Board shall have a reasonable period not exceeding sixty (60) days after written notice (unless further extended by the Credit Facility Issuer, or if there be none, the Trustee) to cure such default;

(c) Failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed hereunder, other than as referred to in Section 8.1(a) or (b) for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied is given to the School Board by the Corporation, the Trustee or the related Credit Facility Issuer, or any representation of the School Board in this Lease Purchase Agreement shall have been untrue when made; provided, however, that if the Authorized School Board Representative certifies to the Corporation, the Trustee or the related Credit Facility Issuer, in writing that such default cannot with due diligence be cured within such sixty (60) day period and that the School Board has diligently commenced to cure such default within such period, the School Board shall have a reasonable period to cure such default; or

(d) the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding by or against the School Board under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in effect, and, in the case of involuntary proceedings, the failure of the same to be dismissed within one hundred eighty (180) days of the filing thereof.

If by reason of force majeure the School Board is unable in whole or in part to carry out the agreements on its part herein contained, other than the obligations on the part of the School Board contained in Article III hereof, the School Board shall not be deemed in default during the continuance of such inability. The Term "force majeure" as used herein shall mean, without limitation, the following: acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies, orders or restraints of any kind of the government of the United States of America or any of its departments, agencies or officials, or any civil or military authority; insurrections; riots; landslides; earthquakes; hurricanes; fires; storms; droughts; floods; or explosions.

Notwithstanding anything contained in this Section 8.1 to the contrary, a failure by the School Board to pay when due any payment required to be made under this Master Lease and any Schedule hereto or a failure by the School Board to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Master Lease, resulting from a failure by the School Board to appropriate moneys as contemplated by Sections 3.5 and 5.11 hereof, shall not constitute an event of default under this Section 8.1.

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

(a) upon written notice to the School Board, terminate the Lease Term of all Leases and, whether or not the Lease Term is terminated, exercise all available remedies at law or in equity as described in Section 3.6 hereof; or

(b) take whatever action at law or in equity as may appear necessary or desirable to collect all Lease Payments or other payments then due and thereafter to become due for the remainder of the then current Lease Term, or the Purchase Option Price then due, or to enforce performance and observance of any obligation, agreement or covenant of the School Board under this Master Lease.

SECTION 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Master Lease or now or hereafter existing at law or in equity, subject to any limitations set forth in Section 3.6 hereof.

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SECTION 9.4. Amendments. The terms of this Master Lease and any Lease Schedule shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee, and consented to by each Credit Facility Issuer. Copies of amendments shall be provided to the Rating Agencies. Notwithstanding the foregoing, a Lease Schedule may be amended without obtaining the consent of the Credit Facility Issuer for the purpose of adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Lease Schedule.

SECTION 9.5. Execution in Counterparts. This Master Lease may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.6. Captions. The captions or headings in this Master Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Master Lease.

SECTION 9.7. Interest. All interest calculations hereunder shall be made on the basis of a 360-day year consisting of twelve 30-day months (unless otherwise provided with respect to Additional Lease Payments on a Schedule hereto).

SECTION 9.8. Compliance with Trust Agreement. The School Board hereby approves and agrees to the provisions of the Trust Agreement. The Corporation hereby agrees not to amend or modify the Trust Agreement in any way without the written consent of the School Board so long as this Master Lease shall be in effect. The School Board agrees to do all things within its power in order to enable the Corporation to comply with all requirements and to fulfill all covenants of the Trust Agreement which require the Corporation to comply with requests or obligations so that the Corporation will not be in default in the performance of any covenant, condition, agreement or provision of the Trust Agreement, and the School Board further agrees to comply with and perform any obligations to be complied with or performed by the School Board pursuant to the Trust Agreement.

SECTION 9.9. Memorandum of Lease. Simultaneously with the execution of this Master Lease and each Schedule hereto, and thereafter simultaneously with the execution of any Schedule, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to the Master Lease and such Schedule. Said Memorandum of Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of such instrument.

SECTION 9.10. Applicable Law. This Master Lease shall be governed by and construed in accordance with the laws of the State of Florida.

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ARTICLE IX.

MISCELLANEOUS

SECTION 9.1. Notices. All notices, certificates, requests or other communications (other than payments by the School Board) hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or three (3) Business Days after being mailed by first class mail, postage prepaid, to the parties at their respective places of business as follows (or to such other address as shall be designated by any party in writing to all other parties):

Corporation:	3340 Forest Hill Boulevard West Palm Beach, Florida 33406 Attention: President
School Board:	3340 Forest Hill Boulevard West Palm Beach, Florida 33406 Attention: Superintendent of Schools
Trustee:	One Financial Plaza, 13th Floor Fort Lauderdale, Florida 33394 Attention: Corporate Trust Department

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

Notice shall also be given by the School Board to the Rating Agencies of the occurrence of any one or more of the following: (i) the appointment of a Successor Trustee, (ii) the expiration or termination of a Credit Facility, (iii) the prepayment or defeasance of any of the Outstanding Certificates in accordance with Section 801 or 802 of the Trust Agreement or (iv) a material modification of or amendment to the Trust Agreement, this Master Lease, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility.

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

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

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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.

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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, 1995

[SEAL] THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA By: C. Monica Uhlhorn Secretary Date: November 16, 1994 By: Jody Gleason Vice President Date: November 16, 1995

STATE OF FLORIDA)) SS: COUNTY OF PALM BEACH)

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC SEAL OF OFFICE:

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or Produced identification: (Type of Identification Produced) DID take an oath, or DID NOT take an oath.

STATE OF FLORIDA)) SS: COUNTY OF PALM BEACH)

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice Chairman and Secretary, respectively of THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC SEAL OF OFFICE:

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or Produced identification: (Type of Identification Produced) DID take an oath, or DID NOT take an oath.

EXHIBIT A

FORM OF SCHEDULE TO MASTER LEASE PURCHASE AGREEMENT

SCHEDULE NO. _____ dated _____ to

Master Lease Purchase Agreement dated as of November 1, 1994 between Palm Beach School Board Leasing Corp., as Lessor (the "Corporation")

and

The School Board of Palm Beach County, Florida as Lessee (the "School Board")

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

Section 1. Definitions. For purposes of the Series _____ Lease the following terms have the meaning set forth below.

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

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

"Commencement Date" for the Series _____ Lease is _____.

"Series _____ Credit Facility" shall mean _____.

"Series _____ Credit Facility Issuer" shall mean _____.

“Series _____ Facilities” shall mean the Facilities described in this Schedule No. _____.

“Series _____ Facility Sites” shall mean the Facility Sites described in this Schedule No. _____, to be ground leased by the School Board to the Corporation, as the same may be amended or supplemented from time to time.

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

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

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

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

- A. General Description of the Series _____ Facilities to be Lease Purchased:
- B. Estimated Costs of the Series _____ Facilities:

Facility	Facility Site	Planning	Construction	Project Cost
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SECTION 4. Series _____ Facility Site(s) to be Ground Leased to the Corporation and Permitted Encumbrances. The legal description of the Series _____ Facility Site(s) to be Ground Leased to the Corporation and Permitted Encumbrances in addition to those specified in the Master Lease is (are) as follows:

SECTION 5. Application of Certain Proceeds of Series _____ Certificates. The Trustee shall deposit the following sums in the following accounts from the proceeds of the Series _____ Certificates:

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SECTION 7. Additional Lease Payments. Additional Lease Payments with respect to the Series _____ Certificates consist of the following:

- 1. Trustee Fees:
- 2. Trustee Expenses:

SECTION 8. Prepayment Provisions. In addition to [or in lieu of] the prepayment provisions of Section 7.2 of the Master Lease, the principal portion of the Basic Lease Payments due as provided in Section 6 of this Schedule are subject to the following prepayment provisions:

- A. Optional Prepayment
- B. Extraordinary Prepayment

SECTION 9. Other Special Provisions.

A. The School Board hereby confirms its representations, covenants and warranties set forth in Section 2.10 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule No. _____, and except as otherwise provided below. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule No. _____, and except as otherwise provided below.

B. **Notices.** Copies of all matters required to be given to a Credit Facility Issuer pursuant to the Master Lease shall be given to the Series _____ Credit Facility Issuer at the following address:

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Amount	Account
\$ _____	Series _____ Acquisition Account
\$ _____	Series _____ Cost of Issuance Subaccount
\$ _____	Series _____ Reserve Account
\$ _____*	Series _____ Lease Payment Account

*Represents accrued interest.

SECTION 6. Basic Lease Payments. The principal portion and the interest portion of the Basic Lease Payments, the Payment Dates and the Remaining Principal Portion with respect to the Series _____ Facilities to be lease purchased and the Series _____ Certificates attributable to such Facilities are set forth below. If, upon delivery of the Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series _____ Facilities, or if the School Board determines not to acquire one or more components of the Series _____ Facilities, it is determined that the cost of, and consequently the actual amount of Basic Lease Payments for a Series _____ Facility is different from the amount set forth herein at closing, this Section shall be revised as necessary to reflect the adjusted Schedule of Basic Lease Payments for all Series _____ Facilities to be lease purchased, and for each individual Series _____ Facility or group of Series _____ Facilities to be lease purchased.

The interest portion of the Basic Lease Payments represented by the Series _____ Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 215.84, Florida Statutes, since the Series _____ Certificates are rated within the three highest rating categories by a nationally recognized rating service.

SERIES _____ FACILITIES (COMPOSITE)				
PAYMENT DATE	BASIC LEASE PAYMENT	PRINCIPAL PORTION	INTEREST PORTION	REMAINING PRINCIPAL PORTION

Provide Basic Lease Payment Schedule for each Facility or group of Facilities financed hereunder]

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IN WITNESS WHEREOF, the Corporation has caused this Schedule No. _____ to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule No. _____ to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all of the day and year first written above.

[SEAL] **PALM BEACH SCHOOL BOARD LEASING CORP.**
 Attest:
 By: _____ By: _____

[SEAL] **THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA**
 Attest:
 By: _____ By: _____

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**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.

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**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 2002B
dated as of March 1, 2002
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 2002B (the "Schedule") is hereby entered into under and pursuant to that certain Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), pursuant to which the Corporation has agreed to finance the lease purchase 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 2002B 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 2002B Facilities and the Series 2002B Facility Sites described herein. The Master Lease with respect to this Schedule and as modified and supplemented hereby, is referred to herein as the "Series 2002B 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 2002B Lease the following terms have the meaning set forth below. All terms used herein and not otherwise defined herein shall have the meanings given to them in the Master Lease or the Trust Agreement, including the Series 2002B Supplemental Trust Agreement, as appropriate.

"Accrual Period" shall mean with respect to the Series 2002B Certificates other than ARS, the period commencing on an Interest Accrual Date and ending on the day immediately preceding the next Interest Payment Date.

"Assignment Agreement" shall mean the Series 2002B Assignment Agreement dated as of March 1, 2002, between the Corporation and the Trustee.

"Certificates" or **"Series of Certificates"** shall mean the \$115,350,000 Certificates of Participation, Series 2002B dated as of March 20, 2002, 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.

the request of the School Board, shall have provided a rating on Outstanding Series 2002B Certificates.

"Series 2002B Credit Facility" shall mean the municipal bond insurance policy issued by the Series 2002B Credit Facility Issuer on March 20, 2002, insuring payment of the principal and interest in respect of the Series 2002B Certificates when due.

"Series 2002B Credit Facility Issuer" shall mean Financial Security Assurance Inc., a New York insurance company, and its successors and assigns.

"Series 2002B Facilities" shall mean the Facilities described in this Schedule 2002B.

"Series 2002B Facility Sites" shall mean the Facility Sites described in this Schedule 2002B to be ground leased by the School Board to the Corporation, as the same may be amended or supplemented from time to time.

"Series 2002B Ground Lease" shall mean the Series 2002B Ground Lease dated as of March 1, 2002 between the School Board as Lessor and the Corporation as Lessee, as the same may be amended or supplemented from time to time.

"Series 2002B Supplemental Trust Agreement" shall mean the Series 2002B Supplemental Trust Agreement dated as of March 1, 2002, between the Corporation and the Trustee.

"Standby Agreement" shall mean the Standby Purchase Agreement dated as of March 20, 2002, by and among the School Board, the Trustee, the Tender Agent and the Standby Purchaser which will expire on March 20, 2007, unless extended pursuant to its terms, as amended and supplemented from time to time.

"Standby Purchaser" shall mean Dexia Credit Local, acting through its New York Agency, its successors and assigns.

"Swap Agreement" shall mean the ISDA Master Agreement, dated as of March 20, 2002, between the School Board and the Swap Provider including the schedule thereto and the confirmation with respect to the Series 2002B Certificates.

"Swap Policy" shall mean the financial guaranty issued by the Swap Policy Provider, insuring the contractual amounts due for payment by or on behalf of the School Board pursuant to the Swap Agreement.

"Swap Policy Provider" shall mean Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof, in its capacity as the provider of the Swap Policy.

"Swap Provider" shall mean Salomon Brothers Holding Company Inc.

"Commencement Date" for the Series 2002B Lease is March 20, 2002.

"Conversion Date" shall mean a date determined by the School Board in accordance with the Series 2002B Supplemental Trust Agreement as the effective date of a change in the method of calculation of the interest portion of Basic Lease Payments.

"Insurer Payment Rate" shall mean the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A. ("Chase") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Chase) plus 3% and (ii) the applicable rate on the Series 2002B Certificates, and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Insurer Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event that Chase ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Swap Policy Provider shall specify.

"Interest Reserve Portion" shall mean as of any Lease Payment Date while the interest portion of the Series 2002B Certificates is calculated at a Daily Rate or a Weekly Rate, the amount of interest accrued at the applicable rates during the period commencing on the Lease Payment Date and ending on (and including) the day preceding the Interest Payment Date.

"Lease Payment Dates" shall mean with respect to the Series 2002B Lease,

(a) as to the principal portion of Basic Lease Payments, each June 30, commencing June 30, 2018; and

(b) as to the interest portion of Basic Lease Payments,

(i) while the interest portion of Basic Lease Payments is determined at a Daily Rate or a Weekly Rate, each January 5 and June 30;

(ii) while the interest portion of Basic Lease Payments is determined at Certificate Interest Term Rate or Rates, five (5) Business Days prior to each respective Interest Payment Date related to such rate or rates;

(iii) while the interest portion of Basic Lease Payments is determined at a Long-Term Rate, each December 30 and June 30;

(iv) while the interest portion of Basic Lease Payments is determined at an Auction Rate, five (5) Business Days prior to each ARS Interest Payment Date; and

(v) for any Series 2002B Certificate which is to be prepaid (other than by mandatory sinking fund prepayment), five (5) Business Days prior to the Prepayment Date.

"Rating Agency" shall mean both Fitch and Moody's, and/or any other nationally recognized rating service not unacceptable to the Series 2002B Credit Facility Issuer which, at

"Tender Agent" shall mean The Bank of New York, a banking corporation organized under the laws of the State of New York, or any successor or successors appointed in accordance with Section 505 of the Series 2002B Supplemental Trust Agreement.

"Termination Date" shall have the meaning given to such term in the Liquidity Facility.

Section 2. Lease Term. The total of all Lease Terms of the Series 2002B Lease is expected to be approximately twenty-five (25) years and four (4) months consisting of an "Original Term" from March 20, 2002, through and including June 30, 2002, and twenty-five (25) Renewal Terms, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2002, and ending June 30, 2027, and the last Renewal Term of approximately one (1) month from July 1, 2027, through and including August 1, 2027, provided that on such date no Certificates are "Outstanding" under the Trust Agreement. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.

Section 3. Series 2002B Facilities to be Lease Purchased. The Series 2002B Facilities to be lease-purchased under the Series 2002B 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 2002B Facility Sites to be Ground Leased to the Corporation and Permitted Encumbrances. The legal descriptions of the Series 2002B Facility Sites to be ground leased to the Corporation and Permitted Encumbrances (in addition to those specified in the Master Lease) are set forth in Exhibit B hereto. Substitutions may be made in accordance with the requirements of the Master Lease and the Series 2002B Ground Lease.

Section 5. Application of Certain Proceeds of Series 2002B Certificates. Pursuant to the provisions of Section 402 of the Series 2002B Supplemental Trust Agreement the Trustee will deposit the following sums attributable to the Series 2002B Facilities to be lease purchased hereunder in the following accounts from the proceeds of the Series 2002B Certificates and from amounts provided by, or on behalf of, the School Board:

<u>Amount</u>	<u>Account</u>
\$114,053,654.00	Series 2002B Acquisition Account
370,704.59	Series 2002B Cost of Issuance Subaccount
1,327,315.07	Interest Reserve Subaccount of the Series 2002B Lease Payment Account

Section 6. Basic Lease Payments.

(a) The principal portion of the Basic Lease Payments, the Lease Payment Dates with respect to the principal portion and the remaining principal portion with respect to the Series 2002B Facilities to be lease purchased and the Series 2002B Certificates attributable to

such Facilities are set forth in Exhibit C. The Schedule of Basic Lease Payments shall be no less than the principal payments with respect to the portion of the Series 2002B Certificates relating to the Series 2002B Facilities and shall only be amended in the event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by such portion of the Series 2002B Certificates pursuant to Section 7.2 or 7.3 of the Master Lease, and prepayment or defeasance of a portion of Series 2002B Certificates pursuant to Section 301 or 303 of the Series 2002B Supplemental Trust Agreement or Section 801 of the Master Trust Agreement or a change to the mandatory sinking fund prepayments in accordance with Section 302 of the Series 2002B Supplemental Trust Agreement in connection with a change in the method of calculation of the interest portion of the Basic Lease Payments.

(b) Lease Payment Dates for the interest portion of the Basic Lease Payments shall be the dates set forth in part (b) of the definition of Lease Payment Dates, as applicable for the Interest Rate Period then in effect. Except as otherwise provided in Section 6(c) hereof, the amount of the interest portion due on each Lease Payment Date shall be the actual interest accruing on the principal portion of Basic Lease Payments during the period commencing on the applicable Interest Accrual Date and ending on the day preceding the next Interest Payment Date, calculated at the applicable rate or rates then in effect determined in accordance with the Series 2002B Supplemental Trust Agreement or as provided in the Supplemental Trust Agreement with respect to Provider Certificates and Outstanding Series 2002B Certificates paid by the Series 2002B Credit Facility Issuer. The interest portion of Basic Lease Payments shall initially be calculated at a Weekly Rate as determined in accordance with Section 202(b) of the Series 2002B Supplemental Trust Agreement. At the election of the School Board in accordance with the provisions of the Series 2002B Supplemental Trust Agreement, the calculation of the interest portion of Basic Lease Payments may be converted to a Daily Rate, Certificate Interest Term Rate, Long-Term Rate, or an Auction Rate. The interest portion of the Basic Lease Payments represented by the Series 2002B 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 2002B Certificates are rated within the three highest rating categories by a nationally recognized rating service.

(c) The amount due on each Lease Payment Date (excluding the first Lease Payment Date after the Closing Date) during any period when the interest portion of Basic Lease Payments is calculated at a Daily Rate or Weekly Rate shall be the sum of (i) the actual amount of interest accrued during the period commencing on the prior Interest Payment Date and ending on (and including) the day next preceding such Lease Payment Date, and (ii) the Interest Reserve Portion for the prior Accrual Period. The amount due on the first Lease Payment Date following the Closing Date shall be the amount of interest accrued during the period commencing on the Closing Date and ending on (and including) the day next preceding such Lease Payment Date. The Interest Reserve Portion for the first Accrual Period shall be paid from amounts deposited by the School Board to the Interest Reserve Subaccount of the Series 2002B Lease Payment Account on the Closing Date.

Section 7. Additional Lease Payments. Additional Lease Payments with respect to the Series 2002B Lease consist of the following amounts to be paid, except as otherwise provided herein, by the School Board on the following dates:

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(b) Reimbursement of amounts paid by the Swap Policy Provider under the Swap Policy plus interest thereon, and all costs of collection thereof and enforcement of the Swap Agreement, all at the Insurer Payment Rate

8. Auction Agent Fee: During any period in which the interest portion of Basic Lease Payments is determined at an Auction Rate, the fee payable to the Auction Agent.

9. Broker-Dealer Fee: During any period in which the interest portion of Basic Lease Payments is determined at an Auction Rate, the fee payable to the Broker-Dealers.

Section 8. Prepayment Provisions. In addition to or in lieu of the prepayment provisions of Section 7.2 of the Master Lease, the principal portions of the Basic Lease Payments due as provided in Section 6 of Schedule 2002B are subject to the following prepayment provisions:

A. Optional Prepayment

(a) During any period in which the interest portion of Basic Lease Payments is determined at a Daily Rate or Weekly Rate, the principal portion of Basic Lease Payments is subject to optional prepayment upon request of the School Board in whole or in part in such amounts and from such due dates as the School Board shall direct, at any time at a price equal to the principal portion of Basic Lease Payments to be prepaid, without premium, plus the interest portion of Basic Lease Payments accrued with respect to such prepaid principal portion to the prepayment date.

(b) During any period in which the interest portion of Basic Lease Payments is determined at a Certificate Interest Term Rate, the principal portion of Basic Lease Payments is subject to optional prepayment upon request of the School Board on the day succeeding the last day of any Certificate Interest Term in the amount of the principal portion of Basic Lease Payments represented by Series 2002B Certificates subject to the related Certificate Interest Term Rate at a price equal to the principal portion of Basic Lease Payments to be repaid, without premium, plus the interest portion of Basic Lease Payments accrued with respect to such prepaid principal portion to the prepayment date.

(c) During any period in which the interest portion of Basic Lease Payments is determined at a Long-Term Rate, the principal portion of Basic Lease Payments is subject to optional prepayment upon request of the School Board in whole or in part (i) on the first day of a Long-Term Rate Period, at a Prepayment Price equal to the principal portion of Basic Lease Payments represented thereby, without premium, plus the interest portion of Basic Lease Payments represented thereby accrued to the Prepayment Date, and (ii) at the times and at the prices set forth below, and in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct, plus the interest portion of Basic Lease Payments represented thereby accrued to the Prepayment Date:

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1. Trustee Fees: Acceptance Fee of \$1500. Annual fee of \$3,500, payable annually in advance.
2. Trustee Expenses: Expenses to be billed at cost. Legal fee for Trustee counsel at closing of \$3,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.
3. Credit Facility Issuer Payment: \$567,850.41 to be paid to the Series 2002B Credit Facility Issuer upon issuance of the Series 2002B Certificates with respect to the Series 2002B Credit Facility.
4. Remarketing Agent Fee: During any period in which the Remarketing Agent is acting under the Trust Agreement, an annual fee initially equal to 0.08% per annum for a Weekly Rate Period or Short-Term Rate Period (0.10% per annum for a Daily Rate Period) of the average daily principal portion of the Basic Lease Payment with respect to Series 2002B Certificates then outstanding, payable by the Trustee solely out of Lease Payments to the initial Remarketing Agent on the first Business Day of each quarter, commencing July 1, 2002, and any annual fee of any successor Remarketing Agent.
5. Liquidity Provider Fee:
 - (a) \$25,000.00 to be paid to the Liquidity Provider upon issuance of the Series 2002B Certificates as an issuance fee;
 - (b) Closing expense not to exceed \$3,000. Legal fee for counsel at closing of \$28,000;
 - (c) During the term of the Standby Agreement, an annual fee equal to .16% of aggregate principal portion of the Basic Lease Payments with respect to the Series 2002B Certificates then outstanding, payable by the Trustee solely out of Lease Payments to the Standby Purchaser on the first day of each quarter, commencing July 1, 2002, and the fee payable to the provider of an Alternate Liquidity Facility; and
 - (d) Without duplication of the above, the fees and expenses set forth in Section 2.05 of the Standby Agreement and any comparable provisions of an agreement with the provider of an Alternate Liquidity Facility.
6. Hedge Agreement Fee: Any payment due to the Swap Provider under the Swap Agreement and any other payments due pursuant to any other Hedge Agreement.
7. Swap Policy Provider Fee: (a) An initial premium of \$77,000; and

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Years from Conversion Date until end of Long-Term Rate Period	First Day of Prepayment Period	Prepayment Price
More than fifteen	Tenth anniversary of Conversion Date	101% declining by 1% on the next anniversary after the tenth anniversary of the Conversion Date and thereafter at 100%
More than ten but not more than fifteen	Seventh anniversary of Conversion Date	101% declining by 1% on the next anniversary after the seventh anniversary of the Conversion Date and thereafter at 100%
More than seven but not more than ten	Fifth anniversary of Conversion Date	101% declining by 1% on the next anniversary after the fifth anniversary of the Conversion Date and thereafter at 100%
More than four but not more than seven	Third anniversary of Conversion Date	101% declining by 1% on the next anniversary after the third anniversary of the Conversion Date and thereafter at 100%
Four or fewer	Second anniversary of Conversion Date	100%

Notwithstanding any provision in this Series 2002B Lease, this Schedule 2002B may be amended as of a Conversion Date upon the request of the School Board, to change the prepayment provisions applicable during a Long-Term Rate Period to such prepayment provisions as are recommended by the Remarketing Agent as conforming to then current market practices and acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee; provided that in the event of a Conversion to a Long-Term Rate Period resulting from a failed Conversion or a mandatory Conversion pursuant to Sections 203(e) or 204(m) of the Series 2002B Supplemental Trust Agreement, this Schedule 2002B may be amended as of a Conversion Date upon the request of the School Board, to change the prepayment provisions applicable during a Long-Term Rate Period to any prepayment provisions as are acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee.

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B. Extraordinary Prepayment

(i) The principal portions of Basic Lease Payments due under the Series 2002B Lease shall be subject to prepayment in whole or in part at any time and if in part, in inverse order the due dates or on a proportional basis, as shall be designated by the School Board, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to the Series 2002B Facilities as a result of damage, destruction or condemnation of any portion of the Series 2002B Facilities and an election is made by the School Board under Section 5.4(b) of the Master Lease with the consent of the Series 2002B Credit Facility Issuer to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to the Series 2002B Facilities.

(ii) At the election of the Series 2002B Credit Facility Issuer, the principal portions of the Basic Lease Payments due under the Series 2002B Lease shall be subject to prepayment in whole at any time, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if the Lease Term of all Leases is terminated for the reasons referred to in Section 4.1(b) of the Master Lease.

Section 9. Other Special Provisions.

A. Representations. (1) The School Board hereby represents, covenants and warrants that adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the Series 2002B Facility Sites, or the cost of making them available is included in the School Board's acquisition and construction budget for the Series 2002B Facility Sites.

(2) 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 2002B, 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 2002B, and except as otherwise provided below.

(3) The Corporation hereby represents that the Master Lease is in effect and that to its knowledge there are no defaults on the date of execution of this Schedule 2002B under any Lease, Ground Lease or the Trust Agreement.

B. Notices. Copies of all notices required to be given to a Credit Facility Issuer pursuant to the Master Lease shall be given to the Series 2002B Credit Facility Issuer at the following address:

Financial Security Assurance Inc.
350 Park Avenue
New York, New York 10022-6022
Attention: Surveillance Department

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(4) The rights of the Series 2002B Credit Facility Issuer to direct or consent to Certificateholder actions under the Trust Agreement shall be suspended during any period in which the Series 2002B Credit Facility Issuer is in default in its payment obligations under the Series 2002B Credit Facility (except to the extent of amounts previously paid by the Series 2002B Credit Facility Issuer) and shall be of no force or effect in the event the Series 2002B Credit Facility is no longer in effect or the Series 2002B Credit Facility Issuer shall have provided written notice that it waives such rights.

(5) There shall be no grace period for failure to pay in full any Additional Lease Payment or Supplemental Payment under Section 8.1(b) and the cure period for a covenant default pursuant to Section 8.1(c) of the Master Lease shall be thirty (30) days instead of sixty (60) days.

(6) The School Board agrees to include within its budget (A) the annual fees set forth in Section 7 hereof as Additional Lease Payments to the extent that the amounts required for such Additional Lease Payments are known to the School Board at the time of preparation of its budget, (B) while the interest portion of Basic Lease Payments pursuant to any Lease is calculated at a variable rate and a swap agreement is in effect pursuant to which the provider of the swap agreement is not required to pay the actual interest portion of the Certificates, the interest portion of Basic Lease Payments at a rate equal to the greater of the rate paid by the swap provider plus .50% or the average rate at which the interest portion of Basic Lease Payments had been determined for the prior 12 months plus .50%, (C) while the interest portion of Basic Lease Payments pursuant to any Lease is calculated at a variable rate and a swap agreement is in effect pursuant to which the provider of the swap agreement is required to pay at the actual rate for the interest portion of the Certificates, the interest portion of Basic Lease Payments at the rate paid by the swap provider, (D) while the interest portion of Basic Lease Payments for any Lease is calculated at a variable rate and a "qualified swap agreement" is not in effect, the greater of *The Bond Buyer* Revenue Bond Index plus .50% or the average rate at which the interest portion of Basic Lease Payments had been determined for the prior 12 months plus .50%. A "qualified swap agreement" means a swap agreement with a provider (I) approved by the Series 2002B Credit Facility Issuer in the case of the Series 2002B Certificates, and (II) with respect to any other Certificates, with a provider rated at least "AA" by S&P or "Aa" by Moody's.

(7) The School Board agrees to amend its budget, by emergency budget if necessary, if amounts due under the Master Lease exceed the amount budgeted therefor.

(8) At the time of issuance of variable rate obligations secured by a capital lease, the outstanding principal amount of such variable rate obligations may not exceed 25% of the total principal amount of outstanding obligations of the District secured by capital leases.

(9) Any termination payment due under a swap agreement in connection with a Lease shall be insured by an insurance company rated "AAA" or "Aaa" by at least two major rating agencies.

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C. Supplemental Provisions Required by Series 2001B Credit Facility Issuer. For the purpose of the Series 2002B Lease, unless otherwise waived in writing by the Series 2002B Credit Facility Issuer, the following provisions shall apply:

(1) The School Board may not substitute for any Series 2002B Facilities other facilities owned by the School Board pursuant to Section 6.4 of the Master Lease without the consent of the Series 2001B Credit Facility Issuer.

(2) The School Board may not release a Series 2002B Facility or a Series 2002B Facility Site without the prior written consent of the Series 2001B Credit Facility Issuer.

(3) The Series 2001B Credit Facility Issuer shall be provided with the following information:

(i) Annual audited financial statements within 180 days after the end of the School Board's fiscal year (together with a certification of the School Board that it is not aware of any default or Event of Default under the Trust Agreement) and the School Board's annual budget within 30 days after the approval thereof;

(ii) Notice of any default known to the Trustee or the School Board within five Business Days after knowledge thereof;

(iii) Prior notice of the advance refunding or prepayment of any of the Series 2001B Certificates, including the principal amount, maturities and CUSIP numbers thereof;

(iv) Notice of the resignation or removal of the Trustee, Paying Agent and Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(v) Notice of the commencement of any proceeding by the School Board under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vi) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on the Basic Lease Payments represented by the Series 2001B Certificates;

(vii) A full original transcript of all proceedings, relating to the execution of any amendment or supplement to the related documents; and

(viii) All reports, notices and correspondences to be delivered under the terms of the Trust Agreement or the Series 2002B Lease.

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(10) The right to exercise remedies under the Master Lease for a default or nonappropriation of Lease Payments shall be limited to a Credit Facility Issuer which at the time of issuance of the related Series of Certificates has a rating of "AAA" or "Aaa".

D. Continuing Disclosure Undertaking. The School Board hereby agrees to comply with the terms of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Series 2002B Lease, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee may (and, at the request of any participating underwriter or the Holders of at least 25% aggregate principal amount in Outstanding Series 2002B Certificates, shall) or any Holder of the Series 2002B 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 9D. 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 2002B Certificates (including persons holding Series 2002B Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2002B Certificates for federal income tax purposes.

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IN WITNESS WHEREOF, the Corporation has caused this Schedule 2002B to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule 2002B to be executed in its name by its duly authorized members or officers, all as of the day and year first written above.

[SEAL]

**PALM BEACH SCHOOL BOARD
LEASING CORP.**

Attest:

By: _____
Art Johnson
Secretary

By: _____
William G. Graham
Vice President

[SEAL]

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

Attest:

[THIS PAGE INTENTIONALLY LEFT BLANK]

By: _____
Art Johnson
Secretary

By: _____
William G. Graham
Vice Chairman

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**SERIES 2002B
GROUND LEASE**

Dated as of March 1, 2002

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 2002B Facility Sites)

SERIES 2002B GROUND LEASE
(Series 2002B Facility Sites)

THIS SERIES 2002B GROUND LEASE dated as of March 1, 2002, between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District"), as Lessor and PALM BEACH SCHOOL BOARD LEASING CORP. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617 and Section 237.40, Florida Statutes, as Lessee.

WITNESSETH:

WHEREAS, the School Board has the power, under Section 230.23(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 230.23(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 230.23(9)(b)6, Florida Statutes, as amended, and is a "direct support organization" within the meaning of Section 237.40, Florida Statutes, as amended; and

WHEREAS, in order to carry out its powers and authority to acquire facilities and equipment, the School Board and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended and supplemented from time to time, the "Master Lease"); and

WHEREAS, the School Board is the owner of certain real property located in Palm Beach County, Florida, and described in Exhibit A attached hereto (which real property, together with all buildings, structures and improvements now or hereafter erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, now or hereafter located in, on or used in connection with or attached or made to such land is hereinafter referred to as a "Series 2002B Facility Site" or, in the case of separate parcels, such parcels are herein collectively referred to as the "Series 2002B Facility Sites"); and

WHEREAS, the School Board desires to lease-purchase one or more particular educational facilities to be located on the Series 2002B Facility Sites (individually and collectively, the "Series 2002B Facilities"), pursuant to Schedule 2002B 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 2002B Lease"); and

WHEREAS, it is possible that a portion of the Series 2002B Facilities may be attached to one or more existing structures of the School Board adjacent to the Series 2002B 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 2002B 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 2002B Facility Sites including, but not limited to, drainage, sewer and water service, electric, telephone and gas service and parking of vehicles (collectively, "Services"); and

WHEREAS, the Corporation desires to acquire from the School Board, pursuant to this Series 2002B Ground Lease, and the School Board is willing to grant to the Corporation, the right to utilize the adjacent property of the School Board to the extent reasonably necessary for Access and for the Services, and the Corporation and the School Board desire to provide for the structural attachment of the Series 2002B Facilities to the adjacent property of the School Board; and

WHEREAS, the ground leasing of the Series 2002B Facility Sites, the sub-leasing of the Series 2002B Facility Sites back to the School Board and the lease-purchase financing and construction of the Series 2002B Facilities are herein collectively referred to as the "Series 2002B Project"; and

WHEREAS, the School Board has on February 11, 2002, after due notice as required by law, held an open, public meeting on the proposal of entering into this Series 2002B Ground Lease, at which meeting a copy of this Series 2002B Ground Lease in final form was available for inspection and review by the public; and

WHEREAS, provisions for the payment of the cost of acquiring and constructing the Series 2002B 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 2002B Supplemental Trust Agreement dated as of March 1, 2002 (as the same may be further amended or supplemented from time to time, the "Trust Agreement"), between the Corporation and The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), Jacksonville, Florida, as Trustee (the "Trustee"), and irrevocably assigning to the Trustee without recourse all of the Corporation's right, title and interest in and to this Series 2002B Ground Lease and the Series 2002B Lease, as defined in the Trust Agreement, except for certain rights to indemnification, to hold title to the Series 2002B Facilities and to receive notices, (b) directing the Trustee for such trust to execute and deliver to the public certificates of participation (the "Series 2002B 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 2002B Lease and (c) directing the Trustee to hold the proceeds of sale of the Series 2002B Certificates in trust subject to application only to pay the costs of acquisition and construction of the Series 2002B Facilities (as defined in the Trust Agreement) (the "Series 2002B Facilities"); and

WHEREAS, each Series 2002B Certificate represents an undivided proportionate interest in the principal portion of the Basic Lease Payments set forth in Schedule 2002B due and

payable on the maturity date or earlier prepayment date of the Series 2002B Certificates and in the interest portion of the Basic Lease Payments set forth in Schedule 2002B 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 2002B Ground Lease, the Series 2002B Lease and the Series 2002B Lease Payments (except for certain indemnification rights, to hold title to the Series 2002B Facilities and the right of the Corporation to receive notices), pursuant to the Series 2002B Assignment Agreement dated as of March 1, 2002 (as the same may be amended or supplemented from time to time, the "Series 2002B Assignment Agreement"); and

WHEREAS, the School Board intends for the Series 2002B Lease to remain in full force and effect until August 1, 2027, which is at least 31 days after the last Lease Payment Date for the Series 2002B Facilities and until payment in full of the Series 2002B Certificates, unless sooner terminated in accordance with the terms provided therein; and

WHEREAS, the School Board intends for this Series 2002B 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 2002B 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 2002B Facility Sites, more particularly described in Exhibit A, to the Corporation, and the Corporation hereby hires, takes and leases the Series 2002B 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 2002B 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 2002B Lease terminates prior to the termination of the term of this Series 2002B 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 2002B Facility Sites.

(ii) The adjacent property of the School Board and the Series 2002B Facilities may contain certain elements, features or parts which are structural elements of

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elements in favor of the Corporation (and like rights are hereby reserved unto the School Board) for the continued use, benefit and enjoyment and continued support, service, maintenance and repair of all such common structural elements.

The School Board, at its sole expense, shall bring or cause to be brought to the Series 2002B 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 2002B Facility Sites water services and capacity sufficient for the contemplated operation of the Series 2002B 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 2002B Facility Sites, if any, as shall be necessary and convenient for the efficient operation of the Series 2002B 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 2002B Facility Sites shall commence simultaneously with the commencement of the Series 2002B 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 2002B Facility Sites and Series 2002B Facilities, the School Board grants to the Corporation the right and option to renew this Series 2002B 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 2002B Ground Lease.

Notwithstanding the foregoing, this Series 2002B 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 2002B 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 2002B Facilities, and full performance and satisfaction of the School Board's obligations under the Series 2002B Lease, or (b) upon the provision for payment of all Lease Payments under the Series 2002B Lease pursuant to Section 7.3 of the Master Lease, together in each case with payment of the sum of \$1.00. This Series 2002B Ground Lease may likewise be modified at the request of the School Board at any time, upon similar notice and modification of the Series 2002B Lease (a) to reflect the substitution of all or a portion of one or more particular Series 2002B Facilities and Series 2002B Facility Sites in accordance with Section 6.4 of the Master Lease, or (b) upon payment or provision for payment of the Purchase Option Price of all or a portion of the Series 2002B Facilities pursuant to Section 7.3 of the Master Lease, to reflect the release of one or more portions of the Series 2002B Facility Sites from this Series 2002B Ground Lease.

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both the adjacent property of the School Board and the Series 2002B Facilities. Such adjacent property structural elements include, but are not necessarily limited to, the following:

(A) All utility lines, ducts, conduits, pipes and other utility fixtures and appurtenances which are located on or within either the Series 2002B Facility Sites or Series 2002B 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 2002B Facilities and the adjacent property of the School Board upon the common line between the Series 2002B Facility Sites and the adjacent property of the School Board (hereinafter referred to as the "Lot Line") provided that the mere fact that such a division wall is found not to be on the Lot Line shall not preclude that division wall from being a Party Wall.

(C) The roof and all roof support structures and any and all appurtenances to such roof and roof support structures including, without limitation, the roof covering, roof trim and roof drainage fixtures (collectively the "Roofing") to the extent interrelated between the Series 2002B Facilities and the adjacent property of the School Board. Should the Roofing of any Series 2002B 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 2002B 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 2002B Facilities and the adjacent property of the School Board (collectively referred to as "Flooring"). Should the Flooring of the Series 2002B 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 2002B Facility Sites, the right therefor is hereby reserved.

(iii) The Series 2002B Facility Sites rights further include the right of the Series 2002B 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 2002B 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 2002B Facility Sites. In addition, the Series 2002B 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 2002B Facilities. The Series 2002B Facility Sites rights further include cross rights of support and use over, upon, across, under, through and into the common structural

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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 2002B Facility Sites the sum of one dollar (\$1.00) per annum, which sum shall be due in advance on the Commencement Date (pro rated) and annually thereafter on the first day of each renewal Lease Term. At the option of the Corporation, the Corporation may prepay all or a portion of the Ground Rent payable hereunder for the entire initial lease term hereof from the proceeds of sale of the Certificates or otherwise.

(b) From and after the date on which the Lease Term shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay as and for rental for the Series 2002B Facility Sites an amount determined by an M.A.I. appraisal to be the fair market rental for the Series 2002B Facility Sites (the "Appraisal"), which Appraisal shall be prepared by an appraiser selected by the Trustee as assignee of the Corporation (the cost of such Appraisal to be paid by the Trustee and reimbursed as provided in Article VI of the Trust Agreement); provided, however, that such fair market rental and the payment thereof shall be subject to the following adjustments and conditions:

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

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

(iii) the fair market rental due in any year shall be paid in the current year only to the extent that the moneys received by the Trustee as assignee of the Corporation from the exercise of the remedies permitted under the Series 2002B Lease during the preceding twelve months prior to such July 1 exceeded the principal and interest portions of Basic Lease Payments under the Series 2002B 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 2002B Lease exceed the principal and interest portions of Basic Lease Payments under the Series 2002B Lease and other amounts described in Section 504 of the Trust Agreement and the fair market rental due in such years; and

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(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 2002B 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 2002B Ground Lease by the Corporation or the Trustee as the assignee of the Corporation. The Trustee as assignee of the Corporation shall be obligated for payment of Ground Rent only to the extent of funds provided by the School Board, the Corporation, the Certificate holders, the Series 2002B Credit Facility Issuer or any Permitted Transferee (hereinafter defined).

Section 4. Title to Series 2002B Facility Sites; Possession. (a) Upon the Commencement Date and throughout the term of this Series 2002B Ground Lease, fee title to the Series 2002B Facility Sites shall be in the name of the School Board, subject to Permitted Encumbrances; title to the Series 2002B Facilities constructed on the Series 2002B Facility Sites shall be in the name of the Corporation, but shall remain severed from title to the Series 2002B Facility Sites until the earlier of (i) payment in full, or provision for payment, of all Lease Payments under the Series 2002B Lease or payment of the then applicable Purchase Option Price of the Series 2002B 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 2002B Ground Lease.

(b) The Corporation shall at all times during the term of this Series 2002B Ground Lease have a leasehold estate in the Series 2002B Facility Sites with full right to vest the use, enjoyment and possession of such leasehold estate therein in a Permitted Transferee (as defined herein).

(c) Possession and use of the Series 2002B Facility Sites, together with all improvements thereon, shall, upon the last day of the term of this Series 2002B Ground Lease or earlier termination of this Series 2002B 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 2002B Ground Lease, the Corporation shall peacefully and quietly surrender to the School Board the Series 2002B Facility Sites together with any improvements located in or upon the Series 2002B Facility Sites. Upon such surrender of the Series 2002B 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 2002B 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 2002B Facility Sites after expiration or earlier termination of the term of this Series 2002B 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.

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Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Series 2002B 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 2002B 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 2002B 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 2002B 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 2002B Ground Lease, which default continues for sixty (60) days following notice and demand for correction thereof to the Corporation, the School Board may exercise any and all remedies granted by law; provided, however, that so long as any Series 2002B Certificates are outstanding and except as provided in Section 2 herein, this Series 2002B Ground Lease shall not be terminated. The School Board shall have recourse solely against the leasehold estate of the Corporation in the Series 2002B 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 2002B Certificates.

Section 8. Quiet Enjoyment. The Corporation at all times during the term of this Series 2002B Ground Lease shall peacefully and quietly have, hold and enjoy the Series 2002B Facility Sites, without hindrance or molestation subject to the provisions hereof and of the Series 2002B Lease, the Series 2002B Assignment Agreement and the Trust Agreement.

Section 9. Liens. Unless the Series 2002B 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 2002B 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 2002B 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 2002B Facility Sites, provided, however, that the School Board's title to the Series 2002B 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 2002B Facility Sites:

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(e) If the Corporation or any Permitted Transferee holds over or refuses to surrender possession of the Series 2002B Facility Sites after expiration or earlier termination of this Series 2002B 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 2002B Facility Sites determined in the manner provided in Section 3(b) hereof.

Section 5. Use of Series 2002B Facility Sites; Assignments and Subleases. The Corporation may use the Series 2002B Facility Sites for any lawful purpose; however, the parties agree that unless the Series 2002B 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 2002B Facility Sites shall be used solely for educational purposes. Unless the Series 2002B Lease shall have been so terminated, no assignment of this Series 2002B Ground Lease or subletting of the Series 2002B Facility Sites may be made except as provided in the Series 2002B Assignment Agreement, the Series 2002B 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 2002B 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 2002B 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 2002B Facilities existing from time to time on the Series 2002B Facility Sites.

The School Board represents and covenants that the Series 2002B 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 2002B 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 2002B 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 2002B 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 2002B Ground Lease is to be irrevocably assigned by the Corporation to the Trustee pursuant to the Series 2002B Assignment Agreement, except that the Corporation shall continue to hold title to the Series 2002B Facilities as described in Section 4 hereof and in the Series 2002B 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 2002B Ground Lease or otherwise) that the School Board may from time to time have against the Corporation or any person or entity associated or affiliated therewith. The School Board acknowledges that the Trustee is acting on behalf of the Series 2002B Certificate holders, and may, under certain circumstances assign this Series 2002B Ground Lease to a Permitted Transferee.

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(a) So long as the Series 2002B 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 2002B Lease, (i) if such person acquires title to such a substantial portion of the Series 2002B 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 2002B 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 2002B 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 2002B Ground Lease, then this Series 2002B 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 2002B Facilities shall be deemed substantial hereunder.

(d) It is understood that the foregoing provisions of this Section 10 shall not in any way restrict the right of the School Board or the Corporation to appeal the award made by any court or other public agency in any condemnation proceeding.

Section 11. Estoppel Certificates. The School Board, at any time and from time to time, upon not less than thirty (30) days prior written notice from the Corporation, will execute, acknowledge and deliver to the Corporation, or to whomsoever it may direct, a certificate of the School Board certifying that this Series 2002B Ground Lease is unmodified (or, if there have been any modifications, identifying the same), that this Series 2002B Ground Lease is in full force and effect and that there is no default hereunder (or, if so, specifying the default). It is intended that any such certificate may be relied upon by any Person.

Section 12. Amendments. No amendment may be made to this Series 2002B Ground Lease without the prior written consent of the Trustee and the Series 2002B Credit Facility Issuer. Notwithstanding the foregoing, this Series 2002B Ground Lease may be amended without the prior written consent of the Trustee and the Series 2002B Credit Facility Issuer for the purpose of adding or modifying a legal description and/or the permitted encumbrances for any designated Series 2002B Facility Site. Copies of all amendments hereto shall be provided to the Rating Agencies (as defined in the Trust Agreement), whether effected pursuant to Section 702 or Section 703 of the Trust Agreement.

Section 13. Binding Effect. This Series 2002B 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 2002B Ground Lease or of the leasehold estate hereby created with the fee estate in the Series 2002B 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 2002B Ground Lease or leasehold estate hereby created or any interest herein or therein, and the fee estate in the Series 2002B Facility Sites or any interest in such fee estate. There shall be no merger of this Series 2002B Ground Lease with the Series 2002B Lease by reason of the fact that the School Board is the owner of the fee title to the Series 2002B Facility Sites and the leasehold estate in the Series 2002B Facilities created under the Series 2002B Lease or by reason of the fact that the Corporation is the owner of the leasehold estate in the Series 2002B Facility Sites created hereby and is the owner of the fee title in the Series 2002B Facilities as provided in the Series 2002B 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

Series 2002B Credit
Facility Issuer:

Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022-6022
Attention: Managing Director-Municipal
Re: Policy No. []

Section 16. Severability. In the event any provision of this Series 2002B 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 2002B 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 2002B 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.

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IN WITNESS WHEREOF, the Corporation has caused this Series 2002B 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 2002B Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

[SEAL] By: _____
Thomas E. Lynch
Chairman

Attest:

By: _____
Art Johnson, Secretary

PALM BEACH SCHOOL BOARD LEASING CORP.

[SEAL] By: _____
Thomas E. Lynch
President

Attest:

By: _____
Art Johnson, Secretary

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Section 19. Memorandum of Lease. Simultaneously with the execution of this Series 2002B Ground Lease, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to this Series 2002B 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 2002B Ground Lease. Upon the modification of this Series 2002B 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 2002B 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 2002B Ground Lease nor any officer, employee, agent of the School Board or the Corporation shall be personally liable or accountable by reason of the execution or delivery hereof.

Section 21. Third Party Beneficiary. The Series 2002B Credit Facility Issuer shall be deemed to be a third party beneficiary of this Series 2002B Ground Lease.

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said School Board and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this ____ day of March, 2002.

NOTARY PUBLIC
SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or
 Produced identification:
(Type of Identification Produced)

DID take an oath, or
 DID NOT take an oath.

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

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

GIVEN under my hand and notarial seal this ____ day of March, 2002.

NOTARY PUBLIC
SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or
Type as Commissioned.)

- Personally known to me, or
- Produced identification:
(Type of Identification Produced)

- DID take an oath, or
- DID NOT take an oath.

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MASTER TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

**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");

WITNESSETH:

WHEREAS, the School Board of Palm Beach County, Florida (the "School Board") desires to lease-purchase certain real property, buildings and improvements and the equipment, fixtures and furnishings to be built, installed or established therein for educational purposes ("Facilities") by entering into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), between the Corporation, as lessor, and the School Board, as lessee; and

WHEREAS, pursuant to Section 2.1 of the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease (each hereinafter referred to as a "Schedule"), direct the Corporation to acquire and lease-purchase to the School Board the Facilities described in such Schedule to the Master Lease; and

WHEREAS, Facilities may be added to the Master Lease by execution of Schedules thereto from time to time; and

WHEREAS, the Master Lease and the terms and conditions thereof with respect to the particular Facilities described on a Schedule are sometimes referred to herein as a "Lease" and the Schedule describing such Facilities is sometimes referred to as "Schedule No. ____" or "Schedule ____"; and

WHEREAS, certain of the Facilities will be located on certain real property located within the School District of Palm Beach County, Florida (the "District") (each such location, or all locations on a single Schedule, together with all buildings, structures and improvements erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, on or used in connection with or attached or made to such land, a "Facility Site") to be leased by the School Board to the Corporation pursuant to a ground lease; and

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

WHEREAS, pursuant to Section 7.1 of the Master Lease, the Corporation, with the consent of the School Board, has the right to assign all of its right, title and interest in and to a particular Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its

right to hold title to the Facilities under Section 6.1 of the Master Lease and its right to receive notices under the Master Lease) to the Trustee including the rights to receive Basic Lease Payments (as hereinafter defined) due under such Lease; and

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

WHEREAS, upon receipt by the Trustee from the Corporation of the corresponding Assignment Agreement and satisfaction of the conditions set forth in Section 304 hereof, the Trustee shall issue a Series of Certificates that shall correspond to the Lease or Leases created by a particular Schedule or Schedules; and

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

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

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

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ARTICLE I DEFINITIONS AND RULES OF CONSTRUCTION

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

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

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

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

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

"**Authorized Newspaper**" shall mean a newspaper containing financial matters, customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language, and of general circulation in the Borough of Manhattan, City and State of New York.

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

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

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

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

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

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

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

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

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

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

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

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

"**Cost**" shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including leasehold interests, easements, rights-of-way and licenses, including, without limitation, lease payments to be made by the Corporation under the terms of a Ground Lease until the expected acceptance of the Facilities related thereto as described herein, (ii) cost and expenses incurred for labor and materials and payments to contractors, builders, materialmen and vendors for the acquisition, construction and installation of the Facilities, (iii) the cost of surety bonds and insurance of all kinds, including premiums and other charges in connection with obtaining title insurance, that may be advisable or necessary prior to completion of any of the Facilities, which is not paid by a contractor or otherwise provided for, (iv) the costs and expenses for design, test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction and installation of Facilities, (v) costs and expenses required for the acquisition and installation of equipment or machinery that comprise part of the Facilities, (vi) all costs which the School Board shall be required to pay for or in connection with additions to, and expansions of Facilities, (vii) all costs which the School Board shall be required to pay to provide improvements, including offsite improvements, necessary for the use and occupancy of Facilities, including road, walkways, water, sewer, electric, fire alarms and other utilities, (viii)

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any sums required to reimburse the School Board for advances made by it for any of the above items or for other costs incurred and for work done by it in connection with Facilities, (ix) deposits into any Reserve Account established pursuant to Section 401 of this Trust Agreement and in a Supplemental Trust Agreement and any recurring amounts payable to a provider of a Reserve Account Letter of Credit/Insurance Policy, (x) fees, expenses and liabilities of the School Board, if any, incurred in connection with the acquisition, construction and installation of Facilities (xi) Costs of Issuance and (xii) interest during construction and for a reasonable period of time up to six (6) months thereafter.

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

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

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

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

“**Defeasance Securities**”, except as otherwise provided in a Supplemental Trust Agreement, shall mean cash or Government Obligations.

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

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

“**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,

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“**Investment Agreement**” shall mean an agreement for the investment of moneys entered into by the Trustee with a Qualified Financial Institution whether such agreement is in the form of an interest-bearing time deposit, repurchase agreement or any similar arrangement and any note delivered by a Qualified Financial Institution pursuant to such agreement, which agreement shall have been approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

“**Investment Securities**” except as otherwise provided in a Supplemental Trust Agreement, shall mean any of the following securities, if and to the extent the same are at the time legal under State law for investment of the School Board’s funds:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below).

(b) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(c) Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

Export-Import Bank
Farm Credit System Financial Assistance Corporation
Farmers Home Administration
General Services Administration
U.S. Maritime Administration
Small Business Administration
Government National Mortgage Association (GNMA)
U.S. Department of Housing & Urban Development (PHA’s)
Federal Housing Administration

(d) Senior debt obligations rated “AAA” by Standard & Poor’s Ratings Group and “Aaa” by Moody’s Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, and other senior debt obligations of other government-sponsored agencies approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

(e) U.S. dollar denominated deposit accounts, federal funds and banker’s acceptances with domestic commercial banks (including the Trustee and any of its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor’s Ratings Group and “P-1” by Moody’s Investors Service and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(f) Commercial paper which is rated at the time of purchase in the single highest classification, “A-1+” by Standard & Poor’s Ratings Group and “P-1” by Moody’s Investors Service and which matures not more than 270 days after the date of purchase.

fixtures and furnishings which are to be built, installed or established on such buildings or improvements, and all appurtenances thereto and interests therein, all as set forth on a Schedule or Schedules from time to time.

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

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

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

“**Gross Proceeds**” shall mean, with respect to each Series of Certificates, unless inconsistent with the provisions of the Code, in which case as provided in the Code, (i) amounts received by or on behalf of the Corporation from the sale of such Certificates; (ii) amounts received as a result of investments of amounts described in (i); (iii) amounts treated as transferred proceeds of such Certificates in accordance with the Code; (iv) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds; (v) securities or obligations pledged, if any, as security for payment of Basic Lease Payments under the Master Lease (which amounts are limited in accordance with Sections 235.056(3) and 236.25(2)(e) Florida Statutes, as amended); (vi) amounts received with respect to obligations acquired with Gross Proceeds; (vii) amounts used to pay principal and interest portions of the Basic Lease Payments represented by such Certificates; (viii) amounts in any Reserve Account established pursuant to Section 401 of this Trust Agreement and in any Supplemental Trust Agreement; and (ix) amounts received as a result of the investment of Gross Proceeds not described in (i) above.

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

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

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(g) Investments in a money market fund rated “AAA” or “AAA-M” or better by Standard & Poor’s Ratings Group.

(h) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Standard & Poor’s Ratings Group and Moody’s Investors Service or any successors thereto; or

(2) (x) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date of dates pursuant to such irrevocable instructions, as appropriate, and (y) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of this subsection (2) hereof may not be used as Permitted Investments without prior written approval of Standard & Poor’s Ratings Group.

(i) Investment Agreements approved in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested (supported by appropriate opinions of counsel) with notice to Standard & Poor’s Ratings Group.

(j) Any other investment agreed to in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested with advance notice to Standard & Poor’s Ratings Group.

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

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

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

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

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

“Master Lease” shall mean the Master Lease Purchase Agreement dated as of November 1, 1994, 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;
- (iii) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered pursuant to Article III hereof; and

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collateralizes its obligations at all times at levels in compliance with the requirements of the Rating Agencies for ratings not lower than AA/Aa.

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

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

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

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

“Reserve Account Requirement” shall mean, in regard to a Reserve Account to secure a Series of Certificates, such amounts, if any, as shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Series and in the Schedule relating thereto, provided such Reserve Account Requirement shall not exceed the least of (i) the maximum annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, (ii) 125% of the average annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Years, and (iii) 10% of the stated principal amount of such Series of Certificates.

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

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

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

“Special Tax Counsel” shall mean Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida, Cunningham & Self, West Palm Beach, Florida and Michael B. Brown, P.A., West Palm Beach, Florida, or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest on obligations issued by states and political

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

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

“Prepayment Account” shall mean any Prepayment Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement.

“Prepayment Date” shall mean the date on which optional prepayment or extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a Series of Certificates Outstanding shall be made pursuant to Section 312 hereof or pursuant to any Supplemental Trust Agreement.

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

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

“Project Fund” shall mean the trust fund designated as the “Project Fund” created and established in Section 401 hereof.

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

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

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subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“State” shall mean the State of Florida.

“Superintendent” shall mean the Superintendent of Schools of the District.

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

“Supplemental Trust Agreement” shall mean any agreement supplemental or amendatory of this Trust Agreement.

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

“Trust Estate” shall mean all estate, right, title and interest of the Trustee in and to (a) the Basic Lease Payments, the Master Lease, the Leases and each Assignment Agreement, and (b) (i) all amounts from time to time deposited in the funds and accounts created pursuant to this Trust Agreement and any Supplemental Trust Agreement in accordance with the provisions of the Master Lease, the Leases and this Trust Agreement, including investment earnings thereon; and (ii) any and all monies received by the Trustee pursuant to the provisions hereof and not required to be remitted to the School Board pursuant to the Master Lease or this Trust Agreement.

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

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

The terms “hereby”, “hereof”, “hereto”, “herein”, “hereunder” and any similar terms, as used in this Trust Agreement, refer to this Trust Agreement.

103. Exhibits. The following Exhibits are attached hereto and by this reference made a part of this Trust Agreement:

- Exhibit A. FORM OF CERTIFICATE
- Exhibit B. FORM OF REQUISITION
- Exhibit C. FORM OF REQUISITION (COSTS OF ISSUANCE)

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ARTICLE II
ASSIGNMENT; DECLARATION OF TRUST; REPRESENTATIONS

201. Assignment Agreements. The Corporation shall assign and transfer to the Trustee its rights under each Ground Lease and each Lease pursuant to and to the extent described in the corresponding Assignment Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee shall execute and deliver each Series of Certificates, evidencing an undivided proportionate interest of the Certificate holders in Basic Lease Payments under the corresponding Lease.

202. Declaration of Trust by Trustee. The Trustee hereby declares that it holds and will hold the Trust Estate conferred on it by the Corporation hereunder upon the trusts and apply the amounts as hereinafter set forth for the use and benefit of the Certificate holders, as more particularly set forth in Section 305 hereof.

203. Representations. In the Master Lease, the School Board has agreed to acquire, construct and install the Facilities as agent for the Corporation pursuant to specifications prepared by the School Board and that the School Board will be responsible for the letting of contracts for the acquisition, construction and installation of the Facilities and supervising the acquisition, construction and installation of the Facilities.

204. Description and Estimated Costs of the Facilities. The description of the Facilities to be acquired, constructed and installed and leased by the School Board from the Corporation pursuant to the Master Lease and each Schedule and the estimated Costs of such Facilities shall be set forth in the related Schedule to the Master Lease.

205. Conditions Precedent Satisfied. Each party hereto, represents with respect to itself that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and delivery of this Trust Agreement have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto each represents as to itself that it is now duly empowered to execute and deliver this Trust Agreement.

ARTICLE III
CERTIFICATES; TERMS AND PROVISIONS

301. Authorization of Certificates.

(a) The number of Series of Certificates which may be created under this Trust Agreement is not limited. The aggregate principal amount of Certificates of each Series which may be issued, authenticated and delivered under this Trust Agreement is not limited except as set forth in the Supplemental Trust Agreement creating such Series.

(b) The Certificates issuable under this Trust Agreement shall be issued in such Series as may from time to time be created in connection with one or more Leases. Each Series shall be designated "Certificates of Participation, Series _____, Evidencing an Undivided Proportionate Interest of the Registered Owners thereof in Basic Lease Payments to be Made by

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(c) shall have such particular designations added to their title, and shall be in such form and denominations, as provided in the Supplemental Trust Agreement creating such Series of Certificates;

(d) shall be limited as to the maximum principal amount thereof which may be delivered by the Trustee or which may be at any time Outstanding, as provided in the Supplemental Trust Agreement creating such Series of Certificates;

(e) may contain provisions for the prepayment thereof at such Prepayment Price or Prices, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(f) may have provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificates, in such amounts, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease as shall be set forth in such Supplemental Trust Agreement;

(g) may contain such other provisions and such other special terms and conditions, not contrary to the provisions hereof, as may be provided in such Supplemental Trust Agreement;

(h) shall be payable from and secured by the Trust Estate, but solely to the extent provided in and subject to the limitations of Section 305 hereof.

304. Conditions Precedent to Delivery of a Series of Certificates. The Trustee shall execute and deliver one or more Series of Certificates for the purposes set forth in Section 302 hereof to the purchaser or purchasers thereof as requested and authorized by the Corporation in accordance with the provisions of this Section 304.

Prior to the delivery by the Trustee of any Series of Certificates there shall have been received by the Trustee:

(a) A Supplemental Trust Agreement providing for the terms and conditions upon which they shall be executed and delivered by the Trustee;

(b) An executed counterpart of a corresponding Schedule to the Master Lease (or amended Schedule in the case of Certificates issued for the purposes as described in Section 302(b) and (d) above) effective on or before the date of execution and delivery of such Series of Certificates, providing for (i) Lease Payments payable under such Schedule at least equal to the principal portion of, Prepayment Price, if any, and interest portion represented by such Series of Certificates, and (ii) the disposition of the proceeds of the sale of such Series of Certificates, including the acquisition, construction, equipping or improvement of the Facilities to be financed from the proceeds of such Series of Certificates or the payment or refunding of the Series of Certificates to be paid or refunded;

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the School Board of Palm Beach County, Florida, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor". The Certificates may, if and when authorized by this Trust Agreement, be designated with such further appropriate particular designations added to or incorporated in such title for the Certificates of any particular Series as the Board may determine and as may be necessary to distinguish such Certificates from the Certificates of any other Series.

302. Execution and Delivery of Certificates. Each Series of Certificates shall be authorized by the Corporation at the request of the School Board and executed and delivered by the Trustee for the purpose of (a) financing the cost of acquisition, construction and equipping of any Facilities, (b) financing the cost of completing the acquisition, construction, installation and equipping of any Facilities, (c) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities, (d) paying or providing for the payment of the principal portion and interest portion of the Basic Lease Payments with respect to, or the Purchase Option Price of, all or a portion of the Facilities financed from the proceeds of any Series of Certificates theretofore executed and delivered, (e) funding a Reserve Account in an amount equal to the Reserve Account Requirement applicable thereto, (f) capitalizing the interest portion of Basic Lease Payments during construction and (g) paying the Costs of Issuance applicable thereto.

Each Series of Certificates shall be substantially in the form set forth in Exhibit A hereto, with such appropriate variations, omissions and insertions as necessary to conform to the provisions of this Trust Agreement, including any use of a book-entry-only system as described in Section 317 hereof. All Certificates may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rule and regulations of any governmental authority or of any securities exchange on which the Certificates may be listed or any usage or requirement of law with respect thereto.

303. Terms of Series of Certificates. Certificates may be executed and delivered at any time and from time to time in one or more Series, upon such terms and conditions as may then be permitted by law and as shall be determined by the Corporation and provided in the respective Supplemental Trust Agreement under which such Series of Certificates are authorized. Certificates of any Series:

(a) shall be dated, shall represent interest at a rate not in excess of the maximum rate then permitted by applicable law (calculated on the basis of a 360 day year consisting of twelve 30 day months), and shall be payable and mature in such amounts and at such time or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(b) shall be payable, as to the principal portion, Prepayment Price, if any, and interest portion of such Series of Certificates, at such place or places in lawful money of the United States of America and may have such registration privileges and such exchange privileges as may be provided in the Supplemental Trust Agreement creating such Series of Certificates and allowable under then existing law;

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(c) An executed counterpart of an Assignment Agreement, effective on or before the date of execution and delivery of such Series of Certificates, assigning and transferring to the Trustee substantially all of the rights of the Corporation under the Lease relating to such Series of Certificates, except for the provisions with respect to release and indemnity of the Corporation and the right of the Corporation to hold title to various Facilities and to receive notices under the Master Lease;

(d) One or more opinions of Special Tax Counsel to the effect that (i) the Certificates evidence undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the corresponding Lease and (ii) the interest portion of the Basic Lease Payments represented by the Series of Certificates being issued is excludable from gross income for federal income tax purposes, and, in the case of refunding Certificates, that the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments represented by the Certificates being refunded will not be adversely affected by the issuance of the refunding Certificates being issued;

(e) A written order to the Trustee by an Authorized Corporation Representative to execute and deliver the Series of Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified sum;

(f) Certified copies of resolutions of the Corporation and the School Board authorizing the issuance of such Series of Certificates;

(g) Evidence of approval of the related Lease by the State Department of Education, or an opinion of Special Tax Counsel to the effect that such approval is not required;

(h) Such other documents and opinions as may be provided for in the Supplemental Trust Agreement referred to in subparagraph (a) hereof, including one or more Ground Leases (or amended Ground Leases in the case of Certificates issued for the purposes described in Section 302(b) above), or as may be required under Section 6.1 of the Master Lease;

(i) One or more Opinions of Counsel in form and substance satisfactory to each Credit Facility Issuer to the effect that the issuance of such Series of Certificates for the purposes set forth in Section 302 is authorized by law, and the execution and delivery thereof and of the other documents described in this Section have been duly authorized by the School Board and the Corporation, all conditions precedent to the delivery thereof have been fulfilled and to the further effect that the execution of the Supplemental Trust Agreement is authorized or permitted hereunder; and

(j) A certificate signed by an Authorized Corporation Representative to the effect that the Master Lease is in effect and to its knowledge there are no defaults at the time of issuance under any Lease, Ground Lease or this Trust Agreement.

The proceeds of such Series of Certificates shall be held and disbursed as provided in the Supplemental Trust Agreement providing for such Series of Certificates. The Trustee shall execute and deliver such Series of Certificates to the purchaser or purchasers thereof as directed and authorized in writing by an Authorized Corporation Representative.

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305. Payments from Trust Estate Only; Distribution of Trust Estate.

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

(b) Except as otherwise expressly provided in the immediately preceding paragraph and elsewhere herein, all amounts payable by the Trustee with respect to a Series of Certificates or to any Credit Facility Issuer who shall have issued a Credit Facility, if any, securing such Series pursuant to this Trust Agreement shall be paid only from the portion of the Trust Estate derived from Basic Lease Payments made pursuant to the Schedule corresponding to such Series and only to the extent that the Trustee shall have actually received sufficient income or proceeds from such portion of the Trust Estate to make such payments. Each Certificate holder agrees, and each such Credit Facility Issuer, by its execution and delivery of the Credit Facility shall be deemed to have agreed, except as otherwise expressly provided herein, to look solely to the income of and the proceeds from such portion of the Trust Estate to the extent available for distribution to such holder and each such Credit Facility Issuer as herein provided and that the Trustee is not personally liable to any Certificate holder or any such Credit Facility Issuer for any amounts payable under this Trust Agreement or subject to any liability under this Trust Agreement except liability under this Trust Agreement as a result of negligence or willful misconduct by the Trustee.

(c) So long as the Master Lease or related Ground Leases shall be in effect, all amounts of Lease Payments, insurance proceeds, indemnity payments and other payments of any kind constituting a part of the Trust Estate payable under this Trust Agreement or the Lease corresponding to such Series to the Trustee shall be paid directly to the Trustee for distribution, in accordance with Articles III, V, VI and VII of this Trust Agreement, to or for the Certificate holders or the related Credit Facility Issuer, as the case may be.

306. Execution.

The Certificates shall be executed in the name of, and by, the Trustee, solely as trustee under the Trust Agreement and not in its individual capacity, by the manual signature of any authorized signatory of the Trustee.

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Certificates to be prepaid until after the mailing of any notice of prepayment; or (b) to register the transfer of or exchange any Certificates called for prepayment.

309. Certificates, Mutilated, Destroyed, Stolen or Lost. In case any Certificates shall become mutilated or be destroyed, stolen or lost, the Trustee shall execute and deliver a new Certificate of the same series and of like maturity and principal amount as the Certificate so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Certificate, or in lieu of and substitution for the Certificate destroyed, stolen or lost, upon surrender of such mutilated Certificate or filing with the Trustee of evidence satisfactory to the Trustee that such Certificate has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Trustee with indemnity satisfactory to the Trustee and complying with such other reasonable regulations as the Trustee may prescribe and paying such expenses as the Trustee may incur. All Certificates so surrendered to the Trustee shall be cancelled by it. Any such new Certificates executed and delivered pursuant to this Section in substitution for Certificates alleged to be destroyed, stolen or lost shall be equally secured by and entitled to equal and proportionate benefits, with all other Certificates delivered under the Trust Agreement and Outstanding.

310. Temporary Certificates. Until the definitive Certificates are prepared, the Trustee may execute and deliver, in the same manner as is provided in Section 306, in lieu of definitive Certificates, one or more temporary Certificates of the same series and substantially of the tenor of the definitive Certificates in lieu of which such temporary Certificate or Certificates are issued, in denominations of \$5,000 or any multiples thereof, and with such omissions, insertions and variations as may be appropriate for temporary Certificates. The Trustee, at the expense and direction of the School Board, shall prepare and execute and, upon the surrender of such temporary Certificates, and the cancellation of such surrendered temporary Certificates, the Trustee shall without charge to the Holder thereof, in exchange therefor, deliver definitive Certificates of the same series, of the same aggregate principal amount and maturity as the temporary Certificates surrendered. Until so exchanged, the temporary Certificates shall in all respects be entitled to the same benefits and security as definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement.

311. Privilege of Prepayment and Prepayment Price. Certificates subject to prepayment prior to maturity pursuant to this Trust Agreement may be prepaid, upon notice given as provided in this Article III, at such times, at such Prepayment Prices and upon such terms as specified in this Article III or in the Supplemental Trust Agreement authorizing the issuance of such Certificate.

312. Prepayment. Whenever by the terms of this Trust Agreement the Certificates are required to be prepaid, the Trustee shall select the Certificates to be prepaid in accordance with the provisions of Section 313 hereof. The Trustee shall select a Prepayment Date, and immediately give the notice of prepayment and pay the Prepayment Price thereof, plus interest accrued and unpaid to the Prepayment Date, in accordance with the terms of this Article III.

313. Selection of Certificates to be Prepaid. If less than all of the Certificates of a Series shall be called for prepayment, the particular Certificates or portions of Certificates to be prepaid shall be in multiples of \$5,000 and, except as otherwise provided in a Supplemental Trust Agreement, such Certificates or portions of Certificates shall be prepaid in such order of

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307. Negotiability, Transfer and Registration.

(a) The Trustee shall maintain, at its designated corporate trust office, a register of the names and addresses of all Certificate holders as of any particular time, and the Trustee shall, upon request of the School Board, furnish such information to the School Board.

(b) Each Certificate shall be transferable only upon the register maintained by the Trustee, by the Certificate holder in person or by his/her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Certificate holder or his/her attorney duly authorized in writing. Upon the registration of transfer of any such Certificate, the Trustee shall deliver in the name of the transferee a new Certificate or Certificates of the same series, aggregate principal amount and maturity as the surrendered Certificate.

(c) The person in whose name any Certificate shall be registered upon the books of the Trustee shall be treated as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal portion or Prepayment Price, if applicable, and interest portion represented by such Certificate and for all other purposes, and all such payments so made to any such Certificate holder or upon his/her order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Trustee, the Corporation and the School Board shall not be affected by any notice to the contrary.

(d) Certificates, upon surrender thereof at the designated corporate trust office of the Trustee, together with an assignment duly executed by the Certificate holder or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Certificate holder thereof and upon payment by such Certificate holder of any charges which the Trustee may make as provided in Section 308 hereof, be exchanged for an equal aggregate principal amount of Certificates of the same maturity and series, of any denomination or denominations authorized by this Trust Agreement, representing interest at the same rate, and in the same form as the Certificates surrendered for exchange.

(e) Upon the occurrence and continuance of an Event of Default which requires a Credit Facility Issuer to make payments under a Credit Facility, the Credit Facility Issuer and its designated agent shall be provided with access to inspect and copy the register of the Series of Certificate holders insured by its Credit Facility.

308. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Certificates or registering the transfer of Certificates is exercised, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Trust Agreement. All Certificates surrendered in any such exchanges or registrations of transfer shall forthwith be cancelled by the Trustee. For every such exchange or registration of transfer of Certificates, whether temporary or definitive, the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Trustee shall not be required (a) to register the transfer of or exchange Certificates for a period of fifteen (15) days preceding any Payment Date until such Payment Date, or for a period of fifteen (15) days preceding any selection of

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maturity as shall be designated by the School Board. If less than all of the Certificates of like maturity shall be called for prepayment, the particular Certificates or portions thereof to be prepaid shall be selected by lot by the Trustee in such manner as the Trustee shall deem fair and appropriate. The portion of any Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate to be prepaid in part by \$5,000.

314. Notice of Prepayment. When prepayment of Certificates is required pursuant to Section 312 hereof, the Trustee shall give notice of the prepayment of such Certificates, which notice shall specify the maturities of the Certificates to be prepaid, the CUSIP numbers (which shall be for informational purposes only and shall not affect the validity of such notice), the prepayment date and the place or places where amounts due upon such prepayment will be payable and, if less than all of the Certificates of a Series are to be prepaid, the letters and numbers or other distinguishing marks of such Certificates to be prepaid, and, in the case of Certificates to be prepaid in part only, such notice shall also specify the respective portions of the principal amounts thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable with respect to each Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof to be prepaid in part only, together with interest accrued to the Prepayment Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than 30 days before the Prepayment Date in the case of optional prepayment, extraordinary prepayment resulting from damage, destruction or condemnation of Facilities or mandatory sinking fund prepayment, and not less than 5 days nor more than 10 days before the Prepayment Date in the case of extraordinary prepayment resulting from termination of all Leases as a result of nonappropriation or default by the School Board, to the Holders of any Certificates or portions of Certificates which are to be prepaid, at their last addresses appearing upon the registry books, but any defect in the notice to a particular Certificate holder shall not affect the validity of the proceedings for the prepayment of other Certificates. Notwithstanding anything in this Section 314 to the contrary, the Trustee shall not give notice that the Certificates are subject to optional prepayment pursuant to a Supplemental Trust Agreement unless and until the School Board shall have deposited with the Trustee to the credit of the related Prepayment Account an amount sufficient to pay in full the principal of the Certificates subject to prepayment, plus accrued interest and premium, if any, on such Certificates to the date established for such prepayment. Notice of such prepayment shall be provided to any depository not less than two days prior to mailing of such notice, to the extent available.

315. Payment of Prepaid Certificates. Notice having been given in the manner provided in Section 314, the Prepayment Price of the Certificates or portions thereof so called for prepayment shall become due and payable on the Prepayment Date so designated at the Prepayment Price, plus the interest portion accrued and unpaid to the Prepayment Date, and, upon presentation and surrender thereof at the office specified in such notice such Prepayment Price of the Certificates, or portions thereof shall be paid. If there shall be selected for prepayment less than all of the Certificates, the Trustee shall execute and deliver, upon the

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surrender of such Certificates, without charge to the owner thereof, for the aggregate balance of the principal amount of the Outstanding Certificates so surrendered, at the option of the owner thereof, Certificates of like maturity in any of the authorized denominations. If, on the Prepayment Date, moneys for the payment of the Prepayment Price of all the Certificates of a Series or portions thereof of any like maturity to be prepaid, shall be held by the Trustee so as to be available therefor on the Prepayment Date and if notice of prepayment shall have been given as aforesaid, then, from and after the Prepayment Date the interest portion of the Certificates or portions thereof of such maturity so called for prepayment shall cease to accrue and become payable. If said moneys shall not be so available on the Prepayment Date, the principal portion represented by such Certificates or portions thereof shall continue to bear interest until paid at the same rate as would have accrued had it not been called for prepayment.

316. Cancellation of Certificates. All Certificates paid or prepaid, either at or before maturity, shall be delivered to the Trustee when such payment or prepayment is made, and such Certificates shall thereupon be promptly cancelled and destroyed. Upon the cancellation and deletion of any Certificates by the Trustee, the Trustee shall execute a certificate of cancellation in duplicate by the signature of one of its authorized officers describing the Certificates so cancelled, and executed certificates shall be filed with the School Board and the Corporation and the other executed certificate shall be retained by the Trustee.

317. Qualification for The Depository Trust Company. The Trustee is hereby authorized to take such actions as may be necessary from time to time to qualify any Series of Certificates for deposit with The Depository Trust Company of New York, including but not limited to wire transfers of interest and principal payments with respect to such Series of Certificates, utilization of electronic book-entry data received from The Depository Trust Company of New York in place of actual delivery of Certificates and provision of notices with respect to Certificates registered by The Depository Trust Company of New York (or any of its designees identified to the Trustee) by overnight delivery, courier service, telegram, teletype or other similar means of communication. No such arrangements with The Depository Trust Company of New York may adversely affect the interest of any of the beneficial owners of the Certificates, provided, however, that the Trustee shall not be liable with respect to any such arrangements it may make pursuant to this Section. Without limiting the foregoing, the Trustee may deliver a Series of Certificates to a bank or trust company serving as custodian (which may be the Trustee serving in the capacity of custodian) to provide for a book-entry or similar method for the registration and registration of transfers of such Series of Certificate; provided that the holders of such Series of Certificates always may receive upon request certificates evidencing their ownership of Certificates.

ARTICLE IV ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND ACCOUNTS; PREPAYMENT OF CERTIFICATES

401. Establishment of Project Fund. There is hereby established with the Trustee a special trust fund to be designated as the "Project Fund". The Trustee shall keep the Project Fund separate and apart from all other funds and moneys held by it. Within the Project Fund, the Trustee shall establish pursuant to each Supplemental Trust Agreement, as necessary, the following accounts and subaccounts for each Series of Certificates: (a) an Acquisition Account

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(i) Receipt by the Trustee and the related Credit Facility Issuer of a title insurance policy, if required by such related Credit Facility Issuer pursuant to Section 6.1 of the Master Lease (the Trustee shall be notified in writing of such requirement);

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

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

(iv) A "Phase I" environmental audit prepared by an independent engineer or other qualified consultant acceptable to the applicable Credit Facility Issuer and the School Board;

(v) A copy of a recent survey plat of the land in questions prepared, sealed and certified to the School Board and the Trustee by a licensed Florida surveyor, in form satisfactory to the School Board;

(vi) A report on soil conditions and an engineer's certification in form and substance acceptable to the School Board confirming the feasibility of the proposed construction; and

(vii) Certification by the School Board that adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the land, or the cost of making them available is included in the School Board's acquisition and construction budget.

Before payment is made pursuant to a requisition for real estate improvements, regardless of whether the underlying land was previously owned by the School Board or is being acquired with Certificate proceeds, there shall be provided to the Trustee items (i) through (vii) above with respect to the land underlying such real estate improvements, and in the case of underlying land previously owned by the School Board, there shall be provided to the Trustee a related Ground Lease or amendment to the related Ground Lease adding such parcel of land thereto.

(d) Costs of Issuance of Certificates shall be paid from the related Cost of Issuance Subaccount in the related Acquisition Account upon receipt by the Trustee of a requisition substantially in the form of Exhibit C hereto, signed by an Authorized School Board Representative stating with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm, corporation or agency to whom payment is due, (3) the amount to be paid and (4) that such payment obligation has been properly incurred, is a Cost of Issuance for the related Project and has not been the basis of a previous withdrawal.

(e) The completion of the acquisition, construction and installation of the Facilities comprising each Project financed under a particular Lease shall be evidenced by a Certificate of Acceptance of the School Board and the Corporation in the form attached as Exhibit B to the Master Lease, which Certificate of Acceptance shall be filed with the Trustee upon completion of acquisition of such Facilities. Upon the filing of such certificate any

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and a Cost of Issuance Subaccount therein, more particularly described in Section 402 hereof; (b) a Capitalized Interest Account more particularly described in Section 403 hereof; (c) a Lease Payment Account, more particularly described in Section 404 hereof; (d) a Reserve Account, more particularly described in Section 405 hereof; and (e) a Prepayment Account, more particularly described in Section 406 hereof. The Trustee shall establish separate Acquisition Accounts, Cost of Issuance Subaccounts, Capitalized Interest Accounts, Lease Payment Accounts, Reserve Accounts and Prepayment Accounts for each Project in the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates corresponding to each such Project. The Trustee may create additional Accounts and Subaccounts in any Supplemental Trust Agreement at the request of the School Board. Each such account and subaccount shall be designated by the Trustee with the Series of the Certificates to which they relate.

On the date of delivery of each Series of Certificates the Trustee shall deposit the proceeds thereof as provided in the Schedule or Schedules and the Supplemental Trust Agreement authorizing such Series of Certificates.

402. Acquisition Account.

(a) There shall be paid into each Acquisition Account the amounts required to be so paid by the provisions hereof or by the provisions of the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(b) Pursuant to an election by the School Board under Section 5.4(a) of the Master Lease, Net Proceeds with respect to any Facilities, may be deposited into the Acquisition Account established under the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(c) The Cost (other than the Costs of Issuance) of the Facilities comprising each Project shall be paid from the amounts on deposit in the related Acquisition Account. Actual amounts paid for particular Facilities may be more or less than the estimated amounts set forth initially in a Schedule, so long as the certifications provided below can be made. The Trustee shall make such payments upon receipt of a requisition substantially in the form of Exhibit B hereto, signed by an Authorized School Board Representative certifying with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm, corporation or agency to whom payment is due or has been made, (3) the amount to be paid, (4) that each obligation, item of cost or expense mentioned therein has been properly incurred, is an item of Cost of the Facilities comprising the related Project and has not been the basis of any previous withdrawal, and (5) that the payment of the Cost of the Facilities comprising such Project will not cause the balance remaining in such Acquisition Account after such payment to be less than the amount necessary to pay the remaining estimated Costs to be paid from such account or that sufficient other moneys are available therefor. Payments may be made from such Acquisition Account in order to reimburse the School Board for payments previously made to pay the Costs of the Facilities comprising such Project.

Payments shall be made by the Trustee for Costs of land in accordance with the following:

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amounts remaining in the related Acquisition Account shall be either (a) transferred to the related Lease Payment Account and applied as a credit to Basic Lease Payments due under the particular Schedule with respect to which such surplus is applicable, in accordance with Section 3.2(b) of the Master Lease or (b) if there shall remain in the related Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, transferred to the related Prepayment Account and utilized to prepay the related Series of Certificates at a price of par plus interest accrued to the date of prepayment, in the manner provided in the related Supplemental Trust Agreement and Section 7.2(B) of the Master Lease.

(f) In the event that a Lease Term terminates under Section 4.1 of the Master Lease prior to the completion of the acquisition, construction and installation of the Facilities comprising the related Project as evidenced by the delivery of a Certificate of Acceptance, the Trustee shall transfer all amounts remaining in the related Acquisition Account to the related Lease Payment Account and apply such amounts pursuant to Section 504 hereof.

403. Capitalized Interest Accounts. Funds in each Capitalized Interest Account relating to a Series of Certificates shall be transferred to the related Lease Payment Account in an amount necessary to pay the interest portion of Lease Payments coming due during construction represented by such Series of Certificates. Such transfer shall be made on the Business Day before each Payment Date for such Series, until the amounts in such Capitalized Interest Account are exhausted.

404. Lease Payment Accounts.

(a) In addition to the moneys required to be deposited in a Lease Payment Account pursuant to Sections 401, 402 and 408 hereof and except as provided in Section 406(b) hereof, all Basic Lease Payments for the Facilities financed under a Lease shall be deposited by the Trustee in the related Lease Payment Account immediately upon their receipt. The Trustee shall pay out of such Lease Payment Account, (i) on each Payment Date, the amount required for the interest portion of the Basic Lease Payment for such Facilities payable on such date to the related Certificate holders, (ii) on each Payment Date for principal the amount required for the principal portion of the Basic Lease Payments for such Facilities payable on such date to the related Certificate holders, and (iii) in the event of the termination of the related Lease Term pursuant to Section 4.1(d) of the Master Lease for deposit in the related Prepayment Account to be applied to the prepayment of the related Certificates pursuant to Section 315 hereof amounts on deposit in the related Lease Payment Account sufficient to pay the Prepayment Price of the related Certificates.

(b) Pursuant to an election by the School Board under Section 5.4(b) of the Master Lease, Net Proceeds with respect to any Facilities of less than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to such Facilities shall be deposited in the related Lease Payment Account to be credited against Basic Lease Payments next coming due under the related Schedule in accordance with Section 3.2(c) of the Master Lease.

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405. Reserve Accounts.

Pursuant to the Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established and maintained a separate Reserve Account to secure the payment of the principal and/or interest portion of the Basic Lease Payments related to such Series of Certificates. Each such Reserve Account shall secure only the Series of Certificates for which it has been established.

(a) The Reserve Account shall be maintained by the Trustee at the Reserve Account Requirement until the Basic Lease Payments related to a Series of Certificates for which it was established are paid in full pursuant to the terms of the Master Lease and the related Schedule, or the School Board has prepaid all such Basic Lease Payments in accordance with Section 7.2 or Section 7.3 of the Master Lease, or the Trust Agreement is terminated. The Trustee shall apply moneys in a Reserve Account as provided in this Section 405 or as provided in a Supplemental Trust Agreement.

(b) If on any Lease Payment Date (after taking into account Basic Lease Payments made to the Trustee on such Lease Payment Date) immediately preceding a Payment Date the amount in any Lease Payment Account shall be less than the amount required to pay the interest portion and principal portion of the Basic Lease Payments then due in relation to a Series of Certificates for which it was established, the Trustee shall transfer from the Reserve Account established in relation to such Series of Certificates to such Lease Payment Account the amount necessary to make good the deficiency. Any amounts transferred from a Reserve Account pursuant to this subsection (b) shall, to the extent of such transfer, be deemed to satisfy the School Board's obligation to make such Basic Lease Payment. In the event of any such transfer, the Trustee shall, within five (5) days after making such transfer, provide written notice to the School Board of the amount and date of such transfer and the School Board shall, if the deficiency in any Lease Payment Account is not the result of a failure of the School Board to appropriate moneys as contemplated by Section 3.5 of the Master Lease, pay within thirty (30) days of receipt of notice of such transfer from the Trustee, as Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto. In the event of any deficiency in the value of the Reserve Account pursuant to Section 409 hereof, the Trustee shall, within five (5) days of such valuation, provide written notice to the School Board of such deficiency and the School Board shall pay within thirty (30) days of receipt of notice of such deficiency from the Trustee, as Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto.

(c) Whenever the amount in any Reserve Account, together with the amount in the related Lease Payment Account, is sufficient to pay in full the interest portion and principal portion of the Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms, the funds on deposit in such Reserve Account shall be transferred to the related Lease Payment Account. Any provision of the Trust Agreement to the contrary notwithstanding, so long as there shall be held in any Lease Payment Account an amount sufficient to pay in full the interest portion and principal portion of all Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms,

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and, if after such application a deficiency still exists, the Trustee shall make up the balance of the deficiency by drawing on the Reserve Account Letter of Credit/Insurance Policy, as provided in this sentence. Amounts drawn on the Reserve Account Letter of Credit/Insurance Policy shall be applied as set forth in Section 4.05(b). Any amounts drawn under a Reserve Account Letter of Credit/Insurance Policy shall be reimbursed to the provider thereof in accordance with the terms and provisions of the reimbursement or other agreement governing such Reserve Account Letter of Credit/Insurance Policy.

406. Prepayment Accounts.

407. Except as may be otherwise provided in the Supplemental Trust Agreement authorizing the issuance of a Series of Certificates, the Trustee shall apply moneys in each Prepayment Account as provided in this Section 406. Amounts in a Prepayment Account shall be applied within 35 days after deposit therein, to the prepayment of Certificates of the related Series.

408. The Trustee shall deposit in each Prepayment Account as received, all moneys, if any, paid to it for such purpose by the School Board pursuant to provisions of Section 7.2 of the Master Lease. In the event of the occurrence of an Event of Mandatory Prepayment pursuant to an election under Section 5.4(b) of the Master Lease, the Trustee shall deposit in the related Prepayment Account Net Proceeds for such purpose. Also, in the event of the occurrence of an Event of Mandatory Prepayment at the election of a Credit Facility Issuer as a result of termination of all Leases for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease, the Trustee shall deposit in the related Prepayment Account moneys paid by the School Board and the related Credit Facility Issuer for such purpose, and shall transfer to the related Prepayment Account moneys on hand in the related Lease Payment Account and not needed to pay the principal portion and interest portion due or past due represented by the related Series of Certificates, sufficient to pay the Prepayment Price of such Series of Certificates pursuant to Section 404 hereof. All of said moneys shall be set aside in the corresponding Prepayment Account for the purpose of prepaying a principal amount of the related Series of Certificates corresponding to the principal portion of Basic Lease Payments prepaid or to the principal portion of the Purchase Option Price of all or a portion of the related Facilities, and shall be applied on or after the Prepayment Date to the payment of such principal amount of the related Series of Certificates, together with the accrued interest relating thereto, upon presentation and surrender of such Certificates.

409. Deposits of Money.

(a) All moneys deposited under the provisions of this Trust Agreement with the Trustee shall be held in trust and applied only in accordance with the provisions of this Trust Agreement, and the Project Fund established by this Trust Agreement shall be a trust fund for the purposes thereof.

(b) All moneys held under this Trust Agreement by the Trustee shall be invested in accordance with Section 408 hereof, provided, however, that it shall not be necessary for the Trustee to give or obtain security for the deposit of any moneys held in trust and set aside by it for the payment of the principal portion or Prepayment Price of or interest portion of the

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no deposits shall be required to be made into the Reserve Account established in relation to such Series.

(d) Any amounts on deposit in a Reserve Account in excess of the related Reserve Account Requirement applicable thereto shall be transferred to the Lease Payment Account relating to the Series of Certificates secured by such Reserve Account.

(e) Any income or interest earned by, or increment to any Reserve Account due to the investment thereof paid into the applicable Lease Payment Account established for the particular Series of Certificates secured by such Reserve Account pursuant to Section 408(b) hereof shall be credited toward the interest portion of Basic Lease Payments represented by such Series next coming due, and the Trustee shall (to the extent reasonably ascertainable) notify the School Board thirty (30) days before each Lease Payment Date of the funds to be available for such transfer.

(f) Notwithstanding the foregoing, in lieu of the required deposits into the related Reserve Account, the Trustee is hereby authorized to accept and the Issuer may cause to be deposited into the Reserve Account pursuant to Section 3.1 of the Master Lease, a Reserve Account Letter of Credit/Insurance Policy either in lieu of any cash amount required to be deposited therein in connection with the issuance of any Series of Certificates or in substitution for the full amounts then on deposit therein or in an amount equal to the difference between the amount required to be deposited and the sum, if any, then on deposit in the Reserve Account, which Reserve Account Letter of Credit/Insurance Policy shall be payable (upon the giving of notice as required thereunder) on any Payment Date on which a deficiency exists which cannot be remedied by moneys in any other fund or account held pursuant to the Trust Agreement and available for such purpose. If any such Reserve Account Letter of Credit/Insurance Policy is substituted for moneys on deposit in the Reserve Account, or if on a valuation date there are excess moneys in the Reserve Account, the excess moneys in the Reserve Account shall be transferred to and deposited in the related Lease Payment Account. If a disbursement is made from a Reserve Account Letter of Credit/Insurance Policy, the School Board shall be obligated to either reinstate the maximum limits of such Reserve Account Letter of Credit/Insurance Policy immediately following such disbursement or to deposit into the Reserve Account, as provided in Section 3.1 of the Master Lease for restoration of withdrawals from the Reserve Account, funds in the amount of the disbursement made under such Reserve Account Letter of Credit/Insurance Policy.

In the event that upon the occurrence of any deficiency in a Lease Payment Account, the Reserve Account is then funded with a Reserve Account Letter of Credit/Insurance Policy, the Trustee shall, on a Payment Date to which such deficiency relates, draw upon or cause to be paid under the Account Letter of Credit/Insurance Policy an amount sufficient to remedy such deficiency, in accordance with the terms and provisions of the Reserve Account Letter of Credit/Insurance Policy as applicable, and any corresponding reimbursement or other agreement governing the Reserve Account Letter of Credit/Insurance Policy; provided, however, that if at the time of such deficiency the Reserve Account is only partially funded with a Reserve Account Letter of Credit/Insurance Policy, prior to drawing on the Reserve Account Letter of Credit/Insurance Policy, as applicable, the Trustee shall first apply any cash and securities on deposit in the Reserve Account to remedy the deficiency in accordance with the Section 4.05(b)

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Basic Lease Payments represented by any Certificates, or to give security for any moneys which shall be represented by Investment Securities purchased as an investment of such moneys.

(c) All moneys deposited with the Trustee shall be credited to the particular account to which such moneys belong.

410. Investment of Certain Accounts.

(a) Moneys held in each Acquisition Account, Capitalized Interest Account, Lease Payment Account, Reserve Account and Prepayment Account shall be invested and reinvested by the Trustee, solely as directed by an Authorized School Board Representative, to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Accounts, provided that moneys in each Acquisition Account shall not be invested in Investment Securities maturing more than three (3) years after the date of investment, and provided, further, that moneys in each Reserve Account shall be invested in Investment Securities with maturities not longer than five (5) years. The Trustee shall make all such investments of moneys held by it only as directed in accordance with instructions (which may be standing instructions) confirmed in writing, received from an Authorized School Board Representative and the Trustee shall have no responsibility for determining whether Investment Securities are legal under State law for investment of the School Board's funds.

(b) Subject to the first sentence of Section 409, interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investments and net of amounts deemed Excess Earnings) earned on any moneys or investments in an Acquisition Account shall be either (i) at the direction of an Authorized School Board Representative retained in such account until delivery of a Certificate of Acceptance, or (ii) automatically transferred to the related Lease Payment Account without need for any requisition or other direction and, together with interest earnings on investments in such Lease Payment Account, applied on the next occurring Lease Payment Date as a credit against the Basic Lease Payment then due on such date under the related Lease and deemed to be payment of the interest portion thereof. Interest earned on any moneys or investments in each Cost of Issuance Subaccount shall be deposited in the related Acquisition Account. Interest and other income received by the Trustee from investments of moneys on deposit in each Reserve Account (net of amounts deemed by the School Board to be Excess Earnings) and the related Capitalized Interest Account, if any, shall, prior to delivery of a Certificate of Acceptance, be deposited in the Acquisition Account, and after such date, be deposited in the related Lease Payment Account; provided, however, that all interest and other income received by the Trustee on investment of a Reserve Account shall be retained therein in the event that amounts on deposit in such Reserve Account are less than the Reserve Account Requirement applicable thereto. Interest earned on moneys and investments in a Prepayment Account shall be applied on the next ensuing Prepayment Date toward payment of amounts due to the related Certificate holders, in accordance with the provisions of Article III hereof. The School Board shall give written notice to the Trustee after each calculation period of amounts deemed by the School Board to be Excess Earnings and the Trustee may rely conclusively on such notice for purposes of determining the Excess Earnings amount hereunder.

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(c) Nothing in this Trust Agreement shall prevent any Investment Securities acquired as investments of funds held under this Trust Agreement from being issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

411. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any Account created under the provisions of this Trust Agreement shall be deemed at all times to be a part of such Account and any profit realized from the liquidation of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged to, the computation of net interest earned on the moneys and investments of such Account.

In computing the amount in any Account created under the provisions of this Trust Agreement for any purpose provided in this Trust Agreement, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations plus accrued interest. Such computation shall be determined as and when needed. Investments in the Reserve Account shall be valued annually.

Except as otherwise provided in this Trust Agreement, the Trustee shall sell at the best price reasonably obtainable or present for redemption or transfer as provided in the next sentence any obligation so purchased as an investment whenever it shall be requested in writing by the Authorized School Board Representative so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Account or subaccount held by it. In lieu of such sale or presentment for redemption, the Trustee may, in making the payment or transfer from any Account mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto if such investment obligations shall mature or be collectible at or prior to the time the proceeds thereof shall be needed and such transfer of investment obligations may be made in book-entry form. The Trustee shall not be liable or responsible for making any such investment in the manner provided above.

ARTICLE V COVENANTS, DEFAULT AND LIMITATIONS OF LIABILITY

501. Trustee to Perform each Lease. The Trustee covenants and agrees with the Certificate holders and each Credit Facility Issuer, if any, to perform or cause to be performed all obligations and duties imposed on it as assignee of the Corporation of each Lease, and to enforce each Lease against the School Board.

502. Notice of Nonpayment. In the event of delinquency in the payment when due of Basic Lease Payments by the School Board pursuant to a Lease, the Trustee shall give notice to the School Board on the Business Day following the day payment was due, that such Basic Lease Payments have not been received. In the event of a delinquency in the payment when due of Additional Lease Payments or Supplemental Payments by the School Board pursuant to a Lease, the Trustee shall give notice to the School Board on the Business Day following the day payment was due (if payment was due to the Trustee) or on the Business Day following the date of receipt of notice of nonpayment from the party to whom such Additional Lease Payment or Supplemental Payment was due (if payment was due to a payee other than the Trustee).

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Fourth: To the payment to the persons entitled thereto of the unpaid principal portion or Prepayment Price of all Series of Certificates related to such Lease which shall have become due whether at maturity or by call for prepayment in the order of their due dates and, if the amount available shall not be sufficient to pay in full all Certificates due on any date, then to the payment thereof ratably, according to the amount of principal portion, or Prepayment Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

Fifth: To the payment of any ground rent or other amounts then due and payable under the corresponding Ground Lease, if any.

(b) If, at the election of a Credit Facility Issuer, an Event of Extraordinary Prepayment shall have occurred, the Trustee shall send notice of such extraordinary prepayment as required under Section 314 and shall apply all such moneys in accordance herewith and with the applicable Supplemental Trust Agreement.

Except as otherwise provided in Section 305(a) hereof, in the case of partial payment of Basic Lease Payments, whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on a Lease Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date.

505. Account and Reports.

(a) The Trustee shall keep a copy of this Trust Agreement and all Supplemental Trust Agreements and proper books of record and account in which complete and correct entries shall be made of its transactions relating to each Project and each Account established under this Trust Agreement, which shall be subject to the inspection of the Corporation and the School Board during normal business hours and upon reasonable notice and which shall be maintained by the Trustee at the expense of the School Board for a period of six (6) years following termination of this Trust Agreement.

(b) The Trustee shall advise the Corporation and the School Board promptly after the end of each month of its transactions during such month relating to each Account held by it under this Trust Agreement.

506. Liability to Certificate Holders for Payment. Except as otherwise provided in this Trust Agreement, the Trustee shall have no obligation or liability to the Certificate holders with respect to the School Board's obligation to pay Basic Lease Payments when due, or with respect to the performance by the School Board of any other covenants made by it in the Master Lease. The Trustee shall not be liable or responsible because of the failure of the Corporation or

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

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

(b) Payment of any principal, whether at maturity or upon call for redemption, or any redemption premium with respect to any Certificate shall not be made when the same shall become due and payable; or

(c) An "Event of Default" shall occur and be continuing under Section 8.1 of the Master Lease.

504. Remedies on Default or Non-Appropriation. Upon the occurrence of an event of default by the School Board with respect to any Lease under Section 8.1 of the Master Lease, or upon termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee, with the consent or at the direction of each Credit Facility Issuer insuring a Series of Certificates, and upon receipt of indemnity, shall be entitled to enforce the rights and exercise the remedies provided in the Master Lease, as appropriate and shall pursue one or more of such remedies at the direction of the Holders of a majority in aggregate principal amount of the Certificates of each Series Outstanding which is affected by such remedies, subject to the provisions of Section 707 hereof.

Any amounts collected following an event of default or nonappropriation shall be applied in accordance with the provisions of this Section and if all amounts due on the Certificates or otherwise hereunder have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the School Board.

(a) All such moneys collected in connection with a particular Lease shall be deposited into one or more special accounts established by the Trustee for the Series of Certificates relating thereto and applied:

First: To the payment of the reasonable costs of the Trustee related to such Lease, including counsel fees, any disbursements of the Trustee and its reasonable compensation;

Second: To the payments related to such Lease, if any, required to be paid to the Treasury Department of the United States under the Code;

Third: To the payment to the persons entitled thereto of all installments of the interest then due represented by all Series of Certificates related to such Lease in the order of such maturity of the installments of such interest portion, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due represented by such installment, to the persons entitled thereto, without any discrimination or preference;

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the School Board or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Corporation or the School Board or because of the loss of any money arising through the insolvency or the act or default or omission of any depository. The Trustee shall not be responsible for the application of any of the proceeds of Certificates or any other money deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Trust Agreement. The immunities and exemption from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

507. Possession and Enjoyment. With respect to each Project, from and after the acceptance by the School Board of the Facilities comprising such Project in accordance with the terms of the Master Lease, the Trustee hereby agrees that it will not interfere with the Lease Terms and that the School Board shall, during such Lease Terms, peaceably and quietly have and hold and enjoy such Facilities, without suit, trouble or hindrance from the Trustee, except as expressly set forth in such Leases.

508. Warranties. THE TRUSTEE, BY ACCEPTANCE OF THE TRUST AGREEMENT, AND THE CORPORATION, BY DELIVERY OF THE LEASES, MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE TITLE TO, VALUE, DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY OF THE FACILITIES, OR PORTION THEREOF, OR AS TO WHETHER THE QUALITY OR CAPACITY OF THE MATERIAL OR WORKMANSHIP IN SUCH FACILITIES OR ANY WARRANTY THAT SUCH FACILITIES WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. In no event shall the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of any Lease or the existence, furnishing, functioning or the School Board's use of any item, product or service provided for in any Lease.

ARTICLE VI CONCERNING THE TRUSTEE

601. Employment of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the Trustee hereby agrees to receive, hold, invest and disburse the moneys to be paid to it pursuant to the Master Lease for credit to the various funds and accounts established by this Trust Agreement; to prepare, execute, deliver and deal with the Certificates; and to apply and disburse the Trust Estate and other moneys received pursuant to the Master Lease to the Certificate holders subject to the limitations set forth in this Trust Agreement; and to perform certain other functions, all as expressly provided in and subject to the express terms and conditions of, this Trust Agreement. Prior to the occurrence of any Event of Default hereunder and after the curing of all such Events of Default that may have occurred, the Trustee shall perform only such duties of the Trustee as are specifically set forth in this Trust Agreement.

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602. Trustee Acceptance of Duties.

(a) The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Trust Agreement by executing and delivering this Trust Agreement, and by executing such acceptance the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Certificates thereafter to be delivered, but only, however, upon the express terms and conditions set forth herein.

(b) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect all books, papers and records of the School Board pertaining to each Project and each Lease, and to take such memoranda from and with regard thereto as may be desired.

(c) The Trustee shall not be required to give bond or surety in respect of the execution of said trusts powers or otherwise in respect of this Trust Agreement.

(d) Before taking any action referred to in Article V, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its failure to comply with the standard of care prescribed by Section 612 hereof or liability which is adjudicated to have resulted from its negligence or willful misconduct. Notwithstanding any other provision contained herein, the Trustee shall be under no obligation to institute any suit or to undertake any remedial proceeding in the Event of a Default under this Trust Agreement or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts hereby created or in the enforcement of any rights and powers hereunder, including its acceptance or possession of the Facilities, until it shall be indemnified to its reasonable satisfaction against any and all reasonable costs, expenses, outlays and reasonable counsel fees and other reasonable disbursements, and against all liability, including any liability in connection with any hazardous waste on any Facility Site.

(e) The Trustee shall not be liable for any error of judgment made in good faith by any officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(f) The recitals, statements and representations in this Trust Agreement or in the Certificates, save only the Trustee's execution of the Certificates, have been made by the Corporation and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof. The Trustee shall not be responsible for the validity, priority, recording or filing of this Trust Agreement, the Master Lease, or the Assignment Agreements, or for insuring the Facilities or collecting any insurance moneys, or for the validity of the execution by the Corporation of this Trust Agreement or of any supplements hereto or instruments of further assurance, or for the sufficiency of the Trust Estate, or for the value or title of the Facilities or as to the maintenance of the security hereof, except as otherwise expressly provided herein.

(g) Except as to the acceptance of the trusts created hereunder, the Trustee shall have no responsibility in respect of the due execution or acknowledgment of this Trust

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.

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amendment, Certificates of any particular Series or maturity would be affected by any modification or amendment of this Trust Agreement. Copies of all amendments hereto shall be provided to the Rating Agencies, whether effected pursuant to Section 702 or Section 703 hereof.

703. Consent of Certificate Holders. The Trustee and the Corporation (at the direction of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder) may at any time enter into a Supplemental Trust Agreement making a modification or amendment permitted by the provisions of Section 702 to take effect when and as provided in this Section but subject to Section 707 hereof. A copy of such Supplemental Trust Agreement (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to affected Certificate holders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Trustee to such Certificate holders (but failure to mail such copy and request shall not affect the validity of the Supplemental Trust Agreement when consented to as provided in this Section). Such Supplemental Trust Agreement shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Certificates specified in Section 702 and (b) an Opinion of Counsel stating that such Supplemental Trust Agreement has been duly and lawfully entered into by the parties thereto and filed with the School Board, the Trustee and the Corporation in accordance with the provisions of this Trust Agreement, is authorized or permitted by this Trust Agreement, and is valid and binding upon the parties thereto in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the Holder, at the date of such consent, of the Certificates with respect to which such consent is given, which proof shall be such as is permitted by Section 802. A certificate or certificates executed by the Trustee and filed with the School Board and the Corporation stating that it has examined such proof and that such proof is sufficient in accordance with Section 802 shall be conclusive that the consents have been given by the Holders of the Certificates described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Certificates giving such consent and, anything in Section 802 to the contrary notwithstanding, upon any subsequent Holder of such Certificates and of any Certificates issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Certificates giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 703 provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the School Board and the Corporation to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages in principal amount of Certificates shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the School Board and the Corporation a written statement that the Holders of such required percentages in principal amount of Certificates have filed such consent. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Trust Agreement (which may be referred to as a Supplemental Trust Agreement entered into by the parties thereto on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages in principal amount of Certificates and will be effective as provided in this Section 703, may be given to Certificate holders by the Trustee by mailing such notice to Certificate holders (but failure to mail such

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614. Third Party Beneficiaries. Each Credit Facility Issuer is hereby expressly recognized as a third party beneficiary to this Trust Agreement and, so long as the Credit Facility issued by such Credit Facility Issuer is in effect and the Credit Facility Issuer is properly honoring drawings thereunder, it shall be entitled to enforce the obligations to the Credit Facility Issuer hereunder of the Corporation and the Trustee and of the School Board to the Credit Facility Issuer under the Master Lease.

ARTICLE VII AMENDMENTS

701. Mailing. Any provision in this Article for the mailing of a notice or other paper to Certificate holders of a Series of Certificates shall be fully complied with if it is mailed postage prepaid only (i) to each Holder of Certificates of such Series then Outstanding at his/her address, if any, appearing upon the registry books of the Trustee, (ii) to the Credit Facility Issuer with respect to such Series of Certificates and (iii) to the Trustee.

702. Power of Amendment. The Trust Agreement and the rights and obligations provided hereby may be modified or amended at any time by a Supplemental Trust Agreement, entered into between the Trustee and the Corporation (with the written consent of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder) without the consent of any Certificate holders, but only (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Trust Agreement, or (2) to insert such provisions clarifying matters which they deem necessary or desirable and which are not contrary to or inconsistent with this Trust Agreement as theretofore in effect, or (3) to issue one or more Series of Certificates pursuant to Article III hereof, or (4) to permit a Series of Certificates to be issued in book-entry form with or without physical certificates, or (5) to make any other modification or amendment that in the judgment of the Trustee (upon the advice of counsel, if requested) will not have a material adverse effect on the interests of any of the Certificate holders. Any other modification or amendment of this Trust Agreement and of the rights and obligations of the Corporation and of the Holders of the Certificates hereunder, may be made by a Supplemental Trust Agreement, entered into between the Trustee and the Corporation with the written consent given, as provided in Section 703 hereof but subject to Section 707 hereof, of the Holders of at least a majority in principal amount of the Certificates Outstanding of each Series at the time such consent is given and who are affected by such modifications or amendments and the written consent of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder; provided, however, that if any such modification or amendment will, by its terms, not take effect so long as any affected Certificates remain Outstanding, the consent of the Holders of such Certificates shall not be required and such Certificates shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Certificates under this Section. No such modification or amendment shall permit a change in the terms of prepayment or maturity of the principal portion of any Outstanding Certificates or of any installment of the interest portion thereon or a reduction in the principal portion or the Prepayment Price thereof or in the interest portion thereon or in the consents required for such modifications or amendments without the consent of the Holders of such Certificates, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto. The Trustee shall be entitled to receive an opinion of counsel as to whether or not, in accordance with the foregoing powers of

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notice shall not prevent such Supplemental Trust Agreement from becoming effective and binding as in this Section 703 provided). A record, consisting of the certificates or statements required or permitted by this Section 703 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Trust Agreement making such amendment or modification shall be deemed conclusively binding upon the School Board and the Corporation, the Trustee and the Holders of all Certificates affected by such Supplemental Trust Agreement at the expiration of forty (40) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Trust Agreement in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee, the School Board and the Corporation during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Trust Agreement as they may deem expedient.

704. Modifications by Unanimous Consent. The terms and provisions of this Trust Agreement applicable to a Series of Certificates and the rights and obligations of the Trustee and the Corporation and of the Holders of the Certificates of such Series hereunder may be modified or amended, with the written consent of the School Board in any respect upon entering into by the parties thereto of a Supplemental Trust Agreement and the consent of the Holders of all the Certificates then Outstanding of such Series, such consent to be given as provided in Section 703 except that no notice to Certificate holders by mailing shall be required.

705. Exclusion of Certificates. Certificates owned or held by or for the account of the School Board shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Certificates provided for in this Article VII, and the School Board shall not be entitled with respect to such Certificates to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the School Board shall furnish the Trustee a certificate of an Authorized School Board Representative, upon which the Trustee may rely, describing all Certificates so to be excluded.

706. Notation on Certificates. Certificates executed and delivered after the effective date of any action taken as in this Article VII provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the School Board, the Corporation and the Trustee as to such action, and in that case upon demand of the Holder of any Certificate Outstanding at such effective date and presentation of his/her Certificate for the purpose at the designated corporate trust office of the Trustee or upon any transfer or exchange of any Certificate Outstanding at such effective date, suitable notation shall be made on such Certificate or upon any Certificates issued upon any such transfer or exchange by the Trustee as to any such action. If the School Board, the Corporation and the Trustee shall so determine, new Certificates so modified as in the opinion of the Trustee, the Corporation and the School Board to conform to such action shall be prepared, executed and delivered, and upon demand of the Holder of any Certificate then Outstanding shall be exchanged, without cost to such Certificate holder, for Certificates of the same maturity then Outstanding, upon surrender of such Certificates.

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707. Credit Facility Issuers Deemed Certificate Holders. Notwithstanding any other provisions of this Trust Agreement, including without limitation this Article VII, whenever the consent of a Certificate holder shall be required under this Trust Agreement for any purpose except those modifications or amendments effecting a change in the terms of prepayment or maturity of the principal portion of any Outstanding Certificates or of any installment of the interest portion thereon or a reduction in the principal portion thereon or of the requirement that such modifications or amendments not be made without the consent of the Holders of such Certificates, any Certificate insured or guaranteed by a Credit Facility shall be deemed to be owned by the Credit Facility Issuer issuing such Credit Facility, so long as such Credit Facility Issuer has not defaulted on the obligations under its Credit Facility.

ARTICLE VIII MISCELLANEOUS

801. Defeasance.

(a) If the principal portion or Prepayment Price of all Certificates, if applicable, and the interest portion due or to become due thereon, shall be paid at the times and in the manner stipulated in such Certificates and in this Trust Agreement, and all amounts owing to the Trustee under this Trust Agreement shall have been paid, then the pledge of the Trust Estate and all covenants, agreements and other obligations of the School Board under this Trust Agreement in favor of such Certificates shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause statements for such period or periods as shall be requested by the School Board to be prepared and filed with the School Board and, upon the request of the School Board, shall execute and deliver to the School Board all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the School Board all moneys or securities held by it pursuant to this Trust Agreement which are not required for the payment of the principal portion or Prepayment Price, if applicable, and interest portion due or to become due with respect to such Certificates not theretofore surrendered for such payment or prepayment or for the payment of amounts owing to any Credit Facility Issuer under a Reimbursement Agreement or as ground rent under any Ground Lease.

(b) Certificates for the payment or prepayment of which moneys shall have been set aside sufficient to pay the principal portion, the Prepayment Price, if applicable, and interest portion to become due to maturity or earlier prepayment, shall be held in trust by the Trustee as escrow holder (through deposit by the School Board of funds for such payment or prepayment of the Purchase Option Price of one or more Facilities pursuant to Section 7.3 of the Master Lease or otherwise) shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 801 except that the obligation of the School Board to make, or cause to be made, Basic Lease Payments from such set-aside amounts shall continue. Any Outstanding Certificates shall, prior to the maturity or Prepayment Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 801 if the Trustee shall receive an Opinion of Counsel to that effect and (a) in case any of said Certificates are to be prepaid on any date prior to their maturity, the School Board shall have given to the Trustee irrevocable instructions in writing from an Authorized School Board Representative to mail as provided in Article III a notice of prepayment of such

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Certificates (other than Certificates which have been purchased by the Trustee at the direction of the School Board or purchased or otherwise acquired by the School Board and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of prepayment) on said date, (b) there shall have been deposited with the Trustee as escrow holder moneys consisting of either cash in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee as escrow holder at the same time, shall be sufficient, to pay when due the principal portion or Prepayment Price, if applicable, and interest portion due and to become due with respect to said Certificates on or prior to the prepayment date or maturity date thereof, as the case may be, and (c) in the event said Certificates are not by their terms subject to prepayment within the next succeeding 60 days, the School Board shall have given the Trustee in form satisfactory to it, instructions to mail a notice to the Holders of such Certificates that the deposit required by (b) above has been made with the Trustee as escrow holder and that said Certificates are deemed to have been paid in accordance with this Section 801 and stating such maturity or Prepayment Date upon which moneys are expected to be available for the payment of the principal or Prepayment Price, if applicable, of said Certificates, other than Certificates which have been purchased by the Trustee at the direction of the School Board or purchased or otherwise acquired by the School Board and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of prepayment referred to in clause (a) above. The Trustee shall, if so directed by the School Board (i) prior to the maturity date of Certificates deemed to have been paid in accordance with this Section 801 which are not to be prepaid prior to their maturity date or (ii) prior to the mailing of the notice of prepayment referred to in clause (a) above with respect to any Certificates deemed to have been paid in accordance with this Section 801 which are to be prepaid on any date prior to their maturity, apply moneys deposited with the Trustee as escrow holder in respect of such Certificates or sell Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Certificates and the Trustee shall immediately thereafter cancel all such Certificates so purchased; provided, however, that the moneys and Defeasance Securities remaining on deposit with the Trustee after the purchase and cancellation of such Certificates shall be sufficient to pay when due the principal or Prepayment Price, if applicable, of, and interest portion due or to become due with respect to all Certificates, in respect of which such moneys and Defeasance Securities are being held by the Trustee on or prior to the Prepayment Date or maturity date thereof, as the case may be. If, at any time (i) prior to the maturity date of Certificates deemed to have been paid in accordance with this Section 801 which are not to be prepaid prior to their maturity date or (ii) prior to the mailing of the notice of prepayment referred to in clause (a) with respect to any Certificates deemed to have been paid in accordance with this Section 801 which are to be prepaid on any date prior to their maturity, the School Board shall purchase or otherwise acquire any such Certificates and deliver such Certificates to the Trustee prior to their maturity date or Prepayment Date, as the case may be, the Trustee shall immediately cancel all such Certificates so delivered; such delivery of Certificates to the Trustee shall be accompanied by directions from the School Board to the Trustee as to the manner in which such Certificates are to be applied against the obligation to pay or prepay Certificates deemed paid in accordance with this Section 801. The directions given by the School Board to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Certificates so purchased or delivered and cancelled to be applied against the obligation to pay Certificates deemed paid in accordance with this Section 801 upon their maturity date or dates and the portion, if any, of such Certificates so purchased or delivered and

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cancelled to be applied against the obligation to prepay Certificates deemed paid in accordance with this Section 801 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Certificates as provided in this Section 801 the total amount of moneys and Defeasance Securities remaining on deposit with the Trustee under this Section 801 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Certificates in order to satisfy subclause (b) of this subsection of Section 801, the Trustee shall, if requested by the School Board, pay the amount of such excess to the School Board free and clear of any trust, lien, pledge or assignment securing said Certificates or otherwise existing under this Trust Agreement. Except as otherwise provided in this subsection of Section 801, neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section 801 nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal portion or Prepayment Price, if applicable, and interest portion represented by said Certificates; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, as verified by a certificate delivered to the Trustee by a firm of independent certified public accountants acceptable to the Trustee, shall be paid over to the School Board as received by the Trustee, free and clear of any trust, lien or pledge securing said Certificates or otherwise existing under this Trust Agreement, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Prepayment Price, if applicable, and interest represented by said Certificates on or prior to such prepayment date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the School Board, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Certificates or otherwise existing under this Trust Agreement.

(c) Anything in this Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment of any of the Certificates which remain unclaimed for six (6) years after the date when such Certificates have become due and payable, either at their stated maturity dates or by call for prepayment, if such moneys were held by the Trustee at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Certificates became due and payable, shall, at the written request of the School Board be repaid by the Trustee to the School Board, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Certificate holders shall look only to the School Board for the payment of such Certificates; provided, however, that before being required to make any such payment to the School Board, the Trustee shall, at the expense of the School Board, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the School Board.

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

(a) Except as otherwise provided in Section 707 hereof, any request, consent, revocation of consent or other instrument which this Trust Agreement may require or permit to

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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

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hereunder or by reason hereof or by law. All covenants, stipulations, promises and agreements herein contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the School Board, the Corporation, the Trustee and the Holders of the Certificates.

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

806. Severability. If any one or more of the covenants or agreements provided in this Trust Agreement on the part of the Corporation or the Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Trust Agreement.

Credit Facility Issuers:

As set forth on the Schedule applicable to the Series of Certificates.

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.

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.

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:

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.

Corporation: Palm Beach School Board Leasing Corp.
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board: The School Board of Palm Beach County,
Florida
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

Trustee: NationsBank of Florida, N.A.
One Financial Plaza, 13th Floor
Fort Lauderdale, Florida 33394
Attention: Corporate Trust Department

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

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IN WITNESS WHEREOF, the parties have executed this Master Trust Agreement by their duly authorized officers as of the date and year first written above.

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

(SEAL) **PALM BEACH SCHOOL BOARD LEASING CORP.**

Attest: _____
C. Monica Uhlhorn
Secretary

By: _____
Jody Gleason
Vice President

(SEAL) **NATIONSBANK OF FLORIDA, N.A., as Trustee**

By: _____
Michael J. Marra
Assistant Vice President

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary, of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being hereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:

(Name of Notary Public, Print, Stamp or Type as Commissioned.)
 Personally known to me, or
 Produced identification: _____
 Type of Identification Produced:
 DID take an oath, or DID NOT take an oath.

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

EXHIBIT A
FORM OF CERTIFICATE OF PARTICIPATION
Front of Certificate

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Michael J. Marra, personally known to me to be the same person whose name is, as Assistant Vice President of NationsBank of Florida, N.A., a national banking association, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she/he, being hereunto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said association and as her/his own free and voluntary act, for the uses and purposes therein set forth.

REGISTERED NUMBER _____ REGISTERED \$ _____

GIVEN under my hand and notarial seal this 16th day of November, 1994.

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

NOTARY PUBLIC, STATE OF FLORIDA

INTEREST RATE _____ MATURITY DATE _____ ORIGINAL ISSUE DATE _____ CUSIP NO. _____

NOTARY PUBLIC
SEAL OF OFFICE:

REGISTERED OWNER:

(Name of Notary Public, Print, Stamp or Type as Commissioned.)
 Personally known to me, or
 Produced identification:
 Type of Identification Produced)
 DID take an oath, or DID NOT take an oath.

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

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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.

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: _____

The Basic Lease Payments are payable from funds appropriated by the School Board for such purpose from current or other funds authorized by law and regulations of the State of Florida Department of Education. The School Board is not legally required to appropriate moneys for this purpose. NEITHER THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY, EXCEPT FROM APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES _____ LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

THE TRUSTEE HAS NO OBLIGATION OR LIABILITY TO MAKE PAYMENTS WITH RESPECT TO THIS CERTIFICATE EXCEPT FROM FUNDS RECEIVED BY IT PURSUANT TO THE TRUST AGREEMENT REFERRED TO ON THE REVERSE HEREOF.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS CERTIFICATE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH HEREIN.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and laws of the State of Florida and the Trust Agreement to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Certificate have happened and have been performed in due time, form and manner as required by law.

Back of Certificate

Capitalized terms used herein but not otherwise defined herein shall have the meaning given to such terms in the Trust Agreement.

All amounts payable by the Trustee with respect to this Certificate shall be paid from (i) the Basic Lease Payments received by the Trustee from the School Board pursuant to the terms of the Series ____ Lease, (ii) all amounts from time to time deposited in the funds and accounts created under the Master Trust Agreement dated as of November 1, 1994, between the Corporation and the Trustee (as the same may be amended and supplemented from time to time, the "Trust Agreement"), including investment earnings; (iii) any proceeds received by the Trustee upon the sale, re-letting or other disposition of the Series ____ Facilities or the pursuit of any other remedy pursuant to the Master Lease, and (iv) Net Proceeds resulting from any insurance or other financial guaranty claim or payment or any claim or condemnation award payable with respect to the Series ____ Facilities pursuant to the Master Lease and the Trust Agreement, but only to the extent that the Trustee shall have actually received sufficient income or proceeds from the Trust Estate (defined in the Trust Agreement) to make such payments. It is provided in the Master Lease that the cost and expense of the performance by the School Board of its obligations thereunder including, without limitation, the payment of all Basic Lease Payments and all other amounts required to be paid by the School Board thereunder, shall be subject to and dependent upon appropriations being duly made from time to time by the School Board for such purposes or other amounts being lawfully available therefor. The payment of the principal portion and interest portion of the Basic Lease Payments represented by the Certificates is not a liability or charge upon the credit of the Trustee or the Corporation, and neither the Trustee nor the Corporation has any obligation to make such payments, other than the Trustee's obligation to make such payments from the income from and proceeds of the sources described above.

This Certificate has been executed by the Trustee pursuant to the Trust Agreement. Copies of the Trust Agreement and the Series ____ Lease are on file at the principal corporate trust office of the Trustee, and reference to the Trust Agreement and the Series ____ Lease and any and all supplements or amendments thereto is made for a description of the funds and accounts established under the Trust Agreement for the purpose of securing the Certificates, the agreements and covenants of the School Board in the Series ____ Lease with respect to the Series ____ Project and Basic Lease Payments to be made by the School Board, the nature, extent and manner of enforcement of such agreements and covenants, the rights and remedies of the Certificate Holders with respect thereto, certain limitations relating to the issuance of additional Series of Certificates under the Trust Agreement, the manner in which the terms of the Trust Agreement may be amended, and the other terms and conditions upon which the Certificates are delivered thereunder.

Reference is hereby made to the Trust Agreement and any and all supplements, modifications or amendments thereof for a description of the pledge of the Trust Estate and assignment and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Holders of the Certificates with respect thereto, the terms and conditions upon which the Holders of the Certificates shall cease to be entitled to any lien, benefit or security under the Trust Agreement and for the other terms and

provisions thereof and the pledge of the Trust Estate and the terms and conditions upon which all covenants of the Trustee to the Holders of such Certificates shall thereupon cease, terminate and become void and be discharged and satisfied. All covenants, agreements and obligations of the School Board under the Series ____ Lease with respect to the Series ____ Facilities or a portion thereof may be discharged and satisfied prior to the maturity or prepayment of this Certificate if moneys or certain specified securities have been deposited with the Trustee in the manner provided in the Trust Agreement.

This Certificate shall be issued initially pursuant to a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"), which shall act as securities depository for the Certificates, with no physical distribution of certificates to be made. Any provisions of the Trust Agreement or this Certificate requiring physical delivery of Certificates shall, under the book-entry-only system, be deemed to be satisfied by a notation on the records maintained by DTC of ownership interests of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Certificates ("Beneficial Owners").

This Certificate shall initially be issued in the name of Cede & Co. as nominee for DTC, and so long as this Certificate is held in book-entry-only form Cede & Co. shall be considered the registered owner for all purposes hereof, including the payment of principal and interest portions of Basic Lease Payments represented by this Certificate. Payment to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to individual Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

This Certificate shall be transferable upon the registration books of the Trustee, which shall be kept at the principal corporate trust office of the Trustee upon payment of any charges required. Except when registration of the Certificates is being maintained by persons to a book-entry-only system, the Certificate Holder may transfer this Certificate in person or by such Certificate Holder's attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Certificate Holder or such Certificate Holder's duly authorized attorney. Upon the transfer of this Certificate, the Trustee shall deliver in the name of the transferee a new Certificate or Certificates of the same aggregate principal amount and maturity as the surrendered Certificate. The Trustee may deem and treat the person in whose name this Certificate is registered upon the register of the Trustee as the absolute owner hereof for all purposes, and all such payments so made to any such Certificate Holder or upon such Certificate Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Trustee shall not be affected by any notice to the contrary.

The Certificates shall be delivered in registered form in the denominations of \$5,000 or any integral multiple of \$5,000. The Certificates, upon surrender thereof at the designated corporate trust office of the Trustee with a written instruction satisfactory to the Trustee, duly executed by the Certificate Holder or such Certificate Holder's attorney duly authorized in

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writing, may, at the option of the Certificate Holder and upon payment by such Certificate Holder of any charges which the Trustee may make as provided in the Trust Agreement, be exchanged for an equal aggregate principal amount of registered Certificates of the same maturity of any other authorized denominations.

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

Certificates maturing after August 1, ____, shall be subject to prepayment on or after August 1, ____, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series ____ Leases in whole at any time, or in part on any Interest Payment Date, and if in part, in such order of maturity of Certificates corresponding to the due dates of the principal portion of the Basic Lease Payments under the Series ____ Lease(s) as shall be designated by the School Board to be prepaid, and by lot within a maturity in such manner as the Trustee may determine, at the Prepayment Price expressed as a percentage of the principal portion of Basic Lease Payments represented by the Certificates or portions thereof to be prepaid as set forth opposite such period in the following table, plus the interest accrued to the Prepayment Date:

<u>Prepayment Period (Both Dates Inclusive)</u>	<u>Prepayment Price</u>
August 1, ____ through July 31, ____	%
August 1, ____ through July 31, ____	%
August 1, ____ and thereafter	%

Extraordinary Prepayment: (i) Certificates shall be subject to prepayment in whole or in part at any time and if in part, in inverse order of maturity or on a proportional basis, as shall be designated by the School Board, and by lot within a maturity in such manner as the Trustee shall determine to be fair and appropriate, in an amount equal to the principal portion of Basic Lease Payments prepaid under the Series ____ Lease(s), at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if (A) there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to the Series ____ Facilities as a result of damage, destruction or condemnation of any portion of the Series ____ Facilities and an election is made by the School Board under Section 5.4(b) of the Master Lease to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to the Series ____ Facilities and represented by the Certificates, or (B) there shall remain in the Series 1994A Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under the Series ____ Lease(s), upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series ____ Facilities.

(ii) At the election of the Series ____ Credit Facility Issuer, Certificates shall be subject to prepayment in whole at any time, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if the Lease Term of all Leases is terminated for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease.

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Mandatory Sinking Fund Prepayment: Certificates maturing on August 1, ____ are subject to mandatory prepayment prior to maturity in part, from payments of the principal portion of Basic Lease Payments as set forth in the Series ____ Lease, through the operation of a sinking fund on each August 1 in the years and in the following amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date.

<u>August 1 of the Year</u>	<u>Principal Amount</u>
_____	\$

_____*	

* Final Maturity.

If less than all the Certificates of like maturity shall be called for prepayment, the particular Certificates or portions thereof to be prepaid shall be selected by lot by the Trustee in such manner as the Trustee shall deem fair and appropriate. The portion of any Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates in \$5,000 denominations which is obtained by dividing the principal amount of such Certificate to be prepaid in part by \$5,000. Interest represented by Certificates so prepaid shall be paid from the amount then available to prepay Certificates.

When prepayment of Certificates is required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of such Certificates, which notice shall specify the maturities of the Certificates to be prepaid, the CUSIP numbers (which shall be for informational purposes only and shall not affect the validity of such notice) the prepayment date and the place or places where amounts due upon such prepayment will be payable and, if less than all of the Certificates are to be prepaid, the letters and numbers or other distinguishing marks of such Certificates to be prepaid, and, in the case of Certificates to be prepaid in part only, such notice shall also specify the respective portions of the principal amount thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable upon each Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof in the case of Certificates to be prepaid in part only, together with interest accrued to the prepayment date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than 30 days before the prepayment date in the case of optional prepayment, extraordinary prepayment resulting from damage, destruction or condemnation of Facilities or mandatory sinking fund prepayment for the Certificates to be prepaid and not less than 5 days nor more than 10 days before the Prepayment Date in the case of extraordinary prepayment resulting from termination of all Leases as a result of nonappropriation or default by the School Board, to the Certificate Holders of any Certificates or portions thereof which are to be prepaid, at their last addresses appearing upon the registry books, but any defect in the notice to a

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particular Certificate Holder shall not affect the validity of the proceedings for the prepayment of other Certificates Notice, to the extent available, of such prepayment shall be provided to any depository not less than two days prior to mailing of such notice.

THE OBLIGATION OF THE SCHOOL BOARD TO MAKE BASIC LEASE PAYMENTS UNDER SCHEDULE NO. ___ OF THE MASTER LEASE IS A SPECIAL AND LIMITED OBLIGATION, SUBJECT TO ANNUAL APPROPRIATION BY THE SCHOOL BOARD, AS FURTHER PROVIDED ON THE FRONT OF THIS CERTIFICATE.

**Form of Opinion of Special Tax Counsel
Statement of Insurance**

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EXHIBIT B

REQUISITION NO. _____

\$ _____
CERTIFICATES OF PARTICIPATION
SERIES _____

Evidencing Undivided Proportionate Interest of the
Owners Thereof in Basic Payments to be Made by

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
As Lessee, Pursuant to a Master Lease Purchase Agreement
with Palm Beach School Board Leasing Corp., as Lessor

TO: NationsBank of Florida, N.A.
Trustee under the Master Trust Agreement dated as of November 1, 1994, with
Palm Beach School Board Leasing Corp. ("Trust Agreement")

This Requisition is made pursuant to Section 402(c) to pay Costs of the Series _____
Facilities.

The Trustee is hereby directed to pay sums out of the Series _____ Acquisition
Account as follows:

Name & Address of Payee	Purpose of Payment	Amount
TOTAL		

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ASSIGNMENT

For value received _____ the undersigned does hereby sell, assign and transfer unto the within-mentioned Certificate and hereby irrevocably constitutes and appoints _____ attorney, to transfer the same on the Certificate register of the Trustee with full power of substitution in the premises.

Dated: _____
Signature Guaranteed: _____

NOTE: The signature on this Assignment must correspond with the name as written on the face of the within-mentioned Certificate in every particular without alteration or enlargement or any change whatsoever

Social Security or Other
Identifying Number of
Transferee: _____

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

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with the rights of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)
under Uniform Gifts to Minors Act _____
(State)

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

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The undersigned hereby certifies that (a) each obligation, item of cost or expense herein has been properly incurred, (b) each obligation, item of cost or expense herein is an item of the Cost of the Series _____ Facilities and has not been the basis of any previous withdrawal, and (c) such payment will not cause the balance remaining in the Series Acquisition Account after such payment to be less than the amount necessary to pay the remaining estimated Costs to be paid from the Series _____ Acquisition Account, or sufficient other moneys are available therefor.

Dated: _____

Authorized School Board Representative

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EXHIBIT C

REQUISITION NO. _____

**§ _____
CERTIFICATES OF PARTICIPATION
SERIES _____**

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

TO: NationsBank of Florida, N.A.

Trustee under the Master Trust Agreement dated as of November 1, 1994, with
Palm Beach School Board Leasing Corp. ("Trust Agreement")

This Requisition is made pursuant to Section 402(d) to pay Costs of Issuance of the
Certificates.

The Trustee is hereby directed to pay sums out of the Cost of Issuance Subaccount in
the Series _____ Acquisition Account as follows:

[THIS PAGE INTENTIONALLY LEFT BLANK]

<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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by and among

PALM BEACH SCHOOL BOARD LEASING CORP.

and

THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.
as agent for The Bank of New York
(successor by acquisition to NationsBank of Florida, N.A.)

as Trustee

Dated as of March 1, 2002

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EXHIBIT A FORM OF SERIES 2002B CERTIFICATES

SERIES 2002B SUPPLEMENTAL TRUST AGREEMENT

THIS SERIES 2002B SUPPLEMENTAL TRUST AGREEMENT, dated as of March 1, 2002 (the "Series 2002B Supplemental Trust Agreement"), supplementing the Master Trust Agreement, dated as of November 1, 1994 (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 TRUST COMPANY OF FLORIDA, N.A.**, a national banking association with its designated corporate trust office in Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), a bank organized under the laws of the State of New York with corporate trust powers qualified to accept trusts of the type set forth in the Trust Agreement, as trustee (the "Trustee").

WITNESSETH:

WHEREAS, The School Board of Palm Beach County, Florida (the "School Board") has deemed it to be in its best interest to lease-purchase certain real and personal property from time to time and has entered into a Master Lease Purchase Agreement, dated as of November 1, 1994 (the "Master Lease"), between the Corporation, as lessor, and the School Board, as lessee; and

WHEREAS, pursuant to the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease, direct the Corporation to acquire, construct and lease-purchase to the School Board the items of real or personal property described in such Schedule (collectively referred to herein as "Facilities"); and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing such Facilities may be made by the issuance and sale from time to time of one or more Series (as defined in the Trust Agreement) of Certificates of Participation issued under the Trust Agreement (the "Certificates"), which shall be secured by and be payable from Basic Lease Payments to be made by the School Board pursuant to the Master Lease and related Schedules; and

WHEREAS, on November 16, 1994, the Trustee, at the direction of the Corporation, issued \$62,095,000 Certificates of Participation, Series 1994A, to provide funds for the lease purchase financing of certain Facilities; and

WHEREAS, on October 1, 1997, the Trustee, at the direction of the Corporation, issued \$47,145,000 Certificates of Participation, Series 1997A, to provide funds to advance refund a portion of the outstanding Series 1994A Certificates; and

WHEREAS, on June 20, 1995, the Trustee, at the direction of the Corporation, issued \$133,600,000 Certificates of Participation, Series 1995A, to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, on June 4, 1996, the Trustee, at the direction of the Corporation, issued \$32,155,000 Certificates of Participation, Series 1996A, to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, on February 24, 2000, the Trustee, at the direction of the Corporation, issued \$155,000,000 Certificates of Participation, Series 2000A, to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, on April 24, 2001, the Trustee, at the direction of the Corporation, issued \$135,500,000 Certificates of Participation, Series 2001A, to provide funds for the lease purchase financing of certain additional Facilities; and

WHEREAS, on July 24, 2001, the Trustee, at the direction of the Corporation, issued \$169,445,000 Certificates of Participation, Series 2001B, to provide funds to advance refund a portion of the outstanding Series 2000A Certificates; and

WHEREAS, the Trustee, at the request of the Corporation, has agreed to issue additional Series of Certificates to provide funds for the lease purchase financing of certain Facilities; and

WHEREAS, each Series of Certificates shall be secured independently from each other Series of Certificates, except as otherwise provided in the Trust Agreement; and

WHEREAS, the School Board and the Corporation have executed Schedule 2002B, as of the date hereof, for the lease-purchase of the "Series 2002B Facilities" (as hereinafter defined); and

WHEREAS, the Corporation has assigned to the Trustee all of its right, title and interest in and to the Series 2002B Lease (as hereinafter defined) and the Lease Payments, other than its rights to indemnification and to receive notices, pursuant to the Series 2002B Assignment Agreement, dated as of March 1, 2002 (the "Series 2002B Assignment Agreement"), between the Corporation and the Trustee; and

WHEREAS, the Trustee has received an order from an Authorized Corporation Representative relating to the issuance of \$115,350,000 aggregate principal amount of Certificates of Participation, Series 2002B 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 2002B Certificates"); and

WHEREAS, as of the date hereof, the School Board and the Corporation have also executed Schedules 2002A-1 and 2002A-2 for the lease-purchase of certain Facilities described in such Schedules and in connection therewith the Trustee has received an order from an Authorized Corporation Representative relating to the issuance of \$115,250,000 aggregate principal amount of Certificates of Participation, Series 2002A Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor; and

WHEREAS, the proceeds of the Series 2002B Certificates shall be used pursuant to the Trust Agreement, as supplemented hereby, to finance the acquisition, construction and installation of the Series 2002B Facilities and to pay costs of issuance of the Series 2002B Certificates; and

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ARTICLE I

DEFINITIONS

SECTION 101. DEFINITIONS. In addition to the words and terms defined in the Trust Agreement or the Master Lease or elsewhere defined in this Series 2002B Supplemental Trust Agreement, the following words and terms with respect to the Series 2002B Certificates shall have the following meaning unless the context or use indicates another or different meaning or intent:

"AA' Composite Commercial Paper Rate" means, as of any date of determination, the interest equivalent of the 30-day rate on financial commercial paper placed on behalf of the issuers whose corporate bonds are rated "AA" by S&P, or the equivalent of such rating by S&P or another nationally recognized securities rating agency, as such 30-day rate is made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination. If, however, the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of the interest equivalent of the 30-day rate on commercial paper placed on behalf of such issuers, as quoted to the Auction Agent on a discount basis or otherwise, by the Commercial Paper Dealers, as of the close of business on the Business Day immediately preceding such date of determination. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the "AA" Composite Commercial Paper Rate, the "AA" Composite Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers. For purposes of this definition, the "interest equivalent" of a rate stated on a discount basis (a "discount rate") for commercial paper of a given day's maturity shall be equal to the product of (i) 100 multiplied by (ii) the quotient (rounded upward to the next higher one thousandth (.001) of 1%) of (x) the discount rate (expressed in decimals) divided by (y) the difference between (1) 1.00 and (2) a fraction, the numerator of which shall be the product of the discount rate (expressed in decimals) multiplied by the number of days from (and including) the date of determination to (but excluding) the date on which such commercial paper matures and the denominator of which shall be 360.

"Accrual Period" shall mean with respect to the Series 2002B Certificates other than ARS, the period commencing on an Interest Accrual Date and ending on the day immediately preceding the next Interest Payment Date.

"After-Tax Equivalent Rate" means, on any date of determination, the interest rate per annum equal to the product of (i) the "AA" Composite Commercial Paper Rate on such date and (ii) 1.00 minus the Statutory Corporate Tax Rate on such date.

"All-Hold Rate" means, on any date of determination, the interest rate per annum equal to 85% (as such percentage may be adjusted pursuant to Section 204(h)(i) of this Series 2002B Supplemental Trust Agreement) of the lesser of (i) the After-Tax Equivalent Rate on such date and (ii) the Index on such date; provided, that in no event shall the All-Hold Rate be more than the ARS Maximum Rate.

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WHEREAS, the Series 2002B Certificates shall be secured in the manner provided in the Trust Agreement and shall have the terms and provisions contained in this Series 2002B Supplemental Trust Agreement; and

WHEREAS, all things necessary to make the Series 2002B 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 2002B Supplemental Trust Agreement, and the creation, execution and issuance of the Series 2002B Certificates subject to the terms thereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS SERIES 2002B SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:

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"Alternate Liquidity Facility" shall mean a Liquidity Facility issued and delivered pursuant to Section 502 of this Series 2002B Supplemental Trust Agreement to replace a Liquidity Facility to purchase Series 2002B Certificates other than ARS tendered for purchase as provided in this Series 2002B Supplemental Trust Agreement.

"Applicable ARS Rate" means the rate per annum at which the interest portion represented by ARS is calculated for any ARS Interest Period.

"Applicable Percentage" means, with respect to ARS on any date of determination, the percentage determined (as such percentage may be adjusted pursuant to Section 204(h)(i) of this Series 2002B Supplemental Trust Agreement), based on Moody's or S&P's ratings of such ARS in effect at the close of business on the Business Day immediately preceding such date, or, if ARS are then rated by both Moody's and S&P, based on the lower of such ratings on such Business Day, as set forth below:

Credit Ratings		Applicable Percentage
Moody's	S&P	
"Aaa"	"AAA"	175%
"Aa"	"AA"	175%
"A"	"A"	175%
"Baa"	"BBB"	200%
Below "Baa"	Below "BBB"	265%

provided, that if ARS are not then rated by an ARS Rating Agency, the Applicable Percentage with respect to such ARS shall be 265%. For purposes of this definition, S&P's rating categories of "AAA", "AA", "A" and "BBB," and Moody's rating categories of "Aaa," "Aa," "A" and "Baa" shall refer to and include the respective rating categories correlative thereto if either or both of such rating agencies shall have changed or modified their generic rating categories or if Moody's or S&P shall not rate, or no longer rate, the ARS or shall have been replaced.

"ARS" means, on any date, all Series 2002B Certificates which on such date bear interest as auction rate securities as provided in Section 204 of this Series 2002B Supplemental Trust Agreement and the Auction Procedures applicable thereto.

"ARS Beneficial Owner" means the Person who is the beneficial owner of ARS according to the records of (i) DTC or its participants or a successor Securities Depository while such ARS are in book-entry form or (ii) the Trustee while such ARS are not in book-entry form.

"ARS Defaulted Interest" means the interest portion represented by any ARS which is payable but is not punctually paid or duly provided for on any ARS Interest Payment Date.

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“**ARS Interest Payment Date**” means, with respect to ARS, the Business Day immediately following each Auction Period.

“**ARS Interest Period**” means the period commencing on and including an ARS Interest Payment Date and ending on but excluding the next succeeding ARS Interest Payment Date; provided, that the first ARS Interest Period within each ARS Interest Rate Period shall commence on and include the Closing Date or the Conversion Date, as the case may be.

“**ARS Interest Rate Period**” means each period during which the Series 2002B Certificates are ARS.

“**ARS Maximum Rate**” means, on any date of determination, the interest rate per annum equal to the lesser of (i) the Applicable Percentage of the higher of (A) the After-Tax Equivalent Rate on such date and (B) the Index on such date, and (ii) 15% per annum.

“**ARS Payment Default**” means (i) a default in the due and punctual payment of any installment of the interest portion represented by ARS or (ii) a default in the due and punctual payment of any principal portion represented ARS at stated maturity or pursuant to a mandatory prepayment, in each case to the extent not paid by the Series 2002B Credit Facility Issuer.

“**ARS Rating Agency**” means Moody’s or S&P, or if either Moody’s or S&P discontinues its securities rating service, then such other nationally recognized securities rating agency as may be specified by the Market Agent with the consent of the School Board and the Series 2002B Credit Facility Issuer.

“**Auction**” means the implementation of the Auction Procedures on an Auction Date.

“**Auction Agent**” means the initial Auction Agent selected by the School Board with the consent of the Series 2002B Credit Facility Issuer upon conversion of the Series 2002B Certificates to ARS, unless and until a Substitute Auction Agent Agreement becomes effective, after which “Auction Agent” shall include both the Auction Agent (if it is continuing to act in such capacity under this Series 2002B Supplemental Trust Agreement with respect to ARS) and each such Substitute Auction Agent so acting.

“**Auction Agent Agreement**” means, on any date, the Auction Agent Agreement entered into between the Trustee and the Auction Agent upon conversion of the Series 2002B Certificates to ARS, and each Substitute Auction Agent Agreement, in each case as from time to time in effect.

“**Auction Agent Fee**” has the meaning provided in the Auction Agent Agreement.

“**Auction Date**” means, with respect to ARS, the Business Day immediately preceding the first day of each Auction Period, other than

(i) each Auction Period commencing after the ownership of such ARS is no longer maintained in book-entry form by a Securities Depository;

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Supplemental Trust Agreement, the term “the Broker-Dealer” shall mean, as the context dictates, either all such Broker-Dealers collectively, or any one Broker-Dealer acting with respect to the ARS.

“**Broker-Dealer Agreement**” means each agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

“**Business Day**” shall mean a day other than (a) a Saturday, Sunday or day on which banks in the State of New York or banks located in each of the cities in which the principal office of the Trustee, the Tender Agent, the Remarketing Agent, if any, the Series 2002B Credit Facility Issuer, and the Liquidity Provider is located are required or authorized by law or executive order to close for business, and (b) a day on which DTC or The New York Stock Exchange is closed, and such other dates as may be agreed to in writing by the Market Agent, the Auction Agent, the Broker-Dealer and the School Board.

“**Calculation Agent**” shall have the meaning given such term in the Swap Agreement.

“**Certificate Interest Term**” means, with respect to the Series 2002B Certificates (other than ARS), each period established in accordance with Section 202(e) of this Series 2002B Supplemental Trust Agreement during which the interest portion represented by the Series 2002B Certificates is calculated at a Certificate Interest Term Rate.

“**Certificate Interest Term Rate**” means, with respect to each Series 2002B Certificate, calculation of the interest portion of Basic Lease Payments represented by such Series 2002B Certificate established periodically in accordance with Section 202(e) of this Series 2002B Supplemental Trust Agreement.

“**Certificate Purchase Fund**” means the trust fund established with a Tender Agent pursuant to Section 401 of this Series 2002B Supplemental Trust Agreement.

“**Closing Date**” means the date of delivery of the Series 2002B Certificates to the Underwriters against payment therefor.

“**Commercial Paper Dealer**” shall mean any commercial paper dealer appointed as provided in Section 204(f) of this Series 2002B Supplemental Trust Agreement.

“**Conversion**” shall mean a conversion of the determination of the interest portion of Basic Lease Payments represented by Series 2002B Certificates from one Interest Rate Period to another Interest Rate Period as provided in Section 202(b)(ii), 202(c)(ii), 202(d)(ii), 202(e)(ii) or 204(k) of this Series 2002B Supplemental Trust Agreement.

“**Conversion Date**” shall mean the date on which a Conversion becomes effective.

“**Daily Rate**” shall mean the rate determined for the interest portion represented by Series 2002B Certificates for a Daily Rate Period pursuant to Section 202(c) of this Series 2002B Supplemental Trust Agreement.

(ii) each Auction Period commencing after the occurrence and during the continuance of an ARS Payment Default; or

(iii) any Auction Period commencing less than two Business Days after the cure or waiver of an ARS Payment Default.

The Auction Date determined as provided in this definition may be adjusted as provided in Section 204(j) of this Series 2002B Supplemental Trust Agreement.

“**Auction Period**” means the period commencing on and including an Interest Payment Date for ARS and ending on and excluding the next succeeding Interest Payment Date; provided, however, that the first ARS Interest Period may be generally a 7 day period, a 35 day period, or such other period as may be designated from time to time as an ARS Interest Period by the School Board and the Market Agent pursuant to an adjustment to an Auction Period. Each ARS Interest Period shall commence on and include the date on which the Interest Rate Period for the Series 2002B Certificates is adjusted to an Auction Period. No ARS Period shall exceed one year in length.

“**Auction Procedures**” means, with respect to ARS, the provisions set forth in the Auction and Settlement Procedures set forth in an Auction Agent Agreement.

“**Auction Rate**” means, with respect to the interest calculation of the interest portion of Basic Lease Payments represented by ARS, the rate of interest per annum that results from implementation of the Auction Procedures, and determined as described in the Auction Procedures; provided, however, that the Auction Rate shall not exceed the ARS Maximum Rate.

“**Authorized Denomination**” shall mean (a) while the interest portion of the Basic Lease Payments is calculated at a Long-Term Rate Period, \$5,000 or any integral multiple thereof, (b) while the interest portion of the Basic Lease Payments is calculated at an Auction Rate, \$50,000 or any integral multiple thereof, (c) while the interest portion of the Basic Lease Payments is calculated in a manner not described in the preceding clause (a) or clause (b), \$100,000 or any integral multiple of \$5,000 in excess of \$100,000.

“**BMA Index**” means on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by the Bond Market Association (“BMA”) or any person acting in cooperation with or under the sponsorship of BMA and acceptable to the Market Agent, and effective from such date.

“**Broker-Dealer**” means any broker or dealer (each as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (i) is a participant in or member of the Securities Depository as determined by the rules or bylaws of the Securities Depository (or an affiliate of such a participant or member), (ii) has been appointed as such by the School Board pursuant to Section 603 of this Series 2002B Supplemental Trust Agreement, and (iii) has entered into a Broker-Dealer Agreement that is in effect on the date of reference. When used herein at a time when more than one Broker-Dealer is acting under this Series 2002B

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“**Daily Rate Period**” means each period during which a Daily Rate is in effect for the interest portion represented by Series 2002B Certificates.

“**Differential Interest Amount**” shall mean, with respect to any Provider Certificate, the portion of the accrued interest owing to the Liquidity Provider with respect thereto which exceeds the amount of accrued interest payable by the purchaser of such Provider Certificate upon its remarketing by the Remarketing Agent.

“**Existing Holder**” means, with respect to any Auction, a Person who was listed as the ARS Beneficial Owner in the Existing Holder Registry at the close of business on the Business Day immediately preceding such Auction.

“**Existing Holder Registry**” means, with respect to ARS, the registry of Persons who are ARS Beneficial Owners, maintained by the Auction Agent.

“**Expiration Date**” means the termination date of the Liquidity Facility or an Alternate Liquidity Facility, as extended from time to time.

“**Favorable Opinion**” shall mean a written opinion of Special Tax Counsel, in form and substance satisfactory to the Trustee, and except as may be otherwise specifically set forth in the Trust Agreement, to the effect that the action proposed to be taken is authorized or permitted by the laws of the State and the Trust Agreement and will not adversely affect the validity of the Series 2002B Certificates under the laws of the State or the excludability from gross income for federal income tax purposes of the interest portion represented by any Series 2002B Certificate (subject to the inclusion of any exception provided under the Code).

“**Financing Documents**” shall mean collectively, the Series 2002B Lease, the Trust Agreement, this Series 2002B Supplemental Trust Agreement, the Series 2002B Ground Lease, the Series 2002B Assignment Agreement, the Standby Agreement and the Remarketing Agreement.

“**Fitch**” shall mean Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the School Board, with notice to the Trustee, with the consent of the Series 2002B Credit Facility Issuer.

“**Hold Order**” has the meaning provided in the Auction Procedures.

“**Immediate Termination Event**” means an Event of Termination described in Section 7.01 (a), (c) or (d) of the Standby Agreement, or similar provision of any Alternate Liquidity Facility.

“**Index**” means, with respect to ARS, on any date of determination, the BMA Index or, if such rate is not available, the Index so determined by the Market Agent for ARS, which shall equal the prevailing rate for bonds rated in the highest short-term rating category by Moody’s and S&P in respect of issuers most closely resembling the “high grade” component issuers

included in the BMA Index that are subject to tender by the holders thereof for purchase on not more than seven (7) days notice and the interest on which is (i) variable on a weekly basis, (ii) excludable from gross income for federal income tax purposes under the Code, and (iii) not subject to an "alternative minimum tax" or similar tax under the Code, unless all tax-exempt bonds are subject to such tax.

"Interest Accrual Date" with respect to the Series 2002B Certificates other than ARS means:

- (a) for any Weekly Rate Period, the first day thereof and, thereafter, the first Thursday of each February and August during such Weekly Rate Period;
- (b) for any Daily Rate Period, the first day thereof and, thereafter, the first Thursday of each February and August during such Daily Rate Period;
- (c) for any Long-Term Rate Period, the first day thereof and, thereafter, each Interest Payment Date during that Long-Term Rate Period, other than the last such Interest Payment Date; and
- (d) for each Certificate Interest Term within a Short-Term Rate Period, the first day thereof.

"Interest Payment Date" shall mean, with respect to the Series 2002B Certificates:

- (i) for any Daily Rate Period, the first Thursday of each February and August;
- (ii) for any Weekly Rate Period, the first Thursday of each February and August;
- (iii) for any Long-Term Rate Period, each February 1 and August 1;
- (iv) for any Certificate Interest Term, the day next succeeding the last day of that Certificate Interest Term;
- (v) for each Interest Rate Period, the day next succeeding the last day thereof;
- (vi) for Provider Certificates, each date on which interest on the Provider Certificates is due and payable in accordance with the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Liquidity Provider;
- (vii) for ARS, each ARS Interest Payment Date;
- (viii) for any Series 2002B Certificates which are to be prepaid, any date on which such prepayment is made; and
- (ix) for any Series 2002B Certificate, the Maturity Date.

"Market Agent Agreement" means, the Market Agent Agreement entered into between the Trustee and the Market Agent upon conversion of the Series 2002B Certificates to ARS, and each Substitute Market Agent Agreement, in each case as from time to time in effect.

"Maturity Date" shall mean August 1, 2027.

"Maximum Provider Rate" means the rate of twenty-five percent (25%) per annum.

"Maximum Rate" means the rate of twelve percent (12%) per annum calculated in the same manner as the interest portion represented by the Series 2002B Certificates is calculated for the particular Interest Rate Period.

"Maximum Lawful Rate" means the lesser of (i) eighteen percent (18%) or, (ii) the maximum rate of interest on the relevant obligation permitted by applicable law.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the School Board, with notice to the Trustee, with the consent of the Series 2002B Credit Facility Issuer.

"No Auction Percentage" means, with respect to ARS on any date of determination, the percentage determined (as such percentage may be adjusted pursuant to Section 204(h)(i) of this Series 2002B Supplemental Trust Agreement), based on Moody's or S&P's ratings of such ARS in effect at the close of business on the Business Day immediately preceding such date, or, if ARS are then rated by both Moody's and S&P, based on the lower of such ratings on such Business Day, as set forth below:

Credit Ratings		No Auction Percentage
Moody's	S&P	
"Aaa"	"AAA"	100%
"Aa"	"AA"	125%
"A"	"A"	150%
"Baa"	"BBB"	175%
Below "Baa"	Below "BBB"	200%

For purposes of this definition, S&P's rating categories of "AAA," "AA," "A" and "BBB," and Moody's rating categories of "Aaa," "Aa," "A" and "Baa" shall refer to and include the respective rating categories correlative thereto if either or both of such rating agencies shall have

"Interest Rate Period" means each Daily Rate Period, Weekly Rate Period, Short-Term Rate Period, Long-Term Rate Period or ARS Interest Rate Period.

"Interest Reserve Portion" shall mean as of any Lease Payment Date while the interest portion of the Series 2002B Certificates is calculated at a Daily Rate or a Weekly Rate, the amount of interest accrued at the applicable rates during the period commencing on the Lease Payment Date and ending on (and including) the day preceding the Interest Payment Date.

"Lease Payment Dates" shall have the meaning given to such term in Schedule 2002B.

"LIBOR Rate" means that rate in percent per annum which is: (a) the rate for 1-month deposits in U.S. Dollars which appears on the Telerate Page 3750 as of 11:00 a.m. London time on the day that is two London Banking Days preceding the date on which such LIBOR rate shall apply, (b) if such rate does not appear on the Telerate Page 3750, the rate determined on the basis of the rates at which deposits in U.S. Dollars are offered by Citibank at approximately 11:00 a.m. London time, on the date that is two London Banking Days preceding the date on which such LIBOR rate shall apply to prime banks in the London interbank market for a period selected by such person from time to time and in a similar amount.

"Liquidity Facility" shall mean the Standby Agreement and any Alternate Liquidity Facility delivered to or entered into and accepted by the Trustee and the Tender Agent.

"Liquidity Provider" shall mean initially the Standby Purchaser and thereafter the provider of an Alternate Liquidity Facility.

"Liquidity Facility Purchase Account" means the account with that name established within the Certificate Purchase Fund pursuant to Section 401 of this Series 2002B Supplemental Trust Agreement.

"Long-Term Rate" means a term, non-variable interest rate established in accordance with Section 202(d) of this Series 2002B Supplemental Trust Agreement.

"Long-Term Rate Period" means each period during which a Long-Term Rate is in effect.

"Mandatory Standby Tender" means the mandatory tender of the Series 2002B Certificates pursuant to Section 306(c) of this Series 2002B Supplemental Trust Agreement upon receipt by the Trustee of written notice from the Liquidity Provider that an event of default or termination with respect to the Liquidity Facility has occurred which requires or gives the Liquidity Provider the option to terminate such Liquidity Facility upon notice and requires that all Outstanding Series 2002B Certificates be tendered for purchase.

"Market Agent" means the Market Agent selected by the School Board upon conversion of the Series 2002B Certificates to ARS, unless and until a Substitute Market Agent Agreement is entered into, after which "Market Agent" shall mean the Substitute Market Agent so acting.

changed or modified their generic rating categories or if Moody's or S&P shall not rate, or no longer rate, the ARS or shall have been replaced.

"No Auction Rate" means, on any date of determination, the lesser of the Maximum Lawful Rate and the interest rate per annum equal to the No Auction Percentage of the higher of (i) the After-Tax Equivalent Rate determined on such date with respect to the then-current Auction Period and (ii) the BMA Index.

"Non-Payment Rate" means, on any date of determination, the interest rate per annum equal to the lesser of (i) 265% of the Index on such date (as such percentage may be adjusted pursuant to Section 204(h)(i) of this Series 2002B Supplemental Trust Agreement) and (ii) 15% per annum; provided, that in no event shall the Non-Payment Rate be more than the Maximum Lawful Rate.

"Order" has the meaning provided in the Auction Procedures.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, unless the context shall otherwise indicate.

"Potential Holder" means, with respect to any Auction, any Person, including any Existing Holder, who may be interested in acquiring a beneficial interest in ARS subject to such Auction in addition to the ARS, if any, currently owned by such Person.

"Provider Certificates" shall mean Series 2002B Certificates purchased with funds made available under or pursuant to the Liquidity Facility, registered in the name of the Liquidity Provider or its nominee, designee or assignee and held by the Trustee in trust for the benefit of the Liquidity Provider or its nominee, designee or assignee.

"Provider Rate" shall mean the interest rate which Provider Certificates bear, from time to time, as determined in the accordance with the provisions of the Liquidity Facility or any reimbursement or similar agreement entered into between the School Board and the Liquidity Provider, but in no event in excess of the Maximum Provider Rate.

"Rating Agency" shall mean both Fitch and Moody's, and/or any other nationally recognized rating service not unacceptable to the Series 2002B Credit Facility Issuer which, at the request of the School Board, shall have provided a rating on Outstanding Series 2002B Certificates.

"Rating Category" means a generic securities rating category, without regard, in the case of a long-term rating category, to any refinement or gradation of such long-term rating category by a numerical or symbolic modifier or otherwise.

"Record Date" shall mean except with respect to Provider Certificates, (i) in the case of a Daily Rate Period, the Business Day immediately preceding such Interest Payment Date, (ii) in the case of a Weekly Rate Period or any Short-Term Rate Period, the Business Day immediately preceding such Interest Payment Date, (iii) in the case of any Long-Term Rate Period, the fifteenth day immediately preceding that Interest Payment Date or, in the event that an Interest

Payment Date shall occur less than 15 days after the first day of a Long-Term Rate Period, that first day, and (iv) in the case of ARS, the second Business Day next preceding each ARS Interest Payment Date.

“**Remarketing Account**” means the account with that name established within the Certificate Purchase Fund pursuant to Section 401 of this Series 2002B Supplemental Trust Agreement.

“**Remarketing Agent**” means Salomon Smith Barney Inc., and thereafter each Person qualified under Section 503 of this Series 2002B Supplemental Trust Agreement to act as Remarketing Agent for the Series 2002B Certificates and appointed by the School Board from time to time.

“**Remarketing Agreement**” means the Remarketing Agreement dated as of March 1, 2002, between the School Board and the Remarketing Agent whereby the Remarketing Agent undertakes to perform the duties of the Remarketing Agent with respect to the Series 2002B Certificates.

“**Request**” means a request by the Tender Agent under a Liquidity Facility or an Alternate Liquidity Facility for the payment of the Tender Price of Series 2002B Certificates in accordance with the terms of this Series 2002B Supplemental Trust Agreement.

“**S & P**” shall mean Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the School Board with notice to the Trustee, and the consent of the Series 2002B Credit Facility Issuer.

“**Sell Order**” has the meaning provided in the Auction Procedures.

“**Series 2002B Acquisition Account**” shall mean the Series 2002B Acquisition Account established in Section 401 hereof.

“**Series 2002B Assignment Agreement**” shall mean the Series 2002B Assignment Agreement dated as of March 1, 2002, pursuant to which the Corporation has assigned to the Trustee all of its right, title and interest in and to the Series 2002B Ground Lease and the Series 2002B Lease, except as otherwise provided therein.

“**Series 2002B Certificates**” shall mean the \$115,350,000 Certificates of Participation, Series 2002B 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 2002B Cost of Issuance Subaccount**” shall mean the Series 2002B Cost of Issuance Subaccount within the Series 2002B Acquisition Account established in Section 401 hereof.

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“**Special Record Date**” means a special date fixed to determine the names and addresses of holders of ARS for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in Section 204(d)(ii) of this Series 2002B Supplemental Trust Agreement.

“**Standby Agreement**” shall mean the Standby Purchase Agreement dated as of March 20, 2002, by and among the School Board, the Trustee, the Tender Agent and the Standby Purchaser which will expire on March 20, 2007, unless extended pursuant to its terms, as amended and supplemented from time to time.

“**Standby Purchaser**” shall mean Dexia Credit Local, acting through its New York Agency, its successors and assigns.

“**Statutory Corporate Tax Rate**” means, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in section 11 of the Code or any successor section, without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year. The Statutory Corporate Tax Rate as of the date of this Series 2002B Supplemental Trust Agreement is 0.35.

“**Submitted Hold Orders**” has the meaning provided in the Auction Procedures.

“**Substitute Auction Agent**” means the Person with whom the Trustee enters into a Substitute Auction Agent Agreement.

“**Substitute Auction Agent Agreement**” means an auction agent agreement with a Person having the qualifications required by Section 602 of this Series 2002B Supplemental Trust Agreement selected by the School Board to replace the then acting Auction Agent.

“**Substitute Market Agent**” means the Person with whom the Trustee enters into a Substitute Market Agent Agreement.

“**Substitute Market Agent Agreement**” means a market agent agreement entered into between the Trustee and a market agent selected by the School Board to replace the then acting Market Agent.

“**Sufficient Clearing Bids**” has the meaning provided in the Auction Procedures.

“**Suspension**” means the immediate suspension of the Liquidity Provider’s obligation to purchase the Series 2002B Certificates without notice or demand pursuant to Section 7.02(c) and (d) of the Standby Agreement, or any similar provision of any Alternate Liquidity Facility.

“**Swap Agreement**” shall mean the ISDA Master Agreement, dated as of March 20, 2002, between the School Board and the Swap Provider including the schedule thereto and the confirmation with respect to the Series 2002B Certificates.

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“**Series 2002B Credit Facility**” shall mean the municipal bond insurance policy issued by the Series 2002B Credit Facility Issuer on March 20, 2002, guaranteeing scheduled payment of the principal and interest in respect of the Series 2002B Certificates when due.

“**Series 2002B Credit Facility Issuer**” shall mean Financial Security Assurance Inc., a New York insurance company, and its successors and assigns.

“**Series 2002B Facilities**” shall mean the Facilities described in Schedule 2002B to the Master Lease.

“**Series 2002B Facility Sites**” shall mean the Facility Sites to be ground leased by the School Board to the Corporation pursuant to the Series 2002B Ground Lease, as the same may be amended or supplemented from time to time.

“**Series 2002B Ground Lease**” shall mean the Series 2002B Ground Lease, dated as of March 1, 2002, between the School Board and the Corporation, as the same may be amended or supplemented from time to time with respect to the Series 2002B Facility Sites.

“**Series 2002B Lease Payment Account**” shall mean the Series 2002B Lease Payment Account established in Section 401 hereof.

“**Series 2002B Lease**” shall mean the Master Lease, as supplemented by Schedule 2002B.

“**Series 2002B Prepayment Account**” shall mean the Series 2002B Prepayment Account established in Section 401 hereof.

“**Series 2002B Project**” shall mean the lease purchase financing, acquisition, construction and installation of the Series 2002B Facilities, the leasing of the Series 2002B Facility Sites by the School Board to the Corporation pursuant to the Series 2002B Ground Lease and the subleasing of the Series 2002B Facility Sites, and the leasing of the Series 2002B Facilities, to the School Board pursuant to the Series 2002B Lease.

“**Short-Term Rate Period**” means each period, consisting of Certificate Interest Terms, during which the interest portion of Basic Lease Payments represented by Series 2002B Certificates is calculated at one or more Certificate Interest Term Rates.

“**Special Purchase Series 2002B Certificates**” shall mean the Series 2002B Certificates to be purchased in lieu of prepayment in accordance with Section 304 hereof.

“**Special Purchase Date**” shall mean the date on which Series 2002B Certificates are scheduled to be purchased in lieu of prepayment pursuant to Section 304 hereof.

“**Special Purchase Price**” shall mean the amount equal to the prepayment amount which would have been due if the Series 2002B Certificates to be purchased in lieu of prepayment pursuant to Section 304 hereof were prepaid pursuant to Section 303 hereof.

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“**Swap Policy**” shall mean the financial guaranty issued by the Swap Policy Provider, insuring the contractual amounts due for payment by or on behalf of the School Board pursuant to the Swap Agreement.

“**Swap Policy Provider**” shall mean Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto or assignee thereof, in its capacity as the provider of the Swap Policy.

“**Swap Provider**” shall mean Salomon Brothers Holding Company Inc.

“**Tender Agent**” shall mean The Bank of New York, a banking corporation organized under the laws of the State of New York, or any successor or successors appointed in accordance with Section 505 of this Series 2002B Supplemental Trust Agreement.

“**Tender Agent Agreement**” shall mean the Tender Agent Agreement dated as of the date hereof between the School Board, the Trustee and the Tender Agent.

“**Tender Date**” means the date on which Series 2002B Certificates are required to be purchased pursuant to Section 306 of this Series 2002B Supplemental Trust Agreement.

“**Tender Price**” means the purchase price to be paid to the holders of Series 2002B Certificates purchased pursuant to Section 305 and Section 306 of this Series 2002B Supplemental Trust Agreement, which shall be equal to the principal portion represented thereby tendered for purchase plus accrued interest from the immediately preceding Interest Accrual Date to the Tender Date (if the Tender Date is not an Interest Payment Date).

“**Undelivered Certificate**” means any Series 2002B Certificate which constitutes an Undelivered Certificate under the provisions of Section 307 of this Series 2002B Supplemental Trust Agreement.

“**Underwriters**” means Salomon Smith Barney Inc., UBS PaineWebber Inc., A. G. Edwards & Sons, Inc., William R. Hough & Co., Jackson Securities, Inc., Raymond James & Associates, Inc. and Sterling Financial Investment Group, Inc.

“**Weekly Rate**” shall mean the rate for the interest portion represented by Series 2002B Certificates is determined for a Weekly Rate Period pursuant to Section 202(b) of this Series 2002B Supplemental Trust Agreement.

“**Weekly Rate Period**” shall mean each period during which a Weekly Rate is in effect.

ARTICLE II

THE SERIES 2002B CERTIFICATES

SECTION 201. AUTHORIZATION, PURPOSE, TERMS OF SERIES 2002B CERTIFICATES. (a) There is hereby created a Series of Certificates to be issued under the Trust Agreement to be known as “Certificates of Participation, Series 2002B, 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 2002B Certificates shall be issued for the purpose of (i) financing the acquisition, construction and installation of the Facilities described in Schedule 2002B, and (ii) paying Costs of Issuance of the Series 2002B Certificates.

(b) The principal portion of Basic Lease Payments represented by the Series 2002B Certificates due at maturity or upon prepayment thereof shall represent undivided proportionate interests in the principal portion of the Basic Lease Payments due on each of the Lease Payment Dates set forth on Schedule 2002B to the Master Lease.

(c) Until converted to another Rate Period as provided herein, the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates shall be calculated at a Weekly Rate and be payable on each Interest Payment Date for a Weekly Rate Period. Said interest shall represent an undivided proportionate interest in the interest portion of Basic Lease Payments due on each Lease Payment Date as provided in Schedule 2002B to the Master Lease, to and including the maturity or earlier prepayment date of each Series 2002B Certificate.

(d) Until converted to another Interest Rate Period as provided herein, the Series 2002B Certificates initially shall be substantially in the form attached as Exhibit A hereto. Unless the Corporation shall otherwise direct, the Series 2002B Certificates shall be lettered and numbered in such manner as the Trustee shall deem adequate and appropriate.

(e) The Series 2002B Certificates shall be dated as of the Closing Date and shall also show the date of authentication thereof.

(f) The Series 2002B Certificates shall initially represent an aggregate principal portion of Basic Lease Payments in the amount of \$115,350,000 in Authorized Denominations of \$100,000 and integral multiples of \$5,000 over \$100,000. Series 2002B Certificates shall mature on the Maturity Date subject to prepayment prior to maturity as described herein. The principal portion or prepayment price of the Series 2002B 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 2002B Certificates, the interest portion of Basic Lease Payments represented by the Series 2002B Certificates shall be payable by check or draft of the Trustee mailed to the holder thereof at the address of the holder shown on the registration records maintained by the Trustee as of the Record Date next preceding the Interest Payment Date. Such interest portion may be paid by wire transfer within the United States to the registered owners of \$1,000,000 or more in aggregate principal amount of Series 2002B Certificates upon their request in writing received no later than the Record Date prior to any Interest Payment Date. The Trustee may charge a reasonable fee for the cost of the wire transfer.

(g) So long as there shall be maintained a book-entry-only system with respect to the Series 2002B Certificates, the following provisions shall apply:

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be, the absolute owner of the Series 2002B Certificates for all purposes whatsoever, including without limitation:

- (A) the payment of the principal and interest portions represented by the Series 2002B Certificates;
- (B) giving notices of prepayment, tender and other matters with respect to the Series 2002B Certificates;
- (C) registering transfer with respect to the Series 2002B Certificates; and
- (D) the selection of Series 2002B Certificates for prepayment.

The School Board and the Trustee have entered into a blanket letter of representations with DTC providing for such book-entry-only system. Such agreement may be terminated at any time by either DTC or the School Board. In the event of such termination, the School Board shall select another securities depository. If the School Board does not replace DTC, the Trustee will register and deliver to the Beneficial Owners replacement Series 2002B Certificates in the form of fully registered Series 2002B Certificates, in accordance with instructions from Cede & Co.

Series 2002B Certificates will be issued directly to owners of the Series 2002B Certificates other than DTC, or its nominee, upon the occurrence of the following events (subject, however, to operation of the two sentences following clause (3) below):

- (1) DTC determines not to continue to act as securities depository for the Series 2002B Certificates; or
- (2) the School Board has advised DTC of its determination that DTC is incapable of discharging its duties; or
- (3) the School Board has determined that it is in the best interest of the Series 2002B Certificate holders not to continue the book-entry system of transfer or that interests of the Beneficial Owners of the Series 2002B Certificates might be adversely affected if the book-entry system of transfer is continued.

Upon occurrence of the event described in (1) or (2) above the School Board shall attempt to locate another qualified Securities Depository. If the School Board fails to locate another qualified Securities Depository to replace DTC, the Trustee shall authenticate and deliver Series 2002B Certificates in certificated form. In the event the School Board makes the determination noted in (2) or (3) above, and has made provisions to notify the Beneficial Owners of the Series 2002B Certificates of the availability of Series 2002B Certificates by mailing an appropriate notice to DTC, the School Board shall cause the Trustee to authenticate and deliver Series 2002B Certificates in certificated form, to DTC's Participants (as requested by DTC) in appropriate amounts. Notwithstanding the foregoing, while the Series 2002B Certificates are in an ARS Interest Rate Period, the School Board agrees that it will not make the determination noted in (2) or (3) above without the consent of the Series 2002B Credit Facility Issuer.

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The Series 2002B 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 2002B Certificates and so long as the Series 2002B 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 2002B 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 2002B Certificates ("Beneficial Owners").

The principal and interest portions of Basic Lease Payments represented by the Series 2002B 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 2002B Certificates shall initially be issued in the form of one fully registered Series 2002B Certificate for each maturity and shall be held in such form until maturity. Individuals may purchase beneficial interests in Authorized Denominations in book-entry-only form, without certificated Series 2002B Certificates, through DTC Participants and Indirect Participants.

During the period for which Cede & Co. is registered owner of the Series 2002B Certificates, any notice to be provided to any registered owner will be provided to Cede & Co. DTC shall be responsible for notice to DTC Participants and DTC Participants shall be responsible for notice to Indirect Participants, and DTC Participants and Indirect Participants shall be responsible for notice to individual purchasers of beneficial interests.

(i) Neither the School Board, the Trustee nor any of their respective affiliates shall have any responsibility or obligation with respect to:

(A) the accuracy of the records of DTC or any DTC Participant with respect to any beneficial ownership interest in the Series 2002B Certificates;

(B) the delivery to any DTC Participant, any beneficial owner of the Series 2002B Certificates or any other person, other than DTC, of any notice with respect to the Series 2002B Certificates; or

(C) the payment to any DTC Participant, any beneficial owner of the Series 2002B Certificates or any other person, other than DTC, of any amount with respect to the principal or interest portions represented by the Series 2002B Certificates.

(ii) So long as the Series 2002B Certificates are issued pursuant to this subsection (g), the School Board and the Trustee may treat DTC as, and deem DTC to

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SECTION 202. INTEREST RATE PROVISIONS

(a) **General.** Except as provided in Section 204 with respect to ARS and except as provided in Section 202(f) with respect to Provider Certificates, the interest rate and Interest Rate Period for the calculation of the interest portion of Basic Lease Payments represented by the Series 2002B Certificates may be adjusted as set forth in this Section 202. Except while the interest portion of Basic Lease Payments represented by Series 2002B Certificates is calculated at Certificate Interest Term Rates, the interest portion represented by all Series 2002B Certificates shall be calculated for the same Interest Rate Period.

The interest portion represented by the Series 2002B Certificate shall, at no time, be calculated at an interest rate in excess of the Maximum Rate, except that, as provided in Section 202(f), the interest rate paid by the School Board on Provider Certificates pursuant to any Liquidity Facility or agreement providing for a Liquidity Facility shall not exceed the Maximum Provider Rate, and the Auction Rate for ARS shall not exceed fifteen percent 15% per annum.

(i) **Payment of Interest.** Except as provided in Section 202(f) with respect to Provider Certificates, the interest portion represented by each Series 2002B Certificates shall be paid on each Interest Payment Date therefor.

(ii) **Interest Accrual.** Except during a Long-Term Rate Period or an ARS Interest Rate Period, the interest portion represented by the Series 2002B Certificates shall accrue on the basis of the actual number of days elapsed during the Interest Rate Period and a year of 365 days (366 days in a leap year). The interest portion represented by Series 2002B Certificates calculated at a Long-Term Rate shall accrue on the basis of a 360-day year based on twelve 30-day months.

The interest portion represented by the Series 2002B Certificates shall be paid on each Interest Payment Date. Each Series 2002B Certificate shall bear interest from and including the Interest Accrual Date immediately preceding the date of authentication thereof or, if such date of authentication is an Interest Accrual Date to which interest on such Series 2002B Certificates has been paid in full or duly provided for, from such date of authentication or, if it is the first payment of interest on such Series 2002B Certificates, the date thereof. Provided, however, if, as shown by the records of the Trustee, interest on a Series 2002B Certificates is in default, Series 2002B Certificates issued in exchange for Series 2002B Certificates surrendered for registration of transfer or exchange shall bear interest from the date to which interest has been paid in full on the Series 2002B Certificates so surrendered or, if no interest has been paid on such Series 2002B Certificates, from the date thereof. Provided further, if all Series 2002B Certificates to be remarketed are Provider Certificates, the Series 2002B Certificates issued in exchange for Provider Certificates surrendered for registration or transfer shall bear interest from the date to which interest has been paid in full on the Provider Certificates so exchanged.

(A) For any Daily Rate Period, the interest portion represented by the Series 2002B Certificates shall be payable on each Interest Payment Date for the period commencing on the prior Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date (or, if sooner, the last day of the Daily Rate Period).

(B) For any Weekly Rate Period, the interest portion represented by the Series 2002B Certificates shall be payable on each Interest Payment Date for the period commencing on the prior Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date (or, if sooner, the last day of the Weekly Rate Period).

(C) For any Short-Term Rate Period or Long-Term Rate Period, the interest portion represented by the Series 2002B Certificates shall be payable on each Interest Payment Date for the period commencing on the immediately preceding Interest Accrual Date and ending on the day immediately preceding such Interest Payment Date.

In any event, the interest portion represented by the Series 2002B Certificates shall be payable for the final Interest Rate Period to the date on which the Series 2002B Certificates have been paid in full.

The terms of the Series 2002B Certificates shall be divided into consecutive Interest Rate Periods during which the Series 2002B Certificates shall bear interest at the Daily Rate, Weekly Rate, Certificate Interest Term Rates, Long-Term Rate or Auction Rate. However, at any given time, all Series 2002B Certificates shall bear interest at a Daily Rate, a Weekly Rate, a Long-Term Rate or an Auction Rate or at Certificate Interest Term Rates.

(iii) *Determinations of Remarketing Agent Binding.* The determination for Series 2002B Certificate of the Daily Rate, Weekly Rate and Long-Term Rate and each Certificate Interest Term and Certificate Interest Term Rate by the Remarketing Agent shall be conclusive and binding upon the School Board, the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Provider and the Series 2002B Certificateholders.

(b) Weekly Rate and Weekly Rate Period.

(i) *Determination of Weekly Rate.* During each Weekly Rate Period, the interest portion represented by the Series 2002B Certificates shall be calculated at the Weekly Rate, which shall be determined by the Remarketing Agent by 5:00 p.m. on Wednesday of each week during the Weekly Rate Period, or if such day is not a Business Day, then on the next succeeding Business Day. The first Weekly Rate for each Weekly Rate Period shall be determined on or prior to the first day of such Weekly Rate Period and shall apply to the period commencing on the first day of such Weekly Rate Period and ending on and including the next succeeding Wednesday; provided, that the first Weekly Rate for the initial Weekly Rate Period shall be determined prior to the Closing Date and shall apply to the period commencing on the Closing Date and ending on and including the next succeeding Wednesday. Thereafter, each Weekly Rate shall apply to the period commencing on and including Thursday and ending on and including the next succeeding Wednesday, unless such Weekly Rate Period ends on a day other than Wednesday, in which event the last Weekly Rate for such Weekly Rate Period shall apply to the period commencing on and including the Thursday preceding the last day of such Weekly Rate Period and ending on and including the last day of such Weekly Rate Period.

Each Weekly Rate with respect to the interest portion represented by the Series 2002B Certificates shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing

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proposed effective date of the Weekly Rate Period; (C) that the Series 2002B Certificates are subject to mandatory tender for purchase on the proposed Conversion Date and setting forth the Tender Price and the place of delivery for purchase of the Series 2002B Certificates; and (D) the information set forth in Section 306(e).

(c) Daily Rate and Daily Rate Period.

(i) *Determination of Daily Rate.* During each Daily Rate Period, the interest portion of Basic Lease Payments represented by the Series 2002B Certificates shall be calculated at the Daily Rate, which shall be determined by the Remarketing Agent on each Business Day for such Business Day.

The Daily Rate with respect to Series 2002B Certificates subject to a Daily Rate Period shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2002B Certificates and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) on or before 9:30 a.m. on a Business Day to be the minimum interest rate which, if borne by the interest portion represented by all of the Series 2002B Certificates, would enable the Remarketing Agent to sell the Series 2002B Certificates on such Business Day at a price (without regard to accrued interest) equal to the principal portion represented thereby. The Daily Rate for any day which is not a Business Day shall be the same as the Daily Rate for the immediately preceding Business Day.

If for any reason a Daily Rate is not so established for any Business Day by the Remarketing Agent, the Daily Rate for such Business Day shall be the same as the Daily Rate for the immediately preceding day and such rate shall continue until the earlier of (A) the date on which the Remarketing Agent determines a new Daily Rate or (B) the seventh day succeeding the first such day on which such Daily Rate is not determined by the Remarketing Agent. In the event that the Daily Rate for a Series 2002B Certificates shall be held to be invalid or unenforceable by a court of law, or the Remarketing Agent fails to determine a new Daily Rate for a period of seven days as described in clause (B) of the immediately preceding sentence, the interest rate, as determined by the Remarketing Agent, shall be the interest rate per annum equal to 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal as reported for each Business Day (and for the next preceding Business Day for each day which is not a Business Day) until such Daily Rate is again validly determined by such Remarketing Agent.

(ii) *Conversion to Daily Rate.* Subject to Section 203 hereof, the School Board may, from time to time, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any), elect that the interest portion represented by the Series 2002B Certificates shall be calculated at a Daily Rate. The direction of the School Board shall specify (A) the proposed effective date of such Conversion to a Daily Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Weekly Rate Period, any Business Day, (3) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period or a day on which

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Agent, to the Series 2002B Certificates and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate which, if borne by the interest portion represented by the Series 2002B Certificates, would enable the Remarketing Agent to sell all of the Series 2002B Certificates on the effective date of that rate at a price (without regard to accrued interest) equal to the principal portion represented thereby.

If the Remarketing Agent fails to establish a Weekly Rate for any week then the Weekly Rate for such week on the interest portion of Basic Lease Payments represented by the Series 2002B Certificates shall be the same as the immediately preceding Weekly Rate if such Weekly Rate was determined by the Remarketing Agent. If the immediately preceding Weekly Rate was not determined by the Remarketing Agent, or if the Weekly Rate determined by the Remarketing Agent is held to be invalid or unenforceable by a court of law, then the Weekly Rate for such week, as determined by the Remarketing Agent, shall be equal to 110% of the BMA Municipal Swap Index of Municipal Market Data, a Thomson Financial Services Company, or its successors and assigns, made available for the week preceding the date of determination, or if such index is no longer available, 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in The Wall Street Journal on the day such Weekly Rate would otherwise be determined as provided herein for such Weekly Rate Period.

(ii) *Conversion to Weekly Rate.* Subject to Section 203 hereof, the School Board may, from time to time, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any), elect that the Series 2002B Certificates shall bear interest at a Weekly Rate. The direction of the School Board shall specify (A) the proposed effective date of the conversion to a Weekly Rate, which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period or a day on which the Series 2002B Certificates would otherwise be subject to optional prepayment pursuant to Section 303(c) hereof if such Conversion did not occur, (3) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of the Short-Term Rate Period determined in accordance with Section 202(c)(iv) and (4) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, and (B) the Tender Date for the Series 2002B Certificates which shall be the proposed effective date of the Conversion to a Weekly Rate. In addition, the direction of the School Board shall be accompanied by a form of notice to be mailed to the holders of such Series 2002B Certificates by the Trustee as provided in Section 202(b)(iii). During each Weekly Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the Series 2002B Certificates shall be a Weekly Rate.

(iii) *Notice of Conversion to Weekly Rate.* The Trustee shall give notice by first-class mail of a Conversion to a Weekly Rate Period to the holders of the Series 2002B Certificates not less than 30 days prior to the proposed effective date of such Weekly Rate Period. Such notice shall state (A) that the interest rate on the interest portion represented by the Series 2002B Certificates shall be converted to a Weekly Rate unless the School Board rescinds its election to convert the interest rate to a Weekly Rate as provided in Section 203(b); (B) the

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Series 2002B Certificates would otherwise be subject to optional prepayment pursuant to Section 303(c) if such Conversion did not occur, (4) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of the Short-Term Rate Period determined in accordance with Section 202(e)(iv) and (5) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, and (B) the Tender Date for the Series 2002B Certificates, which shall be the proposed effective date of the Conversion to a Daily Rate. In addition, the direction of the School Board shall be accompanied by a form of notice to be mailed by the Trustee to the holders of Series 2002B Certificates as provided in Section 202(c)(iii). During each Daily Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate for the interest portion represented by the Series 2002B Certificates shall be a Daily Rate.

(iii) *Notice of Conversion to Daily Rate.* The Trustee shall give notice by first-class mail of a Conversion to a Daily Rate Period to the holders of the Series 2002B Certificates not less than 30 days prior to the proposed effective date of such Daily Rate Period. Such notice shall state (A) that the interest rate shall be converted to a Daily Rate unless the School Board rescinds its election to convert the interest rate to a Daily Rate as provided in Section 203(b); (B) the proposed effective date of the Daily Rate Period; (C) that Series 2002B Certificates are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of the Series 2002B Certificates and (D) the information set forth in Section 306(e).

(d) Long-Term Rate and Long-Term Rate Period.

(i) *Determination of Long-Term Rate.* During each Long-Term Rate Period, the interest portion of Basic Lease Payments represented by Series 2002B Certificates shall be calculated at a Long-Term Rate. The Long-Term Rate for each Long-Term Interest Period shall be determined by the Remarketing Agent on a Business Day no later than the effective date of such Long-Term Rate Period.

The Long-Term Rate for a Long-Term Rate Period shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the judgment of the Remarketing Agent, to the Series 2002B Certificates and known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) to be the minimum interest rate at which the Remarketing Agent will agree to purchase the Series 2002B Certificates on such effective date for resale at a price (without regard to accrued interest) equal to the principal portion of Basic Lease Payments represented thereby.

In the event that for any reason the Remarketing Agent does not establish the Long-Term Rate as required above, then the interest portion represented by the Series 2002B Certificates shall continue to be calculated at the rate in effect for the immediately prior Long-Term Rate Period for a new Long-Term Rate Period equal in length to the immediately prior Long-Term Rate Period, unless (A) the School Board is able to obtain a Favorable Opinion and a Liquidity Facility meeting the requirements hereof with respect to Weekly Rate Periods is in effect, in which case the interest portion represented by the Series 2002B Certificates shall be converted to the Weekly Rate Period, or (B) if no Liquidity Facility meeting the requirements hereof with

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respect to the Weekly Rate Period is available, but the School Board is able to obtain a Favorable Opinion, the Series 2002B Certificates shall continue to bear interest at the rate in effect for the immediately prior Long-Term Rate Period, but for a new Long-Term Rate Period of one year, and the Series 2002B Certificates shall continue to be subject to mandatory tender for purchase on the effective date of the new Interest Rate Period.

(ii) *Conversion to or Continuation of Long-Term Rate.* (A) Subject to Section 203, at any time, the School Board, by written direction to the Trustee, the Tender Agent, the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and the Broker-Dealer (if any), may elect that the interest portion represented by the Series 2002B Certificates shall be calculated, or continue to be calculated, at a Long-Term Rate. The direction of the School Board (1) shall specify the duration of the Long-Term Rate Period; (2) shall specify the proposed effective date of the Long-Term Rate Period, which date shall be (w) a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (x) in the case of a Conversion from a Weekly Rate Period, any Business Day, (y) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of the Short-Term Rate Period determined in accordance with Section 202(e)(iv) and (z) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date; (3) shall specify the last day of the Long-Term Rate Period (which last day shall be either the day immediately prior to the Maturity Date, or a day which both immediately precedes a Business Day and is at least 181 days after the effective date thereof); (4) shall specify a Tender Date on or prior to which holders of Series 2002B Certificates are required to deliver their Series 2002B Certificates to be purchased; and (5) subject to the requirement of a Favorable Opinion as provided in Section 203(c) hereof, may specify prepayment prices and periods, and, if the last day of the Long-Term Rate Period shall be the day immediately prior to the Maturity Date, shall provide for the Series 2002B Certificates to mature serially in the principal amounts scheduled for mandatory sinking fund prepayment in accordance with a schedule set forth by the School Board.

(B) The direction of the School Board described in Section 202(d)(ii)(A) shall be accompanied by a form of the notice to be mailed by Trustee to the holders of the Series 2002B Certificates as provided in Section 202(d)(iii). During the Long-Term Rate Period, the interest rate on the interest portion represented by Series 2002B Certificates shall be a Long-Term Rate.

(C) If, by the second Business Day preceding the 29th day prior to the last day of any Long-Term Rate Period, the Trustee has not received notice of the School Board's election that, during the next succeeding Interest Rate Period, the interest portion represented by the Series 2002B Certificates shall be calculated at a Weekly Rate, a Daily Rate, the Applicable ARS Rate or another Long-Term Rate or at Certificate Interest Term Rates, the next succeeding Interest Rate Period shall be either (i) the shortest possible Long-Term Rate Period, if the School Board is able to obtain a Favorable Opinion, or (ii) a Long-Term Rate Period of the same duration as the previous Long-Term Rate Period, if the School Board is not able to obtain a Favorable Opinion, until such time as the interest rate shall be adjusted to a Daily Rate, Weekly Rate, Long-Term Rate or Certificate Interest Term Rates or the Applicable ARS Rate as provided in this Section 202 or Section 204(k), and the Series 2002B Certificates shall be

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days within the range or ranges announced by the Remarketing Agent as possible Certificate Interest Terms no later than 9:00 a.m. on the first day of each Certificate Interest Term. Each Certificate Interest Term shall be a period of not more than 180 days, determined by the Remarketing Agent in its reasonable judgment to be the period which, together with all other Certificate Interest Terms for all Series 2002B Certificates then Outstanding, will result in the lowest overall interest expense on the Series 2002B Certificates. Any Series 2002B Certificate purchased on behalf of the School Board and remaining unsold by the Remarketing Agent as of the close of business on the first day of the Certificate Interest Term for such Series 2002B Certificate shall have a Certificate Interest Term of one day or, if that Certificate Interest Term would not end on a day immediately preceding a Business Day, a Certificate Interest Term ending on the day immediately preceding the next Business Day. Each Certificate Interest Term shall end either on a day which immediately precedes a Business Day or on a day immediately preceding the Maturity Date for the Series 2002B Certificates. If for any reason a Certificate Interest Term cannot be determined by the Remarketing Agent, or if the determination of such Certificate Interest Term is held by a court of law to be invalid or unenforceable, then such Certificate Interest Term shall be 30 days, but if the day so determined is not a day immediately preceding a Business Day, that Certificate Interest Term shall end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, the Certificate Interest Term shall end on the day immediately preceding such Maturity Date. In determining the number of days in each Certificate Interest Term, the Remarketing Agent shall take into account the following factors: (1) existing short-term tax-exempt market rates and indices of such short-term rates, (2) the existing market supply and demand for short-term tax-exempt securities, (3) existing yield curves for short-term and long-term tax-exempt securities for obligations of credit quality and other characteristics comparable to the Series 2002B Certificates, (4) general economic conditions, (5) industry, economic and financial conditions that may affect or be relevant to the Series 2002B Certificates, and (6) such other facts, circumstances and conditions pertaining to financial markets as the Remarketing Agent in its sole discretion shall determine to be relevant; provided, however, that the number of days in any Certificate Interest Term shall not exceed the number of days of interest coverage provided under the Liquidity Facility, less five days.

The Certificate Interest Term Rate for each Certificate Interest Term shall be the rate of interest per annum determined by the Remarketing Agent (based on an examination of tax-exempt obligations comparable, in the reasonable judgment of such Remarketing Agent, to the Series 2002B Certificates and known by the Remarketing Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate which, if borne by such Series 2002B Certificate for such Certificate Interest Term, would enable the Remarketing Agent to sell such Series 2002B Certificate on the effective date of such Certificate Interest Term at a price equal to the principal amount thereof.

If for any reason a Certificate Interest Term Rate for any Series 2002B Certificate in a Short-Term Rate Period (other than a Provider Certificate) is not established by the Remarketing Agent for any Certificate Interest Term, or the determination of such Certificate Interest Term Rate is held by a court of law to be invalid or unenforceable, then the Series 2002B Certificate Interest Term Rate for such Certificate Interest Term, as determined by the Remarketing Agent, shall be the rate per annum equal to 70% of the interest rate on high-grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* as

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subject to mandatory purchase as provided in Section 306(b) hereof on the first day of such Long-Term Rate Period.

(iii) *Notice of Conversion to or Continuation of Long-Term Rate.* The Trustee shall give notice by first-class mail of a Conversion to (or the establishment of another) Long-Term Rate Period to the holders of each Series 2002B Certificates affected thereby not less than 30 days prior to the effective date of the Long-Term Rate Period. Such notice shall state (A) that the interest rate shall be converted to, or continue to be, a Long-Term Rate unless (1) the School Board rescinds its election to adjust the interest rate to a Long-Term Rate as provided in Section 203(b) or (2) all the Series 2002B Certificates are not remarketed at a Long-Term Rate; (B) the proposed effective date, duration and last day of the Long-Term Rate Period; (C) that the Series 2002B Certificates are subject to mandatory tender for purchase on such proposed effective date and setting forth the Tender Price and the place of delivery for purchase of the Series 2002B Certificates; and (D) the information set forth in Section 306(e).

(iv) *Conversion from Long-Term Rate Period.* The School Board may elect by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any) and the Remarketing Agent (if any), subject to Section 203 hereof, that, on the day immediately following the last day of a Long-Term Rate Period or a day on which the Series 2002B Certificates would otherwise be subject to optional prepayment pursuant to Section 303(c), the Series 2002B Certificates subject thereto shall no longer bear interest at the current Long-Term Rate and shall instead bear interest at a Weekly Rate, a Daily Rate, Certificate Interest Term Rates, the Applicable ARS Rate or a new Long-Term Rate, as specified in such election. In the notice of such election, the School Board shall also specify the effective date of the new Interest Rate Period, which date (1) shall be a Business Day no earlier than the 30th day after the second Business Day following the date of receipt by the Trustee of the notice of election from the School Board or, in the case of adjustment to a new Long-Term Rate Period, the 30th day after the second Business Day following the date of receipt by the Trustee of such notice and (2) shall be the day immediately following the last day of the Long-Term Rate Period currently in effect or a day on which the Series 2002B Certificates would otherwise be subject to optional prepayment pursuant to Section 303(c) if such Conversion did not occur. Such Series 2002B Certificates shall be subject to mandatory tender for purchase on the effective date of the new Interest Rate Period, in accordance with Section 306(b).

(e) **Certificate Interest Term Rates and Short-Term Rate Periods.**

(i) *Determination of Certificate Interest Terms and Certificate Interest Term Rates.* During each Short-Term Rate Period, the interest portion of Basic Lease Payments represented by a Series 2002B Certificate shall be calculated during each Certificate Interest Term at the Certificate Interest Term Rate for that Series 2002B Certificate. The Certificate Interest Term and the Certificate Interest Term Rate for each Series 2002B Certificate need not be the same for any two Series 2002B Certificates, even if determined on the same date. Each Certificate Interest Term and Certificate Interest Term Rate shall be determined by the Remarketing Agent no later than 9:00 a.m., New York City time, the first day of each Certificate Interest Term. Except for any Series 2002B Certificate purchased by the Bank on behalf of the School Board and remaining unsold by the Remarketing Agent at the close of business on the first day of the Certificate Interest Term, each Certificate Interest Term shall be for a period of

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reported on the first day of such Certificate Interest Term and which maturity most nearly equals the Certificate Interest Term for which a Certificate Interest Term Rate is being calculated.

(ii) *Conversion to Certificate Interest Term Rates.* Subject to Section 203 hereof, the School Board may, from time to time, by written direction to the Trustee, the Tender Agent, the Liquidity Provider (if any), the Remarketing Agent (if any), the Rating Agency (if any), the Auction Agent (if any) and the Broker-Dealer (if any), elect that the Series 2002B Certificates shall bear interest at Certificate Interest Term Rates. The direction of the School Board shall specify (A) the proposed effective date of the Short-Term Rate Period (during which the Series 2002B Certificates shall bear interest at Certificate Interest Term Rates), which shall be (1) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction, (2) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of such Long-Term Rate Period or a day on which the Series 2002B Certificates would otherwise be subject to optional prepayment pursuant to Section 303(c) if such Conversion did not occur, and (3) in the case of a Conversion from an ARS Interest Rate Period, an ARS Interest Payment Date, and (B) the Tender Date for the Series 2002B Certificates, which shall be the proposed effective date of the Short-Term Rate Period. In addition, the direction of the School Board shall be accompanied by a form of the notice to be mailed by the Trustee to the holders of Series 2002B Certificates as provided in Section 202(e)(iii). During each Short-Term Rate Period commencing on the date specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest portion represented by each Series 2002B Certificate shall be calculated at a Certificate Interest Term Rate during each Certificate Interest Term for that Series 2002B Certificate.

(iii) *Notice of Conversion to Certificate Interest Term Rates.* The Trustee shall give notice by first-class mail of a Conversion to a Short-Term Rate Period to the holders of the Series 2002B Certificates not less than 30 days prior to the proposed effective date of such Short-Term Rate Period. Such notice shall state (A) that the interest portion represented by the Series 2002B Certificates shall be calculated at Certificate Interest Term Rates unless the School Board rescinds its election to convert the interest rate calculation to Certificate Interest Term Rates as provided in Section 203(b); (B) the proposed effective date of the Short-Term Rate Period; (C) that the Series 2002B Certificates are subject to mandatory tender for purchase on the proposed effective date of the Short-Term Rate Period and setting forth the applicable Tender Price and the place of delivery for purchase of the Series 2002B Certificates; and (D) the information set forth in Section 306(e).

(iv) *Conversion from Short-Term Rate Period.* Subject to Sections 203(b) and 203(c) hereof, at any time during a Short-Term Rate Period, the School Board may elect, pursuant to Section 202(b)(ii), 202(c)(ii), 202(d)(ii) or 204(k) that the Series 2002B Certificates no longer shall bear interest at Certificate Interest Term Rates and shall bear interest at a Weekly Rate, a Daily Rate, a Long-Term Rate or the Applicable ARS Rate, as specified in such election.

The date on which all Certificate Interest Terms determined for such Series 2002B Certificates shall end shall be the last day of the current Short-Term Rate Period with respect thereto and the day next succeeding such date shall be the Maturity Date or the effective date of

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the Daily Rate Period, Weekly Rate Period, Long-Term Rate Period or ARS Interest Rate Period elected by the School Board.

(f) **Provider Certificates.** Notwithstanding anything in the Trust Agreement to the contrary, the interest portion represented by Provider Certificates shall be calculated at the rates (and on the basis) applicable from time to time under the applicable Liquidity Facility and such interest portion shall accrue and be payable on the dates as specified in the applicable Liquidity Facility; provided that, in any event, the interest portion represented by Provider Certificate shall not exceed the Maximum Provider Rate.

Promptly upon being notified of any date of remarketing of Provider Certificates, but not later than 12:30 p.m. on the remarketing date, the Liquidity Provider shall notify the Trustee of the Differential Interest Amount. The Trustee is directed to (y) pay the Differential Interest Amount to the Liquidity Provider with amounts deposited with the Trustee by the School Board from the Certificate Purchase Fund on the date of remarketing and (z) notify the Tender Agent and the Remarketing Agent of the amount of the interest portion that would have accrued on the same principal portion represented by Series 2002B Certificates, if any, that were not Provider Certificates. Notwithstanding anything in the Trust Agreement to the contrary, in the event that all Series 2002B Certificates being remarketed are Provider Certificates, such Provider Certificates shall be remarketed to the purchasers thereof without accrued interest.

(g) **Failed Remarketing; Liquidity Failure.** In the event any Series 2002B Certificates cannot be remarketed by the Remarketing Agent, and the Liquidity Facility is either unavailable or the Liquidity Provider for any reason fails to make payment thereunder, such Series 2002B Certificates shall bear interest at the LIBOR Rate, plus one-half percent (0.50%) per annum (which rate shall not exceed the Maximum Lawful Rate) until such time as the Remarketing Agent is able to remarket such Series 2002B Certificates or the Liquidity Facility is available to pay the Tender Price of such Series 2002B Certificates.

SECTION 203. CONVERSION OF INTEREST RATE PERIODS. At the direction of the School Board, from time to time, the Series 2002B Certificates may be converted from an Interest Rate Period to another Interest Rate Period as provided in Section 202(b)(ii), 202(c)(ii), 202(d)(ii), 202(e)(ii) or 204(k).

(a) **Notice Upon Converting Interest Rate.** If the School Board elects to convert the calculation of the interest portion of Basic Lease Payments represented by Series 2002B Certificates to a Weekly Rate, a Daily Rate, a Long-Term Rate, Certificate Interest Term Rates or the Applicable ARS Rate as provided in Section 202(b)(ii), 202(c)(ii), 202(d)(ii), 202(e)(ii) or 204(k), respectively, the written direction furnished by the School Board to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Remarketing Agent (if any), the School Board, the Auction Agent (if any) and the Broker-Dealer (if any) as required by those Sections shall be made by registered or certified mail, or by teletype confirmed by registered or certified mail. That direction shall specify whether the interest portion represented by Series 2002B Certificates is to be calculated at the Weekly Rate, Daily Rate, Long-Term Rate, Certificate Interest Term Rates or Applicable ARS Rate and shall be accompanied by a copy of the notice required to be given by the Trustee pursuant to Section 202(b)(iii), 202(d)(iii), 202(e)(iii) or 204(l), as the case may be.

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delivered a Tender Agent Agreement and a Remarketing Agreement and a Liquidity Facility acceptable to the Series 2002B Credit Facility Issuer and the Rating Agency.

(vi) In the case of any Conversion of Series 2002B Certificates from any Weekly Rate Period, Daily Rate Period, Long-Term Rate Period or Short-Term Rate Period to an ARS Interest Rate Period, prior to the Conversion Date the School Board shall have appointed an Auction Agent, Market Agent and a Broker-Dealer and there shall have been executed and delivered an Auction Agent Agreement, a Market Agent Agreement and a Broker-Dealer Agreement.

(vii) In the case of any Conversion of the interest portion represented by Series 2002B Certificates from any Interest Rate Period of a duration of less than 270 days, to any Interest Rate Period of a duration of 270 days or more, or in the event of a Conversion to the ARS Interest Rate, prior to the Conversion Date the School Board shall have entered into a written undertaking, satisfactory in form and substance to the Remarketing Agent, whereby the School Board agrees to comply with the continuing disclosure requirements of subsection (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, if and as then applicable.

(viii) The School Board shall have given notice of the proposed Conversion to each national rating agency then maintaining a rating on the Series 2002B Certificates at least 30 days prior to the proposed Conversion Date.

(d) **Failure to Meet Conditions.** In the event that any condition to the Conversion of Series 2002B Certificates shall not have been satisfied as provided in this Section 203 or otherwise under the Trust Agreement, then the Interest Rate Period shall not be converted and the Series 2002B Certificates shall continue to bear interest at the Weekly Rate, Daily Rate, Long-Term Rate (unless (1) the School Board is able to obtain a Favorable Opinion, and a Liquidity Facility meeting the requirements hereof with respect to Weekly Rate Periods is in effect, in which case the Series 2002B Certificates shall be converted to the Weekly Rate Period, or (2) if no such Liquidity Facility is then in effect but the School Board is able to obtain a Favorable Opinion, in which case the Series 2002B Certificates shall be converted to the shortest possible Long-Term Rate Period), Certificate Interest Term Rates or Applicable ARS Rate, as the case may be, as in effect immediately prior to such proposed Conversion, the Series 2002B Certificates shall continue to be subject to mandatory tender for purchase (except for Series 2002B Certificates in the ARS Interest Rate Period) on the date which would have been the Conversion Date as provided in Section 306(b).

(e) **Mandatory Conversion of Series 2002B Certificates.** At the direction of the Series 2002B Credit Facility Issuer the calculation of the interest portion on the Series 2002B Certificates shall be converted to a Long-Term Rate to maturity or, at the election of the School Board, to an Auction Rate, upon the occurrence of the following events: (i) failure of the Liquidity Provider to purchase tendered Series 2002B Certificates in accordance with the Liquidity Facility, (ii) expiration or termination of the Liquidity Facility if the School Board has not provided a replacement prior to such expiration or termination, (iii) Provider Certificates are outstanding for 45 days or more in any Fiscal Year, (iv) Provider Certificates bear interest at the Maximum Lawful Rate, (v) failure of the Remarketing Agent to remarket the Series 2002B

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(b) **Rescission of Election.** Notwithstanding anything in Section 202 or 204(k) or this Section 203, in connection with any Conversion of the Interest Rate Period for the Series 2002B Certificates, the School Board shall have the right to deliver to the Trustee, the Remarketing Agent (if any), the Tender Agent (if any), the Liquidity Provider (if any), the Auction Agent (if any) and the Broker-Dealer (if any) on or prior to 10:00 a.m. on the second Business Day prior to the effective date of any such Conversion a notice to the effect that the School Board elects to rescind its election to make such Conversion. If the School Board rescinds its election to make such Conversion, then the Interest Rate Period shall not be converted and the interest portion represented by Series 2002B Certificates shall continue to be calculated at the Weekly Rate, Daily Rate, Long-Term Rate, Certificate Interest Term Rates or Applicable ARS Rate, as the case may be, as in effect immediately prior to such proposed Conversion. In any event, if notice of a Conversion has been mailed to the holders of Series 2002B Certificates as provided in Section 202 or 204(l) and the School Board rescinds its election to make such Conversion, then the Series 2002B Certificates (except ARS) shall continue to be subject to mandatory tender for purchase on the date which would have been the effective date of the Conversion as provided in Section 306(b).

(c) **Certain Additional Conditions.** No Conversion from one Interest Rate Period to another shall take effect under this Series 2002B Supplemental Trust Agreement unless each of the following conditions, to the extent applicable, shall have been satisfied.

(i) The School Board shall have obtained and provided to the Trustee the written consent of the Liquidity Provider, if the Liquidity Facility is to remain in effect following the Conversion and if the proposed Conversion is to a Long-Term Rate and a Liquidity Facility will not be in effect, the School Board shall have obtained and provided to the Trustee the written consent of the Series 2002B Credit Facility Issuer.

(ii) With respect to the new Interest Rate Period, there shall be in effect a Liquidity Facility if and as required under Section 501.

(iii) The Trustee shall have received a Favorable Opinion, and, in the event that the Conversion would or could cause an Interest Payment Date to occur more often than once in thirty days, the consent of the Series 2002B Credit Facility Issuer with respect to such Conversion.

(iv) In the case of any Conversion with respect to which there shall be no Liquidity Facility in effect to provide funds for the purchase of Series 2002B Certificates on the Conversion Date, the remarketing proceeds available on the Conversion Date shall not be less than the amount required to purchase all of the Series 2002B Certificates at the Tender Price, not including premium, if any.

(v) In the case of any Conversion of Series 2002B Certificates from any ARS Interest Rate Period to any other Interest Rate Period (except a Long-Term Rate Period effective to the Maturity Date or at least one year in length or a Certificate Interest Rate Period effective to the day immediately preceding the Maturity Date), prior to the Conversion Date the School Board shall have appointed a Liquidity Provider acceptable to the Series 2002B Credit Facility Issuer, a Tender Agent and a Remarketing Agent and there shall have been executed and

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Certificates on three or more occasions, or (vi) failure of the School Board to provide an Alternate Liquidity Facility when required by the Trust Agreement.

SECTION 204. ARS INTEREST RATE PROVISIONS. The interest portion represented by Series 2002B Certificates while they are ARS shall accrue from and including the applicable Conversion Date.

(a) The Trustee shall determine the aggregate amount of the interest portion payable in accordance with subsection (d) below with respect to ARS on each ARS Interest Payment Date. Interest due on any ARS Interest Payment Date with respect to ARS shall equal (i) the Applicable ARS Rate, multiplied by (ii) the aggregate principal amount of the outstanding ARS, multiplied by (iii) the number of days in the applicable ARS Interest Period, divided by (iv) 360, and rounding the resultant figure to the nearest cent (a half cent being rounded upward). The Trustee shall promptly notify the Securities Depository of its calculations, as provided in Section 204(g)(ii)(B).

(b) The interest portion represented by ARS shall be computed on the basis of a 360-day year for the actual number of days elapsed. The Applicable ARS Rate for each ARS Interest Period shall be the Auction Rate relating to such Series 2002B Certificates; provided that

(i) if a notice of a proposed adjustment in the percentages used to determine the ARS Maximum Rate, the All-Hold Rate and the Non-Payment Rate shall have been given by the Market Agent in accordance with Section 204(h)(ii) with respect to ARS and because of a failure to satisfy either of the conditions set forth in clause (A) or (B) of Section 204(h)(iii) such adjustment shall not have taken effect, then an Auction shall not be held on the Auction Date immediately preceding the next succeeding ARS Interest Payment Date and the Applicable ARS Rate for such next succeeding ARS Interest Period shall equal the ARS Maximum Rate on such Auction Date; and

(ii) if, on any Auction Date, an Auction is not held for any reason (other than as set forth in clause (i) above), then the Applicable ARS Rate for the next succeeding ARS Interest Period shall equal the No Auction Rate on such Auction Date.

Notwithstanding the foregoing,

(x) if the ownership of ARS is no longer maintained in book-entry form by a Securities Depository, the Applicable ARS Rate for any ARS Interest Period commencing after the delivery of certificates representing ARS pursuant to Section 201(g) shall equal the ARS Maximum Rate; or

(y) if an ARS Payment Default shall have occurred, the Applicable ARS Rate for the ARS Interest Period commencing on or immediately after such ARS Payment Default and for each ARS Interest Period thereafter, to and including the ARS Interest Period, if any, during which, or commencing less than two Business Days after, such ARS Payment Default is cured in accordance herewith, shall equal the Non-Payment Rate on the first day of each such ARS Interest Period, provided that if an Auction occurred on the Business Day immediately preceding any such ARS Interest Period, the Applicable ARS Rate for such ARS Interest Period shall be the Non-Payment Rate.

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(c) *Medium of Payment.* Unless otherwise requested by the Securities Depository, payments of the principal portion represented by ARS, at maturity or upon prepayment, and payments of the interest portion represented by ARS made by wire transfer, shall be made by the Trustee in immediately available funds, provided, however, that such method of payment may be modified by written agreement among the Trustee, the Securities Depository and the Auction Agent.

(d) *Computation of Interest Distributable on ARS.* The amount of the interest portion distributable to ARS Beneficial Owners, in respect of each \$50,000 in principal amount thereof for any ARS Interest Period or part thereof, shall be calculated by the Trustee by applying the Applicable ARS Rate for such ARS Interest Period or part thereof, to the principal portion of \$50,000, multiplying such sum by the actual number of days in such ARS Interest Period or part thereof divided by 360 and rounding the resultant figure to the nearest cent (half a cent being rounded upward).

(e) *ARS Defaulted Interest.*

(i) The Trustee shall determine not later than 2:00 p.m., New York City time, on each ARS Interest Payment Date, whether an ARS Payment Default has occurred. If an ARS Payment Default has occurred, the Trustee shall, not later than 2:15 p.m. New York City time on such Business Day, send a notice of the ARS Payment Default to the Auction Agent and Broker-Dealer by telecopy or similar means and, if such ARS Payment Default is cured, the Trustee shall immediately send a notice of cure of ARS Payment Default to the Auction Agent and Broker-Dealer by telecopy or similar means.

(ii) ARS Defaulted Interest shall forthwith cease to be payable to an ARS Beneficial Owner on the relevant Record Date by virtue of having been such ARS Beneficial Owner and such ARS Defaulted Interest shall be payable to the Person in whose name the ARS with respect to such ARS Payment Default occurred are registered at the close of business on a Special Record Date fixed therefor by the Trustee, which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of ARS Defaulted Interest. The Trustee shall promptly notify the School Board of the Special Record Date and at the School Board's expense mail to each ARS Beneficial Owner of ARS as to which ARS Defaulted Interest is payable, not less than ten days before the Special Record Date, of the date of the proposed payment of such ARS Defaulted Interest.

(f) *Calculation of ARS Maximum Rate, All-Hold Rate and Non-Payment Rate.* The Auction Agent shall calculate the ARS Maximum Rate and the All-Hold Rate on each Auction Date. If the ownership of the ARS is no longer maintained in book-entry form by the Securities Depository, the Auction Agent shall calculate the ARS Maximum Rate on the Business Day immediately preceding each ARS Interest Payment Date after the delivery of certificates representing such ARS pursuant to Section 201(g). If an ARS Payment Default shall have occurred, the Trustee shall calculate the Non-Payment Rate on the first day of (i) each ARS Interest Period commencing after the occurrence and during the continuance of such ARS Payment Default and (ii) any ARS Interest Period commencing less than two Business Days after the cure of any ARS Payment Default. The Auction Agent shall determine the "AA" Composite Commercial Paper Rate for each ARS Interest Period other than the first ARS Interest Period,

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(iii) If any day scheduled to be an ARS Interest Payment Date shall be changed after the Trustee shall have given the notice referred to in clause (ii)(A) above, the Trustee shall immediately give notice of such change to the Auction Agent, so long as no ARS Payment Default has occurred and is continuing and the ownership of ARS is maintained in book-entry form by the Securities Depository.

(h) *Adjustment in Percentages*

(i) The Market Agent, with the prior consent of the School Board and the Series 2002B Credit Facility Issuer, shall adjust the percentage used in determining the All-Hold Rate, the Applicable Percentages used in determining the ARS Maximum Rate, the No Auction Percentages used in determining the No Auction Rate and the percentage of the Index used in calculating the Non-Payment Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any Change of Tax Law such that the interest portion represented by an ARS calculated at the ARS Maximum Rate, the All-Hold Rate, the No Auction Rate and the Non-Payment Rate in each case shall have substantially the same market value after such Change of Tax Law as before such Change of Tax Law. In making any such adjustment, the Market Agent shall take into account the following factors, as in existence both before and after such Change of Tax Law: (i) short-term taxable and tax-exempt market rates and indices of such short-term rates; (ii) the market supply and demand for short-term tax-exempt securities; (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the ARS, (iv) general economic conditions, and (v) economic and financial factors present in the securities industry that may affect, or that may be relevant to, the ARS.

(ii) The Market Agent shall communicate its determination to adjust the percentage used in determining the All-Hold Rate, the Applicable Percentages used in determining the ARS Maximum Rate, the No Auction Percentages used in determining the No Auction Rate and the percentage of the Index used in calculating the Non-Payment Rate pursuant to subsection (i) above by means of a notice of a proposed percentage change delivered in writing at least 10 days prior to the Auction Date on which the Market Agent desires to effect the change to the School Board, the Trustee, the Broker-Dealer and the Auction Agent. Such notice shall be effective only if it is accompanied by the form of a Favorable Opinion to the effect that such adjustment is authorized by this Section 204(h) and satisfies the requirements of the Trust Agreement, is permitted under the Code and will not have an adverse effect on the excludability of the interest portion represented by ARS from gross income for federal income tax purposes.

(iii) An adjustment in the percentages used to determine the All-Hold Rate, the ARS Maximum Rate, the No Auction Rate and the Non-Payment Rate shall take effect on an Auction Date only if:

(A) the Trustee, the Series 2002B Credit Facility Issuer and the Auction Agent receive, by 11:00 a.m., New York City time, on the Business Day immediately preceding such Auction Date, a notice of percentage change from the Market Agent by telecopy or similar means, (1) authorizing the adjustment of the percentage used to determine the All-Hold Rate, the Applicable Percentages used to determine the ARS Maximum Rate, the No Auction Percentages used in determining the No Auction Rate and the percentage of the Index

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provided, that if the ownership of ARS is no longer maintained in book-entry form, or if an ARS Payment Default has occurred, then the Trustee shall determine the "AA" Composite Commercial Paper Rate for each such ARS Interest Period. The determination by the Trustee or the Auction Agent, as the case may be, of the "AA" Composite Commercial Paper Rate, ARS Maximum Rate, All-Hold Rate and Non-Payment Rate shall (in the absence of manifest error) be final and binding upon all ARS Beneficial Owners and all other parties. If calculated or determined by the Auction Agent, the Auction Agent shall promptly advise the Trustee of the "AA" Composite Commercial Paper Rate, ARS Maximum Rate, All-Hold Rate and Non-Payment Rate.

If the Federal Reserve Bank of New York has not made available its 30-day commercial paper rate for purposes of determining the "AA" Composite Commercial Paper Rate, the Auction Agent or the Trustee, as the case may be, shall request that the School Board appoint at least three commercial paper dealers to provide commercial paper quotes for purposes of determining the "AA" Composite Commercial Paper Rate; and if the School Board shall fail to make any such appointment within three Business Days following such request, the Auction Agent or the Trustee, as the case may be, shall appoint such commercial paper dealers and notify the School Board of such appointment.

(g) *Notification of Rates, Amounts and Payment Dates.*

(i) So long as the ownership of ARS is maintained in book-entry form by the Securities Depository, the Trustee shall advise the Securities Depository of each Record Date for ARS at least two Business Days prior thereto and request, by 4:00 p.m. New York City time on the Business Day immediately preceding each Record Date, that the Securities Depository deliver to the Trustee a position listing showing, at the close of business on the applicable Record Date, the aggregate principal portion represented by ARS. On the Business Day following each such Record Date, the Trustee shall have obtained such a position listing from the Securities Depository. On the basis of such position listing, the Auction Agent shall determine the amount of the interest portion distributable on the next succeeding ARS Interest Payment Date to the ARS Beneficial Owners and, in the case of the stated maturity date, of the principal portion payable on the stated maturity date to the ARS Beneficial Owners.

(ii) On the Conversion Date, or as soon as practicable thereafter, and on the Business Day preceding each ARS Interest Payment Date, the Trustee shall advise:

(A) the Auction Agent, so long as no ARS Payment Default has occurred and is continuing and the ownership of ARS is maintained in book-entry form by the Securities Depository, of such next ARS Interest Payment Date; and

(B) the Securities Depository, so long as the ownership of ARS is maintained in book-entry form by the Securities Depository, of the amount of the interest portion distributable in respect of each \$50,000 in principal portion (taken without rounding to the nearest .000001) for any ARS Interest Period or part thereof, calculated in accordance with Section 204(d).

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used to determine the Non-Payment Rate which shall be specified in such authorization, and (2) confirming that Special Tax Counsel expects to be able to give a Favorable Opinion on or prior to such Auction Date to the effect that the adjustment in the percentage used to determine the All-Hold Rate, the Applicable Percentages used to determine the ARS Maximum Rate, the No Auction Percentages used in determining the No Auction Rate and the percentage of the Index used to determine the Non-Payment Rate is authorized by this Section 204(h), will not have an adverse effect on the excludability of interest on the ARS from gross income for federal income tax purposes; and

(B) the Trustee and the Auction Agent receive by 9:30 a.m., New York City time, on such Auction Date, an opinion of Certificate Counsel to the effect that the adjustment in the percentage used to determine the All-Hold Rate, the Applicable Percentages used to determine the ARS Maximum Rate, the No Auction Percentages used in determining the No Auction Rate and the percentage of the Index used to determine the Non-Payment Rate is authorized by this Series 2002B Supplemental Trust Agreement, will not have an adverse effect on the exclusion of interest on the ARS from gross income for federal income tax purposes.

If any of the conditions referred to in (A) or (B) above are not met, the existing percentage used in determining the All-Hold Rate, the percentage of the Index used in determining the Non-Payment Rate, the No Auction Percentages used in determining the No Auction Rate and the Applicable Percentages used in determining the ARS Maximum Rate shall remain in effect and the rate of interest for the next succeeding ARS Interest Period and each succeeding ARS Interest Period thereafter shall equal the ARS Maximum Rate on the Auction Date, until the conditions referred to in (A) and (B) have been met.

(i) *Changes in Auction Period.*

(i) The Auction Period for each Series 2002B Certificates with respect to each ARS Interest Rate Period initially shall be either a 35-day period or a seven-day period commencing on any Business Day, in each case as announced by the School Board in its notice of the proposed Conversion to such ARS Interest Rate Period as provided in Section 204(k).

(ii) During any ARS Interest Rate Period, the School Board may from time to time on any ARS Interest Payment Date change the length of the Auction Period with respect to all of the ARS between 35-days and seven-days and/or change the first day of each Auction Period, in each case in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by the interest portion represented by ARS. The School Board shall initiate the change in the length and/or day of commencement of the Auction Period by giving written notice to the Trustee, the Series 2002B Credit Facility Issuer, the Auction Agent, the Broker-Dealer and the Securities Depository that the Auction Period shall change if the conditions described herein are satisfied and the proposed effective date of the change, at least three Business Days prior to the Auction Date for such Auction Period.

(iii) Any such changed Auction Period shall be for a period of seven days or 35 days and shall be for all of the ARS.

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(iv) No change in the length or the day of commencement of the Auction Period for ARS shall be allowed unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in clause (ii) above and the Auction immediately preceding the proposed change.

(v) The change in length of the Auction Period for ARS shall take effect only if Sufficient Clearing Bids exist at the Auction on the Auction Date for the first such Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Holder shall be deemed to have submitted Sell Orders with respect to all of its ARS except to the extent such Existing Holder submits a Hold Order with respect to such ARS. If the condition referred to in the first sentence of this clause (v) is not met, the Auction Rate for the next Auction Period shall be the ARS Maximum Rate, and the Auction Period shall be the Auction Period already in effect.

(vi) No change in the length of the Auction Period for ARS to a seven-day period shall be allowed without the prior consent of the Series 2002B Credit Facility Issuer.

(j) *Changes in Auction Date.* During any ARS Interest Rate Period, the School Board, with the written consent of the Auction Agent, may specify an earlier Auction Date for any Business Day earlier (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the interest portion represented by ARS. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the School Board, the Broker-Dealer and the Securities Depository.

(k) *Conversion to Applicable ARS Rate.* Subject to Section 203 hereof, the School Board may, from time to time, by written direction to the Trustee, the Tender Agent (if any), the Liquidity Provider (if any), the Remarketing Agent (if any), the Auction Agent (if any) and each Broker-Dealer (if any), elect that the interest portion of Basic Lease Payments represented by Series 2002B Certificates shall bear interest at the Applicable ARS Rate. The direction of the School Board shall specify

(i) the proposed effective date of the Conversion to the Applicable ARS Rate, which shall be

(A) in each case, a Business Day not earlier than the 30th day following the second Business Day after receipt by the Trustee of such direction,

(B) in the case of a Conversion from a Daily Rate or a Weekly Rate, any Business Day,

(C) in the case of a Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long Term Interest Rate Period or a day

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to have agreed to the provisions for the replacement of the Auction Agent and the Market Agent as provided in this Series 2002B Supplemental Trust Agreement, and relevant agreements among the School Board, the Trustee, the Auction Agent, the Market Agent and the Broker-Dealer, as appropriate.

SECTION 207. ISSUANCE OF SERIES 2002B CERTIFICATES. The Series 2002B Certificates shall be issued upon delivery to the Trustee of the documents referred to in Section 304 of the Master Trust Agreement and the payment of the purchase price therefor, and upon delivery of the following additional documents:

(a) Remarketing Agreement;

(b) Tender Agent Agreement; and

(c) An Opinion of Counsel with respect to each Series 2002B Facility Site to the effect that there are no liens or encumbrances thereon that are not Permitted Encumbrances under the Master Lease, and that there shall be no merger of the fee estate of the School Board in the Series 2002B Facility Sites with the leasehold estates created by the Series 2002B Ground Lease or the Series 2002B Lease, notwithstanding the fact that the same person may hold one or more leasehold estates and such fee estate. To the extent that the Series 2002B Facility Sites have not yet been included in the Series 2002B Ground Lease at the time of execution hereof, the Series 2002B Ground Lease and Schedule 2002B shall be amended at the time of such acquisition to insert the legal description of such Series 2002B Facility Sites and Additional Permitted Encumbrances relating thereto, without the consent of the Series 2002B Credit Facility Issuer (unless such consent is otherwise required under the terms of the Master Lease) or the Series 2002B Certificate holders.

SECTION 208. SERIES 2002B PROJECT. Upon delivery of the Series 2002B Certificates, the Series 2002B Project shall be effectuated as provided in the Trust Agreement and the Series 2002B Lease.

ARTICLE III

PREPAYMENTS; TENDERS

SECTION 301. EXTRAORDINARY PREPAYMENT OF SERIES 2002B CERTIFICATES (a) Series 2002B Certificates shall be subject to prepayment in whole or in part at any time and if in part, in such order of maturity as shall be designated by the School Board, and by lot within a maturity in such manner as the Trustee shall determine to be fair and appropriate, in an amount equal to the principal portion of Basic Lease Payments prepaid under the Series 2002B Lease, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to the Series 2002B Facilities as a result of damage, destruction or condemnation of any portion of the Series 2002B 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 2002B Facilities and represented by the Series 2002B Certificates. Net Proceeds

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on which the Series 2002B Certificates would otherwise be subject to optional prepayment pursuant to Section 303(c) if such Conversion did not occur, and

(D) in the case of a Conversion from a Short-Term Rate Period, the day immediately following the last day of the Short-Term Rate Period,

(ii) the Tender Date for the Series 2002B Certificates to be purchased, which shall be the proposed effective date of the Conversion to the Applicable ARS Rate, and

(iii) the initial Auction Period for the Series 2002B Certificates.

In addition, the direction of the School Board shall be accompanied by a form of notice to be mailed to the holders of Series 2002B Certificates by the Trustee as provided in Section 204(l). During each ARS Interest Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Interest Rate Period, the interest rate borne by the interest portion represented by Series 2002B Certificates shall be the Applicable ARS Rate.

Upon the election of the School Board to convert Series 2002B Certificates to the Applicable ARS Rate, the School Board may elect to create one or more subseries within ARS, which may auction on different dates.

(l) *Notice of Conversion to Applicable ARS Rate.* The Trustee shall give notice by first-class mail of an adjustment to an ARS Interest Rate Period to the holders of the affected Series 2002B Certificates not less than 30 days prior to the proposed effective date of such ARS Interest Rate Period. Such notice shall state (i) that the interest rate shall be adjusted to the Applicable ARS Rate unless the School Board rescinds its election to adjust the interest rate to the Applicable ARS Rate as provided in Section 203(b); (ii) the proposed effective date of the ARS Interest Rate Period; (iii) that such ARS are subject to mandatory tender for purchase on the proposed effective date and setting forth the Tender Price and the place of delivery for purchase of the such Series 2002B Certificates; and (iv) the information set forth in Section 306(e).

(m) *Mandatory Conversion of ARS.* In the event that the calculation of the interest portion represented by ARS has been determined at the ARS Maximum Rate for two or more consecutive ARS Interest Period, at the written direction of the Series 2002B Credit Facility Issuer and delivery to the Trustee of a Favorable Opinion, the interest portion represented by the Series 2002B Certificates shall be converted to a Long-Term Rate to maturity.

SECTION 205. PROVISIONS RELATING TO AUCTIONS. The School Board shall not be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder, nor shall the School Board be responsible for failure by any Securities Depository to effect any transfer or to provide the Auction Agent with current information regarding registration of transfers. The School Board shall have no liability in the event that there are not Sufficient Clearing Bids from time to time pursuant to the Auction Procedures.

SECTION 206. AGREEMENT OF HOLDERS. By purchasing ARS, whether in an Auction or otherwise, each prospective purchaser of ARS or its Broker-Dealer will be deemed

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deposited to the Prepayment Account for the prepayment of the Series 2002B Certificates in accordance with this Section 301 shall remain uninvested pending such application.

(b) At the election of the Series 2002B Credit Facility Issuer (exercised at its sole discretion), Series 2002B Certificates shall be subject to prepayment in whole at any time from funds provided by the Series 2002B Credit Facility Issuer, 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.

SECTION 302. MANDATORY SINKING FUND PREPAYMENT. Series 2002B Certificates are subject to mandatory prepayment prior to maturity in part from payments of the principal portion of Basic Lease Payments as set forth in the Series 2002B Lease, through the operation of a sinking fund on the dates and in the amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date.

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Date	Principal Amount	Date	Principal Amount
August 2, 2018	\$ 3,045,000	August 3, 2023	\$ 12,410,000
August 1, 2019	10,420,000	August 1, 2024	12,970,000
August 6, 2020	10,810,000	August 7, 2025	13,510,000
August 5, 2021	11,370,000	August 6, 2026	14,150,000
August 4, 2022	11,875,000	August 1, 2027*	14,790,000

* Final Maturity

Any Series 2002B Certificate subject to mandatory prepayment may be purchased by the School Board prior to the forty-fifth (45th) day preceding the respective Prepayment Date at a price (including any brokerage and other charges) not exceeding the principal amount thereof, plus accrued interest to the date of purchase. At its option, to be exercised on or before the forty-fifth (45th) day next preceding any such applicable Prepayment Date, the School Board may receive a credit against its mandatory prepayment obligation for the applicable Series 2002B Certificates which prior to such date have been (i) purchased by the School Board and presented to the Trustee for cancellation or (ii) prepaid (otherwise than through the operation of the sinking fund) and canceled by the Trustee and not theretofore applied as a credit against any sinking fund prepayment obligation. Each Series 2002B Certificate so purchased, delivered or previously prepaid shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the School Board on such sinking fund prepayment date. Any excess over such obligation shall be credited against applicable future sinking fund prepayment obligations, or deposits with respect thereto, in chronological order, and the principal amount of such Series 2002B Certificates to be prepaid by operation of the mandatory sinking fund shall be accordingly reduced.

Mandatory sinking fund prepayments scheduled to occur during an Auction Period of less than 180 days shall be made on the Interest Payment Date immediately succeeding the Auction Period during which such scheduled sinking fund prepayment would otherwise have occurred. Mandatory sinking fund prepayments scheduled to occur during an Auction Period of 180 days or more shall be made on the scheduled sinking fund prepayment date. The Trustee shall provide notice to the Tender Agent, the Auction Agent and the Broker-Dealers of mandatory sinking fund prepayments which occur while the Series 2002B Certificates are ARS.

Notwithstanding any provision in the Trust Agreement or the Series 2002B Certificates to the contrary, this Series 2002 Supplemental Trust Agreement and the Series 2002B Certificates may be amended as of a Conversion Date upon the request of the School Board and provision of a Favorable Opinion to the Trustee, without the consent of any of the Series 2002B Certificateholders, to revise the sinking fund prepayment provisions in connection with a Conversion of the Series 2002B Certificates to a Long-Term Rate (including to enable the issuance of serial Series 2002B Certificates rather than or in addition to term Series 2002 Certificates) and a concurrent revision to the schedules of Basic Lease Payments set forth in the

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Years from Conversion Date until end of Long-Term Rate Period	First Day of Prepayment Period	Prepayment Price
More than fifteen	Tenth anniversary of Conversion Date	101% declining by 1% on the next anniversary after the tenth anniversary of the Conversion Date and thereafter at 100%
More than ten but not more than fifteen	Seventh anniversary of Conversion Date	101% declining by 1% on the next anniversary after the seventh anniversary of the Conversion Date and thereafter at 100%
More than seven but not more than ten	Fifth anniversary of Conversion Date	101% declining by 1% on the next anniversary after the fifth anniversary of the Conversion Date and thereafter at 100%
More than four but not more than seven	Third anniversary of Conversion Date	101% declining by 1% on the next anniversary after the third anniversary of the Conversion Date and thereafter at 100%
Four or fewer	Second anniversary of Conversion Date	100%

Notwithstanding any provision in the Trust Agreement or the Series 2002B Certificates to the contrary, this Series 2002B Supplemental Trust Agreement and the Series 2002B Certificates may be amended as of the Conversion Date to a Long-Term Rate Period upon the request of the School Board, without the consent of any of the Series 2002B Certificate holders, to change the prepayment provisions applicable during such Long-Term Rate Period to such prepayment provisions as are recommended by the Remarketing Agent as conforming to then current market practices and acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee; provided that in the event of a Conversion to a Long-Term Rate Period resulting from a failed Conversion or a mandatory Conversion pursuant to Sections 203(e) or 204(m) of this Series 2002B Supplemental Trust Agreement, the prepayment provisions applicable during a Long-Term Rate Period may be changed to any prepayment provisions acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee.

(d) Prior to notice being given to the Owners of affected Series 2002B Certificates of any optional prepayment of Series 2002B Certificates under this Section 303, either (i) there

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Series 2002B Lease, provided that any modification which does not result in substantially level payments of the Basic Lease Payments represented by the Series 2002B Certificates together with the Basic Lease Payments represented by the Series 2002A Certificates shall require the prior written consent of the Series 2002B Credit Facility Issuer.

SECTION 303. OPTIONAL PREPAYMENT OF SERIES 2002B CERTIFICATES. Series 2002B Certificates shall be subject to prepayment if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series 2002B Lease at the times, and in the amounts provided below.

(a) During any period in which the interest portion of Basic Lease Payments represented by the Series 2002B Certificates is determined at a Daily Rate or Weekly Rate, the Series 2002B Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part on any date in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct at a price equal to the principal portion of Basic Lease Payments represented thereby, without premium, plus the interest portion of Basic Lease Payments represented thereby accrued to the prepayment date.

(b) During any period in which the interest portion of Basic Lease Payments represented by the Series 2002B Certificates is determined at Certificate Interest Term Rates, the Series 2002B Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part on the day succeeding the last day of any Certificate Interest Term with respect to each Series 2002B Certificate in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct at a price equal to the principal portion of Basic Lease Payments represented thereby, without premium, plus the interest portion of Basic Lease Payments represented thereby accrued to the Prepayment Date.

(c) During any period in which the interest portion of Basic Lease Payments represented by the Series 2002B Certificates is determined at a Long-Term Rate, the Series 2002B Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part (i) on the first day of such Long-Term Rate Period, at a Prepayment Price equal to the principal portion of Basic Lease Payments represented thereby, without premium, plus the interest portion of Basic Lease Payments represented thereby accrued to the Prepayment Date, and (ii) at the times and at the prices set forth below, and in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct, plus the interest portion of Basic Lease Payments represented thereby accrued to the Prepayment Date:

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shall be deposited with the Trustee an amount sufficient to pay the principal portion of the Basic Lease Payments represented by Series 2002B Certificates subject to prepayment, plus accrued interest to the prepayment date, plus any premium applicable to such prepayment, or (ii) such notice shall state that the prepayment is conditioned on the receipt of moneys for such prepayment by the Trustee on or prior to the Prepayment Date. In the event that a conditional notice of prepayment is given and such moneys are not timely received, the prepayment for which such notice was given shall not be undertaken. Amounts deposited pursuant to this paragraph shall be kept by the Trustee in a trust account separate and segregated from all other moneys deposited under the Trust Agreement and shall be held uninvested unless invested at the direction of an Authorized Officer only in Government Obligations that mature on or before the Prepayment Date.

(e) Provider Certificates are subject to prepayment prior to maturity (i) at the option of the School Board as a whole or in part in such amounts and of such maturities (treating sinking fund prepayment dates as maturities for such purpose) as the School Board may direct on any date at the principal portion represented thereby, without premium, plus the accrued interest portion represented thereby to the prepayment date and (ii) otherwise as provided in the Liquidity Facility or other reimbursement or similar agreement entered into between the School Board and the Liquidity Provider.

(f) ARS are subject to prepayment at the option of the School Board, on any ARS Interest Payment Date, as a whole or in part in an Authorized Denomination, at a prepayment price equal to the principal portion represented thereby, without premium, plus the accrued interest portion represented thereby to the Prepayment Date.

SECTION 304. PURCHASE IN LIEU OF PREPAYMENT. If all Series 2002B Certificates Outstanding are called for prepayment pursuant to Section 303 hereof, the Series 2002B Certificates may, in lieu of such prepayment, be purchased by the Trustee, at the written direction of the School Board to the Trustee, given not less than 10 days prior to the scheduled optional Prepayment Date. The Trustee shall give immediate notice of such direction to the Tender Agent, the Remarketing Agent, the Auction Agent, if any, and the Liquidity Provider, if any. Any purchase of Series 2002B Certificates pursuant to this Section 304 shall be in whole and not in part. Such purchase shall be made on the date the Special Purchase Series 2002B Certificates are otherwise scheduled to be prepaid at the Special Purchase Price.

SECTION 305. OPTIONAL TENDER.

(a) **During Weekly Rate Period.** During any Weekly Rate Period, Series 2002B Certificates (other than Provider Certificates) shall be purchased in an Authorized Denomination (provided that the amount of any such Series 2002B Certificate not to be purchased shall also be in an Authorized Denomination) from its Certificateholder at the option of such Certificateholder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of Series 2002B Certificates and to the Trustee at its Principal Office of an irrevocable written notice which states the principal portion represented by such Series 2002B Certificate, the principal portion represented thereby to be purchased and the date on which the same shall be purchased, which date shall be a Business Day not prior to the seventh day after the date of the delivery of

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such notice to the Tender Agent. Any notice delivered to the Tender Agent after 4:00 p.m. shall be deemed to have been received on the next succeeding Business Day. For payment of the Tender Price on the Tender Date, such Series 2002B Certificate must be delivered at or prior to 10:00 a.m. on the Tender Date to the Tender Agent at its Principal Office for delivery of Series 2002B Certificates accompanied by an instrument of transfer, in form satisfactory to the Tender Agent executed in blank by the Series 2002B Certificate holder or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company, or member firm of the New York Stock Exchange.

During any Weekly Rate Period for which a book-entry-only system is in effect, any Series 2002B Certificate or portion thereof (provided that the principal portion represented by such Series 2002B Certificate to be purchased and the principal portion represented thereby to be retained shall each be an Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the Participant, shall be delivered on any Business Day by the Participant for such Series 2002B Certificate to the Tender Agent at its Principal Office for the delivery of such Series 2002B Certificates, to the Trustee at its Principal Office and to the Remarketing Agent. That notice shall state the principal portion represented by such Series 2002B Certificate (or interest therein), the principal portion represented thereby to be purchased and the date on which the same shall be purchased, which date shall be a Business Day at least seven days after the date of delivery of such notice to the Trustee. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Series 2002B Certificates at least equal to the principal portion represented by the Series 2002B Certificates specified in such irrevocable written notice, payment of the Tender Price of such Series 2002B Certificate shall be made by 3:00 p.m., or as soon as practicably possible thereafter, upon the receipt by the Trustee of the Tender Price as set forth in Section 308(b) on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Series 2002B Certificate tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 10:00 a.m., on the date specified in such notice.

(b) **During Daily Rate Period.** During any Daily Rate Period, any Series 2002B Certificate (other than a Provider Certificate) shall be purchased in an Authorized Denomination (provided that the principal portion represented by any such Series 2002B Certificate not to be purchased shall also be in an Authorized Denomination) from its Certificateholder at the option of the Series 2002B Certificate holder on any Business Day at a purchase price equal to the Tender Price, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office for delivery of Series 2002B Certificates and to the Trustee at its Principal Office, by no later than 11:00 a.m. on such Business Day, of an irrevocable written notice or an irrevocable telephonic notice, promptly confirmed by teletype or other writing, which states the principal portion represented by such Series 2002B Certificates to be purchased and the date of purchase. For payment of such purchase price on the date specified in such notice, such Series 2002B Certificates must be delivered, at or prior to 12:00 noon, on such Business Day, to the Tender Agent at its Principal Office for delivery of Series 2002B Certificates, accompanied by an instrument of transfer thereof, in form satisfactory to such Tender Agent, executed in blank by the Series 2002B Certificate holder thereof or its duly-authorized attorney, with such signature

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Price, payable by wire transfer in immediately available funds, if such Series 2002B Certificate is delivered to the Tender Agent on or prior to 12:00 noon on the Tender Date, or if delivered after 12:00 noon, on the next succeeding Business Day. Interest shall cease to accrue on the interest portion represented by such Series 2002B Certificate on the last day of each Certificate Interest Term. The Tender Price shall be payable only upon surrender of such Series 2002B Certificate to the Tender Agent at its Principal Office for delivery of Series 2002B Certificates, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Series 2002B Certificate holder or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

(b) **On First Day of Each Interest Rate Period.** The Series 2002B Certificates shall be subject to mandatory tender for purchase on (i) a Conversion Date, and (ii) for Series 2002B Certificates the interest portion of which is calculated at the Certificate Interest Term Rate or the Long-Term Rate, on the first day of each Interest Rate Period with respect to such Series 2002B Certificates (or on the day which would have been the first day of an Interest Rate Period with respect to such Series 2002B Certificates had one of the events specified in Section 203(c) or 203(d) hereof not occurred which resulted in the calculation of the interest portion represented by such Series 2002B Certificates not being adjusted, except for a failed Conversion from an ARS Interest Rate Period), at the Tender Price, payable in immediately available funds. For payment of the Tender Price on the Tender Date, a Series 2002B Certificate must be delivered at or prior to 10:00 a.m. on the Tender Date. If delivered after that time, the Tender Price shall be paid on the next succeeding Business Day.

(c) **Upon Termination, Replacement or Expiration of Liquidity Facility; Mandatory Standby Tender.** If at any time the Trustee gives notice, in accordance with Section 501(c) hereof, that the Tender Price on any Series 2002B Certificates tendered for purchase shall, on the date specified in such notice, cease to be subject to purchase pursuant to the Liquidity Facility then in effect as a result of (i) the termination (except for an Immediate Termination Event), replacement or expiration of the term, as extended, of that Liquidity Facility, including but not limited to termination at the option of the School Board in accordance with the terms of such Liquidity Facility, or (ii) the occurrence of a Mandatory Standby Tender, then, on the fifth Business Day preceding any such termination, replacement or expiration (but in the case of a Mandatory Standby Tender, in no event later than the 30th day after the receipt by the Trustee of notice from the Liquidity Provider directing the Mandatory Standby Tender) of such Liquidity Facility, including any termination as a result of a Mandatory Standby Tender, each such Series 2002B Certificate shall be purchased or deemed purchased at the Tender Price.

Payment of the Tender Price of any such Series 2002B Certificate shall be made in immediately available funds by 3:00 p.m. on the Tender Date upon delivery of such Series 2002B Certificate to the Tender Agent at its Principal Office for delivery of Series 2002B Certificates, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Series 2002B Certificate holder with the signature of such holder guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange, at or prior to 12:00 noon on the Tender Date specified in Section 501(c). If, as a result of any such Mandatory Standby Tender, expiration, termination with notice, or replacement of such a Liquidity Facility, any Series 2002B Certificate is no longer subject to

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guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

During any Daily Rate Period for which a book-entry-only system is in effect, any Series 2002B Certificate or portion thereof (provided that the principal portion represented by such Series 2002B Certificate to be purchased and the principal portion to be retained shall each be an Authorized Denomination) shall be purchased on the date specified in the notice referred to below at the Tender Price. The irrevocable written notice, executed by the Participant, shall be delivered on any Business Day by the Participant for such Series 2002B Certificate to the Tender Agent at its Principal Office for the delivery of such Series 2002B Certificates, to the Trustee at its Principal Office and to the Remarketing Agent by 11:00 a.m. That notice shall state the principal portion represented by such Series 2002B Certificate (or interest therein), the portion thereof to be purchased and the date on which the same shall be purchased. Upon confirmation by the Securities Depository to the Trustee that such Participant has an ownership interest in the Series 2002B Certificates at least equal to the principal portion represented by Series 2002B Certificates specified in such irrevocable written notice, payment of the Tender Price of such Series 2002B Certificate shall be made by 3:00 p.m., or as soon as practicably possible thereafter, upon the receipt by the Trustee of the Tender Price as set forth in Section 308(b) on the Business Day specified in the notice upon the transfer on the registration books of the Securities Depository of the beneficial ownership interest in such Series 2002B Certificate tendered for purchase to the account of the Tender Agent, or a Participant acting on behalf of such Tender Agent, at or prior to 1:30 p.m. on the date specified in such notice.

(c) **Irrevocable Notice Deemed to be Tender of Series 2002B Certificate.** The giving of notice by a holder of Series 2002B Certificates as provided in Section 305 hereof shall constitute the irrevocable tender for purchase of each Series 2002B Certificate with respect to which such notice is given regardless of whether that Series 2002B Certificate is delivered to the Tender Agent for purchase on the relevant Tender Date.

The Tender Agent may refuse to accept delivery of any Series 2002B Certificate for which a proper instrument of transfer has not been provided. However, such refusal shall not affect the validity of the purchase of such Series 2002B Certificate as described in this Series 2002B Supplemental Trust Agreement.

(d) **In the event of an Immediate Termination Event or Suspension, there will be no mandatory tender of the Series 2002B Certificates and the obligation of the Liquidity Facility Issuer to purchase the Series 2002B Certificates pursuant to the Liquidity Facility will cease without notice. The School Board shall not be obligated to provide funds for the payment of the Tender Price of Series 2002B Certificates upon any tender.**

SECTION 306. MANDATORY TENDER.

(a) **On the Day Next Succeeding Last Day of Each Certificate Interest Term.** On the first day following the last day of each Certificate Interest Term for a Series 2002B Certificate, unless such day is the first day of a new Interest Rate Period (in which case such Series 2002B Certificate shall be subject to mandatory purchase pursuant to Section 306(b)), such Series 2002B Certificate shall be subject to mandatory tender for purchase at the Tender

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purchase pursuant to a Liquidity Facility, the Tender Agent (upon receipt from the holder thereof in exchange for payment of the Tender Price thereof) shall present such Series 2002B Certificate to the Trustee for notation of such fact thereon. **In no event shall the School Board be obligated to provide funds for the payment of the Tender Price of the Series 2002B Certificates.**

(d) **Upon Purchase in Lieu of Prepayment.** The Series 2002B Certificates Outstanding shall be subject to mandatory tender for purchase if in accordance with Section 304 hereof the School Board gives written directions to the Trustee not less than ten (10) days prior to a scheduled optional Prepayment Date to purchase the Series 2002B Certificates rather than prepay them on such date. Such purchase shall be made on the date the Special Purchase Series 2002B Certificates are otherwise scheduled to be prepaid at the Special Purchase Price.

(e) **Notice.** In connection with any mandatory tender for purchase of Series 2002B Certificates in accordance with Section 306(b) hereof, the Trustee shall give the notice required by this Section 306(e) as a part of the notice given pursuant to Section 202(b)(iii), 202(c)(iii), 202(d)(iii), 202(e)(iii) or 204(l). In connection with any mandatory tender for purchase of Series 2002B Certificates in accordance with Section 306(c) hereof, the Trustee shall give the notice required by this Section 306(e) as a part of the notice given pursuant to Section 501(c). Such notice shall state (i) in the case of a mandatory tender for purchase pursuant to Section 306(b) hereof, the type of Interest Rate Period to commence on such mandatory purchase date; (ii) in the case of a mandatory tender for purchase pursuant to Section 306(c) hereof, that the Liquidity Facility will expire, terminate or be replaced and that the Series 2002B Certificates will no longer be payable from the Liquidity Facility then in effect and that any rating applicable to the Series 2002B Certificates may be reduced or withdrawn; (iii) that the Tender Price of any Series 2002B Certificate subject to mandatory tender for purchase shall be payable only upon surrender of that Series 2002B Certificate to the Tender Agent at its Principal Office for delivery of Series 2002B Certificates, accompanied by an instrument of transfer, in form satisfactory to the Tender Agent, executed in blank by the Series 2002B Certificate holder or its duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (iv) that, provided that moneys sufficient to effect such purchase shall have been provided through the remarketing of such Series 2002B Certificates by the Remarketing Agent or through the Liquidity Facility, all Series 2002B Certificates subject to mandatory tender for purchase shall be purchased on the Mandatory Tender Date; and (v) that if any holder of a Series 2002B Certificate subject to mandatory tender for purchase does not surrender that Series 2002B Certificate to the Tender Agent for purchase on the mandatory Tender Date, then that Series 2002B Certificate shall be deemed to be an Undelivered Certificate, that no interest shall accrue on that Series 2002B Certificate on and after the mandatory Tender Date and that the holder shall have no rights under this Series 2002B Supplemental Trust Agreement other than to receive payment of the Tender Price.

In connection with a mandatory tender pursuant to Section 306(d), the Trustee is not required to give notice to Owners other than the notice of optional prepayment required in accordance with the Trust Agreement.

SECTION 307. UNDELIVERED SERIES 2002B CERTIFICATES. The Tender Agent may refuse to accept delivery of any Series 2002B Certificate for which a proper

instrument of transfer has not been provided. However, such refusal shall not affect the validity of the purchase of such Series 2002B Certificate as described in this Series 2002B Supplemental Trust Agreement. If any holder of a Series 2002B Certificate who has given notice of tender of purchase pursuant to Section 305 hereof or any holder of a Series 2002B Certificate subject to mandatory tender for purchase pursuant to Section 306 hereof, shall fail to deliver that Series 2002B Certificate to the Tender Agent at the place and on the Tender Date and at the time specified, or shall fail to deliver such Series 2002B Certificate properly endorsed, that Series 2002B Certificate shall constitute an Undelivered Certificate. If funds in the amount of the purchase price of the Undelivered Certificate are available for payment to the holder thereof on the Tender Date and at the time specified, then from and after the Tender Date and time of that required delivery (A) the Undelivered Certificate shall be deemed to be purchased and shall no longer be deemed to be Outstanding under the Trust Agreement; (B) the interest portion shall no longer accrue for an Undelivered Certificate; and (C) funds in the amount of the Tender Price of the Undelivered Certificate shall be held uninvested by the Trustee for the benefit of the holder thereof (provided that the holder shall have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of the Undelivered Certificate to the Tender Agent at its Principal Office for delivery of Series 2002B Certificates.

SECTION 308. NOTICE OF SERIES 2002B CERTIFICATES DELIVERED FOR PURCHASE; PURCHASE OF SERIES 2002B CERTIFICATES; DEPOSIT OF TENDER PRICE.

(a) **Determination by Tender Agent; Notice of Tender.** For purposes of Section 305 and 306 hereof, the Tender Agent shall determine timely and proper delivery of Series 2002B Certificates pursuant to this Series 2002B Supplemental Trust Agreement and the proper endorsement of Series 2002B Certificates delivered. That determination shall be binding on the holders of those Series 2002B Certificates, the School Board, the Liquidity Provider, the Remarketing Agent and the Series 2002B Credit Facility Issuer, absent manifest error.

In accordance with the provisions of the Tender Agent Agreement, the Tender Agent shall give notice by telephone or teletype, promptly confirmed by a written notice, to the Trustee, the School Board, the Remarketing Agent and the Liquidity Provider specifying the principal amount of Series 2002B Certificates as to which it receives notice of tender for purchase in accordance with Section 305 hereof.

(b) **Purchase of Series 2002B Certificates; Sources and Deposits of Tender Price.** Series 2002B Certificates required to be purchased in accordance with Sections 305 and 306 hereof shall be purchased from the holders thereof, on the Tender Date and at the Tender Price. Funds for the payment of the Tender Price shall be received by the Tender Agent from the following sources and used in the order of priority indicated:

(i) proceeds of the sale of Series 2002B Certificates remarketed pursuant to Section 309 and the Remarketing Agreement and furnished to the Tender Agent by the Remarketing Agent for deposit into the Remarketing Account of the Certificate Purchase Fund; and

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determined by telephone or teletype, promptly confirmed in writing. In lieu of the notification provided in the preceding sentence, the Remarketing Agent may make such information available by readily accessible electronic means.

(c) **Notice of Purchase and Remarketing.** The Remarketing Agent shall give notice by facsimile transmission, telephone or teletype, promptly confirmed by a written notice, to the Trustee and the Tender Agent on each date on which Series 2002B Certificates have been purchased pursuant to Section 308(b)(i) specifying the principal amount of such Series 2002B Certificates, if any, sold by it pursuant to Section 309(a) along with a list of the purchasers showing the names and denominations in which such Series 2002B Certificates shall be registered, and the addresses and social security or taxpayer identification numbers of such purchasers.

SECTION 310. DELIVERY OF SERIES 2002B CERTIFICATES.

(a) Series 2002B Certificates purchased with money described in Section 308(b)(i) shall be made available by the Trustee to the Tender Agent and the Remarketing Agent for delivery to the purchasers thereof against payment therefor in accordance with the Tender Agent Agreement.

(b) Series 2002B Certificates purchased with money described in Section 308(b)(ii) shall be registered in the name of the Liquidity Provider and delivered in certificated form to the Liquidity Provider as soon as practical following their purchase or held by the Tender Agent as agent for the Liquidity Provider, as directed by the Liquidity Provider.

(c) Series 2002B Certificates delivered as provided in this Section 310 shall be registered in the manner directed by the recipient thereof.

(d) When any Provider Certificates are remarketed, the Tender Agent shall not release Series 2002B Certificates so remarketed to the Remarketing Agent until the Tender Agent has received and forwarded to the Liquidity Provider the proceeds of such remarketing and (unless the Liquidity Facility is no longer to remain in effect), the Liquidity Facility has been reinstated.

SECTION 311. DELIVERY OF PROCEEDS OF SALE. The proceeds of the sale by the Remarketing Agent of any Series 2002B Certificates shall be delivered to the Tender Agent for deposit into the Remarketing Account of the Certificate Purchase Fund as provided herein and in the Remarketing Agreement.

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(ii) money furnished by the Liquidity Provider to the Tender Agent for deposit into the Liquidity Facility Purchase Account of the Certificate Purchase Fund from Requests on the Liquidity Facility, if any (provided that moneys from Requests on the Liquidity Facility shall not be used to purchase Provider Certificates).

In no event shall the School Board be obligated to provide funds for the payment of the Tender Price of the Series 2002B Certificates.

Money held in the Certificate Purchase Fund shall be held uninvested by the Tender Agent.

(c) **Undelivered Certificates; Tender Price.** If a Series 2002B Certificate purchased as provided in this Section 308 is not presented to the Tender Agent, the Tender Agent shall segregate and hold uninvested the money for the Tender Price of such Tender Certificate in trust for the benefit of the former holder of such Series 2002B Certificate, who shall, except as provided in the following sentences of this paragraph, thereafter be restricted exclusively to such money for the satisfaction of any claim for the Tender Price. Any money which the Tender Agent segregates and holds in trust for the payment of the Tender Price of any Series 2002B Certificate which remains unclaimed for five years after the date of purchase shall be paid to the School Board. After the payment of such unclaimed money to the School Board, the former holder of such Series 2002B Certificate shall look only to the School Board for the payment thereof. The School Board shall not be liable for any interest on unclaimed money and shall not be regarded as a trustee of such money.

SECTION 309. REMARKETING OF SERIES 2002B CERTIFICATES; NOTICE OF INTEREST RATES.

(a) **Remarketing.** Upon a mandatory tender (other than a Mandatory Standby Tender or upon termination, replacement or expiration of the Liquidity Facility) or notice of tender for purchase of Series 2002B Certificates, the Remarketing Agent shall offer for sale and use its best efforts to sell such Series 2002B Certificates (including Provider Certificates) on the same date designated for purchase thereof in accordance with Section 305 or 306 hereof, as the case may be, and, if not remarketed on such date, thereafter until sold, at a price equal to the Tender Price. Series 2002B Certificates subject to a Mandatory Standby Tender shall not be remarketed, unless such Series 2002B Certificates are in a Long-Term Rate Period or Certificate Interest Term Period to their Maturity Date, or an Alternate Liquidity Facility is in full force and effect. Series 2002B Certificates shall not be remarketed to the School Board or the Corporation.

(b) **Notice of Rates and Terms.** The Remarketing Agent shall determine the rate of interest on the interest portion of Basic Lease Payments represented by the Series 2002B Certificates during each Interest Rate Period (except during the ARS Interest Period) and each Certificate Interest Term relating thereto and the Series 2002B Certificate Interest Terms for Series 2002B Certificates during each Short-Term Rate Period relating thereto as provided in Section 202 hereof and shall furnish to the Trustee and the School Board on the date of determination for Series 2002B Certificates in the Certificate Interest Term Rate (or in the case of the Daily Rate, Friday of each week, or in the case of the Weekly Rate, the date after determination) each rate of interest on the interest portion and Certificate Interest Term so

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ARTICLE IV

ESTABLISHMENT OF ACCOUNTS; APPLICATION OF SERIES 2002B CERTIFICATE PROCEEDS; DISBURSEMENTS

SECTION 401. ESTABLISHMENT OF ACCOUNTS.

(a) There are hereby established the following accounts and subaccount:

(i) within the Project Fund, the Series 2002B Acquisition Account and the Series 2002B Cost of Issuance Subaccount therein, more particularly described in Section 402 of the Trust Agreement;

(ii) the Series 2002B Lease Payment Account, more particularly described in Section 404 of the Trust Agreement and within such account, the Interest Reserve Subaccount and the Interest Portion Subaccount, more particularly described in paragraph (c) below;

(iii) the Series 2002B Prepayment Account, more particularly described in Section 406 of the Trust Agreement; and

(iv) the Certificate Purchase Fund, and within such fund, a Remarketing Account and a Liquidity Facility Purchase Account, all as more particularly described in paragraph (d) below.

(b) If on any Payment Date, the amount of all Basic Lease Payments represented by the Series 2002B Certificates due and payable exceeds the amount on hand in the Series 2002B Lease Payment Account, except as provided in Section 405(a) of the Trust Agreement, the Trustee shall apply the moneys on hand therein in accordance with the priorities set forth in Section 504 of the Trust Agreement.

(c) On the Closing Date, the Trustee shall deposit in the Interest Reserve Subaccount the amount provided by the School Board in accordance with Section 5 of Schedule 2002B. Thereafter while the interest portion of the Series 2002B Certificates is calculated at a Daily Rate or a Weekly Rate, the Trustee shall deposit upon receipt of each such payment in the Interest Reserve Subaccount an amount from each Basic Lease Payment equal to the Interest Reserve Portion for the prior Accrual Period.

On each Lease Payment Date while the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates is calculated at a Daily Rate or a Weekly Rate, the Trustee shall deposit to the Interest Portion Subaccount from Basic Lease Payments provided by the School Board on such date an amount equal to the interest accrued during the period commencing on the prior Interest Payment Date and ending on (and including) the day next preceding such Lease Payment Date. On the fourth Business Day preceding each Interest Payment Date while the interest portion of the Series 2002B Certificates is calculated at a Daily Rate or a Weekly Rate, (i) the Trustee shall deposit to the Interest Portion Subaccount amounts received from the Swap Provider pursuant to the Swap Agreement, and (ii) the Trustee shall determine whether amounts in the Interest Portion Subaccount together with an amount from the Interest Reserve Subaccount equal to the Interest Reserve Portion for the current Accrual Period

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are sufficient to pay on such Interest Payment Date (x) the accrued interest portion represented by the Series 2002 Certificates due on such Interest Payment Date, (y) amounts due to the Swap Provider on such Interest Payment Date in accordance with the Swap Agreement and (z) the amount, if any, by which the payment from the Swap Provider exceeds the interest portion accrued during the Accrual Period ending prior to such Interest Payment Date. In the event that amounts in the Lease Payment Account and amounts in the Interest Reserve Subaccount equal to the Interest Reserve Portion for the current Accrual Period on the fourth Business Day preceding an Interest Payment Date are not sufficient to pay the amounts described in clauses (x) and (y) of the preceding sentence, the Trustee shall, not later than the next Business Day, notify the School Board of the amount of such deficiency and the School Board shall cure such deficiency. If the School Board has not cured such deficiency by the second Business Day preceding the Interest Payment Date, the Trustee shall make a claim under the Swap Policy in accordance with its terms in the amount of such deficiency. The amount, if any, described in clause (z) above shall remain in the Interest Portion Subaccount and serve as a credit against the interest portion of Basic Lease Payments due from the School Board on the next Interest Payment Date. On each Lease Payment Date while the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates is calculated at a Daily Rate or a Weekly Rate, the Trustee shall pay to (i) Certificateholders the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates due on such Interest Payment Date (A) from amounts on deposit in the Interest Portion Subaccount an amount equal to the interest accrued during the period commencing on the prior Interest Payment Date and ending on (and including) the day next preceding the prior Lease Payment Date and (B) from amounts on deposit in the Interest Reserve Subaccount an amount equal to the Interest Reserve Portion for the current Accrual Period and (ii) to the Swap Provider the swap payment due from the School Board under the Swap Agreement on such Interest Payment Date.

Upon Conversion to an interest rate mode other than a Daily Rate or Weekly Rate or in the event that the Swap Agreement has been terminated, amounts on deposit in the Interest Reserve Subaccount and the Interest Portion Subaccount shall be deposited to the Lease Payment Account and credited against Basic Lease Payments to be made by the School Board and the Interest Reserve Subaccount and the Interest Portion Subaccount shall be closed.

(d) There is hereby established with and maintained by the Tender Agent for the Series 2002B Certificates a separate trust fund which shall be referred to herein as a "Certificate Purchase Fund". The Tender Agent shall further establish within each Certificate Purchase Fund a separate trust account to be referred to herein as a "Remarketing Account", and a separate trust account to be referred to herein as a "Liquidity Facility Purchase Account." All amounts held in the Certificate Purchase Fund by the Tender Agent shall be held uninvested and separate and apart from all other funds and accounts.

(i) *Remarketing Account.* Upon receipt of the proceeds of a remarketing of Series 2002B Certificates on a Tender Date pursuant to Section 311, the Tender Agent shall deposit such proceeds in the Remarketing Account of the Certificate Purchase Fund for application to the Tender Price of Series 2002B Certificates in accordance with Section 308(b)(i) and, if the Tender Agent is not a paying agent with respect to such Series 2002B Certificates, shall transmit such proceeds to the Trustee for such application. Notwithstanding the foregoing,

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regard to gradations within such category which rating is not based on a Liquidity Facility. The suspension of a Liquidity Facility shall not be deemed a failure to provide a Liquidity Facility.

(b) **Requests to Pay Tender Price.** If there is not a sufficient amount of money available to pay the Tender Price pursuant to the Tender Agent Agreement and Section 308(b)(i) hereof on a Tender Date on which Series 2002B Certificates are required to be purchased pursuant to Section 305 or 306, the Tender Agent shall make a Request or Requests under the Liquidity Facility in accordance with its terms, at the times and in the manner required by the Liquidity Facility and the Tender Agent Agreement to receive immediately available funds on the Tender Date sufficient to pay the balance of the Tender Price. The Tender Agent agrees to deposit the proceeds of such Requests in the Liquidity Facility Purchase Account pursuant to Section 308(b)(ii) hereof and the Tender Agent Agreement pending application of that money to the payment of the Tender Price. In determining the amount of the Tender Price then due, the Tender Agent shall not take into consideration any Provider Certificates. No Requests shall be made under a Liquidity Facility to pay the Tender Price of Provider Certificates or Certificates owned by, for the account of or on behalf of the School Board. Provider Certificates may not be tendered for purchase at the option of the Liquidity Provider.

The Tender Agent, by accepting its appointment as such, agrees without further direction, to make Requests under each Liquidity Facility then in effect, if any, for the purchase of Series 2002B Certificates in accordance with the terms and conditions set forth in this Series 2002B Supplemental Trust Agreement, the Tender Agent Agreement and the Liquidity Facility at the times, in the manner and for the purposes set forth herein and therein.

(c) **Notice of Termination, Event of Default or Other Change in Liquidity Facility.** The Trustee shall give notice by mail to the holders of Series 2002B Certificates secured by a Liquidity Facility (i) on or before the 30th day preceding the termination or expiration of such Liquidity Facility (except in the case of a termination resulting from an event referred to in the following paragraph) in accordance with its terms, or (ii) in the case of any Mandatory Standby Tender under such Liquidity Facility, as soon as reasonably possible, but no later than the Business Day following the receipt by the Trustee of notice of the Mandatory Standby Tender. The notice shall be accompanied by directions for the purchase of the Series 2002B Certificates pursuant to Section 306(c) hereof. The notice shall (A) state the date of such termination, replacement or expiration and the date of the proposed substitution of an Alternate Liquidity Facility (if any), (B) state that the Series 2002B Certificates will be purchased pursuant to Section 306(c) hereof on the fifth Business Day preceding such termination or expiration, including any termination as a result of a Mandatory Standby Tender, and (C) any other information required in the notice to the holders of the Series 2002B Certificates by Section 306(c) hereof. The School Board shall provide the Trustee with written notice of any information, including, as appropriate, the termination date of the Liquidity Facility, or the date on which the Mandatory Purchase is to occur, required to enable the Trustee to give the foregoing notice. The School Board shall provide such notice at a time sufficient to allow the Trustee to give the notice required by this Section 501(c), and which will result in any event (other than in the case of an immediate termination or suspension of the Liquidity Facility) in the establishment of a mandatory purchase date occurring prior to the termination of the Liquidity Facility.

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upon receipt of the proceeds of a remarketing of Provider Certificates, the Tender Agent shall immediately pay such proceeds to the Liquidity Provider.

(ii) *Liquidity Facility Purchase Account.* Upon receipt from the Liquidity Provider of the immediately available funds transferred to the Tender Agent pursuant to Section 501 hereof, the Tender Agent shall deposit such money in the Liquidity Facility Purchase Account of the Certificate Purchase Fund for application to the Tender Price of the Series 2002B Certificates required to be purchased on a Tender Date in accordance with Section 308(b)(ii) to the extent that the money on deposit in the Remarketing Account of the Certificate Purchase Fund shall not be sufficient. Any amounts deposited in the Liquidity Facility Purchase Account and not needed with respect to any Tender Date for the payment of the Tender Price for any Series 2002B Certificates shall be immediately returned to the Liquidity Provider.

(e) The moneys on deposit in the Accounts and Subaccounts described herein shall be disbursed by the Trustee in the manner and for the purposes described in the Trust Agreement.

SECTION 402. APPLICATION OF PROCEEDS OF SERIES 2002B CERTIFICATES. The Trustee shall deposit in the Series 2002B Acquisition Account and the Series 2002B Cost of Issuance Subaccount therein the amounts of \$114,053,654.00 and \$280,704.59, respectively, from the proceeds of the sale of the Series 2002B Certificates. The sum of \$567,850.41 representing the premium for the Series 2002B Credit Facility shall be wire transferred by Salomon Smith Barney Inc. to the Series 2002B Credit Facility Issuer and the sum of \$77,000.00 representing the premium for the Swap Policy shall be wire transferred by Salomon Smith Barney Inc. to the Swap Policy Provider.

ARTICLE V

LIQUIDITY FACILITY; REMARKETING AGENT; TENDER AGENT

SECTION 501. LIQUIDITY FACILITY.

(a) **Requirement of Liquidity Facility.** A Liquidity Facility, in an amount equal to the sum of outstanding principal and interest calculated at the Maximum Rate for 35 days, or such other amount as may be approved by the Series 2002B Credit Facility Issuer and each Rating Agency, shall be maintained by the School Board for Series 2002B Certificates bearing interest at the Weekly Rate, the Daily Rate or Certificate Interest Term Rates and, if and to the extent that the School Board shall elect, for Series 2002B Certificates bearing interest at the Long-Term Rate. If the Series 2002B Certificates are converted to any Interest Rate Period other than a Daily Rate Period or a Weekly Rate Period, and a Liquidity Facility is required to be in place pursuant to this Section 501, each rating agency then rating the Series 2002B Certificates must approve the number of days of interest coverage to be included in the Liquidity Facility. Notwithstanding the foregoing, subject to the consent of the Series 2002B Credit Facility Issuer, no Liquidity Facility shall be required in any Interest Rate Period during which the Series 2002B Certificates receive a rating from each Rating Agency in the highest short-term category without

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If there should occur any event resulting in the immediate termination or suspension of the obligation of the Liquidity Provider to purchase Series 2002B Certificates under the terms of any Liquidity Facility, then the Trustee shall as soon as practicably possible thereafter notify the holders of all the Series 2002B Certificates then outstanding that: (i) the Liquidity Facility has been terminated or suspended, as the case may be; (ii) the Tender Agent will no longer be able to purchase Series 2002B Certificates with moneys available under the Liquidity Facility; and (iii) the Liquidity Provider is under no obligation to purchase Series 2002B Certificates or to otherwise advance moneys to fund the purchase of Series 2002B Certificates.

(d) **Surrender of Liquidity Facility.** If an Alternate Liquidity Facility is delivered to the Tender Agent pursuant to Section 502 hereof with the documents required by Section 502, then the Tender Agent shall accept the Alternate Liquidity Facility and surrender the Liquidity Facility previously held for cancellation, provided that no Liquidity Facility shall be surrendered until after the date on which Series 2002B Certificates required to be purchased pursuant to Section 306(c) have been purchased in accordance with Section 306(c). If a Liquidity Facility automatically terminates, the Tender Agent shall surrender such Liquidity Facility to the issuer thereof for cancellation in accordance with the terms of the Liquidity Facility. Upon the defeasance of a Series 2002B Certificates pursuant to this Series 2002B Supplemental Trust Agreement and at such time as a Series 2002B Certificates is no longer subject to tender for purchase, the Tender Agent shall surrender the Liquidity Facility, if any, to the Liquidity Provider for cancellation in accordance with the terms of that Liquidity Facility. The Tender Agent shall comply with the procedures set forth in each Liquidity Facility relating to the termination thereof and shall deliver any certificates reducing the stated amount of the Liquidity Facility in accordance with the provisions therein.

(e) Notices from School Board and Trustee.

(i) *Notices from School Board.* The School Board shall give notice to the Trustee, the Remarketing Agent and the Tender Agent promptly upon the occurrence of any of the following events:

- (A) the extension of the Expiration Date;
- (B) the execution of an Alternate Liquidity Facility; and
- (C) the appointment of a successor to any of the Liquidity Provider, the Remarketing Agent or the Tender Agent.

(ii) *Notices from Trustee to Holders of Series 2002B Certificates.* The Trustee shall, promptly upon receipt of notice from: (A) the School Board of the occurrence of any of the events listed in subparagraph (i) above, give notice to the holders of Outstanding Series 2002B Certificates of the occurrence of that event and (B) the Liquidity Provider of notice of a Mandatory Standby Tender or of immediate termination of the Liquidity Facility, give notice to the School Board, the Tender Agent, the Remarketing Agent and the holders of Outstanding Series 2002B Certificates of the occurrence of the Mandatory Standby Tender or the immediate termination of the Liquidity Facility, as the case may be, with the information set forth in Section 501(c).

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(f) Any provision in this Series 2002B Supplemental Trust Agreement requiring notice to or from a Liquidity Provider or the consent thereof prior to any action by the Trustee or the School Board shall have no force or effect with respect to such Liquidity Provider (i) following the later of (A) the termination or expiration of such Liquidity Facility, and (B) the repayment of all amounts owed to such Liquidity Provider pursuant to the credit or reimbursement agreement pursuant to which such Liquidity Facility was issued or (ii) following the failure or refusal of such Liquidity Provider to honor a properly presented and conforming draw under such Liquidity Facility, except with respect to all rights accruing to the Liquidity Provider with respect to unreimbursed draws on the Liquidity Facility.

SECTION 502. ALTERNATE LIQUIDITY FACILITIES.

(a) Delivery by School Board.

(i) Not later than 35 days prior to the expiration or termination of a Liquidity Facility relating to the Series 2002B Certificates, in accordance with the terms of that Liquidity Facility and upon the written consent of the Series 2002B Credit Facility Issuer, the School Board may provide for the delivery to the Tender Agent of an Alternate Liquidity Facility which has a term of at least 360 days. Any Alternate Liquidity Facility delivered to the Tender Agent pursuant to this Section 502(a)(i) shall contain administrative provisions reasonably acceptable to the Tender Agent. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, the School Board shall furnish to the Tender Agent (A) if the Alternate Liquidity Facility is issued by a Liquidity Provider other than a domestic commercial bank, an Opinion of Counsel satisfactory to the Tender Agent, the Remarketing Agent and the Series 2002B Credit Facility Issuer that no registration of the Alternate Liquidity Facility is required under the Securities Act, and no qualification of the Trust Agreement is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled and (B) an Opinion of Counsel satisfactory to the Tender Agent, the Remarketing Agent and the Series 2002B Credit Facility Issuer to the effect that such Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof.

(ii) In lieu of the Opinion of Counsel required by clause (A) of subparagraph (i) above, there may be delivered an Opinion of Counsel reasonably satisfactory to the School Board, the Remarketing Agent, the Tender Agent and the Series 2002B Credit Facility Issuer to the effect that either (A) at all times during the term of the Alternate Liquidity Facility, the Series 2002B Certificates will be offered, sold and held by holders in transactions not constituting a public offering of such Series 2002B Certificates or the Alternate Liquidity Facility under the Securities Act, and accordingly no registration under the Securities Act, nor qualification of the Trust Agreement under the Trust Indenture Act, will be required in connection with the issuance and delivery of the Alternate Liquidity Facility or the remarketing of such Series 2002B Certificates with the benefits thereof, or (B) the offering and sale of the Series 2002B Certificates, to the extent evidencing the Alternate Liquidity Facility, has been registered under the Securities Act and any indenture required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (A) of this paragraph is given, the Series 2002B Certificates and any transfer records relating to the Series 2002B Certificates shall be noted indicating the restrictions on sale and transferability described in such clause (A).

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The Remarketing Agent shall signify its acceptance of the duties and obligations imposed upon it under the Trust Agreement by a written instrument of acceptance (which may be the Remarketing Agreement) delivered to the School Board, the Trustee, the Tender Agent, the Series 2002B Credit Facility Issuer and the Liquidity Provider, under which the Remarketing Agent shall agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the School Board, the Trustee, the Tender Agent, the Series 2002B Credit Facility Issuer and the Liquidity Provider at all reasonable times.

SECTION 504. QUALIFICATIONS OF REMARKETING AGENT; RESIGNATION AND REMOVAL. Each Remarketing Agent shall be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least \$15,000,000 and authorized by law to perform all the duties imposed upon it by the Trust Agreement and the Remarketing Agreement. Each Remarketing Agent shall be acceptable to the Liquidity Provider and the Series 2002B Credit Facility Issuer. A Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Series 2002B Supplemental Trust Agreement by giving notice to the School Board, the Trustee, the Tender Agent, the Series 2002B Credit Facility Issuer and the Liquidity Provider. Such resignation shall take effect on the 45th day after the receipt by the School Board of the notice of resignation. A Remarketing Agent may be removed at any time on 45 days prior written notice, by an instrument signed by the School Board and the Series 2002B Credit Facility Issuer, approved by the Liquidity Provider and delivered to such Remarketing Agent, the Trustee and the Tender Agent. Notwithstanding the provisions of this paragraph, such resignation or removal shall not take effect prior to the date that a successor Remarketing Agent acceptable to the Series 2002B Credit Facility Issuer has been appointed by the School Board and has accepted such appointment.

SECTION 505. TENDER AGENT. The Trustee shall be the initial Tender Agent with respect to the Series 2002B Certificates. The Trustee hereby agrees to carry out its responsibilities as Tender Agent set forth in this Series 2002B Supplemental Trust Agreement. Each Tender Agent appointed by the School Board shall designate its Principal Office for delivery of notices and delivery of Series 2002B Certificates in the Tender Agent Agreement and signify its acceptance of the duties and obligations imposed upon it under this Series 2002B Supplemental Trust Agreement by a written instrument of acceptance (which may be the Tender Agent Agreement) delivered to the School Board, the Trustee, the Series 2002B Credit Facility Issuer, the Liquidity Provider and the Remarketing Agent. By acceptance of its appointment under this Series 2002B Supplemental Trust Agreement, the Tender Agent agrees:

(a) to hold all Series 2002B Certificates delivered to it as agent and bailee of, and in escrow for the benefit of, the respective holders which have delivered such Series 2002B Certificates until money representing the purchase price of such Series 2002B Certificates shall have been delivered to or for the account of or to the order of such holders;

(b) to hold all Series 2002B Certificates registered in the name of the new holders thereof which have been delivered to it by the Trustee for delivery to the Remarketing Agent in accordance with the Tender Agent Agreement;

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(b) **Delivery of Alternate Liquidity Facility at Option of School Board.** At the sole discretion of the School Board, the School Board may at any time provide for delivery of an Alternate Liquidity Facility acceptable to the Series 2002B Credit Facility Issuer. Any Alternate Liquidity Facility delivered to the Tender Agent pursuant to this subparagraph shall contain administrative provisions reasonably acceptable to the Tender Agent. On or prior to the date of the delivery of the Alternate Liquidity Facility to the Tender Agent, the School Board shall furnish to the Tender Agent (A) if the Alternate Liquidity Facility is issued by a Liquidity Provider other than a domestic commercial bank, an Opinion of Counsel satisfactory to the Tender Agent, the Remarketing Agent and the Series 2002B Credit Facility Issuer that no registration of the Alternate Liquidity Facility is required under the Securities Act, and no qualification of the Trust Agreement is required under the Trust Indenture Act, or that all applicable registration or qualification requirements have been fulfilled and (B) an Opinion of Counsel satisfactory to the Tender Agent, the Remarketing Agent and the Series 2002B Credit Facility Issuer to the effect that such Alternate Liquidity Facility is a valid and enforceable obligation of the issuer thereof. In lieu of the Opinion of Counsel required by clause (A) of above, there may be delivered an Opinion of Counsel reasonably satisfactory to the School Board, the Remarketing Agent, the Tender Agent and the Series 2002B Credit Facility Issuer to the effect that either (x) at all times during the term of the Alternate Liquidity Facility, the Series 2002B Certificates will be offered, sold and held by holders in transactions not constituting a public offering of such Series 2002B Certificates or the Alternate Liquidity Facility under the Securities Act, and accordingly no registration under the Securities Act, nor qualification of the Trust Agreement under the Trust Indenture Act, will be required in connection with the issuance and delivery of the Alternate Liquidity Facility or the remarketing of such Series 2002B Certificates with the benefits thereof, or (y) the offering and sale of the Series 2002B Certificates, to the extent evidencing the Alternate Liquidity Facility, has been registered under the Securities Act and any indenture required to be qualified with respect thereto under the Trust Indenture Act has been so qualified. If the opinion described in clause (x) of this paragraph is given, the Series 2002B Certificates and any transfer records relating to the Series 2002B Certificates shall be noted indicating the restrictions on sale and transferability described in such clause (x).

(c) **Acceptance by Tender Agent.** If at any time there is delivered to the Tender Agent (i) an Alternate Liquidity Facility, (ii) the information, opinions and data required by Section 502(a), and (iii) all information required to give the notice of mandatory tender for purchases of such Series 2002B Certificates, then the Tender Agent shall accept such Alternate Liquidity Facility and, after the date of the mandatory tender for purchase established pursuant to Section 306(c), promptly surrender the Liquidity Facility then in effect to the issuer thereof for cancellation in accordance with its terms or deliver any document necessary to reduce the coverage of such Liquidity Facility due to the delivery of such Alternate Liquidity Facility.

(d) **Notice of Termination.** The Trustee shall give notice to the Tender Agent, the Remarketing Agent, and the holders of the Series 2002B Certificates of the termination or expiration of any Liquidity Facility in accordance with its terms as provided in Section 501(c).

SECTION 503. REMARKETING AGENT. The initial Remarketing Agent for the Series 2002B Certificates shall be Salomon Smith Barney Inc. Each Remarketing Agent appointed by the School Board shall designate its Principal Office in a Remarketing Agreement.

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(c) to hold Series 2002B Certificates for the account of the School Board and Provider Certificates for the account of the Liquidity Provider; and

(d) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the School Board, the Trustee, the Liquidity Provider and the Remarketing Agent at all reasonable times.

SECTION 506. QUALIFICATIONS OF TENDER AGENT; RESIGNATION AND REMOVAL. Each Tender Agent shall be a commercial bank with trust powers or a trust company duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least \$15,000,000 and authorized by law to perform all the duties imposed upon it by this Series 2002B Supplemental Trust Agreement and the Tender Agent Agreement. A Tender Agent may at any time resign and be discharged of the duties and obligations created by this Series 2002B Supplemental Trust Agreement by giving at least 60 days' notice to the School Board, the Trustee, the Liquidity Provider, the Series 2002B Credit Facility Issuer and the Remarketing Agent. A Tender Agent may be removed at any time by an instrument signed by the School Board and the Series 2002B Credit Facility Issuer, and filed with the Trustee. However, such resignation or removal shall not take effect prior to the date that a successor Tender Agent has been appointed by the School Board and the Series 2002B Credit Facility Issuer and has accepted such appointment, such appointment has been approved by the Liquidity Provider and the Liquidity Facility, if any, has been transferred, in accordance with its terms, to that successor.

Upon the effective date of resignation or removal of a Tender Agent, such Tender Agent shall deliver any Series 2002B Certificates and money held by it in such capacity to its successor.

ARTICLE VI

MARKET AGENT; TENDER AGENT BROKER-DEALERS

SECTION 601. MARKET AGENT. At the time of conversion of the Series 2002B Certificates to ARS, the Trustee, as agent for the ARS Beneficial Owners, is directed to enter into a Market Agent Agreement with a Market Agent. The Market Agent shall serve as such under the terms and provisions hereof and of the Market Agent Agreement. The Market Agent shall be a member of the National Association of Securities Dealers, Inc. having capitalization of at least \$25,000,000, and be authorized by law to perform all the duties imposed upon it by the Trust Agreement and the Market Agent Agreement. The Market Agent may be removed by the Trustee at any time upon and pursuant to the written direction of (i) the School Board or the Series 2002B Credit Facility Issuer, or (ii) the ARS Beneficial Owners of 66-2/3% of the aggregate principal portion represented by ARS then outstanding, by an instrument signed by the Trustee and filed with the Market Agent, the Auction Agent, the Series 2002B Credit Facility Issuer and the School Board; provided that such removal shall not take effect until the appointment by the ARS Beneficial Owners or the Trustee upon the direction of the School Board of a Substitute Market Agent acceptable to the Series 2002B Credit Facility Issuer. The

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Market Agent may resign upon 30 days' written notice delivered to the Trustee, provided that such resignation shall not take effect until the appointment by the ARS Beneficial Owners or the Trustee of a Substitute Market Agent. If the Trustee is unable to appoint a Substitute Market Agent within 30 days following receipt of such written notice of resignation, the Market Agent may petition the appropriate court having jurisdiction to appoint a Substitute Market Agent. The Market Agent may be removed at any time, at the written request of the School Board or the Series 2002B Credit Facility Issuer, for any breach of its obligations hereunder or under the Market Agent Agreement.

SECTION 602. AUCTION AGENT.

(a) At the time of conversion of the Series 2002B Certificates to ARS, the Trustee, at the direction of the School Board shall enter into an Auction Agent Agreement with an Auction Agent. An Auction Agent shall be (i) subject to the written approval of the Series 2002B Credit Facility Issuer and Broker-Dealer, (ii) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, New York, or such other location as approved by the Trustee and the Market Agent in writing and having a combined capital stock or surplus of at least \$15,000,000, or (iii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000, and, in either case, authorized by law to perform all the duties imposed upon it hereunder and under the Auction Agent Agreement. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Trust Agreement by giving at least 90 days' notice to the Trustee, the School Board, the Series 2002B Credit Facility Issuer, and the Market Agent. The Auction Agent may be removed at any time by the Trustee, upon the written direction of (i) the School Board, (ii) the Series 2002B Credit Facility Issuer, or (iii) the ARS Beneficial Owners of 66-2/3% of the aggregate principal portion represented by ARS then outstanding, by an instrument signed by the Trustee and filed with the Auction Agent, the Series 2002B Credit Facility Issuer, the Market Agent and the School Board upon at least 30 days' notice. Neither the resignation nor the removal of the Auction Agent pursuant to the preceding two sentences shall be effective until and unless a Substitute Auction Agent has been appointed and has accepted such appointment. If required by the Market Agent, a Substitute Auction Agent Agreement shall be entered into with a Substitute Auction Agent. Notwithstanding the foregoing, the Auction Agent may terminate the Auction Agent Agreement if, within 45 days after notifying the Trustee, the School Board, the Series 2002B Credit Facility Issuer and the Market Agent in writing that it has not received payment of any Auction Agent Fee due it in accordance with the terms of the Auction Agent Agreement, the Auction Agent does not receive such payment. The Trustee shall not be liable for any action taken, suffered or omitted by the Auction Agent.

(b) If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the School Board shall use its best efforts to appoint a Substitute Auction Agent.

(c) In the absence of bad faith, negligent failure to act or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or any error of judgment made by it in the performance of its duties under the Auction Agent Agreement and

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(c) As used in the definition of "Defeasance Securities", the term "Government Obligations" shall be defined as set forth below: "Government Obligations" shall mean any obligations which as to principal and interest constitute non-callable direct obligations of the United States of America and, with the prior consent of the Series 2002B Credit Facility Issuer, non-callable obligations fully and unconditionally guaranteed by the full faith and credit of the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America, to the extent unconditionally guaranteed by the full faith and credit of the United States of America.

(d) For purposes of Section 801 of the Trust Agreement, the sufficiency of Defeasance Securities and cash held by the escrow holder to pay when due the principal portion or Prepayment Price, if applicable, and interest portion due and to become due with respect to the Series 2002B Certificates to be defeased on or prior to the prepayment date or maturity date thereof, as the case may be, shall be verified by a written report of an independent certified public accountant. Cash and securities held by the Trustee for defeasance of the Series 2002B Certificates pursuant to Section 801 of the Master Trust Agreement shall be held in accordance with an escrow deposit agreement acceptable to the Series 2002B Credit Facility Issuer. In the event that a forward purchase agreement will be employed in connection with a defeasance of the Series 2002B Certificates, such agreement shall be subject to the approval of the Series 2002B Credit Facility Issuer and be accompanied by opinions of counsel required by the Series 2002B Credit Facility Issuer.

(e) No modification or amendment of the Trust Agreement pursuant to Section 702 of the Master Trust Agreement shall be effective without the prior written consent of the Series 2002B Credit Facility Issuer unless in Special Tax Counsel's opinion the proposed modification or amendment does not have an adverse effect on the interests of the Series 2002B Credit Facility Issuer.

(f) No modification or amendment effecting a change in the terms of prepayment or maturity of the principal portion of any Basic Lease Payments represented by outstanding Series 2002B Certificates or of any installment of the interest portion represented thereby or a reduction in the principal portion thereof shall be effective without the prior written consent of the Series 2002B Credit Facility Issuer.

(g) Copies of any modification or amendment to the Trust Agreement affecting the Series 2002B Certificates or to any other document affecting the Series 2002B Certificates shall be sent to each Rating Agency at least ten (10) days prior to the effective date thereof.

(h) The Series 2002B Credit Facility Issuer shall be entitled to pay the principal and interest portions of Basic Lease Payments that shall become due for payment but shall be unpaid by reason of Nonpayment (as defined in the Series 2002B Credit Facility) by the School Board and any amounts due as a result of acceleration of the maturity thereof in accordance with the Trust Agreement, whether or not the Series 2002B Credit Facility Issuer has received a Notice of Nonpayment (as defined in the Series 2002B Credit Facility) or a claim upon the Series 2002B Credit Facility. The Trustee shall be required to accept such amounts. Upon payment of the accelerated principal and interest portions of the Basic Lease Payments represented by the Series

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shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts.

(d) The Auction Agent may be removed at any time, at the written request of the School Board or at the direction of the Series 2002B Credit Facility Issuer, for any breach of its obligations hereunder or under the Auction Agent Agreement.

SECTION 603. BROKER-DEALERS.

(a) The Auction Agent shall enter into a Broker-Dealer Agreement with a Broker-Dealer. The School Board may, from time to time, approve one or more additional Persons to serve as Broker-Dealers under Broker-Dealer Agreements and shall be responsible for providing such Broker-Dealer Agreements to the Trustee and the Auction Agent.

(b) A Broker-Dealer may be removed at any time, at the written request of the School Board, with the written consent of the Series 2002B Credit Facility Issuer.

ARTICLE VII

SERIES 2002B CREDIT FACILITY

SECTION 701. SERIES 2002B CREDIT FACILITY. The Series 2002B Certificates shall be further secured by a municipal bond insurance policy issued by the Series 2002B Credit Facility Issuer. The Series 2002B Credit Facility Issuer shall have all the rights provided for such Credit Facility Issuer under the terms of the Trust Agreement.

SECTION 702. SUPPLEMENTAL PROVISIONS REQUIRED BY SERIES 2002B CREDIT FACILITY ISSUER. For purposes of the Series 2002B Certificates, unless otherwise waived in writing by the Series 2002B Credit Facility Issuer, the following provisions shall apply notwithstanding any provision to the contrary contained in the Trust Agreement, the Series 2002B Lease, the Series 2002B Ground Lease or the Series 2002B Assignment Agreement (sometimes referred to collectively, as the "Financing Documents"), any such contrary provisions being deemed superseded hereby to the fullest extent permitted by law.

(a) The rights granted to the Series 2002B Credit Facility Issuer under the Trust Agreement to request, consent to or direct any action are rights granted to the Series 2002B Credit Facility Issuer in consideration of its issuance of the Series 2002B Credit Facility. Any exercise of such rights is merely an exercise of the Series 2002B Credit Facility Issuer's contractual rights and shall not be construed or deemed to be taken for the benefit of or on behalf of the Certificateholders.

(b) Amounts paid by the Series 2002B Credit Facility Issuer under the Series 2002B Credit Facility shall not be deemed paid for purposes of the Trust Agreement and shall continue to be due and owing until paid by the School Board in accordance with the Trust Agreement. The Series 2002B Lease and the Trust Agreement shall not be discharged unless and until all amounts due or to become due to the Series 2002B Credit Facility Issuer have been paid in full.

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2002B Certificates to the acceleration date, the Series 2002B Credit Facility Issuer's obligations under the Series 2002B Credit Facility with respect to the Insured Certificates shall be fully discharged. The Series 2002B Credit Facility Issuer, to the extent it makes payments of the principal and interest portions of Basic Lease Payments represented by the Series 2002B Certificates, shall become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2002B Credit Facility. In the event that the principal and interest portions of Basic Lease Payments represented by the Series 2002B Certificates is paid by the Series 2002B Credit Facility Issuer such Series 2002B Certificates shall remain Outstanding and shall bear interest at the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank ("Chase") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by Chase) plus 3% computed on the basis of the actual number of days elapsed over a year of 360 days; provided that the interest portion represented by Provider Certificates shall continue to be determined at the applicable rate for Provider Certificates. In the event that Chase ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the Swap Policy Provider shall specify.

(i) Unless otherwise permitted by the Series 2002B Credit Facility Issuer, no additional Certificates may be issued under the Trust Agreement if an Event of Default (or an event which, upon the giving of notice and the passage of any grace period would constitute an Event of Default) has occurred and is continuing unless the issuance of such Certificates would cure such Event of Default.

(j) The rights of the Series 2002B Credit Facility Issuer to direct or consent to any action under the Trust Agreement shall be suspended during any period in which the Series 2002B Credit Facility Issuer is in default in its payment obligations under the Series 2002B Credit Facility (except to the extent of amounts previously paid by the Series 2002B Credit Facility Issuer) and shall be of no force or effect in the event the Series 2002B Credit Facility is no longer in effect or the Series 2002B Credit Facility Issuer shall have provided written notice that it waives such rights.

(k) Unless otherwise permitted by the Series 2002B Credit Facility Issuer, if an Event of Default (or an event which, upon the giving of notice and the passage of any grace period would constitute an Event of Default) has occurred and is continuing, amounts on deposit in the Series 2002B Acquisition Account shall not be disbursed for the Costs of the Series 2002B Project and if the Series 2002B Credit Facility Issuer has elected to call an Event of Extraordinary Payment pursuant to such Event of Default, such amounts shall instead be applied to the Prepayment Price of the Series 2002B Certificates.

(l) Unless otherwise permitted by the Series 2002B Credit Facility Issuer, as a precondition to issuance of a Series of Certificates, two of the major rating agencies shall have given an underlying rating of "A" without regard to a Credit Facility.

(m) As used in the definition of "Defeasance Securities", the term "Government Obligations" shall be defined as set forth below:

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"Government Obligations" shall mean any obligations which as to principal and interest constitute non-callable direct obligations of the United States of America and, with the prior consent of the Series 2002B Credit Facility Issuer, non-callable obligations fully and unconditionally guaranteed by the full faith and credit of the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America, to the extent unconditionally guaranteed by the full faith and credit of the United States of America.

(n) For purposes of Section 801 of the Trust Agreement, the sufficiency of Defeasance Securities and cash held by the escrow holder to pay when due the principal portion or Prepayment Price, if applicable, and interest portion due and to become due with respect to the Series 2002B Certificates to be defeased on or prior to the prepayment date or maturity date thereof, as the case may be, shall be verified by a written report of an independent certified public accountant. Cash and securities held by the Trustee for defeasance of the Series 2002B Certificates pursuant to Section 801 of the Master Trust Agreement shall be held in accordance with an escrow deposit agreement acceptable to the Series 2002B Credit Facility Issuer. In the event that a forward purchase agreement will be employed in connection with a defeasance of the Series 2002B Certificates, such agreement shall be subject to the approval of the Series 2002B Credit Facility Issuer and be accompanied by opinions of counsel required by the Series 2002B Credit Facility Issuer.

SECTION 703. CLAIMS UPON THE SERIES 2002B CREDIT FACILITY.

As long as the Series 2002B Credit Facility is in full force and effect, the School Board and the Trustee shall comply with the following:

If, on the third Business Day prior to the related scheduled date for the payment of the interest or principal portion evidenced by the Series 2002B Certificates ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, moneys sufficient to pay the principal of and interest on the Series 2002B Certificates due on such Payment Date, the Trustee shall give notice to the Series 2002B Credit Facility Issuer and to its designated agent (if any) (the "Series 2002B Credit Facility Issuer's Fiscal Agent") by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the interest or principal portion evidenced by the Series 2002B Certificates due on such Payment Date, the Trustee shall make a claim under the Series 2002B Credit Facility and give notice to the Series 2002B Credit Facility Issuer and the Series 2002B Credit Facility Issuer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay the interest portion of the Basic Lease Payments represented by the Series 2002B Certificates and the amount required to pay the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates, confirmed in writing to the Series 2002B Credit Facility Issuer and the Series 2002B Credit Facility Issuer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filing in the form of Notice of Claim and Certificate delivered with the Series 2002B Credit Facility.

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ARTICLE VIII

AMENDMENT OF TRUST AGREEMENT; MISCELLANEOUS PROVISIONS

SECTION 801. CONTINUING DISCLOSURE. The School Board hereby covenants with the Registered Owners and beneficial owners of any and all of the portion of Basic Lease Payments represented by Series 2002B Certificates to make public and file the information required under Rule 15c2-12 (the "Rule") of the Securities and Exchange Commission (the "SEC"), and to enter into one or more continuing disclosure agreements and undertakings meeting such requirements prior to such time or times as the School Board is required to have entered into such a continuing disclosure undertaking in order to comply with the Rule. All information which is made public and filed pursuant to this section shall also be provided to the Series 2002B Credit Facility Issuer and the Liquidity Provider.

SECTION 802. AMENDMENT OF MASTER TRUST AGREEMENT . With respect only to the Series 2002B Certificates,

(a) clause First of Section 504(a) is hereby amended to read as follows (added language is underlined):

First: To the payment of the reasonable costs of the Trustee related to such Lease, including counsel fees and expenses, any disbursements of the Trustee and its reasonable compensation; provided, however, that no moneys obtained from a claim on the Liquidity Facility or the Credit Facility, proceeds from a remarketing or moneys held for the prepayment of Certificates notice of which has been sent to the holders of such Certificates shall be used as provided in this clause;

(b) Section 504(a) is hereby further amended by renumbering the current clause Fifth as clause Sixth and adding as clause Fifth the following:

Fifth: To the payment to the persons entitled thereto of the unpaid Additional Lease Payments related to such Lease which shall have become due and, if the amount available shall not be sufficient to pay in full all such amounts, then to the payment thereof ratably, according to the amount due on such date, to the persons entitled thereto, without any discrimination or preference;

(c) Section 801 is hereby amended to add the following as clause (d) thereto:

(d) For purposes of this Section 801, (i) the interest rate on the interest portion represented by a Certificate which is not fixed to the maturity thereof shall be assumed to bear interest at the Maximum Rate for any period prior to such Certificate's specified maturity or Prepayment Date for which such interest rate is not fixed, and (ii) a Liquidity Facility must remain in effect for any Certificate subject to tender for purchase on a date prior to the specified maturity or prepayment date of such Certificate.

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In the event the claim to be made is for any part of the principal portion of the Basic Lease Payments represented by the Series 2002B Certificates by virtue of prepayment, upon receipt of the moneys due, the Trustee shall authenticate and deliver to affected Certificateholders who surrender their Series 2002B Certificates a new Certificate or Certificates in an aggregate principal amount equal to the outstanding principal portion of Basic Lease Payments represented by the Series 2002B Certificates surrendered. The Trustee shall designate any portion of payment of the principal portion of Series 2002B Certificates paid by the Series 2002B Credit Facility Issuer, whether by virtue of prepayment, maturity or other advancement of maturity, on its books as a reduction in the principal portion of Series 2002B Certificates registered to the then current Certificateholder, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2002B Certificate to the Series 2002B Credit Facility Issuer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of the principal portion so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2002B Certificate shall have no effect on the amount of the principal or interest portion payable by the School Board on any Series 2002B Certificate or the subrogation rights of the Series 2002B Credit Facility Issuer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Series 2002B Credit Facility Issuer into the Policy Payments Account and the allocation of such funds to payment of the interest and principal portions paid in respect of any Series 2002B Certificate. The Series 2002B Credit Facility Issuer shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.

Upon payment of a claim under the Series 2002B Credit Facility the Trustee shall establish a separate special purpose trust account for the benefit of Holders of the Series 2002B Certificates referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Series 2002B Credit Facility in trust on behalf of the Certificateholders and shall deposit any such amount into the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Certificateholders in the same manner as the payments of the principal and interest are to be made with respect to the Series 2002B Certificates under the sections hereof regarding payment of Series 2002B Certificates. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay scheduled Series 2002B Certificate payments with other funds available to make such payments.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee.

Any funds remaining in the Policy Payments Account following a Series 2002B Certificate payment date shall promptly be remitted to the Series 2002B Credit Facility Issuer.

To the extent that the Series 2002B Credit Facility Issuer makes any payment of the interest or principal in respect of the Series 2002B Certificates, the Series 2002B Credit Facility Issuer shall become subrogated to the rights of the recipients of such payments in accordance with the terms of the Series 2002B Credit Facility.

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SECTION 803. PROVISIONS OF TRUST AGREEMENT NOT OTHERWISE MODIFIED. Except as expressly modified or amended hereby, the Trust Agreement shall remain in full force and effect. With respect to the Series 2002B Certificates, to the extent of any conflict between the terms of the Master Trust Agreement and this Series 2002B Supplemental Trust Agreement, the terms hereof shall control.

SECTION 804. AMENDMENT OF SERIES 2002B SUPPLEMENTAL TRUST AGREEMENT. Notwithstanding anything to the contrary in the Trust Agreement, this Series 2002B Supplemental Trust Agreement may be modified or amended without the consent of, or notice to, the Series 2002B Certificate holders for one or more of the following purposes:

(a) To make any change to this Series 2002B Supplemental Trust Agreement affecting only the Series 2002B Certificates when all Series 2002B Certificates have been tendered pursuant to the terms of this Series 2002B Supplemental Trust Agreement but have not been remarketed following such tender and are then in the possession of the Remarketing Agent;

(b) Effective upon any Conversion Date to a new interest rate determination method, to make any amendment affecting only the Series 2002B Certificates being converted;

(c) To make any change necessary to secure from a nationally recognized securities rating agency a rating on a Series 2002B Certificates equal to the rating of the unsecured, short-term indebtedness of the issuer of any Liquidity Facility then in effect;

(d) To modify this Series 2002B Supplemental Trust Agreement or the Series 2002B Certificates if such modification affects only Series 2002B Certificates and at least 30 days' notice of such modification is provided to the Series 2002B Certificate holders, and (i) such Series 2002B Certificate holders have the right to optionally tender their Series 2002B Certificates at any time during such notice period or (ii) such Series 2002B Certificates are subject to mandatory tender at any time during such notice period;

(e) To modify any provisions of this Series 2002B Supplemental Trust Agreement relating to ARS, so long as such modification, in the judgment of the Trustee, is not to the prejudice of the holders of the Series 2002B Certificates;

(f) To modify the provisions of this Series 2002B Supplemental Trust Agreement relating to ARS, including without limitation the mandatory tender provisions and the definitions of terms used with respect thereto (including without limitation the definitions of "AA" Composite Commercial Rate, Applicable ARS Rate, Applicable Percentage, All-Hold Rate, ARS Maximum Rate and Non-Payment Rate) may, with the consent of the Series 2002B Credit Facility Issuer, be amended at the request of the School Board, (i) upon obtaining an Opinion of Counsel that the same does not materially adversely affect the rights of the ARS Beneficial Owners or (ii) by obtaining the consent of the ARS Beneficial Owners. In the case of clause (ii) above, the Trustee shall mail notice of such amendment to the ARS Beneficial Owners of all ARS, and, on the first Auction Date occurring at least 30 days after the date on which the Trustee mailed such notice, Sufficient Clearing Bids have been received or all of the ARS are subject to Submitted Hold Orders, the proposed amendment shall be deemed to have been consented to by the ARS Beneficial Owners. As an additional condition precedent to any such

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amendment, there shall be delivered to the School Board and the Trustee a Favorable Opinion to the effect that such amendment will not adversely affect the exclusion of interest on the ARS from gross income for federal income tax purposes.

SECTION 805. TRUSTEE'S CLAIMS. The Trustee shall have no lien or claim for payment of its compensation, expenses, disbursements, losses or liabilities upon the proceeds of the remarketing of the Series 2002B Certificates or amounts in its possession derived from a claim on the Liquidity Facility or Series 2002B Credit Facility.

SECTION 806. COUNTERPARTS. This Series 2002B Supplemental Trust Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 807. HEADINGS. Any heading preceding the text of the several Articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Series 2002B Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 808. LAWS. This Series 2002B Supplemental Trust Agreement shall be construed and governed in accordance with the laws of the State of Florida.

SECTION 809. NOTICES. The Trustee shall notify the Rating Agencies, the Series 2002B Credit Facility Issuer and the Liquidity Provider as soon as practicable (a) after the Trustee becomes aware of (i) any expiration, termination or renewal of the Liquidity Facility, (ii) any change in the Liquidity Facility, or (iii) the failure of the Liquidity Provider to reinstate the interest portion of the Liquidity Facility within the time allotted for such reinstatement to occur, or (b) if (i) the Trustee resigns or is removed or a new Trustee is appointed, (ii) the Tender Agent resigns or is removed or a new Tender Agent is appointed, (iii) the Remarketing Agent resigns or is removed or a new Remarketing Agent is appointed, (iv) an Alternate Liquidity Facility is provided, (v) there is a call for prepayment or mandatory tender for purchase of Series 2002B Certificates in whole, (vi) there is a change in the interest mode or otherwise in the method for determination of the interest portion of Basic Lease Payments represented by the Series 2002B Certificates, (vii) all of the Series 2002B Certificates are defeased.

Copies of all notices required to be given pursuant to the Trust Agreement shall be given to the following Persons at the following addresses:

(a) As to the Remarketing Agent:

Salomon Smith Barney Inc.
390 Greenwich Street, 2nd Floor
New York, New York 10013
Attention: Manager Short-Term Group
Telephone:(212) 723-5594
Facsimile: (212) 723-8939

IN WITNESS WHEREOF, the parties have executed this Series 2002B Supplemental Trust Agreement by their duly authorized officers as of the date and year first written above.

(SEAL)

**PALM BEACH SCHOOL BOARD
LEASING CORP.**

Attest: _____
Art Johnson
Secretary

By: _____
William G. Graham
Vice President

(SEAL)

**THE BANK OF NEW YORK TRUST
COMPANY OF FLORIDA, N.A., as agent
for The Bank of New York, as Trustee**

By: _____
Sheryl Lear
Authorized Signatory

The School Board of Palm Beach County, Florida hereby consents to the execution of this Series 2002B 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: _____
William G. Graham
Vice Chairman

(b) As to the Liquidity Provider:

Dexia Credit Local
New York Agency
445 Park Avenue
New York, New York 10022

For administration: Attention: General Manager
Telephone: (212) 515-7000
Facsimile: (212) 753-5522

For operations and funding: Attention: Operations Manager
Telephone: (212) 515-7076
Facsimile: (212) 753-7522

(c) As to the Series 2002B Credit Facility Issuer:

Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022-6022
Attention: Managing Director-Municipal
Re: Policy No. 28605B-N
Telephone:(212) 826-0100
Facsimile: (212) 339-3529

(d) As to each Auction Agent, Market Agent, Broker-Dealer and Tender Agent from time to time required to receive notice under the Trust Agreement, such address as such Person shall have provided in writing to each of the School Board and the Trustee.

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William G. Graham and Dr. Art Johnson, personally known to me to be the same persons whose names, as Vice President and Secretary, respectively, of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, are 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 March, 2002.

NOTARY PUBLIC STATE OF FLORIDA

NOTARY PUBLIC SEAL OF OFFICE:

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Produced identification: _____
- DID take an oath, or
- DID NOT take an oath.

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

EXHIBIT A
FORM OF SERIES 2002B CERTIFICATE

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Sheryl Lear, personally known to me to be the same person whose name as Authorized Signatory for THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, 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 he/she, being thereunto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said corporation and as his/her own free and voluntary act, for uses and purposes therein set forth.

GIVEN under my hand and notarial seal this ____ day of March, 2002.

NOTARY PUBLIC STATE OF FLORIDA

NOTARY PUBLIC SEAL OF OFFICE:

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Produced identification: _____
- DID take an oath, or
- DID NOT take an oath.

This instrument was prepared by and when recorded should be returned to: ROBERT C. GANG, ESQ. Greenberg Traurig, P.A. 1221 Brickell Avenue Miami, Florida 33131	(This space reserved for Clerk)
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**SERIES 2002B
ASSIGNMENT AGREEMENT**

BETWEEN

PALM BEACH SCHOOL BOARD LEASING CORP.

AND

THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.
as agent for The Bank of New York
(successor by acquisition to NationsBank of Florida, N.A.)
As Trustee

Dated as of March 1, 2002

UMIA-SRV01:119625:023/12/02:12528.013500

UMIA-SRV01:119625:023/12/02:12528.013500

**SERIES 2002B
ASSIGNMENT AGREEMENT**

THIS AGREEMENT, made and entered into as of this 1st day of March, 2002, by and between the PALM BEACH SCHOOL BOARD LEASING CORP. a not-for-profit corporation organized under the laws of the State of Florida (the "Corporation"), and THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as Trustee (the "Trustee");

WITNESSETH THAT, in the joint and mutual exercise of their powers, and in consideration of \$10.00 and other good and valuable consideration and the mutual covenants herein contained, the parties hereto recite and agree as follows:

Section 1. Recitals.

1.01. The School Board of Palm Beach, Florida (the "School Board"), and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), and have executed Schedule 2002B thereto, dated as of March 1, 2002, which Master Lease together with each separate schedule constitutes a separate lease (the "Series 2002B Lease"), with respect to certain new educational facilities and sites and the latter with respect to certain improvements and certain educational facilities being financed and have entered into a Series 2002B Ground Lease dated as of March 1, 2002 (as the same may be amended or supplemented from time to time, the "Series 2002B Ground Lease"), with respect to the Series 2002B Facilities (hereinafter defined).

1.02. Pursuant to the Series 2002B Lease, the School Board and the Corporation have agreed that there shall be financed, acquired, constructed and installed for lease-purchase to the School Board certain educational facilities and sites as described in Schedule 2002B to the Master Lease (the "Series 2002B Facilities"), such facilities being located on certain lands described in Schedule 2002B (which, together with the improvements thereon are hereinafter collectively referred to as the "Series 2002B Facility Sites"). Schedule 2002B sets forth the Lease Payments to be paid by the School Board for the Series 2002B Facilities (collectively, the "Series 2002B Lease Payments"). The School Board has agreed to lease-purchase the Series 2002B 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 2002B Supplemental Trust Agreement dated as of March 1, 2002 (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 2002B Lease.

1.04. The Corporation desires to sell, assign and convey all its right, title and interest as lessee of the Series 2002B Facility Sites under the Series 2002B Ground Lease, and as sublessor

of the Series 2002B Facility Sites and lessor of the Series 2002B Facilities under the Series 2002B Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2002B Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2002B Ground Lease and its right to receive notices under the Master Lease), to the Trustee for the benefit of the holders of the Series 2002B Certificates to be issued under the Trust Agreement.

1.05. The Trustee is willing to accept this assignment on the terms and conditions hereinafter provided.

1.06. Each of the parties has authority to enter into this Agreement and has taken all actions necessary to authorize its execution by the officers signing it.

All terms capitalized but not defined herein shall have the meanings given to them in the Trust Agreement and the Series 2002B Lease.

Section 2. Assignment.

2.01. The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Trustee, without recourse, for the benefit of all of the Series 2002B Certificate holders, all of its right, title and interest under the Series 2002B Ground Lease and the Series 2002B Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2002B Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2002B Ground Lease and its right to receive notices under the Master Lease), including, without limitation, all Series 2002B Lease Payments and other amounts required to be paid by the School Board under the Series 2002B 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 2002B Ground Lease and the Series 2002B Lease. Delivery to the Trustee of such documents shall make the sale, assignment and conveyance of the Series 2002B Ground Lease and the Series 2002B Lease herein made, complete and effective for all purposes. Title to the Series 2002B Facility Sites shall remain vested in the School Board throughout their Lease Terms; title to the Series 2002B 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 2002B Facilities to the Trustee, or to any Permitted Transferee designated by the Trustee.

2.02. With respect to the sale, assignment and conveyance of the rights and interests contemplated hereunder to the Trustee, the Corporation represents, warrants and covenants to and with the Trustee and the Series 2002B Certificate holders that, upon the date of execution of

this Agreement and the effective date of the sale, assignment and conveyance of the Corporation's rights under the Series 2002B Ground Lease and the Series 2002B 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 2002B Ground Lease, the Series 2002B 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 2002B Ground Lease, the Series 2002B Lease, the Trust Agreement and this Agreement; the execution, delivery and performance of the Series 2002B Ground Lease, the Series 2002B 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 2002B Ground Lease, the Series 2002B Lease, this Agreement and the Trust Agreement are in full force and effect.

C. The execution, delivery and performance of the Series 2002B Ground Lease, the Series 2002B 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 2002B Ground Lease, the Series 2002B Lease, this Agreement and the Trust Agreement are in full force and effect and the Corporation is not in default thereunder; the Series 2002B Ground Lease, the Series 2002B 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 2002B Ground Lease and the Series 2002B 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 2002B Facility Sites and the Series 2002B Facilities.

F. The Corporation has complied and will at all times hereafter comply with and duly perform its obligations under the Series 2002B Ground Lease, the Series 2002B Lease, the Trust Agreement and this Agreement.

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G. Except as disclosed in the Offering Statement dated March __, 2002, 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 2002B Ground Lease, the Series 2002B Lease, the Trust Agreement or this Agreement.

H. The Series 2002B Ground Lease and the Series 2002B 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 2002B Lease and the Series 2002B Ground Lease, including the fact that fee title to the Series 2002B Facility Sites and Series 2002B Facilities is vested in the School Board.

2.03. Except as otherwise set forth in Section 2.01, from and after the date of delivery to the Trustee of this Agreement, the Corporation shall have no further rights or interest under the Series 2002B Ground Lease or the Series 2002B Lease or in any Series 2002B Lease Payments or other moneys due with respect thereto or to become due under the Series 2002B 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 2002B Ground Lease and the Series 2002B 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 2002B Lease Payment or other amounts due under the Series 2002B Lease, or any part thereof, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Series 2002B 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 2002B Lease Payments or other amounts due under the Series 2002B 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 2002B Lease Payments and all other amounts coming due under the Series 2002B 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 2002B 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 2002B Lease Payments to become due thereunder or that the Series 2002B Lease will not be renewed as a result of any event of non-appropriation under the Series 2002B Lease, the Corporation shall

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notify the Trustee of this fact in writing no later than five Business Days after such receipt, provided, however, that failure to provide such notice shall not create any liability on the part of the Corporation.

Section 3. Administrative Provisions.

3.01. This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

3.02. Any provision of this Agreement found to be prohibited by applicable laws shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

3.03. This Agreement may not be amended without the prior written consent of the Series 2002B Credit Facility Issuer.

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

3.05. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

Section 4. Non-Recourse.

4.01. The assignment contained in this Agreement is agreed to be non-recourse with respect to the Corporation and the Corporation shall have no liability to the Trustee, or any Certificate holders hereunder with respect to the occurrence of any event of default by the School Board under the Series 2002B Lease whether such default consists of failure to pay moneys, breach of covenant or otherwise; provided, however, that nothing contained in this Section 4 shall excuse the Corporation from performance of its obligations under Section 2.04 through 2.08 hereof.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for the assignment effected by Section 2 hereof or for any claim based thereon under this Agreement against any member, officer, employee or agent of the parties hereto.

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IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement on the date set forth below their respective signatures and as of the day and year first written above.

[SEAL]

ATTEST:

By: _____
Art Johnson
Secretary

**PALM BEACH SCHOOL BOARD
LEASING CORP.**

By: _____
Thomas E. Lynch
President

**THE BANK OF NEW YORK TRUST
COMPANY OF FLORIDA, N.A.,** as
agent for The Bank of New York, as Trustee

[SEAL]

By: _____
Sheryl Lear
Authorized Signatory

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

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

GIVEN under my hand and notarial seal this ___ day of March, 2002.

NOTARY PUBLIC
SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
- Produced identification:

(Type of Identification Produced)

- DID take an oath, or
- DID NOT take an oath.

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Sheryl Lear, personally known to me to be the same person whose name is, as Authorized Signatory of The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York, as Trustee, a bank organized under the laws of the State of New York, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereunto duly authorized, signed on behalf of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this ___ day of March, 2002.

NOTARY PUBLIC
SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
- Produced identification:

(Type of Identification Produced)

- DID take an oath, or
- DID NOT take an oath.

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APPENDIX D

FORM OF CO-SPECIAL TAX COUNSEL OPINION

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FORM OF OPINION OF CO-SPECIAL TAX COUNSEL

On the date of issuance of the Series 2002B Certificates, Greenberg Traurig, P.A., and Edwards & Carstarphen, Co-Special Tax Counsel, propose to issue their approving opinions in substantially the following form:

March __, 2002

The School Board of Palm Beach
County, Florida
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406

Re: Certificates of Participation, Series 2002B, 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 \$115,350,000 aggregate principal amount of Certificates of Participation, Series 2002B 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 2002B Certificates") and in connection with the Master Lease Purchase Agreement described below. In such 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 2002B, dated as of March 1, 2002, attached to the Master Lease and executed by the School Board and the Corporation (the Master Lease together with Schedule 2002B being hereinafter referred to as the "Series 2002B Lease"); the Series 2002B Ground Lease, dated as of March 1, 2002 (the "Series 2002B Ground Lease"), between the School Board and the Corporation; the Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2002B Supplemental Trust Agreement, dated as of March 1, 2002 (collectively, the "Trust Agreement"), between the Corporation and The Bank of New York Trust Company of Florida, N.A., Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as trustee (the "Trustee"); the Series 2002B Assignment Agreement, dated as of March 1, 2002 (the "Assignment Agreement"), between the Corporation and the Trustee; the form of the Series 2002B 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 2002B 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 2002B 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 2002B 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 respective terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights or by the exercise of judicial discretion in accordance with general principles of equity.

2. Under existing statutes, regulations, rulings and court decisions, subject to the assumptions stated in the last paragraph hereof, the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2002B Certificates is excluded from gross income for federal income tax purposes. Furthermore, the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2002B Certificates is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest portion of the Basic Lease Payments is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the interest portion of the Basic Lease Payments, or the ownership or disposition of the Series 2002B Certificates. Furthermore, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2002B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an Event of Default thereunder.

3. The Series 2002B 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 2002B Lease.

4. We are further of the opinion that the Series 2002B Lease and the Series 2002B Certificates are exempt from the Florida intangible personal property tax imposed pursuant to Chapter 199, Florida Statutes. However, no opinion is expressed with respect to the payment or reporting of intangible personal property tax following termination of the Master Lease.

In rendering the opinion in paragraph number 2 above, we have assumed continuing compliance by the School Board with the requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder that must be met after the issuance of the Series 2002B Certificates in order that the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2002B Certificates not be included in gross income for federal income tax purposes. The School Board's failure to meet such requirements may cause the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2002B Certificates to be included in gross income for federal income tax purposes retroactive to the commencement date of the Series 2002B Leases. The School Board has covenanted to comply with such requirements.

Very truly yours,

Greenberg Traurig, P.A.

Edwards & Carstarphen

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**FINANCIAL
SECURITY
ASSURANCE®**

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No.: -N

Effective Date:

Premium: \$

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature]

FINANCIAL SECURITY ASSURANCE INC.

By _____

By _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form 500NY (5/90)



**FINANCIAL
SECURITY
ASSURANCE®**

**ENDORSEMENT NO. 1 TO
MUNICIPAL BOND
INSURANCE POLICY
(Florida Insurance
Guaranty Association)**

ISSUER:

Policy No. _____

BONDS:

Effective Date _____

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association created under part 11 of chapter 631, Florida Statutes.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By: _____
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

Form No. 553NY (FL 6/90)

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by The School Board of Palm Beach County, Florida (the “School Board”) in connection with the execution of Schedule 2002B dated as of March 1, 2002, to the Master Lease Purchase Agreement dated as of November 1, 1994 (the “Master Lease, which Master Lease, together with Schedule 2002B constitutes a separate lease, the “Series 2002B Lease”) and the issuance of \$115,350,000 Certificates of Participation, Series 2002B (the “Series 2002B Certificates”). The Series 2002B Certificates are being issued pursuant to a Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2002B Supplemental Trust Agreement, dated as of March 1, 2002 (collectively, the “Trust Agreement”), between the School Board and The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as trustee (the “Trustee”). The School Board covenants and agrees as follows:

1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the School Board for the benefit of the Holders and Beneficial Owners of the Series 2002B Certificates and in the event that the Series 2002B Certificates become subject to S.E.C. Rule 15c2-12(b)(5), in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the School Board pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2002B Certificates (including persons holding Series 2002B Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2002B Certificates for federal income tax purposes.

“Dissemination Agent” shall mean the School Board, or any successor Dissemination Agent designated in writing by the School Board and which has filed with the School Board a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit A.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2002B Certificates required to comply with the Rule in connection with the offering of the Series 2002B Certificates.

“Repository” shall mean each National Repository and each State Repository.

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

“State” shall mean the State of Florida.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

3. Provision of Annual Reports.

(a) The School Board shall, or shall cause the Dissemination Agent to, not later than January 15th following the end of the School Board’s fiscal year (presently June 30), commencing with the report for the 2002-2003 Fiscal Year, provide to each Repository and to Financial Security Assurance Inc., the Series 2002B Credit Facility Issuer with respect to the Series 2002B Certificates, and to Dexia Credit Local, while it is the Liquidity Provider for the Series 2002B Certificates, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the School Board may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the School Board’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to the date on which the Annual Report shall be provided to each Repository pursuant to subsection (a), the School Board shall provide the Annual Report to the Dissemination Agent (if other than the School Board). If the School Board is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the School Board shall send a notice to each Repository in substantially the form attached as Exhibit B.

(c) The Dissemination Agent shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and
- (ii) (if the Dissemination Agent is other than the School Board), file a report with the School Board certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

4. Content of Annual Reports. The School Board's Annual Report shall contain or include by reference the following:

(a) If available at the time of such filing, the audited financial statements of the School Board for the prior fiscal year, prepared in accordance with generally accepted auditing standards, and GOVERNMENT AUDITING STANDARDS issued by the Comptroller General of the United States. If the School Board's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Offering Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) the School Board's Comprehensive Annual Financial Report ("CAFR") for the immediately preceding Fiscal Year; and

(c) to the extent not set forth in the CAFR, additional financial information and operating data of the type included with respect to the School Board in the final Offering Statement prepared in connection with the sale and issuance of the Series 2002B Certificates (as amended, the "Offering Statement"), including:

1. Updates of information in the Offering Statement relating to:
 - a. Statistical information under the heading "THE DISTRICT - Certain Statistical Information";
 - b. Revenue sources as described under the headings "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Operating Revenues of the District and District Revenues for Capital Projects";
 - c. Revenue sources and Operating Results for the General Fund as described under the headings "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - General Fund Revenue Sources and General Fund Operations";
 - d. Assessed Value of Taxable Property, Historical Tax Rates, Tax Levies and Tax Collections, Ten Largest Taxpayers, Direct and Overlapping Long-Term Debt Statement, under the heading "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Ad Valorem Tax Procedures, Assessed Valuations and Collections, and Liabilities".
2. Description of any material litigation which would have been disclosed in the Offering Statement if such litigation were pending at the time the Offering Statement was prepared.

3. Any other financial information or operating data of the type included in the Offering Statement which would be material to a holder or prospective holder of the Series 2002B 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.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the School Board shall give, or cause to be given in a timely manner to the Municipal Securities Rulemaking Board (“MSRB”) or to each National Repository, to the State Repository, and in each case to the Series 2002B Credit Facility Issuer, notice of the occurrence of any of the following events with respect to the Series 2002B Certificates, if material:

1. Principal and interest payment delinquencies,
2. Non-payment related defaults under the Series 2002B Lease or the Trust Agreement,
3. Unscheduled draws on debt service reserves reflecting financial difficulties,
4. Unscheduled draws on credit enhancements reflecting financial difficulties,
5. Substitution of the credit or liquidity providers or their failure to perform,
6. Adverse tax opinions or events affecting the tax-exempt status of the Series 2002B Certificates,
7. Modifications to rights of Certificateholders,
8. Optional, contingent or unscheduled Certificate calls,
9. Defeasances,
10. Release, substitution or sale of property securing repayment of the Series 2002B Certificates,
11. Rating changes, and
12. Notice of a failure of the School Board to provide required annual financial information on or before the date specified in Section 3 above.

(b) Whenever the School Board obtains knowledge of the occurrence of a Listed Event, the School Board shall as soon as possible determine if such event would be material under applicable federal securities laws, provided, however, that any event under subsections (a)4, 5, 6, 11 and 12 above will always be deemed to be material.

(c) If the School Board determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the School Board shall promptly file a notice of such occurrence with the MSRB or each National Repository and the State Repository and Series 2002B Credit Facility Issuer. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2002B Certificates pursuant to the Trust Agreement.

(d) The address of the Municipal Securities Rulemaking School Board is set forth on Exhibit A.

(e) The address of the Series 2002B Credit Facility Issuer is as follows:

Financial Security Assurance Inc.
350 Park Avenue
New York, New York, 10022
Attention: Communications Department

6. Termination of Reporting Obligation. The School Board's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2002B Certificates. If such termination occurs prior to the final maturity of the Series 2002B Certificates, the School Board shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

7. Dissemination Agent. The School Board may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the School Board pursuant to this Disclosure Certificate.

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the School Board may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2002B Certificates, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized securities law counsel, have complied with the requirements of

the Rule at the time of the original issuance of the Series 2002B Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2002B Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of Holders, or (ii) does not, in the opinion of nationally recognized securities law counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2002B Certificates.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the School Board shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the School Board. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the School Board from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the School Board chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the School Board shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the School Board to comply with any provision of this Disclosure Certificate and provided it has been satisfactorily indemnified in accordance with Section 602 of the Master Trust Agreement as if it were proceeding under said Section 602, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Series 2002B Certificates, shall), or any Holder or Beneficial Owner of the Series 2002B Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School Board to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Series 2002B Leases or the Trust Agreement, and the sole remedy under this Disclosure Certificate in the event of any failure of the School Board to comply with this Disclosure Certificate shall be an action to compel performance.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the School Board, the Trustee, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2002B Certificates, and shall create no rights in any other person or entity.

Date: March ____, 2002

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

By: _____
Thomas E. Lynch, Chairman

EXHIBIT A

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of the date hereof:

Bloomberg Municipal Repositories

100 Business Park Drive
Skillman, N.J. 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-mail: Munis@Bloomberg.com

DPC Data Inc.

One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-mail: nrmsir@dpcdata.com

FT Interactive Data

Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
Fax: (212) 771-7391 (Primary Market Information)
E-mail: NRMSIR@FTID.com

Standard & Poor's J. J. Kenny Repository

55 Water Street
45th Floor
New York, NY 10041
Telephone: (212) 438-4595
Facsimile: (212) 438-3975
E-mail: nrmsir_repository@sandp.com

The address of the Municipal Securities Rulemaking Board is as follows:

Municipal Securities Rulemaking Board

1150 18th Street NW

Suite 400

Washington, D.C. 20036

Tel. (202) 223-9347

Fax (202) 872-0347

contact: Christopher A. Taylor

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of School Board: The School Board of Palm Beach County, Florida

Name of Issue: Certificates of Participation, Series 2002B

Date of Issuance: March 20, 2002

NOTICE IS HEREBY GIVEN that the School Board has not provided an Annual Report with respect to the above-named Series 2002B Certificates as required by Sections 3 and 4 of the Continuing Disclosure Certificate dated March 20, 2002, of the School Board. The School Board anticipates that the Annual Report will be filed by _____.

Dated: _____

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

By _____

cc: The Bank of New York Trust Company of Florida, N.A.
as agent for The Bank of New York

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