

In the opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, and Lawrence & Parker, P.A., Jacksonville, Florida, Co-Special Counsel, assuming continuing compliance by the Corporation and the Board with various covenants in the Trust Agreement and the Series 2007 Lease, under existing statutes, regulations, and court decisions, the Interest Component of Basic Rent Payments (a) is excluded from the gross income of the holders of the Series 2007 Certificates, except to the extent described under the caption “TAX TREATMENT” herein, and (b) is not an item of preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, no opinion is expressed with respect to federal income tax consequences of any payments received with respect to the Series 2007 Certificates following termination of the Series 2007 Lease as a result of an Event of Non-Appropriation or an Event of Default thereunder. See “TAX TREATMENT” herein for a discussion of Co-Special Counsel’s opinion.

\$145,575,000

**CERTIFICATES OF PARTICIPATION
(School Board of Duval County, Florida Master Lease Program), Series 2007
Evidencing an Undivided Proportionate Interest of
Owners thereof in Basic Rent Payments to be made under
a Master Lease-Purchase Agreement by the
School Board of Duval County, Florida**

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

The Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2007 (the “Series 2007 Certificates”) evidence an undivided proportionate interest in Basic Rent Payments (as defined herein) to be made by the School Board of Duval County, Florida (the “Board”) under a Master Lease-Purchase Agreement dated as of October 1, 2000 (the “Master Lease”), by and between the Board and the Duval School Board Leasing Corporation (the “Corporation”), as amended and supplemented, and particularly as amended and supplemented by Lease Schedule No. 2007 dated as of December 1, 2007 (together with the Master Lease, the “Series 2007 Lease”) providing for the lease purchase financing of certain educational and related facilities and equipment. Pursuant to an Assignment of Lease Agreement dated as of October 1, 2000, as amended and supplemented, particularly as amended by an Fourth Amendment to Assignment of Lease Agreement dated as of December 1, 2007, the Corporation has assigned by outright assignment to The Bank of New York Trust Company, N.A., as trustee (the “Trustee”), for the benefit of the Owners of the Series 2007 Certificates, the Trust Estate, which includes all of the Corporation’s right, title and interest in, to and under the Ground Lease (as defined herein) and the Series 2007 Lease, excluding any rights of the Corporation to indemnification thereunder, the right to enter into additional Lease Schedules and its obligation not to impair the tax status of the Interest Component of Basic Rent Payments represented by the Series 2007 Certificates, but including the right of the Corporation to receive Lease Payments.

The Series 2007 Certificates are being delivered by the Trustee, as fully registered certificates in denominations of \$5,000 or any integral multiple thereof, pursuant to the provisions of a Master Trust Agreement, dated as of October 1, 2000, as amended and supplemented, and particularly as supplemented by a Series 2007 Supplemental Trust Agreement dated as of December 1, 2007 (collectively, the “Trust Agreement”), by and among the Board, the Trustee and the Corporation. The Interest Component of Basic Rent Payments represented by the Series 2007 Certificates is payable on January 1 and July 1 of each year, commencing July 1, 2008 (each a “Payment Date”). When issued, the Series 2007 Certificates will initially be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). Purchasers of Series 2007 Certificates (the “Beneficial Owners”) will not receive physical delivery of Series 2007 Certificates. Ownership by Beneficial Owners of Series 2007 Certificates will be evidenced by book-entry only (without certificates).

The Series 2007 Certificates are subject to prepayment prior to their stated maturities as set forth herein.

THE BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO MAKE LEASE PAYMENTS, WHICH CONSIST OF BASIC RENT AND SUPPLEMENTAL RENT. THE LEASE PAYMENTS REPRESENTED BY THE SERIES 2007 CERTIFICATES ARE PAYABLE SOLELY FROM FUNDS APPROPRIATED ANNUALLY BY THE BOARD FOR SUCH PURPOSE FROM THE BOARD’S AVAILABLE REVENUES, AND NEITHER THE CORPORATION, THE BOARD, THE SCHOOL DISTRICT OF DUVAL COUNTY, FLORIDA (THE “DISTRICT”), DUVAL COUNTY, FLORIDA (THE “COUNTY”), THE STATE OF FLORIDA (THE “STATE”), NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY ANY SUMS DUE UNDER THE SERIES 2007 LEASE EXCEPT FROM AVAILABLE REVENUES APPROPRIATED FOR SUCH PURPOSE. THE CERTIFICATE PAYMENTS DUE FROM THE BOARD UNDER THE SERIES 2007 LEASE DO NOT CONSTITUTE A GENERAL OBLIGATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE BOARD, THE DISTRICT, THE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. THE ISSUANCE OF THE SERIES 2007 CERTIFICATES WILL NOT DIRECTLY OR INDIRECTLY OBLIGATE THE BOARD, THE DISTRICT, THE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO LEVY OR TO PLEDGE ANY FORM OF AD VALOREM TAXATION WHATSOEVER THEREFOR AND THE OWNERS OF THE SERIES 2007 CERTIFICATES WILL HAVE NO RECOURSE TO THE POWER OF AD VALOREM TAXATION OF THE BOARD OR ANY OTHER GOVERNMENT ENTITY. SEE “RISK FACTORS” HEREIN.

Scheduled payment of the principal and interest represented by the Series 2007 Certificates when due will be insured by a municipal bond insurance policy to be issued by Financial Security Assurance Inc. simultaneously with the delivery of the Series 2007 Certificates. See “BOND INSURANCE” herein.



SEE INSIDE COVER PAGE FOR MATURITY SCHEDULE

The cover and inside cover page contain certain information for quick 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 2007 Certificates are offered when, as and if delivered and received by the Underwriters, subject to approval by Nabors, Giblin & Nickerson, P.A., Tampa, Florida and Lawrence & Parker, P.A., Jacksonville, Florida, Co-Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the Board and the Corporation by their Counsel, the Office of General Counsel of the City of Jacksonville, Florida. Certain legal matters will be passed upon for the Underwriters by their Counsel, Greenberg Traurig, P.A., Miami, Florida. SunTrust Robinson Humphrey, Inc., Orlando, Florida, is acting as Financial Advisor to the Board. The Series 2007 Certificates are expected to be delivered in book-entry form through the facilities of The Depository Trust Company, New York, New York on or about January 9, 2008.

UBS INVESTMENT BANK

**Banc of America Securities LLC
RBC Capital Markets**

Citi

**Jackson Securities
Wachovia Bank, N.A.**

Dated: December 13, 2007

ADDITIONAL INFORMATION

The Series 2007 Certificates are being issued to provide funds for the purposes of (i) financing the acquisition, construction, installation and equipping of the Series 2007 Project (as defined herein) and (ii) paying Costs of Issuance of the Series 2007 Certificates. See “ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS” herein.

The initial term of the Series 2007 Lease will commence on the date of delivery of the Series 2007 Certificates continue through and including June 30, 2008, and is automatically renewable annually thereafter through July 1, 2033, unless sooner terminated as described herein. The Board has previously entered into the Series 2000 Lease, the Series 2003-QZAB Lease, the Series 2005A Lease and the Series 2005-QZAB Lease (each as described herein) and may enter into other leases under the Master Lease in addition to such Leases and the Series 2007 Lease. 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 2007 Lease. Upon any such termination, any proceeds of the disposition of leased facilities will be applied to payment of the related Series of Certificates, all as further described herein. In no event will owners of Series 2007 Certificates have any interest in or right to any proceeds of the disposition of facilities leased under any lease other than the Series 2007 Lease. The proceeds of any disposition of the facilities leased under the Series 2007 Lease (other than Designated Equipment, as described herein) shall be applied to the payment of the Series 2007 Certificates. Should termination of the Master Lease occur, the Series 2007 Certificates may be accelerated at the option of Financial Security Assurance Inc. Transfers of the Series 2007 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 (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 will not result in termination of the municipal bond insurance policy issued by Financial Security Assurance Inc.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, PRICES, YIELDS AND INITIAL CUSIP NUMBERS

| Maturity (Due July 1) | Principal Amount | Interest Rate | Yield | Price | Initial CUSIP Number |
|----------------------------------|-----------------------------|--------------------------|--------------|--------------|---------------------------------|
| 2009 | \$1,840,000 | 4.000% | 3.190% | 101.159 | 267169 CX6 |
| 2010 | 1,915,000 | 4.000 | 3.250 | 101.771 | 267169 CY4 |
| 2011 | 1,985,000 | 4.000 | 3.330 | 102.182 | 267169 CZ1 |
| 2012 | 2,065,000 | 4.000 | 3.430 | 102.346 | 267169 DA5 |
| 2013 | 1,095,000 | 3.500 | 3.530 | 99.851 | 267169 DC1 |
| 2013 | 1,050,000 | 4.000 | 3.530 | 102.321 | 267169 DB3 |
| 2014 | 2,230,000 | 4.000 | 3.620 | 102.176 | 267169 DD9 |
| 2015 | 2,315,000 | 5.000 | 3.720 | 108.287 | 267169 DE7 |
| 2016 | 2,435,000 | 5.000 | 3.850 | 108.250 | 267169 DF4 |
| 2017 | 2,560,000 | 5.000 | 3.960 | 108.151 | 267169 DG2 |
| 2018 | 2,685,000 | 4.000 | 4.140 | 98.818 | 267169 DH0 |
| 2019 | 2,500,000 | 4.000 | 4.200 | 98.192 | 267169 DJ6 |
| 2020 | 2,890,000 | 4.000 | 4.300 | 97.125 | 267169 DK3 |
| 2021 | 3,005,000 | 5.000 | 4.380* | 104.766* | 267169 DL1 |
| 2022 | 3,210,000 | 5.000 | 4.440* | 104.292* | 267169 DM9 |
| 2023 | 3,170,000 | 4.375 | 4.600 | 97.527 | 267169 DP2 |
| 2023 | 200,000 | 5.000 | 4.500* | 103.822* | 267169 DN7 |
| 2024 | 3,515,000 | 4.500 | 4.650 | 98.285 | 267169 DQ0 |
| 2025 | 3,675,000 | 4.500 | 4.680 | 97.866 | 267169 DR8 |
| 2026 | 10,600,000 | 5.000 | 4.630* | 102.811* | 267169 DS6 |
| 2027 | 11,130,000 | 5.000 | 4.660* | 102.579* | 267169 DT4 |

\$79,505,000 5.000% Term Series 2007 Certificate maturing July 1, 2033; Yield - 4.760*;
Price - 101.812*; Initial CUSIP Number 267169 DU1

* Yield and price computed to earliest optional prepayment date of July 1, 2017.

PARTICIPANTS IN THE FINANCING

LESSOR

Duval School Board Leasing Corporation
Jacksonville, Florida

LESSEE

School Board of Duval County, Florida
Jacksonville, Florida

BOARD MEMBERS

Betty Burney, Chair
Tommy Hazouri, Vice Chair
Kris Barnes
Martha Barrett
Nancy Broner
Vicki Drake
Brenda A. Priestly Jackson

DISTRICT OFFICIALS

William Edward Pratt-Dannals
Acting Superintendent of Schools

Doug Ayars, P.E.
Chief Operating Officer

Thresa Giles
Chief Business Officer

Michael Perrone
Executive Director of Budget Services

Stephen Bright
Executive Director of Business Services

COUNSEL TO THE BOARD

Office of General Counsel of the City of
Jacksonville, Florida

CO-SPECIAL COUNSEL

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Tampa, Florida

Lawrence & Parker, P.A.
Jacksonville, Florida

FINANCIAL ADVISOR

SunTrust Robinson Humphrey, Inc.
Orlando, Florida

TRUSTEE

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

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This Offering Statement does not constitute an offer to sell the Series 2007 Certificates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, broker, sales representative or other person has been authorized by the Board or the Underwriters to give any information or make any representations, other than as 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 or the solicitation of an offer to buy any securities, nor shall there be any sale of the Series 2007 Certificates by any person in any jurisdiction to which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Offering Statement has been obtained from the District, the Board, the Corporation, DTC, Financial Security Assurance Inc. (the “Insurer”) and other sources that are considered to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct. However, such information is not to be construed as a representation of the Board, the Corporation, the Trustee, the Financial Advisor or the Underwriters and the information related to the Board and the Corporation is not to be construed as a representation of the Trustee, the Financial Advisor or the Underwriters. Any statements in this Offering Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not as representations of fact, and the Board, the Corporation, the Trustee and the Financial Advisor expressly make no representations that such estimates, assumptions and opinions will be realized or fulfilled.

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

Any information, estimates, assumptions and matters of opinion contained in this Offering Statement are subject to change without notice, and neither the delivery of this Offering Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the Board since the date hereof or the earliest date as of which such information was given.

Other than with respect to information concerning the Insurer contained under the caption “BOND INSURANCE” and “APPENDIX F - Specimen of Municipal Bond Insurance Policy” herein, none of the information in this Offering Statement has been supplied or verified by the Insurer and the Insurer makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2007 Certificates; or (iii) the tax exempt status of the Interest Component of Basic Rent Payments represented by the Series 2007 Certificates.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2007 CERTIFICATES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

UPON ISSUANCE, THE SERIES 2007 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 2007 CERTIFICATES FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFERING STATEMENT SHALL NOT CONSTITUTE A CONTRACT BETWEEN THE BOARD, THE CORPORATION OR THE UNDERWRITERS AND ANY ONE OR MORE HOLDERS OF THE SERIES 2007 CERTIFICATES.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2007 Certificates are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

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OFFERING STATEMENT

\$145,575,000

**CERTIFICATES OF PARTICIPATION
(School Board of Duval County, Florida Master Lease Program), Series 2007
Evidencing An Undivided Proportionate Interest of the Owners thereof in
Basic Rent Payments to be made under a Master Lease-Purchase Agreement by the
School Board of Duval County, Florida**

INTRODUCTION

This Offering Statement, including the cover page, inside cover page and appendices hereto, is provided to furnish information in connection with the sale and delivery of the Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2007 (the "Series 2007 Certificates"), which are being issued in the aggregate principal amount of \$145,575,000. The Series 2007 Certificates evidence undivided proportionate interests of the Owners thereof in the right to receive Basic Rent Payments to be made by the School Board of Duval County, Florida (the "Board"), under the Series 2007 Lease (defined below). The Series 2007 Certificates are being executed and delivered pursuant to a Master Trust Agreement dated as of October 1, 2000, as amended and supplemented, and particularly as amended and supplemented by the Series 2007 Supplemental Trust Agreement dated as of December 1, 2007 (collectively, the "Trust Agreement"), each by and among the Board, the Duval School Board Leasing Corporation, a Florida not-for-profit corporation (the "Corporation"), and The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), who is also serving as Paying Agent and Registrar.

The Board, as the governing body of the School District of Duval County, Florida (the "District"), entered into a Master Lease-Purchase Agreement dated as of October 1, 2000, as amended (the "Master Lease") by and between the Corporation, as lessor, and the 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 from the Corporation. Projects to be leased from time to time are identified on separate schedules (each a "Lease Schedule") attached to the Master Lease. Upon execution and delivery thereof, each Lease Schedule, together with the provisions of the Master Lease, will constitute a separate lease agreement (individually a "Lease" and collectively the "Leases"). The Projects subject to each such Lease are financed or refinanced with separate Series of Certificates issued under the Master Trust Agreement as supplemented by a Supplemental Trust Agreement related to each such Series of Certificates.

The following table provides a summary of the Leases in effect as of the date of delivery of the Series 2007 Certificates (including the Series 2007 Lease more particularly described below), the designation of the Projects being lease-purchased by the Board under each Lease, the final term of each Lease, the related Series of Certificates and the outstanding principal amount of each such Series of Certificates.

| <u>Lease</u> | <u>Related Projects</u> | <u>Final Renewal Term Ending Date</u> | <u>Related Series of Certificates</u> | <u>Principal Amount Outstanding</u> |
|------------------|-------------------------|---|---|---|
| Series 2000 | Series 2000 | 5/1/2020 | Series 2000 Series 2005 | \$40,210,000 35,355,000 ⁽¹⁾ |
| Series 2003-QZAB | Series 2003-QZAB | 12/23/2018 | Series 2003-QZAB | 5,667,000 ⁽²⁾ |
| Series 2005A | Series 2005A | 7/1/2025 | Series 2005A | 37,735,000 |
| Series 2005-QZAB | Series 2005-QZAB | 10/20/2021 | Series 2005-QZAB | 1,015,000 ⁽³⁾ |
| Series 2007 | Series 2007 | 7/1/2033 | Series 2007 | 145,575,000 |

⁽¹⁾ The proceeds of the Series 2005 Certificates were deposited in an escrow fund and invested in certain Permitted Investments in such amounts and maturities and bearing interest at such rates as to provide sufficient funds, together with uninvested cash, to pay (i) the Interest Component of the Basic Rent Payments represented by the Series 2000 Certificates maturing on July 1 in the years 2010 through 2020, inclusive, to and including July 1, 2009 and (ii) on July 1, 2009, the Principal Component of the Basic Rent Payments represented by the Series 2000 Certificates maturing on July 1 in the years 2010 through 2020, inclusive.

⁽²⁾ Represents principal portion of Basic Rent Payments represented by the Series 2003-QZAB Certificates due at maturity. The Basic Rent payable by the Board with respect to the Series 2003-QZAB Project is \$292,607 annually, due on December 23rd in the years 2004 through 2018, inclusive, which amounts, when invested pursuant to the Trust Agreement, will produce funds sufficient to pay the Series 2003-QZAB Certificates at maturity.

⁽³⁾ Represents principal portion of Basic Rent Payments represented by the Series 2005-QZAB Certificates due at maturity. The Basic Rent payable by the Board with respect to the Series 2005-QZAB Project is \$51,210.97 annually, due on October 20th in the years 2006 through 2021, inclusive, which amounts, when invested pursuant to the Trust Agreement, will produce funds sufficient to pay the Series 2005-QZAB Certificates at maturity.

The Series 2000 Certificates, Series 2003-QZAB Certificates, Series 2005 Certificates, Series 2005A Certificates and Series 2005-QZAB Certificates are collectively referred to herein as the “Prior Certificates”. The Series 2000 Lease, Series 2003-QZAB Lease, Series 2005A Lease and Series 2005-QZAB Lease are collectively referred to herein as the “Prior Leases”. The Series 2000 Project, Series 2003-QZAB Project, Series 2005A Project and Series 2005-QZAB Project are collectively referred to herein as the “Prior Projects”. See “THE MASTER LEASE PROJECTS”, “THE SERIES 2007 PROJECT”, “THE PRIOR PROJECTS” and “THE MASTER LEASE PROGRAM”.

The Series 2007 Project will be financed under the Board’s existing Master Lease as part of the Board’s master lease purchase program (the “Master Lease Program”) with the Corporation. The Projects financed by the Board under the Master Lease Program are subject to annual appropriation on an all or none basis; failure by the Board to appropriate funds to pay Lease Payments under any existing Lease or subsequent Lease will result in the termination of the Lease Term of all Leases, including the Series 2007 Lease. As of June 30, 2007, of the District’s 159 total operational schools (not including charter schools), there were 5 schools (new or replacement) and 3 school additions subject to the Master Lease Program, exclusive of Designated Equipment. Such figures do not include the new school comprising the Series 2007 Project (exclusive of Designated Equipment) which will also be subject to the Master Lease upon issuance of the Series 2007 Certificates. Based on the District’s full time equivalent enrollment of approximately 124,899 students as of June 30, 2007, approximately 4% of the District’s students attended classes in Projects currently leased under the Master Lease, exclusive of Designated Equipment. Such percentage does not include the approximately 4,909 students that are expected to attend classes in the Series 2007 Project (exclusive of Designated Equipment) upon completion of the Series 2007 Project. For a description of the Projects under the Master Lease Program, see “THE MASTER LEASE PROJECTS”, “THE SERIES 2007 PROJECT” and “THE PRIOR PROJECTS” herein.

Pursuant to the applicable provisions of Florida law, including particularly Chapters 1000-1013, Florida Statutes, as amended, the Board has, by a resolution adopted on October 2, 2007 (the “Resolution”), authorized the execution and delivery of Lease Schedule No. 2007 dated as of December 1, 2007 (“Schedule No. 2007” and together with the Master Lease, the “Series 2007 Lease”), pursuant to

which the Board will lease-purchase certain educational facilities, sites and equipment (the “Series 2007 Project”) identified in Schedule No. 2007 and described herein. See “THE SERIES 2007 PROJECT” herein. The initial term of the Series 2007 Lease will commence on the date of delivery of the Series 2007 Certificates and continue through and including June 30, 2008, and is automatically renewable annually thereafter through July 1, 2033, unless earlier terminated as described herein. See “APPENDIX D – FORMS OF CERTAIN BASIC DOCUMENTS - Assignment of Ground Lease”.

The Board currently holds title to two of the sites on which the facilities comprising the Series 2007 Project will be located, and expects to close on the purchase of the third site in December of 2007. Pursuant to the Ground Lease Agreement dated as of December 1, 2007 (the “Ground Lease”), the Board will lease the sites pertaining to the Series 2007 Project to the Corporation for an initial term commencing on the date of delivery of the Series 2007 Certificates through July 1, 2038, subject to Permitted Encumbrances (as defined in the Ground Lease) and subject to earlier termination or extension as set forth therein. See “APPENDIX D – FORMS OF CERTAIN BASIC DOCUMENTS - Ground Lease”. The rights, title and interest of the Corporation in the Ground Lease will be irrevocably assigned by outright assignment to the Trustee for the benefit of the Series 2007 Certificate Owners pursuant to an Assignment of Ground Lease dated as of December 1, 2007 (the “Assignment of Ground Lease”). See “APPENDIX D – FORMS OF CERTAIN BASIC DOCUMENTS”.

The rights, title and interest of the Corporation in the Series 2007 Lease, including the right of the Corporation to receive Basic Rent Payments (herein defined), to use, sell and relet projects and to exercise remedies thereunder, other than its right to indemnification, its right to enter into additional Lease Schedules and its obligation not to impair the tax status of the Interest Component of the Basic Rent Payments represented by the Series 2007 Certificates, have been irrevocably assigned by outright assignment to the Trustee pursuant to an Assignment of Lease Agreement dated as of October 1, 2000 (the “Original Assignment”, and as supplemented and amended from time to time, the “Assignment”). In connection with the execution and delivery of Schedule No. 2007, the Board will further supplement and amend the Assignment to acknowledge Schedule No. 2007 by entering into the Fourth Amendment to Assignment of Lease Agreement dated as of December 1, 2007. See “APPENDIX D – FORMS OF CERTAIN BASIC DOCUMENTS – Assignment of Lease Agreement and Fourth Amendment to Assignment of Lease Agreement”.

The scheduled payment of principal and interest represented by the Series 2007 Certificates, when due, will be guaranteed under a municipal bond insurance policy to be issued by Financial Security Assurance Inc. (the “Insurer”) simultaneously with the delivery of the Series 2007 Certificates. See “BOND INSURANCE” herein.

The Series 2007 Certificates are being issued to provide funds for the purpose of (i) financing the acquisition, construction, installation and equipping of the Series 2007 Project and (ii) paying Costs of Issuance of the Series 2007 Certificates.

Brief descriptions of the Series 2007 Certificates, the Board, the District, the Corporation, the Depository Trust Company (“DTC”), the Insurer, the Series 2007 Lease, the Trust Agreement, the Ground Lease and the Assignment are included in this Offering Statement. All references herein to the Series 2007 Certificates, the Series 2007 Lease, the Trust Agreement, the Ground Lease, the Original Assignment and the Fourth Amendment to Assignment of Lease Agreement are qualified in their entirety by reference to the respective complete documents. Copies of forms of the Trust Agreement, the Series 2007 Lease, the Ground Lease and the Assignment are included herein as “APPENDIX D – FORMS OF

CERTAIN BASIC DOCUMENTS”. This Offering Statement speaks only as of its date and the information contained herein is subject to change.

The Board has agreed and undertaken, for the benefit of Series 2007 Certificate Owners, to provide certain annual financial information and operating data and certain material event notices when and if they occur relating to the District and the Series 2007 Certificates pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. See “CONTINUING DISCLOSURE” herein.

Unless otherwise indicated, capitalized terms used in this Offering Statement shall have the same meaning established in the documents referenced in the foregoing paragraph. See “APPENDIX C-DEFINITIONS APPLICABLE TO THE BASIC DOCUMENTS”.

AUTHORIZATION AND PURPOSE

Pursuant to the applicable provisions of Florida law, including particularly Chapters 1000 - 1013, Florida Statutes, as amended, the Board has the power and authority to enter into transactions such as those contemplated by the Series 2007 Lease, the Ground Lease, and the Trust Agreement. The Board authorized doing so pursuant to the Resolution.

The Series 2007 Certificates are being issued to provide funds for the purposes of (a) financing the acquisition, construction, installation and equipping of the Series 2007 Project, and (b) paying Costs of Issuance of the Series 2007 Certificates. See “ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS” AND “THE SERIES 2007 PROJECT” herein.

THE SERIES 2007 CERTIFICATES

Form and Denomination

The Series 2007 Certificates are issuable as fully registered certificates without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2007 Certificates shall initially be issued exclusively in “book-entry” form and ownership of one fully registered Series 2007 Certificate for each maturity as set forth on the inside cover page, each in the aggregate principal amount of such maturity, will be initially registered in the name of “Cede & Co”, as registered owner and nominee for DTC. Individual purchases will be made in increments of \$5,000 or integral multiples thereof. See “THE SERIES 2007 CERTIFICATES - Book-Entry Only System” herein.

The Series 2007 Certificates shall be dated the date of delivery thereof and shall mature in the years and principal amounts set forth on the inside cover page of this Offering Statement. The Interest Component of Basic Rent Payments represented by the Series 2007 Certificates is payable on January 1 and July 1 of each year, commencing July 1, 2008 (each a “Payment Date”). The Interest Component of the Series 2007 Certificates represent an undivided proportionate interest in the Interest Component of Basic Rent Payments due on December 15 and June 15 of each year as set forth in the Series 2007 Lease (each a “Basic Rent Payment Date”), to and including the maturity date of each Series 2007 Certificate, at the rates set forth on the inside cover page hereof. Interest on the Series 2007 Certificates will be paid by check or draft of the Trustee, as Paying Agent and Registrar, mailed on each Payment Date to the Owners of the Series 2007 Certificates listed in the registration books maintained by the Trustee on the 15th day of the month (whether or not a Business Day) next preceding each Payment Date (the “Record Date”); provided, however, that at the request and expense of the registered owner of \$1,000,000 or more in

aggregate principal amount of Series 2007 Certificates, interest will be paid by wire transfer on the Payment Date to a domestic bank account designated in writing to the Trustee by the registered owner at least five days prior to the Record date for said Payment Date.

The principal amount of the Series 2007 Certificates payable at maturity or upon prepayment thereof, whichever is earlier, represents an undivided proportionate interest in the Principal Component of Basic Rent Payments payable on each of the dates set forth in the Series 2007 Lease. The principal portion of Basic Rent Payments represented by the Series 2007 Certificates is payable to the Owner thereof upon presentation, when due, at maturity or upon earlier prepayment, at the designated corporate trust office of the Trustee. Notwithstanding the above, reference is made to the book-entry system of registration described under “THE SERIES 2007 CERTIFICATES - Book-Entry Only System” below.

The scheduled payment of the principal and interest represented by the Series 2007 Certificates, when due, will be guaranteed under a municipal bond insurance policy to be issued by the Insurer simultaneously with the delivery of the Series 2007 Certificates. See “BOND INSURANCE” herein.

Prepayment

Optional Prepayment. The Series 2007 Certificates maturing on or before July 1, 2017 shall not be subject to prepayment at the option of the Board. The Series 2007 Certificates maturing on or after July 1, 2018 may be prepaid from prepayments of Basic Rent made by the Board pursuant to the Series 2007 Lease, in whole or in part on July 1, 2017 or any date thereafter, and if in part, in such order of maturities as may be designated by the Board, or if not so designated, in the inverse order of maturities, and by lot within a maturity in such manner as may be designated by the Trustee, at a Prepayment Price equal to 100% of the principal amount of the Series 2007 Certificates to be prepaid, plus accrued and unpaid interest thereon to the optional prepayment date.

No Extraordinary Prepayment. The Series 2007 Certificates are not subject to extraordinary prepayment prior to maturity.

Mandatory Sinking Fund Prepayment. The Series 2007 Certificates maturing on July 1, 2033 are subject to mandatory prepayment prior to maturity in part, from payments of the principal portion of Basic Rent Payments on each July 1 in the years and in the amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date.

| July 1 of the Year | Principal Amount |
|-------------------------------|-----------------------------|
| 2028 | \$11,690,000 |
| 2029 | 12,275,000 |
| 2030 | 12,885,000 |
| 2031 | 13,530,000 |
| 2032 | 14,205,000 |
| 2033* | 14,920,000 |

* Maturity.

Notice of Prepayment

Notice of prepayment of the Series 2007 Certificates shall be given by the Trustee, at the expense of the Board, by mail, postage prepaid, not more than sixty (60) days or fewer than thirty (30) days prior to the date of prepayment, to the Owners of such Series 2007 Certificates to be prepaid. Such mailing shall not be a condition precedent to such prepayment, and failure to mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the prepayment of such Series 2007 Certificates.

Each such notice shall state: (i) the CUSIP numbers of all Series 2007 Certificates being prepaid, (ii) the original issue date of such Series 2007 Certificates, (iii) the maturity date and rate of interest borne by each Series 2007 Certificate being prepaid, (iv) the prepayment date, (v) the Prepayment Price, (vi) the date on which such notice is mailed, (vii) if less than all Outstanding Series 2007 Certificates are to be prepaid, the certificate number (and, in the case of a partial prepayment of any Series 2007 Certificate, the principal amount) of each Series 2007 Certificate to be prepaid, (viii) that on such prepayment date, there shall become due and payable upon each Series 2007 Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof in the case of Series 2007 Certificates to be prepaid in part only, together with interest accrued thereon to the prepayment date, and that from and after such date, interest thereon shall cease to accrue and be payable, and (ix) that the Series 2007 Certificates to be prepaid, whether as a whole or in part, are to be surrendered for payment of the Prepayment Price at the designated corporate trust office of the Trustee at an address specified.

Registration, Transfer and Exchange

Except when the Series 2007 Certificates are registered under a book-entry only system of registration, the following procedures will apply to the registration, transfer and exchange of the Series 2007 Certificates.

The Trustee shall keep or cause to be kept a Series 2007 Certificate Register, which shall at all times be open to inspection by the Board and the Corporation; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer of Series 2007 Certificates on the Series 2007 Certificate Register. The transfer of any Series 2007 Certificate may be registered only upon the Series 2007 Certificate Register upon surrender thereof to the Trustee together with an assignment duly executed by the Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such registration of transfer, the Trustee shall authenticate and deliver in exchange for such Series 2007 Certificate a new registered Series 2007 Certificate or Series 2007 Certificates, registered in the name of the transferee, of any authorized denomination or denominations in the aggregate principal amount equal to the principal amount of such Series 2007 Certificate surrendered or exchanged, of the same maturity and bearing interest at the same rate.

Series 2007 Certificates, upon surrender thereof at the designated corporate trust office of the Trustee, together with an assignment duly executed by the Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Series 2007 Certificates of the same maturity, of any authorized denomination or denominations, bearing interest at the same rate, and in the same form as the Series 2007 Certificates surrendered for exchange.

In all cases in which Series 2007 Certificates shall be exchanged or the transfer of Series 2007 Certificates shall be registered, the Trustee shall authenticate and deliver, at the earliest practicable time, Series 2007 Certificates in accordance with the provisions of the Trust Agreement. All Series 2007 Certificates surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Trustee. Upon cancellation of any Series 2007 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 Series 2007 Certificates so canceled, and one executed cancellation certificate shall be filed with the Board and the other executed cancellation certificate shall be retained by the Trustee. No service charge shall be made for any registration, transfer, or exchange of Series 2007 Certificates, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Series 2007 Certificates as a condition precedent to such registration, transfer or exchange. The Trustee shall not be required to transfer or exchange Series 2007 Certificates (i) during a period beginning at the opening of business fifteen (15) days before the day of a mailing of a notice of prepayment of Series 2007 Certificates and ending at the close of business on the day of such mailing, (ii) so selected for prepayment, in whole or in part, or (iii) during a period beginning at the opening of business on the Record Date next preceding a date set for payment of interest and ending on such interest Payment Date.

Book-Entry Only System

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

DTC will act as securities depository for the Series 2007 Certificates. The Series 2007 Certificates will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2007 Certificate will be issued for each maturity of the Series 2007 Certificates, as set forth on the inside cover page hereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market investments from over 100 countries that its DTC's Participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

So long as the book-entry only system is in effect, beneficial interests in the Series 2007 Certificates will be available in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Series 2007 Certificates will not receive certificates representing their beneficial interests in the Series 2007 Certificates purchased. The Underwriters are to confirm original issuance purchases of beneficial interests with statements containing certain terms of the Series 2007 Certificates in which such beneficial interests are purchased.

Purchases of Series 2007 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2007 Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2007 Certificate (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Direct and Indirect Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2007 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in Series 2007 Certificates, except in the event that use of the book-entry system for the Series 2007 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2007 Certificates deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2007 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2007 Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2007 Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Prepayment notices shall be sent to DTC. If less than all of the Series 2007 Certificates within a series or maturity of a series are being prepaid, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2007 Certificates unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Series 2007 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of, premium, if any, and interest represented by the Series 2007 Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC (nor its nominee), the Board, the Corporation or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of Basic Rent Payments represented by the Series 2007 Certificates to DTC is the responsibility of the Board and the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2007 Certificates at any time by giving reasonable notice to the Board and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2007 Certificates are required to be printed and delivered.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2007 Certificates will be printed and delivered.

In either of the situations described in the preceding two paragraphs, definitive replacement certificates shall be issued only upon surrender to the Board and the Trustee of the Series 2007 Certificates of each maturity by DTC, accompanied by registration instructions for the definitive replacement certificates for such maturity from DTC. The Board shall not be liable for any delay in delivery of such instructions and conclusively may rely on and shall be protected in relying on such instruction of DTC.

NEITHER THE DISTRICT, THE BOARD, THE CORPORATION NOR THE TRUSTEE WILL 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 2007 CERTIFICATES, FOR THE ACCURACY OF RECORDS OF DTC, CEDE & CO. OR ANY DTC PARTICIPANT WITH RESPECT TO THE SERIES 2007 CERTIFICATES OR THE PROVIDING OF NOTICE OR PAYMENT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AND INTEREST REPRESENTED BY THE SERIES 2007 CERTIFICATES TO DTC PARTICIPANTS OR BENEFICIAL OWNERS, OR THE SELECTION OF SERIES 2007 CERTIFICATES FOR PREPAYMENT.

Neither the Board, the District nor the Trustee can give any assurances that DTC, DTC Participants or others will distribute payments of principal, premium, if any, or interest represented by the Series 2007 Certificates paid to DTC or its nominee, or any prepayment or other notices, to the Beneficial Owners or that DTC will do so on a timely basis or the DTC will serve or act in a manner described in this Offering Statement.

For every transfer and exchange of beneficial interests in the Series 2007 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.

Additional Certificates

Additional Certificates may be issued under the Trust Agreement to finance, refinance or complete additional Projects under the Master Lease. See “SECURITY FOR THE SERIES 2007 CERTIFICATES - Additional Series of Certificates and Other Indebtedness”.

SECURITY FOR THE SERIES 2007 CERTIFICATES

General

The Series 2007 Certificates evidence undivided proportionate interests in the Principal Component and Interest Component of the Basic Rent Payments made by the Board under the Series 2007 Lease. The Series 2007 Certificates are secured by and payable solely from the Trust Estate established by the Series 2007 Certificates (the “Trust Estate”) pursuant to the Trust Agreement and any amounts payable under the Policy. The Trust Estate consists of all right, title and interest (i) of the Corporation in, to and under the Ground Lease and the Series 2007 Lease and the right to receive Lease Payments (including Basic Rent Payments) under the Series 2007 Lease; (ii) in all cash, securities and investments held in the funds, accounts and subaccounts established under the Trust Agreement (other than the Rebate Fund) in accordance with the provisions of the Series 2007 Lease and the Trust Agreement; (iii) of the Trustee under the Assignment of Lease and Assignment of Ground Lease; (iv) any moneys received by the Trustee which are derived from the exercise by the Trustee, as assignee of the Corporation, of any remedies under the Trust Agreement, the Series 2007 Lease or the Ground Lease or any mortgage document entered into pursuant to the Trust Agreement; and (v) all property which by the express provisions of the Trust Agreement, the Series 2007 Lease, the Ground Lease is required to be subject to the lien of the Trust Agreement, including any additional property that may from time to time thereafter be expressly made subject to the lien of the Trust Agreement.

Upon termination of the Series 2007 Lease upon the occurrence of an Event of Non-Appropriation or in the case of certain Events of Default, however, the Series 2007 Lease provides that the Board must surrender possession of the Series 2007 Project (except for Designated Equipment) to the Trustee as an assignee of the Corporation for disposition by sale or re-letting of its interest in the Series 2007 Project as provided in the Trust Agreement, and any proceeds of any such disposition will be applied to the payment of the Series 2007 Certificates after payment of the expenses of the Trustee. See “THE SERIES 2007 PROJECT” herein for a description of the Series 2007 Project against which the Trustee has rights.

Master Lease

The Master Lease contemplates that the relationship between the Board and the Corporation will be a continuing one, that Projects in addition to Prior Projects and the Series 2007 Project may be added to the Master Lease from time to time, and that additional Certificates in addition to the Prior Certificates and the Series 2007 Certificates will be issued under the Trust Agreement in connection with such Projects.

The Owners of the Series 2007 Certificates shall have no claim against, nor receive any benefits from, any portion of the Trust Estate derived from the sale, reletting or other disposition of Projects other than the Series 2007 Project (except for Designated Equipment), or any cash, securities or investments in the Pledged Accounts, other than the Series 2007 Pledged Accounts. See “THE SERIES 2007

CERTIFICATES” and “SECURITY FOR THE SERIES 2007 CERTIFICATES - Lease Payment Fund, Additional Series of Certificates and Other Indebtedness and Completion Certificates”.

Limited Obligation of the Board

The obligation of the Board to make Lease Payments, which includes Basic Rent Payments and Supplemental Rent Payments under the Series 2007 Lease, is a limited and special obligation, payable solely from moneys appropriated by the Board for such purpose from the Board’s Available Revenues (hereinafter defined). There shall be credited against such obligation moneys, if any, on deposit with the Trustee in certain accounts pledged under the Trust Agreement and from amounts, if any, realized from the exercise of remedies with respect to the Series 2007 Project by the Trustee on behalf of the Series 2007 Certificate Owners. Such Basic Rent Payments are subject to annual appropriation by the Board and the Series 2007 Lease shall be terminated upon the occurrence of an Event of Non-Appropriation. An “Event of Non-Appropriation” will occur if the Board does not approve a tentative Budget and a final Budget in accordance with State law which appropriates sufficient funds from Available Revenues to continue paying Basic Rent in full for all Projects (including the Prior Projects) leased under the Master Lease beyond the end of such Initial Lease Term or Renewal Lease Term for the following Renewal Lease Term. The Lease Term shall be deemed renewed pending the enactment of the final Budget and the Board shall be liable for any Basic Rent and other obligations under the Master Lease coming due during such period but only if the tentative Budget and the final Budget makes available to the Board moneys which may legally be used to pay Basic Rent and pay such other obligations coming due during such period. Upon the occurrence of an Event of Non-Appropriation, the Board will not be obligated to pay Basic Rent for the Series 2007 Lease and any other obligations accruing beyond the then current Fiscal Year. **THE BOARD MAY NOT BUDGET AND APPROPRIATE FOR A PORTION OF LEASE PAYMENTS DUE 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.**

While the Board is not legally obligated to do so, it has represented in the Master Lease that it is its present intent to continue the Series 2007 Lease with respect to the Series 2007 Project for the Maximum Lease Term of the Series 2007 Project (ending July 1, 2033). Subject to its right of non-appropriation, the Board has agreed in the Master Lease to take such action as may be necessary to include all Basic Rent due under the Master Lease as a separately stated line item in its Budget and to appropriate in each Fiscal Year from Available Revenues an amount necessary to pay the Basic Rent due in such Fiscal Year.

“Available Revenues” means the moneys and revenues of the Board legally available under the Act to make the Lease Payments. Available Revenues include, but are not limited to, Florida Public Education Capital Outlay (“PECO”) funds (but only for the Principal Component of Basic Rent), Florida Education Finance Program (“FEFP”) funds and the Capital Outlay Millage, each as described below.

The Board may issue additional indebtedness other than in connection with the Master Lease secured by its Available Revenues without the consent of the Owners of the Series 2007 Certificates. The incurrence of such additional indebtedness by the Board may adversely affect the Board’s ability to make Basic Rent Payments under the Master Lease.

THE BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO MAKE LEASE PAYMENTS. BASIC RENT IS PAYABLE SOLELY FROM AVAILABLE REVENUES

SPECIFICALLY APPROPRIATED BY THE BOARD FOR SUCH PURPOSE AND NEITHER THE CORPORATION, THE BOARD, THE DISTRICT, THE COUNTY, THE STATE, NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY ANY SUMS DUE UNDER THE SERIES 2007 LEASE EXCEPT FROM AVAILABLE REVENUES APPROPRIATED FOR SUCH PURPOSE. THE BASIC RENT PAYMENTS ARE SUBJECT TO ANNUAL APPROPRIATION BY THE BOARD ON AN ALL OR NONE BASIS. THE SERIES 2007 CERTIFICATE PAYMENTS OF PRINCIPAL AND INTEREST AND THE PAYMENTS DUE FROM THE BOARD UNDER THE SERIES 2007 LEASE AND THE CONTRACTUAL OBLIGATIONS OF THE BOARD UNDER THE SERIES 2007 LEASE DO NOT CONSTITUTE AN INDEBTEDNESS OR A PLEDGE OF THE FAITH AND CREDIT OF THE CORPORATION, THE BOARD, THE DISTRICT, THE COUNTY, THE STATE, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION OR LIMITATION. THE ISSUANCE OF THE SERIES 2007 CERTIFICATES WILL NOT DIRECTLY OR INDIRECTLY OBLIGATE THE CORPORATION, THE BOARD, THE DISTRICT, THE COUNTY, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, TO LEVY OR TO PLEDGE ANY FORM OF AD VALOREM TAXATION WHATSOEVER THEREFOR AND NEITHER THE TRUSTEE, THE CORPORATION NOR THE OWNERS OF THE SERIES 2007 CERTIFICATES MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE BOARD OR THE STATE OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO PAY ANY SUMS DUE UNDER THE SERIES 2007 LEASE. SEE "RISK FACTORS" HEREIN.

THE BOARD IS NOT OBLIGATED TO APPROPRIATE AVAILABLE REVENUES TO PAY BASIC RENT. IF, FOR ANY FISCAL YEAR, THE BOARD DOES NOT APPROVE A BUDGET WHICH APPROPRIATES SUFFICIENT AVAILABLE REVENUES (WITHOUT REGARD TO ANY CREDITS FROM EARNINGS ON AMOUNTS HELD IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE TRUST AGREEMENT) IN A LINE ITEM SPECIFICALLY IDENTIFIED FOR PAYMENT OF ITS OBLIGATIONS UNDER THE MASTER LEASE, SUCH FAILURE SHALL CONSTITUTE AN EVENT OF NON-APPROPRIATION AND THE MASTER LEASE SHALL TERMINATE AS OF THE LAST DAY OF THE THEN INITIAL LEASE TERM OR THE LAST RENEWAL LEASE TERM FOR WHICH AVAILABLE REVENUES HAVE BEEN BUDGETED AND APPROPRIATED AND THE BOARD WILL NOT BE OBLIGATED TO MAKE ANY BASIC RENT PAYMENTS ACCRUING OR ARISING BEYOND SUCH LAST DAY. IN SUCH EVENT, THE BOARD IS REQUIRED TO SURRENDER USE, POSSESSION AND CONTROL OF ALL PROJECTS (OTHER THAN DESIGNATED EQUIPMENT) LEASED UNDER THE MASTER LEASE TO THE TRUSTEE.

Lease Payment Fund

The Trust Agreement provides for the establishment and maintenance of a single Lease Payment Fund, with a Principal Account and an Interest Account for deposit of Basic Rent Payments appropriated and paid under the Master Lease. With certain limited exceptions, separate subaccounts within the Principal Account and the Interest Account will be established upon the issuance of each additional Series of Certificates under the Trust Agreement. Separate subaccounts within the Principal Account and Interest Account will be created for deposit of Lease Payments appropriated and paid under the Series 2007 Lease. Basic Rent due under all Lease Schedules to the Master Lease are subject to annual appropriation by the Board on an all-or-none basis and are payable on a parity basis solely from Available

Revenues; provided that (i) Basic Rent with respect to a particular Lease Schedule and Series of Certificates may be additionally and separately secured by a Credit Facility or insurance policy, and (ii) Owners of various Series of Certificates are not on a parity as to the amounts in the separate subaccounts established in the Lease Payment Fund with respect to a particular series. The Board may enter into additional Lease Schedules from time to time, without limitation, for the lease purchase financing of additional Projects. Such additional Projects may be financed through the sale of additional Series of Certificates under the Trust Agreement. THE BOARD MAY NOT BUDGET AND APPROPRIATE BASIC RENT FOR A PORTION OF THE PROJECTS LEASED UNDER THE MASTER LEASE; IT MUST BUDGET AND APPROPRIATE ALL BASIC RENT FOR ALL PROJECTS OR NONE OF THEM. THERE CAN BE NO ASSURANCE THAT SUFFICIENT FUNDS WILL BE APPROPRIATED OR OTHERWISE BE MADE AVAILABLE TO MAKE ALL OF THE LEASE PAYMENTS.

Optional Prepayment Price

The Board has the right to prepay on or after July 1, 2017 all or a portion of the Basic Rent represented by the Series 2007 Certificates, and in connection therewith to remove all or a portion of the Series 2007 Project from the Series 2007 Lease and from the lien of the Ground Lease by paying the Lease Payment relating to a Project or Group within a Project. No such partial prepayment of the Series 2007 Certificates which is accomplished by the removal of all or a portion of the Series 2007 Project from the Series 2007 Lease and from the lien of the Ground Lease may be made without the prior consent of the Insurer. For purposes of the Board's option to purchase all or a portion of the Series 2007 Project, the Basic Rent representing the purchase option price is the Lease Payments then due under the Series 2007 Lease, less any credits pursuant to the provisions of the Series 2007 Lease, plus an amount equal to the interest to accrue on the Series 2007 Certificates to be prepaid from such Lease Payment Date to the next optional prepayment date with respect to the Series 2007 Certificates, plus an amount equal to any other amount then due and owing under the Series 2007 Lease, including any prepayment premium payable on the Series 2007 Certificates prepaid.

Municipal Bond Insurance

The scheduled payment of the principal and interest represented by the Series 2007 Certificates, when due, will be insured by a municipal bond insurance policy to be issued by the Insurer simultaneously with the delivery of the Series 2007 Certificates. See "BOND INSURANCE" herein.

Flow of Funds

Pursuant to the Trust Agreement, the following funds and accounts were established:

- (1) the "School Board of Duval County, Florida Master Lease Project Fund" (the "Project Fund"), which shall consist of the Project Account, the Costs of Issuance Account and the Capitalized Interest Account;
- (2) the "School Board of Duval County, Florida Master Lease Payment Fund" (the "Lease Payment Fund"), which shall consist of the Principal Account and the Interest Account;
- (3) the "School Board of Duval County, Florida Master Lease Prepayment Fund" (the "Prepayment Fund"); and

(4) the “School Board of Duval County, Florida Master Lease Rebate Fund” (the “Rebate Fund”).

Series 2007 subaccounts will be established within the Principal Account, Interest Account, Project Account, Costs of Issuance Account, and a Series 2007 Account will be established within the Prepayment Fund.

Basic Rent Payments paid to the Trustee, as assignee of the Corporation pursuant to the Series 2007 Lease and the Assignment of Lease, shall be deposited as received by the Trustee in the Lease Payment Fund in the following manner and in the following order of priority:

- (i) There shall be deposited to the subaccount of the Interest Account established for the payment of the Series 2007 Certificates from the Interest Component of Basic Rent made in relation to the Series 2007 Certificates an amount which shall be sufficient to pay the interest becoming due on the Series 2007 Certificates on the next succeeding Payment Date. Moneys in each subaccount of the Interest Account shall be used to pay the interest on the Series of Certificates for which it was established as and when the same become due, whether by prepayment or otherwise, and for no other purpose. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on all Outstanding Certificates on the next succeeding Payment Date.
- (ii) There shall be deposited to the applicable subaccount of the Principal Account established for the payment of the Series 2007 Certificates the Principal Component of Basic Rent paid with respect to the Series 2007 Certificates an amount which shall be sufficient to pay the principal and Amortization Installment becoming due on the Series 2007 Certificates on the next succeeding Payment Date. Moneys in each subaccount of the Principal Account shall be used to pay the principal of and Amortization Installments on the Series of Certificates for which it was established as and when the same mature or are redeemed, and for no other purpose. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal and Amortization Installment coming due on all Outstanding Certificates on the next succeeding Payment Date.

No Reserve Account for Series 2007 Certificates

There is no Reserve Account for the Series 2007 Certificates. However, pursuant to a Supplemental Trust Agreement authorizing the issuance of any additional Series of Certificates, there may be established and maintained a separate Reserve Account to secure the payment of the Principal Component and/or Interest Component of the Basic Rent 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 D - FORMS OF CERTAIN BASIC DOCUMENTS - Master Trust Agreement”.

Defaults and Remedies

Upon the occurrence of an Event of Default under the Trust Agreement (which includes the occurrence of an “Event of Default” or “Event of Non-Appropriation” under the Master Lease unless the Master Lease “Event of Default” has been remedied or waived), the Trustee, with the prior consent of the Insurer (if the Insurer is not in payment default), is entitled to, and, with the prior consent of the Insurer (if the Insurer is not in payment default) upon written request of the Owners of a majority in aggregate principal amount of the Series 2007 Certificates or upon the written request of the Insurer (if the Insurer is

not in payment default) is required to, exercise a variety of remedies including, without limitation, any one or more of the following: (1) declare the Principal Component and the Interest Component of the Basic Rent represented by the Series 2007 Certificates due and payable (but only with the written consent of the Insurer if the Insurer is not in payment default) if the Master Lease has been terminated; (2) protect and enforce its rights and the rights of the Owners under the Trust Agreement, the Series 2007 Lease or the Ground Lease; and (3) take possession of the Series 2007 Project (other than Designated Equipment) and sell, relet or otherwise dispose of the leasehold estate of the Trustee, as assignee of the Corporation in the Series 2007 Project, or any portion thereof. The proceeds of any disposition of the Series 2007 Project (other than Designated Equipment) will be applied to the payment of the Outstanding Series 2007 Certificates in accordance with the terms of the Series 2007 Lease. IN NO EVENT WILL THE OWNERS OF THE SERIES 2007 CERTIFICATES HAVE ANY INTEREST IN OR RIGHT TO ANY PROCEEDS OF THE DISPOSITION OF ANY PROJECT OTHER THAN THE SERIES 2007 PROJECT.

The portion of the Series 2007 Project constituting Designated Equipment consists of personal property. UNDER THE SERIES 2007 LEASE, THE BOARD MAY NOT BE DISPOSSESSED OF DESIGNATED EQUIPMENT. For a discussion of the remedies available to the Trustee if the Board refuses or fails to voluntarily deliver possession of the Series 2007 Project to the Trustee, see “APPENDIX D - FORMS OF CERTAIN BASIC DOCUMENTS - 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 2007 Project (other than Designated Equipment) will produce sufficient amounts to pay the Series 2007 Certificates. Federal income tax status of payments made to Series 2007 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 2007 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 2007 Certificates will not be impaired following termination of the Lease Term of the Leases. See “RISK FACTORS”.

Additional Series of Certificates and Other Indebtedness

Series of Certificates, in addition to the Prior Certificates and the Series 2007 Certificates, may be issued under the Trust Agreement for the purpose of funding the costs of new or additional Projects, completing Projects or refunding Outstanding Certificates. Proceeds of additional Series of Certificates may also be used for the purpose of capitalizing the Interest Component represented by such Series of Certificates, funding reserves therefor, and paying the costs of issuance applicable thereto. The number of Series of Certificates that may be created under the Trust Agreement is not limited. The aggregate principal amount of each Series of Certificates which may be issued, authenticated and delivered under the Trust Agreement is not limited except as set forth in the related Lease Schedule specifying the details of such Series.

Completion Certificates and Refunding Certificates may also be issued under the Trust Agreement. See “SECURITY FOR THE SERIES 2007 CERTIFICATES - Completion Certificates” and “- Refunding Certificates” below.

The Board may also issue indebtedness or other obligations which are not in connection with the Master Lease secured by any of its Available Revenues without the consent of the Owners of the Series 2007 Certificates. The incurrence of such indebtedness or other obligations may affect the Board’s

obligations to make Basic Rent Payments under the Master Lease. Failure of the Board to appropriate Available Revenues for all Basic Rent Payments under the Master Lease would not necessarily impair the Board's right to appropriate revenues to make payments for obligations which are not connected to the Master Lease.

Completion Certificates

Completion Certificates may be issued to provide necessary funds to complete payment of the Costs of the Series 2007 Project or to finance additional property which shall be added to the Series 2007 Project or which shall be substituted for a portion of the Series 2007 Project. Except as otherwise provided, such Completion Certificates, for purposes of the Trust Agreement, the Series 2007 Lease, and the Ground Lease shall constitute a part of the Series 2007 Certificates.

The proceeds of Completion Certificates may be used to fund a Reserve Requirement, capitalize interest on such Completion Certificates, and/or pay Costs of Issuance, and shall be deposited in the Pledged Accounts established for the Series 2007 Certificates in such manner and in such amounts as determined by the Supplemental Trust Agreement relating to the authorization of such Completion Certificates. The Completion Certificates shall be secured on a parity with the Series 2007 Certificates in accordance with the terms of the Trust Agreement.

Refunding Certificates

Refunding Certificates may be issued under and secured by the Trust Agreement, at any time or times, for the purposes of (i) providing funds for refunding part or all of the Series 2007 Certificates (and the Basic Rent Payments related thereto) at or prior to their maturity or maturities, including the payment of any Prepayment Premium thereon and interest which will accrue on such Series 2007 Certificates to their date of payment, (ii) making a deposit, as necessary, to the subaccount of the Reserve Account which shall secure such Refunding Certificates, and (iii) paying the Costs of Issuance relating to said Refunding Certificates.

In order to issue Refunding Certificates, the Trustee must have received, among other items, a report of a certified public accountant or firm of certified public accountants verifying the mathematical accuracy of calculations supplied by the Board, or its designee, that the proceeds of such Refunding Certificates plus any other moneys available for such purpose, including investment earnings, shall be not less than an amount sufficient to pay the principal of and the prepayment premium, if any, on the Series 2007 Certificates to be refunded and the Interest Component of the Basic Rent represented by such Series 2007 Certificates which will accrue thereon to the prepayment date or maturity dates applicable thereto.

Other than for amounts required to pay Costs of Issuance or to make deposits to the Reserve Account or Interest Account, the proceeds of such Refunding Certificates and any other moneys received by the Trustee or other escrow agent acceptable to the Board for such purpose, shall be held by the Trustee or such other escrow agent in a special fund appropriately designated, to be held in trust for the sole and exclusive purpose of paying the principal of, prepayment premium, if any, and interest on the Series 2007 Certificates to be refunded, all as provided in the Trust Agreement. The Refunding Certificates shall be secured in the same manner and from the same Pledged Accounts as the Series 2007 Certificates to be refunded in accordance with the terms of the Trust Agreement.

BOND INSURANCE

Financial Security Assurance Inc. has supplied the following information for inclusion in this Offering Statement. No representation is made by the Board, the District or the underwriters as to the accuracy or completeness of this information. A specimen of the Insurer's municipal bond insurance policy is included herein as "Appendix F - SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY".

Bond Insurance Policy

Concurrently with the issuance of the Series 2007 Certificates, Financial Security Assurance Inc. ("Financial Security" or "Insurer") will issue its Municipal Bond Insurance Policy for the Series 2007 Certificates (the "Policy"). The Policy guarantees the scheduled payment of the principal and interest represented by the Series 2007 Certificates when due as set forth in the form of the Policy included as an exhibit 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 financial guaranty 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, a direct wholly-owned subsidiary of Dexia, S.A. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance, banking and asset management in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2007, Financial Security's combined policyholders' surplus and contingency reserves were approximately \$2,691,965,000 and its total net unearned premium reserve was approximately \$2,201,808,000 in accordance with statutory accounting principles. At September 30, 2007, Financial Security's consolidated shareholder's equity was approximately \$2,975,654,000 and its total net unearned premium reserve was approximately \$1,721,678,000 in accordance with generally accepted accounting principles.

The consolidated financial statements of Financial Security included in, or as exhibits to, the annual and quarterly reports filed after December 31, 2006 by Holdings with the Securities and Exchange Commission are hereby incorporated by reference into this Offering Statement. All financial statements of Financial Security included in, or as exhibits to, documents filed by Holdings pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 after the date of this Offering Statement and before the termination of the offering of the Series 2007 Certificates shall be deemed incorporated by reference into this Offering Statement. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the 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 Certificates or the

advisability of investing in the 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

RISK FACTORS

Each purchaser of Series 2007 Certificates is subject to certain risks. Each prospective investor in the Series 2007 Certificates should 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 2007 Certificates to an extent that cannot be determined.

Annual Right of the Board to Terminate the Series 2007 Lease

Although the Board has determined in the Master Lease that the Series 2007 Project is necessary to its operations and currently intends to continue the Series 2007 Lease for the Maximum Lease Term and has covenanted in the Series 2007 Lease to include a sufficient amount in the tentative Budget to enable the Board to pay Basic Rent due in each Fiscal Year, the Board is not required to appropriate funds to pay Basic Rent Payment. If for any Fiscal Year the Board does not approve a tentative Budget and a final Budget which appropriates sufficient funds from Available Revenues in a line item specifically identified for payment of its obligations under the Master Lease, the Master Lease will terminate as of the last day of the then Initial Lease Term or last Renewal Lease Term for which moneys have been budgeted and appropriated with respect to the Prior Projects, the Series 2007 Project and all other Projects financed and refinanced thereunder, and the Board will not be obligated to pay Basic Rent Payments, accruing or arising thereafter. However, the Board shall be required to surrender use, possession and control of all Projects (other than Designated Equipment) to the Trustee within thirty (30) Business Days.

THE LIKELIHOOD THAT THE SERIES 2007 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 2007 CERTIFICATE OWNERS, INCLUDING THE CONTINUING FUTURE UTILITY OF THE SERIES 2007 PROJECT AND OTHER PROJECTS TO THE BOARD AND CHANGES IN POPULATION OR DEMOGRAPHICS WITHIN THE DISTRICT.

No Right of Series 2007 Certificate Owners to Direct Remedies

Termination of the Master Lease will not result in termination of the Policy issued by the Insurer. Unless the Insurer is in default of its payment 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 relet or sell its interest in the Series 2007 Project (other than Designated Equipment). The Insurer may elect, subsequent to the termination of the Series 2007 Lease, to accelerate the maturity of all of the Series 2007 Certificates outstanding, in which case the Principal Component and the Interest Component of the Basic Rent Payments represented by the Series 2007 Certificates shall become due and payable immediately. If the Insurer does not elect to accelerate the maturity of all Series 2007 Certificates outstanding, it has an obligation to continue to make payments to Series 2007 Certificate Owners in accordance with the original schedule of Basic Rent Payments represented by the Series 2007 Certificates. However, the Insurer has no fiduciary responsibility to the Series 2007 Certificate Owners 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 2007 Certificate Owners by the Insurer and designated as interest.

Limitation on Disposition; Ability to Sell or Relet

Following an Event of Default under the Trust Agreement (which includes an Event of Non-Appropriation or Event of Default under the Master Lease), the Trustee may take possession of the Series 2007 Project (other than Designated Equipment). The Trustee's ability to actually achieve such a disposition of the Series 2007 Project is limited by its inability to convey fee simple title to the Series 2007 Project and by the governmental nature of the Series 2007 Project. Moreover, due to the governmental nature of the Series 2007 Project, it is not certain whether a court would permit the exercise of the remedies to sell, relet or dispose of the Trustee's interest in the Series 2007 Project. Also, there is no assurance that the Trustee will be able to sell, relet or dispose of the Trustee's interest in the components of the Series 2007 Project or that the Owners of the Series 2007 Certificates will obtain payment of all or any portion of the Principal Component or Interest Component thereof upon an Event of Default under the Trust Agreement.

Tax Treatment

Upon termination of the Master Lease, there is no assurance that payments made by the Trustee or the Insurer with respect to the Series 2007 Certificates and designated as interest will be excludable from gross income for federal income tax purposes. See "TAX TREATMENT" herein.

Applicability of Securities Laws

In the event of the termination of the Master Lease, the transfer of a Series 2007 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 2007 Certificates will not be impaired following termination of the Master Lease.

Capital Outlay Millage Revenues

The amount which can be realized by the District derived from the levy of the Capital Outlay Millage (hereinafter described), the District's primary source of payment of the Basic Rent represented by the Series 2007 Certificates, can be affected by a variety of factors not within the Board's control including, without limitation, fluctuations in the assessed valuation of the property within the District and the amount of general business activity, growth and new construction which occurs within the District. There can, therefore, be no assurances that such revenues will not decrease in the event that such growth and new construction, for whatever reason, decreases or ceases altogether within the District. See "AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS" herein and "APPENDIX A--GENERAL INFORMATION REGARDING THE CITY OF JACKSONVILLE, FLORIDA". See also "REVENUE SOURCES OF THE DISTRICT – Recent Legislative Changes".

State Revenues

A large portion of the District's funding is derived from State sources. See "AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS - State Sources" and "AVAILABLE REVENUES FOR OPERATIONAL PURPOSES - State Sources". A significantly large percentage of such State revenues is generated from the levy of the State sales tax. The amounts budgeted for distribution from the State to the District are subject to change in the event that projected revenues are not realized. The State is currently experiencing a significant shortfall in sales tax revenues, which is expected to result in significant budget cuts. The State Legislature recently convened in a special session focused on reducing

the State budget by an estimated \$1.1 billion in response to such shortfall. The anticipated impact to the district is an approximately \$12.7 million reduction, of which approximately \$7 million will be re appropriated to 2008-09, generating a net reduction of \$5.7 million.

Additional Lease Schedules

The Board may enter into other Leases in addition to the Prior Leases and the Series 2007 Lease. Failure to appropriate funds to pay Basic Rent Payments under any Lease will, or an Event of Default under any such Lease may, result in the termination of all Leases, including the Series 2007 Lease. Upon any such termination of all Leases, the Board must surrender all Projects (other than Designated Equipment), including the Series 2007 Project, to the Trustee for sale or lease. The proceeds of any such disposition of Projects will be applied to the payment of the applicable Series of Certificates that financed or refinanced such Projects.

IN NO EVENT WILL OWNERS OF THE SERIES 2007 CERTIFICATES HAVE ANY INTEREST IN OR RIGHT TO ANY PROCEEDS OF THE DISPOSITION OF FACILITIES FINANCED WITH THE PROCEEDS OF ANOTHER SERIES OF CERTIFICATES. ADDITIONALLY, IN NO EVENT WILL OWNERS OF THE SERIES 2007 CERTIFICATES HAVE ANY INTEREST IN OR RIGHTS TO DESIGNATED EQUIPMENT. 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 2007 Project will produce sufficient amounts to pay the Series 2007 Certificates.

Additional Indebtedness

The 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 2007 Certificates. Incurring such additional indebtedness may adversely affect the Board's ability to pay basic Rent Payments under the Master Lease.

Property Insurance

Principally as a result of the substantial property damage caused by hurricanes and other storms in Florida and other parts of the United States over the last few years, property insurance premiums have risen dramatically for Florida property owners, including the Board. It has become impossible or economically impracticable for many school districts within the State, including the District, to obtain property insurance with the level of coverage they have historically secured. As a result, the District upon the issuance of the Series 2007 Certificates will not be in compliance with all of the property insurance requirements under the Prior Leases. The insurers for all Outstanding Certificates (including the Insurer, who has issued an insurance commitment to insure the Series 2007 Certificates) have agreed to waive non-compliance with these provisions for a period of time. If the District is unable to secure property insurance in the future that allows it to fully comply with the property insurance provisions contained in the Master Lease, it will seek the insurers' consent to amend such provisions or request additional waivers. In the event that the District suffers substantial damage to its property that is not covered by its current insurance or is not eligible for Federal reimbursement, the District's financial condition could be adversely impacted. Notwithstanding the foregoing, the District received Federal reimbursement for damage suffered by its facilities as a result of hurricanes Frances and Jeanne in 2004.

THE MASTER LEASE PROJECTS

The Series 2007 Project will be financed under the Board's existing Master Lease as part of the Board's master lease purchase program (the "Master Lease Program") with the Corporation. The Projects financed by the Board under the Master Lease Program are subject to annual appropriation on an all or none basis; failure by the Board to appropriate funds to pay Lease Payments under any existing Lease or additional Lease will result in the termination of the Lease Term of all Leases, including the Series 2007 Lease. As of June 30, 2007, of the District's 159 total operational schools (not including charter schools), there were 5 schools (new or replacement) and 3 school additions subject to the Master Lease Program, exclusive of Designated Equipment. Such figures do not include the new school comprising the Series 2007 Project (exclusive of Designated Equipment) which is also subject to the Master Lease. Based on the District's full time equivalent enrollment of approximately 124,899 students as of June 30, 2007, approximately 4% of the District's students attended classes in Projects currently leased under the Master Lease, exclusive of Designated Equipment. Such percentage does not include the approximately 4,909 students that are expected to attend classes in the Series 2007 Project (exclusive of Designated Equipment) upon completion of the Series 2007 Project (see "RISK FACTORS"). Under certain conditions set forth in the Master Lease, the Board may substitute or add components to the Projects and modify the plans and specifications thereof. For a description of the Projects under the Master Lease Program, see "THE SERIES 2007 PROJECT" and "THE PRIOR PROJECTS" herein.

Pursuant to the Master Lease, the Board does not have the ability to appropriate funds for one Project or some combination of Projects only. The Board's annual appropriation for Basic Rent Payments must be for all Projects under the Master Lease Program or it must terminate all Leases under the Master Lease Program. In the event the Board decides not to appropriate funds in its annual budget for all of such financed Projects, the Board would, at the Trustee's option, have to surrender such Projects, including the Series 2007 Project (except for Designated Equipment), to the Trustee for the benefit of the Owners of the Certificates which financed such Projects

THE SERIES 2007 PROJECT

The Series 2007 Project consists of the acquisition, construction, installation and/or equipping of certain educational and related facilities in the District. All of the Series 2007 Project will be located in the District.

Description of the Series 2007 Project

The following is a general description of the educational facilities expected by the Corporation and the Board on the date of issuance of the Series 2007 Certificates to comprise the principal component of the Series 2007 Project

High School "AAA" - This high school will be located on an approximately 160 acre site in the southeast area of the District at the intersection of JTB/St. Johns Bluff/Kernan Road. This school will provide approximately 357,567 gross square feet of space with a capacity to house 2,204 students in grades 9-12. The school will consist of 43 senior high classrooms; 1 detention classroom; 10 science labs; 1 ROTC classroom; 7 skills labs; 9 resource rooms; 22 ESE suites; 2 art suites; 5 music suites; 13 vocational spaces and a physical education area. The core facilities for this school will include a media center; food service; administration; and an auditorium with stage. Storage areas will be provided for student, personal, textbook and equipment storage as well as custodial receiving and mechanical spaces. The estimated completion date is June, 2010.

103rd Street K-8 School - This school will be located on an approximately 46.22 acre site in the west rural area of the District at 103rd street and Connie Jean Road. This school will provide approximately 190,000 gross square feet of space with a capacity to house 1,507 students in grades K-8. The school will consist of 60 elementary/middle classrooms; 3 science labs; 4 skills labs; 6 resource rooms; 11 ESE suites; 2 art suites; 3 music suites; 2 vocational spaces and a physical education area. The core facilities for this school will include a media center; food service; administration; and an auditorium with stage. Storage areas will be provided for student, personal, textbook and equipment storage as well as custodial receiving and mechanical spaces. The estimated completion date is August, 2009.

North Shore K-8 School Completion - This school will be located on an approximately 19.5 acre site in the north central urban area of the District at 5701 Silver Plaza. This school will provide approximately 145,901 gross square feet of space with a capacity to house 1,198 students in grades K-8. The school will consist of 44 elementary/middle classrooms; 2 science labs; 4 skills labs; 6 resource rooms; 10 ESE suites; 2 art suites; 4 music suites; 2 vocational spaces and a physical education area. The core facilities for this school will include a media center; food service; administration; and an auditorium with stage. Storage areas will be provided for student, personal, textbook and equipment storage as well as custodial receiving and mechanical spaces. The estimated completion date is August, 2008.

Under certain conditions set forth in the Master Lease, the Board may substitute or add components to the Series 2007 Project and modify the Plans and Specifications thereof. See “APPENDIX D- FORMS OF CERTAIN BASIC DOCUMENTS - Master Lease”.

Designated Equipment

Each of the Projects under the Master Lease includes Designated Equipment for which title is in the name of the School Board upon acquisition thereof. Upon the occurrence of an Event of Non-Appropriation or an Event of Default, neither the Trustee nor the Owners of any Series of Certificates (including the Series 2007 Certificates) will have any right to the Designated Equipment. The portion of the Series 2007 Project constituting Designated Equipment consists of the North Shore K-8 School completion component of the Series 2007 Project and all equipment components not constituting fixtures of the educational facilities described under “Description of the Series 2007 Project” above. The estimated value of the Designated Equipment included in the Series 2007 Project is \$9,648,340.

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Estimated Costs of the Series 2007 Project⁽¹⁾

High School “AAA”

| | |
|--|-----------------------------|
| Land | \$20,000,000 |
| Building & Site Preparation | 77,934,660 |
| Furniture, Fixtures & Equipment ⁽²⁾ | <u>5,690,340</u> |
| Subtotal | <u>\$103,625,000</u> |

103rd Street K-8 School

| | |
|--|----------------------------|
| Building & Site Preparation | \$39,042,000 |
| Furniture, Fixtures & Equipment ⁽²⁾ | <u>3,058,000</u> |
| Subtotal | <u>\$42,100,000</u> |

North Shore K-8 Completion

| | |
|--|---------------------------|
| Building & Site Preparation | -0- |
| Furniture, Fixtures & Equipment ⁽²⁾ | <u>\$1,000,000</u> |
| Subtotal | <u>\$1,000,000</u> |

TOTAL \$146,725,000

⁽¹⁾ Excludes investment earnings.

⁽²⁾ All equipment components not constituting fixtures will constitute Designated Equipment.

THE PRIOR PROJECTS

The following provides a summarized description of the educational and related facilities being lease-purchased under the Prior Leases and subject to the Master Lease. Under certain conditions set forth in the Master Lease, the Board may substitute Projects, modify the plans and specifications therefor or eliminate Projects.

Series 2000 Project Components:

| | |
|-----------------------------------|---|
| East Arlington Elementary School | Sandalwood High School Portable Replacement |
| Southside Middle School | Paxon High School (Science Labs) |
| North Arlington Elementary School | DuPont Middle School Additions |
| Oceanway Elementary School | |

Series 2003-QZAB Project Components:*

| | |
|-----------------------------|-----------------------------|
| Highlands Middle School | Mandarin Middle School |
| J.E.B. Stuart Middle School | Southside Middle School |
| Landmark Middle School | John Love Elementary School |

* All Series 2003-QZAB Project Components constitute Designated Equipment.

Series 2005A Project Components:

| | |
|---|------------------------------|
| Arlington Middle School | Technology Systems Upgrades* |
| Paxon High School (District Food Service Center) | |

* Constitutes Designated Equipment.

Series 2005-QZAB Project Components:*

Cedar Hills Elementary School

Brookview Elementary School

* All Series 2005-QZAB Project Components constitute Designated Equipment.

THE MASTER LEASE PROGRAM

The Ground Lease

The Board, as Ground Lessor, will grant to the Corporation, as Ground Lessee, a leasehold estate in the Series 2007 Project and the real estate on which certain portions of the Series 2007 Project will be located (the "Land"). The Corporation has assigned all of its right, title and interest under the Ground Lease to the Trustee for the benefit of the Series 2007 Certificate Owners (and the owners of any Completion Certificates relating to the Series 2007 Project or Refunding Certificates related thereto) pursuant to the Assignment of Ground Lease. The initial term of the Ground Lease will commence on the date of delivery of the Series 2007 Certificates and end on the earlier of (a) the date on which the Series 2007 Certificates and any Completion Certificates or Refunding Certificates related thereto have been paid in full or provision for payment of the Series 2007 Certificates has been made pursuant to the Trust Agreement and Supplemental Rent arising under the Series 2007 Lease shall have been paid or provided for, or (b) July 1, 2038 (both dates inclusive). So long as no Event of Default or Event of Non-Appropriation under the Series 2007 Lease has occurred, the Land shall be used by the Board to acquire, construct, install, equip and operate the Series 2007 Project. Upon termination of the Master Lease, the rental of the Land shall be increased to fair market value in accordance with the terms of the Ground Lease. However, the receipt by the Board of such increased rent is subordinate to its obligation to pay amounts equal to the Principal Component and the Interest Component of the Basic Rent represented by the Series 2007 Certificates.

The foregoing does not attempt to completely summarize the provisions of the Ground Lease. See "APPENDIX D - FORM OF CERTAIN BASIC DOCUMENTS - Ground Lease Agreement" attached hereto for more information regarding the Ground Lease.

The Master Lease and the Series 2007 Lease

The Master Lease provides for the lease-purchase financing by the Board from time to time of various real and or personal property projects (each a "Project") that are described in various Lease Schedules to be attached to the Master Lease. The Master Lease provides the terms and conditions governing the lease of Projects, and the framework under which the Board is obligated to pay rent ("Lease Payments") to the Corporation for the Projects. Lease Payments consist of Basic Rent, the principal and interest components of which are set forth in each Lease Schedule, and Supplemental Rent, consisting of Trustee and Corporation fees and expenses, prepayment premiums and other financing expenses or obligations due under the Master Lease. Each Lease Schedule will describe the particular Project to be lease-purchased by the Board and the details governing the particular lease transaction, including the obligation to pay Basic Rent for such Project and to pay Supplemental Rent.

Under the Trust Agreement, one or more Series of Certificates may be issued to obtain funds to pay the costs of acquisition, construction, installation and equipping of Projects. The proceeds of sale of the Certificates of each Series are deposited with the Trustee and are requisitioned by the Board, acting as agent for the Corporation, to pay the costs of one or more related Projects. The Corporation has assigned its rights under the Master Lease, including its right to receive Basic Rent Payments from the Board under

all Lease Schedules, other than its right to indemnification, its right to enter into additional Lease Schedules and its obligation not to impair the tax status of the Interest Component of Basic Rent represented by the Certificates, to the Trustee for the benefit of Owners of the Certificates of all Series in order to secure such Certificates; provided, however, that once monies are deposited into a specific subaccount under the Trust Agreement for payment of a Series of Certificates, the Certificates of other Series are not collateralized by such monies. Failure to appropriate any Lease Payment results in an Event of Non-Appropriation with respect to all Basic Rent set forth on all Schedules to the Master Lease, and a default with respect to any obligation under the Master Lease or any Lease Schedule results in an Event of Default with respect to the entire Master Lease and all Lease Schedules thereto. See "SECURITY FOR THE SERIES 2007 CERTIFICATES" herein.

The Series 2007 Certificates are being issued to provide funds for the purposes of (a) financing the acquisition, construction, installation and equipping of the Series 2007 Project, and (b) paying Costs of Issuance of the Series 2007 Certificates.

The foregoing does not attempt to completely summarize the provisions of the Master Lease. See "APPENDIX D - FORMS OF CERTAIN BASIC DOCUMENTS -Master Lease and Lease Schedule No. 2007" attached hereto.

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ESTIMATED SOURCES AND USES OF CERTIFICATE PROCEEDS

It is estimated that the proceeds to be received from the sale of the Series 2007 Certificates will be used as follows:

Estimated Sources of Funds:

| | |
|--|-----------------------------|
| Aggregate Principal Amount of Series 2007 Certificates | \$145,575,000 |
| Plus: Net Original Issue Premium ⁽¹⁾ | 2,756,809 |
| TOTAL ESTIMATED SOURCES | <u>\$148,331,809</u> |

Estimated Uses of Funds:

| | |
|---|-----------------------------|
| Deposit to Series 2007 Subaccount in Project Account | \$146,725,000 |
| Deposit to Series 2007 Costs of Issuance Account ⁽²⁾ | 1,606,809 |
| TOTAL ESTIMATED USES | <u>\$148,331,809</u> |

⁽¹⁾ Net of discount.

⁽²⁾ Includes, without limitation, printing costs, legal, accounting and financial advisory fees, the Underwriters' discount, the municipal bond insurance policy premium and other costs associated with the issuance of the Series 2007 Certificates.

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COMBINED CERTIFICATE PAYMENT SCHEDULE

Payment requirements on the Series 2000 Certificates, the Series 2003-QZAB Certificates, the Series 2005 Certificates, the Series 2005A Certificates, the Series 2005-QZAB Certificates and the Series 2007 Certificates are as follows:

| Period Ending July 1 | Series 2000 Certificates ⁽¹⁾ | Series 2003- QZAB Certificates ⁽²⁾ | Series 2005 Certificates ⁽³⁾ | Series 2005A Certificates | Series 2005- QZAB Certificates ⁽⁴⁾ | Series 2007 Certificates | | | Combined Total Annual Payments |
|----------------------------|--|---|--|------------------------------|---|---------------------------------|--------------------------------|-----------------------------|-----------------------------------|
| | Total Annual Payments | Total Annual Payments | Total Annual Payments | Total Annual Payments | Total Annual Payments | Annual Principal Payments | Annual Interest Payments | Total Annual Payments | |
| 2008 | \$4,384,806.26 | \$292,606.50 | 0 | \$2,082,266.26 | \$51,210.97 | 0 | \$3,351,593.19 | \$3,351,593.19 | \$10,162,483.18 |
| 2009 | 4,387,693.76 | 292,606.50 | 0 | 2,078,566.26 | 51,210.97 | \$1,840,000 | 7,014,962.50 | 8,854,962.50 | 15,665,039.99 |
| 2010 | 0 | 292,606.50 | \$4,146,402.50 | 2,319,421.26 | 51,210.97 | 1,915,000 | 6,941,362.50 | 8,856,362.50 | 15,666,003.73 |
| 2011 | 0 | 292,606.50 | 4,148,702.50 | 2,320,346.26 | 51,210.97 | 1,985,000 | 6,864,762.50 | 8,849,762.50 | 15,662,628.73 |
| 2012 | 0 | 292,606.50 | 4,150,262.50 | 2,319,158.76 | 51,210.97 | 2,065,000 | 6,785,362.50 | 8,850,362.50 | 15,663,601.23 |
| 2013 | 0 | 292,606.50 | 4,152,262.50 | 2,318,098.76 | 51,210.97 | 2,145,000 | 6,702,762.50 | 8,847,762.50 | 15,661,941.23 |
| 2014 | 0 | 292,606.50 | 4,147,262.50 | 2,320,411.26 | 51,210.97 | 2,230,000 | 6,622,437.50 | 8,852,437.50 | 15,663,928.73 |
| 2015 | 0 | 292,606.50 | 4,150,262.50 | 2,320,211.26 | 51,210.97 | 2,315,000 | 6,533,237.50 | 8,848,237.50 | 15,662,528.73 |
| 2016 | 0 | 292,606.50 | 4,150,450.00 | 2,319,011.26 | 51,210.97 | 2,435,000 | 6,417,487.50 | 8,852,487.50 | 15,665,766.23 |
| 2017 | 0 | 292,606.50 | 4,149,700.00 | 2,316,131.26 | 51,210.97 | 2,560,000 | 6,295,737.50 | 8,855,737.50 | 15,665,386.23 |
| 2018 | 0 | 292,606.50 | 4,150,700.00 | 2,317,931.26 | 51,210.97 | 2,685,000 | 6,167,737.50 | 8,852,737.50 | 15,665,186.23 |
| 2019 | 0 | 292,606.50 | 4,149,500.00 | 2,612,612.50 | 51,210.97 | 2,500,000 | 6,060,337.50 | 8,560,337.50 | 15,666,267.47 |
| 2020 | 0 | 0 | 4,147,500.00 | 2,613,887.50 | 51,210.97 | 2,890,000 | 5,960,337.50 | 8,850,337.50 | 15,662,935.97 |
| 2021 | 0 | 0 | 0 | 6,761,925.00 | 51,210.97 | 3,005,000 | 5,844,737.50 | 8,849,737.50 | 15,662,873.47 |
| 2022 | 0 | 0 | 0 | 6,761,925.00 | 51,210.97 | 3,210,000 | 5,694,487.50 | 8,904,487.50 | 15,717,623.47 |
| 2023 | 0 | 0 | 0 | 6,758,675.00 | 0 | 3,370,000 | 5,533,987.50 | 8,903,987.50 | 15,662,662.50 |
| 2024 | 0 | 0 | 0 | 6,761,675.00 | 0 | 3,515,000 | 5,385,300.00 | 8,900,300.00 | 15,661,975.00 |
| 2025 | 0 | 0 | 0 | 6,759,925.00 | 0 | 3,675,000 | 5,227,125.00 | 8,902,125.00 | 15,662,050.00 |
| 2026 | 0 | 0 | 0 | 0 | 0 | 10,600,000 | 5,061,750.00 | 15,661,750.00 | 15,661,750.00 |
| 2027 | 0 | 0 | 0 | 0 | 0 | 11,130,000 | 4,531,750.00 | 15,661,750.00 | 15,661,750.00 |
| 2028 | 0 | 0 | 0 | 0 | 0 | 11,690,000 | 3,975,250.00 | 15,665,250.00 | 15,665,250.00 |
| 2029 | 0 | 0 | 0 | 0 | 0 | 12,275,000 | 3,390,750.00 | 15,665,750.00 | 15,665,750.00 |
| 2030 | 0 | 0 | 0 | 0 | 0 | 12,885,000 | 2,777,000.00 | 15,662,000.00 | 15,662,000.00 |
| 2031 | 0 | 0 | 0 | 0 | 0 | 13,530,000 | 2,132,750.00 | 15,662,750.00 | 15,662,750.00 |
| 2032 | 0 | 0 | 0 | 0 | 0 | 14,205,000 | 1,456,250.00 | 15,661,250.00 | 15,661,250.00 |
| 2033 | 0 | 0 | 0 | 0 | 0 | 14,920,000 | 746,000.00 | 15,666,000.00 | 15,666,000.00 |
| Total | \$8,772,500.02 | \$3,511,278.00 | \$45,643,005.00 | \$64,062,178.86 | \$768,164.55 | \$145,575,000 | \$133,475,255.69 | \$279,050,255.69 | 401,807,382.12 |

⁽¹⁾ Assumes that the Refunded Series 2000 Certificates are fully prepaid on July 1, 2009.

⁽²⁾ Represents Sinking Fund installments due on December 23rd of each calendar year which amounts, when invested pursuant to the Trust Agreement, will produce funds sufficient to pay the Series 2003-QZAB Certificates on December 23, 2018.

⁽³⁾ Net of amounts scheduled to be paid from amounts on deposit in the escrow fund for the Series 2005 Certificates on and prior to July 1, 2009.

⁽⁴⁾ Represents Sinking Fund installments due on October 20th of each calendar year which amounts, when invested pursuant to the Trust Agreement, will produce funds sufficient to pay the Series 2005-QZAB Certificates on October 20, 2021.

THE CORPORATION

The Duval School Board Leasing Corporation is a Florida single-purpose, not-for-profit corporation formed for the purpose of acting as lessor in connection with “lease-purchase” capital financings for the Board. The Corporation may in the future initiate additional Lease Schedules under the Master Lease, enter into other lease-purchase agreements with the Board and cause certificates of participation to be issued which represent proportionate interests in lease payments to be made under one or more lease-purchase agreements with the Board. Unless a member of the Board elects not to serve, the members of the Corporation are the members of the Board who shall be ex-officio members. Similarly, the Board of Directors of the Corporation are the members of the Board who shall be ex-officio Directors. The Chairman of the Board serves as Chairman of the Board of Directors and President of the Corporation; the Vice Chairman of the Board serves as Vice Chairman of the Board of Directors and Vice President of the Corporation; and the Superintendent of the Board serves as ex-officio Secretary/Treasurer of the Corporation. There is no litigation pending against the Corporation.

Simultaneously with the issuance and delivery of the Series 2007 Certificates, the Corporation will assign by outright assignment all of its right, title and interest in and to the Master Lease (excluding certain indemnification rights, the right to initiate additional Lease Schedules from time to time and its obligation not to impair the tax status of the Interest Component of Basic Rent represented by the Series 2007 Certificates), including its right to receive Basic Rent from the Board, its right, title and interest in and to the Ground Lease, and its right to use, sell and relet Projects (other than Designated Equipment), including the Series 2007 Project, to the Trustee. Thereafter, the Trustee will collect directly from the Board all of the Basic Rent Payments which are the source of and security for payment of the Series 2007 Certificates. THEREFORE, THE CREDIT OF THE CORPORATION IS NOT PLEDGED OR AVAILABLE TO PAY BASIC RENT PAYMENTS AND, THUS, 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 Series of Certificates or other obligations of the Board or the Corporation.

SCHOOL BOARD OF DUVAL COUNTY, FLORIDA

The Board is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Part II, Florida Statutes, and is the governing body of the District. The geographic boundaries of the District are coterminous with those of the County. The District is a school district and governmental authority established under Article IX of the Constitution of Florida. As of June 30, 2007, the District contained 163 schools, including 107 elementary schools, 27 middle schools, 17 high schools, 2 academies of technology, 4 charter schools, 3 exceptional education schools, 3 special education schools and reported serving approximately 124,899 full-time equivalent (FTE) students and over 12,850 full-time employees, of which 8,744 were teachers. Management of the schools within the District is independent of the County and the other local governments within the County. Property taxes levied by the Board are assessed by the Duval County Property Appraiser. The Duval County Tax Collector collects taxes for the Board, but exercises no control over expenditures by the Board.

The Organization and Powers of the Board

The Board is a public body corporate and politic existing under the laws of the State. The Board is the governing body of the District, consisting of members elected by single member districts for four year terms. Under existing law, the Board’s duties and powers include, but are not limited to, the

development of policies and rules for the efficient operation of the District; 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; the establishment and operation of programs for gifted students and for 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 and from school or school-related activities.

The Board also has broad financial responsibilities, including, but not limited to, 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 Department of Education.

The present members of the Board, their offices, if any and the expiration of their respective terms are as follows:

| <u>Name</u> | <u>District</u> | <u>Term Expires</u> |
|----------------------------|----------------------|---------------------|
| Betty Burney, Chair | Board District No. 5 | November, 2008 |
| Tommy Hazouri, Vice Chair | Board District No. 7 | November, 2008 |
| Kris Barnes | Board District No. 3 | November, 2008 |
| Martha Barrett | Board District No. 1 | November, 2008 |
| Nancy Broner | Board District No. 2 | November, 2010 |
| Vicki Drake | Board District No. 6 | November, 2010 |
| Brenda A. Priestly Jackson | Board District No. 4 | November, 2010 |

Superintendent of Schools

The chief executive officer of the District is the Superintendent of Schools, who is appointed by the Board and serves as ex-officio Secretary of the Board. The Superintendent’s powers include, but are not limited to, keeping the records of the School Board, acting as custodian for District property, directing preparation of long-term and annual school programs, directing the work of District personnel, making policy recommendations to the School Board in the area of child welfare, public transportation, school plant and District finance, and performing the additional duties assigned to him by law and the regulations of the State Department of Education. The office of the Superintendent is currently held by William Edward Pratt-Dannals, as Acting Superintendent.

Administration

William Edward Pratt-Dannals was appointed the District’s Acting Superintendent of Schools on October 16, 2007, replacing Dr. Joseph Wise. Mr. Pratt-Daniels was appointed at a special Board meeting on October 16 during which the employment of Dr. Wise as Superintendent was terminated and a settlement regarding the remaining term of his employment agreement was approved. Prior to being appointed Acting Superintendent, Mr. Pratt-Dannals was the District’s Chief Academic Officer. Mr. Pratt-Dannals has served 32 years in public education, including 26 years in administrative roles and 6 years as a classroom teacher. He is in his 29th year with Duval County Public Schools. Since joining the District in 1976, Mr. Pratt-Dannals has progressed through the organization, serving in a variety of capacities before becoming a Regional Superintendent in 1997, Associate Superintendent, Curriculum and Instructional Services in 2003 and Chief Academic Officer in 2006. Mr. Pratt-Dannals received his AS degree from Georgia Institute of Technology, his BS degree from Georgia State University and his M.

Ed. from the University of North Florida. Mr. Pratt-Dannals is currently enrolled in the doctoral program at the University of Florida, which he expects to complete in 2009.

Doug Ayars, P.E. has been Chief Operating Officer for Duval County Public Schools since July 2004. Previously, he served as Assistant Superintendent, Facilities Services. Prior to joining the District, he served as Associate Vice President for a private engineering architectural firm in Jacksonville, Florida. His public service with Duval County follows a 27 year career with the Navy Civil Engineer Corps. In that capacity, he directed several full service public works organizations of up to 1,200 employees and budgets in excess of \$100 million. His responsibilities included directing shop personnel and serving as Contracting Officer for managing contracted services totaling \$120 million per year. He is a registered professional engineer in the state of Florida. He holds a B.S. in Systems Engineering from the United States Naval Academy and an M.S. in Construction Management from the Georgia Institute of Technology. He is a graduate of the Executive Management Program at Duke University.

Thresa Giles is the Chief Business Officer for the Duval County Public Schools. A former State of Delaware Financial Management Specialist, Chief Financial Officer, and Acting Superintendent, Mrs. Giles has been with the District since April of 2006. Mrs. Giles holds a Bachelors Degree in Accounting from Murray State University, a Master's Degree in Business Administration with an emphasis in Statistical Management from Wilmington College, a Certification in Payroll Management from Villanova University, and Certifications in each Governmental Financial Management and Statistical Financial Management from the American Management Association. She is a member of Alpha Kappa Alpha Sorority, Inc.

Michael Perrone has been the Executive Director of Budget Services for three years. Mr. Perrone has over ten years of experience in school finance. Prior to joining Duval County Public Schools, he worked in public and private school systems in Massachusetts and Connecticut. He is certified in both Massachusetts and Connecticut as a School Business Official. In 1999, he was elected to the Massachusetts Association of School Business Officials (MASBO) Board of Directors. Mr. Perrone received a B.A. in Economics from Boston College and a Master's of Public Administration from the University of Hartford.

Stephen Bright, CPA, CIA is the Executive Director of Business Services. He has approximately 24 years of experience with the Duval County Public School District. Mr. Bright has been the Executive Director of Business Services for Duval County Public Schools for two years and has also served as Budget Director, Coordinator and Supervisor of Capital Projects Accounting and as an Internal Auditor for Duval County Public Schools. He received his B.B.A. degree from the University of North Florida and his M.S. degree from Central Michigan University. His professional activities include memberships in the Institute of Internal Auditors, Florida Institute of Certified Public Accountants and American Institute of Certified Public Accountants.

Academics

Duval County Public Schools' focus is to eliminate the achievement gap at all levels. All efforts have been on implementing research-based, best practices. Multiple new and energizing strategies, programs and technologies are being implemented to assist the District's teachers, principals and administrators with their devoted efforts to raise their students' achievement.

With full accreditation, the District employs more than 8,744 teachers. The District currently operates 107 elementary schools, 27 middle schools, 17 high schools, 2 academies of technology, 3 exceptional education schools, 3 special education schools and 4 charter schools which are reported as component units.

The elementary school program emphasizes basic skills including reading, writing, language arts, and mathematics. A balanced curriculum also includes instruction in science, computer literacy, health, social studies, art, music and physical education.

The secondary school program begins with middle school curriculum centering on English, math, science, computer literacy and social studies. Students are encouraged to begin developing their strengths and interests through electives such as art, music, foreign languages and vocational exploratory programs.

High school programs are designed to meet the needs of the college bound as well as vocational students. All of the high schools are fully accredited by the Southern Association of Colleges and Schools. Students who plan to continue their education into college may take a broad range of college preparatory courses as well as advanced placement and honors courses.

In addition to the above programs, the District currently offers enhanced curricula at more than 50 schools. These programs offer specialized programs including: Medical, Visual/Performing/Communication Arts, International Studies, Technology International Baccalaureate Programs, Language Immersion, Broadcast Journalism, Gifted and Talented, Math and Science, Public Service and Military Science.

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Historical Growth

The following table presents a summary of general statistical data regarding the District.

**SUMMARY OF STATISTICAL DATA
TEN YEAR HISTORY**

| School Year | Number of Schools ⁽¹⁾ | Number of Charter Schools | Number of Instructors | F.T.E. Enrollment ⁽²⁾ | Average Expenditure per Student |
|-------------|----------------------------------|---------------------------|-----------------------|----------------------------------|---------------------------------|
| 2006-07 | 159 | 4 | 8,744 | 126,028 | \$7,024.34 |
| 2005-06 | 160 | 4 | 7,850 | 127,218 | 6,368.12 |
| 2004-05 | 158 | 4 | 8,018 | 127,748 | 5,860.79 |
| 2003-04 | 158 | 7 | 7,324 | 127,482 | 5,324.59 |
| 2002-03 | 157 | 7 | 7,177 | 126,113 | 5,407.37 |
| 2001-02 | 154 | 8 | 7,031 | 125,180 | 5,094.43 |
| 2000-01 | 154 | 8 | 7,302 | 123,676 | 5,251.88 |
| 1999-00 | 153 | 6 | 7,256 | 123,253 | 4,996.47 |
| 1998-99 | 153 | 4 | 7,261 | 127,157 | 4,752.64 |
| 1997-98 | 151 | 3 | 7,158 | 126,464 | 4,729.61 |

⁽¹⁾ Includes elementary, middle, high schools, academies of technology and exceptional student education centers.

⁽²⁾ Full-time equivalent enrollment.

Source: School District of Duval County, Florida, Budget Department.

Projections for Full-Time Equivalent Enrollment

The District has estimated the following Full-Time Equivalent (F.T.E.) Enrollment for School Years 2007-08 through 2011-12:

| <u>School Year</u> | <u>FTE Enrollment</u> | <u>Percentage Change</u> |
|--------------------|-----------------------|--------------------------|
| 2007-08 | 124,899 | (.90)% |
| 2008-09 | 124,798 | (.08) |
| 2009-10 | 124,545 | (.20) |
| 2010-11 | 124,615 | .06 |
| 2011-12 | 125,090 | .38 |

Source: School District of Duval County, Florida, Budget Department.

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Employee Relations, Retirement Program and Other Postemployment Benefits

As of June 30, 2007, the Board employed 11,555 full-time persons representing the following groups, the related union affiliation and current union contract term expiration dates set forth in the table below. Employees in the group may or may not be a member of the related union and union members include both instructional and non-instructional personnel.

| <u>Employee Group</u> | <u>Union Affiliation</u> | <u>Contract Term Expires</u> |
|---|--|------------------------------|
| Teachers | Duval Teachers United | 2008 |
| Paraprofessionals | Duval Teachers United | 2008 |
| Clerical | Duval Teachers United | 2008 |
| Custodial, Food Service | AFSCME Florida Council 79 | 2009 |
| Maintenance | The School Maintenance Employees & Associates, Inc. | 2010 |
| Maintenance and Food Service Supervisors | Jacksonville Supervisors Association | 2009 |
| Accounting, Data Processing, Facilities, Safety, Transportation | Northeast Florida Public Employees' Local 630 ⁽¹⁾ | 2009 |

The Board does not administer a separate retirement plan for its officers and employees. However, pursuant to law, all officers and salaried employees are, with minor exceptions, members of defined retirement plans of the State of Florida Division of Retirement. The retirement plans of the State of Florida consist of contributory and non-contributory benefit plans. The plans provide for retirement, death, and disability benefits and require contributions by employees and/or participating agencies as stated percentages of compensation set by law as determined from time to time by the State Legislature. The District's contributions to the Plan (including employee contributions) for the fiscal years ended June 30, 2005, 2006 and 2007 totaled \$37,254,666, \$41,424,411 and \$56,025,561, respectively, which were equal to the required contributions for each fiscal year. The Plans' accounting and funding policies, actuarial present value of accumulated plan benefits, net assets available for benefits, and other plan related matters are the responsibility of the Florida Department of Administration, Division of Retirement, and are not computed on an individual agency basis.

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

As with all governmental entities providing similar plans, the District will be required to comply with the Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* ("GASB 45") no later than its fiscal year ending June 30, 2008. The District has historically accounted for its OPEB contributions on a pay as you go basis. GASB 45 applies accounting methodology similar to that used for pension liabilities to OPEB and attempts to more fully disclose the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded. The District has retained an actuary to review the District's OPEB liabilities and provide the District with a written valuation. A written valuation was received in May, 2006 and the District is

currently analyzing the data to determine if the appropriate assumptions were used. Once the review has been completed, the final report will be forwarded to the School Board for approval.

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

Accounting and Funds

The District is required to use independent auditors at least two out of every three fiscal years with the Auditor General's office auditing the financial operations of the District once every three fiscal years. Audit responsibilities assigned to the Auditor General, or an independent auditor, include the presentation of an annual report on the District's financial statements, assessment of the adequacy of the District's control environment, and determination of the District's compliance with legal requirements.

The accounting practices of the District are designed to conform to generally accepted accounting principles applicable to governmental units. The accounting records meet the standards prescribed by the Florida Department of Education as required by law. Accounts are maintained and government fund financial statements are reported using the modified accrual basis, whereby revenues are recognized when measurable and available and generally expenditures are recorded when incurred.

The financial records and accounts of the School Board are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds or groups of accounts that are considered separate accounting entities, with separate assets, liabilities, reserves and balances. The several individual generic funds are grouped into Governmental Fund Types, Proprietary Fund Types, and Fiduciary Fund Types as follows:

Governmental Fund Types

General Fund - to account for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

Special Revenue Funds - to account for financial resources of the school food service programs and certain federal grant programs.

Debt Service Funds - to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - to account for financial resources to be used for the educational capital outlay needs including new construction, renovation, and remodeling projects.

Proprietary Fund Types

Internal Service Funds - to account for the School Board's individual self-insurance programs and its employee health insurance program.

Fiduciary Fund Types

Expendable Trust Funds - to account for resources of the internal funds of the schools, which are amounts collected at the schools in connection with school, student, athletic, class, and club activities, the General Trust Fund, funds withheld from the salaries of 10-month employees to extend their salary payments to twelve (12) months, and the Financial Aid Fees Trust Fund.

Agency Funds - to account for resources held by the District as custodian for others. These funds do not involve measurement of results of operations.

Account Groups

Account groups, which are not funds, consist of self-balancing sets of accounts and are used only to establish accounting control over general fixed assets and general long-term obligations. Account groups are not used to account for available resources or the actual acquisition of fixed assets or payment of liabilities.

General Fixed Assets Account Group - to establish accounting control for general fixed assets. General fixed assets are usually acquired with resources of governmental fund types and expendable trust funds and used in association with activities of those funds.

General Long-Term Debt Account Group - to establish accounting control for long-term debts and other long-term obligations of governmental fund types. Long-term obligations of the funds using proprietary fund accounting are reported as liabilities in those funds rather than in the General Long-Term Debt account group.

Budget Process

State law requires the Board to advertise its intent to adopt a tentative budget, including a capital outlay budget, within 25 days following the Duval County Property Appraiser's official certification of taxable property, which usually occurs on or about August 1. The Board holds a public hearing on the tentative budget and the proposed tax rates within five days of its advertisement, and officially adopts the tentative budget and tax rates at the hearing. Thereafter, the Duval County Property Appraiser prepares tax millage notices for property owners within the District. The final budget and tax rate are fixed in September of each year, following a final public hearing and in accordance with statutory timelines. The Board adopted the final Budget for the 2007-08 Fiscal Year on September 10, 2007.

As part of the budget process, the District is required to provide advance notice of the purposes for which the District intends to spend budgeted amounts, including those derived from the proceeds of the Capital Outlay Millage Levy, and to adopt a budget which shows the capital outlay expenditures applicable to each project. The District currently lists in such notice all projects which may begin within the fiscal year which are reasonably anticipated to be funded from proceeds of the estimated Capital Outlay Millage. This listing is provided to allow for public input for all capital outlay projects which are reasonably anticipated to be funded from such proceeds.

The Superintendent of Schools is responsible for preparing the preliminary and tentative budgets for recommendation to the Board. Florida law requires the Board to adopt and maintain a balanced budget, in which anticipated revenues less certain required deductions combined with beginning fund balances equal appropriations. Generally, the final budget is substantially the same as the tentative

budget since the Board's hiring plans and materials purchases have been determined before the final budget is adopted.

Accounting and Auditing System

Generally accepted accounting principles are used in the financial accounting and reporting of the Board. These generally accepted accounting principles are promulgated and published by the Governmental Accounting Standards Board (an independent nongovernmental body). The Governmental Accounting Standards Board is the recognized authority on specific application of generally accepted accounting principles to governmental agencies.

The Board uses an account classification system specified in a manual entitled *Financial and Program Cost Accounting and Reporting for Florida Schools*. Specific accounting forms and instructions and data collection instruments must be submitted to the Commissioner of Education of the State of Florida at designated intervals. Staff within the Financial Management Section of the State Department of Education review and the Commissioner of Education approves the Board's annual budget prior to implementation.

The State Department of Education conducts regular financial compliance reviews of the Board to ensure that the Board complies with state regulations. In conjunction with this, the Financial Management Section of the Department of Education reviews the cost reporting system of each district to ensure that the Financial and Program Cost Accounting and Reporting for Florida Schools is being properly implemented by the Board.

The Office of the Florida Auditor General conducts a financial audit of the Board on an annual basis and may conduct a performance audit as well. This audit includes all federal and State programs within the Board. The Department of Education offers technical assistance to the Board to remedy any problems identified by the Auditor General.

General Fund Operations

The Board's general fund revenues are derived from federal and state appropriations and local sources. The tables on the following pages summarize results of operations for the general fund for the Fiscal Years ended June 30, 2004 through 2007 and the Final Budget for Fiscal Year 2007-08.

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School District of Duval County, Florida
Summary of Revenues and Expenses - General Fund
Fiscal Years Ending June 30, 2004 Through June 30, 2008

| | Fiscal Year Ended June 30, 2004 <u>(Audited)</u> | Fiscal Year Ended June 30, 2005 <u>(Audited)</u> | Fiscal Year Ended June 30, 2006 <u>(Audited)</u> | Fiscal Year Ended June 30, 2007 <u>(Unaudited)</u> | Budget Year <u>(2007-08)⁽¹⁾</u> |
|--|---|---|---|---|---|
| Revenue: | | | | | |
| Federal Through State | \$ 1,204 | \$ -0- | \$ 773,941 | \$ 174,240 | |
| Federal Direct | 1,597,309 | 1,576,472 | 1,355,847 | 1,384,904 | \$ 1,150,000 |
| State Sources | 430,209,346 | 465,445,990 | 495,157,770 | 558,870,515 | 582,134,763 |
| Local Sources | <u>259,156,634</u> | <u>263,129,098</u> | <u>298,988,081</u> | <u>319,500,636</u> | <u>344,705,191</u> |
| Total Revenue | <u>690,964,493</u> | <u>730,151,560</u> | <u>796,275,639</u> | <u>879,930,295</u> | <u>927,989,954</u> |
| Expenditures: | | | | | |
| Instructional Services | 432,737,020 | 461,350,992 | 498,205,329 | 551,974,527 | 662,363,341 |
| Pupil Personnel | 38,350,853 | 40,586,141 | 44,585,808 | 40,543,745 | 49,607,194 |
| Instructional Media Services | 15,718,331 | 16,367,404 | 16,263,294 | 16,535,355 | 18,427,062 |
| Instruction and Curriculum | | | | | |
| Development | 12,734,330 | 12,620,675 | 13,929,612 | 11,288,326 | 16,179,682 |
| Instructional Staffing | 6,596,924 | 13,503,602 | 15,934,387 | 22,868,819 | 19,126,927 |
| Instruction Related Technology | - | - | 10,165,915 | 10,679,283 | 11,273,286 |
| Board of Education | 1,872,029 | 1,863,730 | 1,652,634 | 1,983,823 | 3,102,955 |
| General Administration | 2,819,990 | 3,631,186 | 4,443,882 | 4,126,228 | 5,267,978 |
| School Administration | 34,901,601 | 36,337,072 | 38,798,885 | 55,603,574 | 61,984,115 |
| Fiscal Services | 5,481,737 | 5,658,042 | 5,519,393 | 5,775,913 | 7,601,546 |
| Central Services | 29,207,927 | 29,990,715 | 19,180,435 | 19,580,680 | 16,394,767 |
| Facilities Acquisition and | | | | | |
| Construction | 824,550 | 2,069,512 | 1,933,685 | 1,767,971 | 3,661,864 |
| Plant Operations | 49,753,607 | 52,089,340 | 60,640,637 | 59,964,223 | 61,304,569 |
| Maintenance of Plant | 11,777,366 | 28,274,212 | 30,254,052 | 31,854,999 | 32,231,872 |
| Pupil Transportation | 30,547,310 | 39,777,497 | 41,123,738 | 43,170,816 | 48,600,455 |
| Administrative Technology | | | | | |
| Services | - | - | 6,375,648 | 7,050,447 | 8,388,434 |
| Community Services | 632,031 | 647,894 | 745,456 | 494,858 | 407,039 |
| Capital Outlay | 3,891,644 | 3,936,351 | 386,081 | | |
| Debt Service on Capital Lease | <u>942,700</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>54,630</u> |
| Total Expenditures | <u>678,789,952</u> | <u>748,704,365</u> | <u>810,138,871</u> | <u>885,263,588</u> | <u>1,025,977,716</u> |
| Excess (Deficiency) of Revenue Over (Under) Expenditures | 12,174,541 | (18,552,805) | (13,863,232) | (5,333,292) | (97,987,762) |
| Other Financing Sources (Uses): | 403,700 | 24,996,203 | 22,577,548 | 27,442,676 | 19,209,307 |
| Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses | 12,578,241 | 6,443,398 | 8,714,316 | 22,109,384 | (78,778,455) |
| Beginning Fund Balance | <u>\$57,737,148</u> | <u>\$70,315,390</u> | <u>\$76,747,738</u> | <u>\$85,462,054</u> | <u>102,379,844</u> |
| Adjustments to Fund Balance | | (11,050) | | (5,166,736) | |
| Ending Fund Balance | <u>\$70,315,389</u> | <u>\$76,747,738</u> | <u>\$85,462,054</u> | <u>\$102,404,702</u> | <u>\$ 23,601,389</u> |

⁽¹⁾ FY 2008 budgeted expenditures can be amended into other categories. The actual expenditure results will appear in the proper categories upon publication of an audited financial report.

Sources: Duval County Public Schools Comprehensive Annual Financial Report for Years Ended June 30, 2004, 2005 and 2006; Superintendent's Annual Financial Report for 2007; District Budget for 2008.

Other Financial Information

The following is selected financial information pertaining to the District:

**Duval County, Florida
Property Tax Millages
County and Overlapping Governmental Entities
Rates Per \$1,000 Assessed Valuation**

| | <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|-----------------------------------|---------------|----------------|---------------|---------------|---------------|
| County Wide | | | | | |
| Water Management | 0.4158 | 0.4620 | 0.4620 | 0.4620 | 0.4620 |
| Florida Inland Navigation | 0.0345 | 0.0385 | 0.0385 | 0.0385 | 0.0385 |
| <u>School District</u> | <u>7.7550</u> | <u>8.0420</u> | <u>8.4250</u> | <u>8.5650</u> | <u>9.0510</u> |
| TOTAL COUNTY WIDE | 8.2053 | 8.5425 | 8.9255 | 9.0655 | 9.5515 |
| Non-County Wide | | | | | |
| Municipalities: | | | | | |
| Jacksonville | 8.4841 | 9.6400 | 9.6500 | 9.6879 | 9.8398 |
| Jacksonville Beach ⁽¹⁾ | 8.8490 | 10.2564 | 10.2664 | 10.3043 | 11.2162 |
| Atlantic Beach ⁽¹⁾ | 8.1908 | 9.3467 | 9.3567 | 9.4366 | 9.5885 |
| Neptune Beach ⁽¹⁾ | 7.8394 | 9.2493 | 9.2593 | 9.2972 | 9.4491 |
| Baldwin ⁽¹⁾ | <u>9.4065</u> | <u>11.1145</u> | <u>9.4567</u> | <u>8.6142</u> | <u>8.5709</u> |
| TOTAL NON-COUNTY WIDE | 42.7698 | 49.6069 | 47.9891 | 47.3402 | 48.6645 |

⁽¹⁾ Includes the City of Jacksonville, Florida assessed millage reduced levy for Consolidated Government.

Source: Office of the Property Appraiser of Duval County, Florida.

**School District of Duval County, Florida
Bonds, Notes and Capital Leases
Outstanding as of July 1, 2007**

Bonds, notes and capital leases payable as of July 1, 2007:

| <u>Issue</u> | <u>Interest Rates</u> | <u>Maturity</u> | <u>Amount Outstanding</u> |
|--|-----------------------|---------------------|-------------------------------|
| <u>State School Bonds:</u> | | | |
| Series 1998-A..... | 4.50-5.50% | 2018 | \$295,000 |
| Series 1999-A..... | 4.00-4.75 | 2019 | 1,105,000 |
| Series 2005-A..... | 2.70-4.30 | 2025 | 25,910,000 |
| Series 2005-B..... | 3.50-5.00 | 2020 | 2,030,000 |
| <u>District General Obligation Bonds, Refunding:</u> | | | |
| Series 1992, Remarketed 2002..... | 6.30 | 2008 | \$25,310,000 |
| Total bonds and notes payable | | | \$54,650,000 |
| <u>Certificates of Participation (COPs):</u> | | | |
| Series 2000..... | 4.75 ⁽¹⁾ | 2009 ⁽¹⁾ | \$4,620,000 ⁽¹⁾ |
| Series 2003 – QZAB | ⁽²⁾ | 2018 | 5,667,000 |
| Series 2005..... | 3.00-5.00 | 2020 | 35,355,000 |
| Series 2005A..... | 2.50-5.00 | 2025 | 37,735,000 |
| Series 2005 – QZAB | ⁽²⁾ | 2021 | 1,015,000 |
| Total COPs payable | | | \$84,392,000 |
| Total Bonds, Notes and Capital Leases | | | <u>\$139,042,000</u> |

⁽¹⁾ The Series 2005 Certificates were issued to refund a portion of the Series 2000 Certificates. Assumes that the refunded Series 2000 Certificates are fully prepaid on July 1, 2009.

⁽²⁾ Provides lenders tax credits in lieu of interest payments.

Source: Duval County School Board Cash Management Department.

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AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS

State Sources

The Board derives its revenues for capital outlay projects from certain State and local sources. The major categories of these revenue sources are briefly described below. In Fiscal Year 2007-08, excluding Series 2007 Certificate proceeds and existing fund balances, approximately 22.7% of the annual revenues for capital improvements will be provided by state revenues, 1.4% will be provided by local millage and the remaining 75.9% from other local sources.

Capital Outlay. The primary source of State educational funding contributions to the Board's capital outlay requirements is the Florida Public Education Capital Outlay Program (PECO). PECO funds are derived from revenues generated from the gross receipts tax for utility and communication services levied pursuant to Chapter 203, Florida Statutes, and bonded pursuant to Article XII, Section 9 of the Florida Constitution. The amount of discretionary PECO funds distributed to school districts is a function of three variables: the amount of revenues collected from the levy of the gross receipts tax; the growth rate of such collections; and the amount of PECO funds bonded by the State. In recent years, increases in the amount of the tax and low interest rates have resulted in significant bonding capacity for the PECO Program.

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 FTE students in the school system. The Commissioner of Education of the State of Florida administers the PECO program and allocates or reallocates funds as authorized by law. PECO funds distributed to the District for Fiscal Year 2005-06 were approximately \$14.7 million and were approximately \$15.9 million for the Fiscal Year 2006-07. The District expects to receive approximately \$21.7 million in PECO funds in Fiscal Year 2007-08. PECO funds may be used to make the principal portion of lease-purchase payments on a new construction project, but only to the extent that the project otherwise qualifies for PECO funding. PECO funds may be used to make the principal portion of lease-purchase payments on a new construction project, but only to the extent that the project otherwise qualifies for PECO funding.

The District also 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 and provide funds for the Board's capital outlay requirements. The Board received new allocations, not including funds carried forward, of \$615,123 and \$508,071 in CO&DS funds in fiscal years 2005-06 and 2006-07, respectively, and expects to receive approximately \$508,071 in fiscal year 2007-08. CO&DS funds can be used by the District to make Basic Rent Payments only if the facilities being lease purchased appear on the project priority list (the "PPL") approved by the State Board of Education. Some of the funds are restricted for debt service payments as enumerated in the following paragraph.

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. Amounts withheld and in the custody of the State as of totaled \$1,482,914 and \$846,389 as of June 30, 2006 and June 30, 2007, respectively.

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 secured by a pledge of lottery revenues, 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 provided that the proceeds are to be expended first for providing permanent classroom facilities and not for any other facilities until all unmet needs for permanent classrooms and core facilities are met. 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. Under the Classrooms First program, the District has received a total of \$84,717,252 to be paid over a 20-year period beginning in fiscal year 1998. To date the District has spent or encumbered all of such proceeds.

Classrooms for Kids Program (Capital Outlay Class Size Reduction). Pursuant to Section 1013.735(1), Florida Statutes, the Florida Department of Education has allocated funding in the State's General Appropriations Act for capital outlay class size reduction. See "REVENUE SOURCES OF THE DISTRICT – Recent Legislative Changes" and "RISK FACTORS" herein. Funds under the Classrooms for Kids are generated from the sale of State lottery bonds and are distributed to the various school districts based upon a formula similar to the formula used in allocating the PECO funds. The Board may expend such funds for the construction, renovation, remodeling or repair of educational facilities that are in excess of projects identified in the school district's five-year work plan adopted prior to March 15, 2003 or for the purchase of relocatable facilities that are in excess of the relocatables identified in the school district's five-year work plan adopted prior to March 15, 2003. To participate in the Classrooms for Kids program, the District completed a certificate acknowledging that an Interlocal Agreement required by Section 1013.33, Florida Statutes, had been entered into and that the facilities records within the Florida Inventory of School Houses pursuant to Section 1013.31, Florida Statutes, were current and accurate. For fiscal years 2005-06 and 2006-07, the District received approximately \$2.0 million and \$23.0 million, respectively, under the Classrooms for Kids Program, and in Fiscal Year 2007-08, the District expects to receive approximately \$12.0 million under the Classrooms for Kids Program.

Under the Act, the District may be entitled to receive other State revenues pursuant to other programs if the District achieves certain standards relating to its capital outlay efforts. Some of such revenues may be used to make lease purchase payments. It is not possible at this time to determine or estimate the amount of such State revenues if any, the District may receive in the future.

Local Sources

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%) of the proceeds of the millage actually levied, which may not exceed 2.0 mills. Such portion of the Local Option Millage Levy is referred to herein as the Capital Outlay Millage.

The Board is not required to levy any millage for capital outlay purposes in the future. Since a portion of the revenues from the levy of the Capital Outlay Millage may be used for, but are not pledged to, the payment of Basic Rent under the Series 2007 Lease, the failure of the Board to levy all or a portion of the Capital Outlay Millage would have an adverse effect on Available Revenues from which the Board may appropriate funds to make Basic Rent Payments.

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**Anticipated Capital Outlay Millage Levy
Required to Cover Combined Maximum Annual Basic Rent Payments
Represented by the Outstanding Prior Certificates and the Series 2007 Certificates**

The table below sets forth the estimated Capital Outlay Millage levy and Local Option Millage levy that would provide 1.00x coverage of the maximum annual Basic Rent payment represented by the Outstanding Prior Certificates and the Series 2007 Certificates, assuming a 95% collection of the taxes levied.

| | Fiscal Year <u>2007-08</u> |
|--|---------------------------------|
| Net Taxable Assessed Valuation..... | \$61,209,694,800 ⁽¹⁾ |
| Funds generated from Local Option Millage Levy that are legally available to make Lease Payments..... | \$87,223,815 ⁽²⁾ |
| Maximum Combined Annual Lease Payment represented by the Outstanding Prior Certificates and the Series 2007 Certificates | \$15,717,623 ⁽³⁾ |
| Minimum Capital Outlay Millage Required to Produce 1.00x Coverage of Maximum Annual Basic Rent Payments represented by the Outstanding Prior Certificates and the Series 2007 Certificates | 0.270 ⁽²⁾⁽³⁾ |
| Minimum Local Option Millage Levy Required under Applicable Law to Produce 1.00x Coverage of Maximum Annual Basic Rent Payments represented by the Outstanding Prior Certificates and the Series 2007 Certificates | 0.360 ⁽²⁾⁽³⁾ |

⁽¹⁾ 2007 tax roll for fiscal year 2008. See also “RECENT LEGISLATIVE CHANGES AFFECTING DISTRICT REVENUES - Recent Legislation Concerning Ad Valorem Taxes” for information concerning recently adopted legislation that could adversely impact future taxable assessed valuation.

⁽²⁾ This number calculated using 95% of the preliminary net taxable assessed valuation and assumes that the maximum amount of legally available millage (75%) is used for Lease Payments.

⁽³⁾ Assumes (a) the Refunded Series 2000 Certificates are refunded on July 1, 2009 and (b) the scheduled payment of the interest on the Series 2005 Certificates from amounts on deposit in the escrow fund for the Series 2005 Certificates.

Source: Duval County School Board Treasury Department.

The Board assessed a Local Option Capital Outlay Millage Levy of 2.00 mills in each of previous ten fiscal years. For the 2007-08 fiscal year the Final Budget provides for a capital outlay levy of 2.00 mills. Pursuant to state statute, the Board may not use more than 1.5 mills of a Local Option Millage Levy, or three-fourth of the actual levy, whichever is less, for the purposes of making lease payments on lease purchase obligations for facilities and sites. See the chart under “AD VALOREM TAXATION” for a schedule of the Local Option Millage Levy assessed by the Board over the past five years.

General Obligation Debt. In addition to the local option millage levy, 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. The majority of the qualified electors voting within the District may authorize the issuance of general obligation bonds for school construction and renovation, the debt service on which 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. The District currently has no general obligation bonds outstanding.

Other Local Sources. In addition to the foregoing, the Board, with the approval of the qualified electorate of the District, may levy an additional millage for current operations and/or capital outlay purposes for a period of not to exceed two years.

AVAILABLE REVENUES FOR OPERATIONAL PURPOSES

State Sources

The three primary sources of educational funding from the State are (i) basic Florida Educational Finance Program ("FEFP") receipts, (ii) FEFP categorical program receipts, and (iii) certain other specified revenue sources.

Florida Educational Finance Program. The major portion of State support is distributed under the provisions of the Florida Education Finance Program, which was enacted by the State Legislature in 1973. Basic FEFP funds are provided on a weighted FTE student basis and through a formula that takes into account: (i) varying program costs; (ii) cost differentials between districts; (iii) differences in per-student costs due to the density of student population; and (iv) the required level of local support. Program cost factors are determined by the State Legislature each year. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in other variables comprising the formula, as well as to compensate for increases or decreases in ad valorem tax revenue resulting from adjustments to the valuation of non-exempt property in each county. To participate in FEFP funding, the District must levy a minimum millage for operating purposes, which is set by the State Department of Education. General Fund receipts from FEFP were \$384.5 million for the 2005-06 Fiscal Year and \$406.9 million for the 2006-07 Fiscal Year. General Fund receipts from FEFP are budgeted to be approximately \$405.1 million for the 2007-08 Fiscal Year.

FEFP categorical programs are lump sum appropriations from the State intended to supplement local school district revenues to enhance the delivery of educational and support services by each school district. Among the larger categorical programs are the programs for school bus transportation, instructional materials and class size reduction. Allocations for these categorical appropriations are based on funding formula and discretionary State Department of Education grants. The majority of the funds available require actual appropriation by the Board for the purposes for which they were provided. FEFP funds may be appropriated by the Board to make lease-purchase payments. Total State categorical aid was approximately \$136.9 million for the 2006-07 Fiscal Year. Of such amount, approximately \$101.6 million was dedicated to fund a portion of the costs related to the Class Size Legislation described herein under "RECENT LEGISLATIVE CHANGES AFFECTING DISTRICT REVENUES - Constitutional Amendments". FEFP categorical receipts are budgeted to be approximately \$165.6 million for Fiscal Year 2007-08.

State Lottery Revenues. A portion of the revenues generated from the State lottery is distributed to each Florida school district as Discretionary Lottery revenue and Florida School Recognition Program revenue. The Florida School Recognition program recognizes schools that have received an "A" or improved at least one letter grade from the previous school year and, under Florida Statutes, is required to be used for nonrecurring bonuses for school faculty and staff, nonrecurring expenditures for educational equipment or materials, for temporary personnel to assist schools in maintaining or improving student performance, or any combination of these.

The District received \$6,163,916 and \$5,104,410 and \$5,048,907 in Discretionary Lottery revenue in fiscal year 2005-06, 2006-07 and 2007-08 respectively. The District received \$8,799,091 and \$5,348,285 and 5,348,285 in Florida School Recognition in fiscal year 2005-06 and 2006-07 and 2007-08, respectively.

Other State Sources. The District also receives State educational funding from a variety of miscellaneous State programs. These sources include Racing commission funds, mobile home license tax revenues, the Florida State Lottery and Workforce Development.

Local Sources

Ad Valorem Taxes. Local revenue for District operating support is derived almost entirely from ad valorem real and tangible personal property taxes. In addition, the District earns interest on cash invested and collects other miscellaneous revenues. The Florida Constitution limits the non-voted millage rate that school boards may levy on an annual basis for operational funds to 10 mills (\$10 per \$1,000 of taxable real and personal property value). Chapter 1011, Florida Statutes, as amended, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature and certified by the Commissioner of the State Department of Education and is referred to as the "district required local effort".

In addition to the district required local effort, school districts are authorized to levy a non-voted current operating "discretionary millage" for operations. Such discretionary millage levy is limited to an amount established annually by the State Legislature. 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 FTE student. For districts that cannot raise \$50 per student from the .25 mills, the State will provide the difference. The 2005 State Legislature modified the \$50 limit to a maximum of \$100 per FTE student.

For Fiscal Years 2005-06, 2006-07 and 2007-08, the District levied .25 mills, .25 and .215 mills, respectively, for operating purposes under the foregoing provisions. Moneys generated from the levy of the "discretionary millage" are not available to make Lease Payments on the Series 2007 Lease. See "AD VALOREM TAXATION" herein.

In addition to the forgoing, the Board, with the approval of the qualified electorate of the District, may levy an additional millage for current operations and/or capital outlay purposes for a period of not to exceed two years.

General Obligation Debt. Ad valorem tax levies for debt service on general obligation bonds may be assessed by the Board, with the approval of majority of the qualified electors voting within the District may authorize the issuance of general obligation bonds for operation purposes, as prescribed by the Florida constitution and applicable statutes. As of June 30, 2007, the District had \$25,310,000 of general obligation bonds outstanding.

Special Revenue Sources

The District also receives certain local, State and federal moneys, substantially all of which are restricted for specific programs. Programs funded with these special revenues sources in the past include school food service operations and programs financed through the Individuals with Disabilities Education Act, the Education Consolidation and Improvement Act and other federally financed programs.

AD VALOREM TAXATION

General

The following information is provided in view of the fact that a large portion of the Board's revenues are derived from ad valorem taxation.

Local ad valorem property taxes are levied by the application of the millage rate to the assessed valuation of non-exempt property within the County. Under the laws of the State, the assessment of all properties and the collection of all county, municipal and school district property taxes are consolidated in the office of the County Property Appraiser and County Tax Collector.

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.

By voter referendum held on November 3, 1992, Article VII, Section 4 of the State 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. Such constitutional amendment is generally known as the "Save Our Homes" amendment. 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 effective date of the amendment was 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.

Constitutional Amendment

In the 2006 regular session of the Florida Legislature, legislation was introduced that would have permitted homeowners to transfer all or a portion of their ad valorem tax basis in their homestead property (upon sale) to a newly acquired homestead property rather than being subject to a full reevaluation and a new tax basis at the time of purchase. Such legislation was not enacted. In the November 7, 2006 general election, the voters of Florida approved amendments to the State Constitution, which provide for an increase in the homestead (ad valorem tax) exemption to \$50,000 from \$25,000 for certain low-income seniors effective January 1, 2007 and provide a discount from the amount of ad valorem taxes for certain permanently disabled veterans effective December 7, 2006, respectively. The extent to which these amendments may affect the ad valorem tax collections of the District in future years is not currently known.

Property Assessment Procedure

The laws of the State of Florida require that all taxable real and tangible personal property must be assessed at fair market value, with some exceptions. Real and personal property valuations are determined each year as of January 1 by the County Property Appraiser's Office. The County Property Appraiser submits the tax roll to the Florida Department of Revenue for review and determination of, among other things, whether the tax roll meets the requirements of State law regarding just valuation. Each taxpayer is given notice by mail of the proposed property taxes and the assessed property value for the current year, and the dates, times and places at which budget hearings are scheduled to be held.

The property owner has the right to file an appeal of the determination of assessed value with the Property Appraisal Adjustment Board (the "Adjustment Board"), which considers petitions relating to assessments and exemptions. The Adjustment Board is composed of members of the School Board and the Board of County Commissioners. The decision of the Adjustment Board may be appealed to the Circuit Court. The Adjustment Board certifies the assessment roll upon completion of the hearing of appeals to it. Millage rates are then computed by the various taxing authorities and certified to the Property Appraiser, who applies the millage rates to the assessment roll. This procedure creates the tax roll, which is then certified and turned over to the County Tax Collector.

Collection of Taxes

Ad valorem taxes become payable on November 1 for the tax year January through December. Taxes become delinquent if not paid by April 1 of the year immediately following the year in which the tax was levied. Discounts are allowed for early payment, 4% if paid in November, 3% if paid in December, 2% if paid in January and 1% if paid in February. Delinquent taxes on real property are subject to a 3% penalty and delinquent taxes on tangible personal property are subject to a 1.5% monthly charge. Beginning on June 1 of each year, the County Tax Collector advertises and sells tax certificates on those lands on which taxes have not been paid to pay the taxes, interest, costs and charges on the parcel described in the certificate. If there are no bidders, the certificate is issued to the County. Real property taxes bear interest at a rate not to exceed 18% per year from the date of delinquency until a certificate is sold, except for the penalty charge that is assessed as of April 1 for delinquent taxes.

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School District of Duval County, Florida
Ad Valorem Property Tax Levies and Collections
Ten Fiscal Years Ended June 30, 2007
(Unaudited)

The following table sets forth the amounts billed and the percent collected for ad valorem property taxes levied by the District.

| <u>Fiscal Year</u> | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Project Fund</u> | <u>Total Levy</u> | <u>Total Tax Collections</u> | <u>Percent of Total Tax Collections to Tax Levy</u> |
|--------------------|---------------------|--------------------------|-----------------------------|-------------------|------------------------------|---|
| 2007 | \$300,292,206 | \$18,017,532 | \$105,365,686 | \$423,675,424 | \$405,916,971 | 95.81% |
| 2006 | 275,227,744 | 19,298,947 | 91,681,460 | 386,208,151 | 382,163,677 | 98.95 |
| 2005 | 247,645,384 | 19,227,884 | 81,301,833 | 328,175,101 | 333,761,390 | 95.86 |
| 2004 | 246,188,416 | 19,235,823 | 75,286,977 | 340,711,216 | 326,803,879 | 95.92 |
| 2003 | 222,992,504 | 19,672,715 | 70,134,456 | 313,799,675 | 296,612,678 | 94.83 |
| 2002 | 204,250,308 | 19,183,012 | 65,027,159 | 288,460,479 | 274,684,658 | 95.22 |
| 2001 | 201,078,975 | 19,512,198 | 60,785,663 | 281,376,836 | 267,229,047 | 94.97 |
| 2000 | 187,971,909 | 18,962,941 | 56,186,491 | 263,121,341 | 250,499,123 | 95.20 |
| 1999 | 189,058,110 | 19,543,085 | 53,106,211 | 261,707,406 | 246,949,848 | 94.36 |
| 1998 | 174,556,061 | 18,917,405 | 49,136,119 | 242,609,585 | 229,114,498 | 94.44 |

Sources: Duval County Public Schools – Business Services.

The property owner may redeem a tax certificate by paying the County Tax Collector the face value of the certificate and accrued interest, penalties and advertising fees.

The County Tax Collector notifies the tax certificate holder of the redemption and makes the arrangements to obtain the tax certificate and to process the payment. In some instances, the County itself acquires the tax certificates as a lien against the property.

After two years from the date of purchase, a private holder of any unredeemed tax certificate may apply for a tax deed to the property. The County also has a two-year minimum wait for purchase of a tax deed, but such period begins with November 1 of the year the taxes were due. Such procedures are governed by State law applicable to all Florida counties.

The request for a tax deed is referred to the Clerk of the Circuit Court of the County who will hold an auction after the proposed sale of the tax deed has been advertised for four consecutive weeks in a newspaper as prescribed by law. Auctions are generally held on or before June 1 of the year the property becomes delinquent. The minimum acceptable bid for a tax deed must cover the face value of the certificate, accrued interest, title search and all court and advertising costs.

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Historical Millages

The following table contains historical and current millage rates (tax per \$1,000 of assessed value) for the Board:

| District Levies | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <u>TAX LEVY</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
| <u>General Fund</u> | | | | | |
| Not-voted School Tax: | | | | | |
| State Required Local Effort | 5.852 | 5.413 | 5.244 | 4.940 | 4.879 |
| Local Discretionary | 0.510 | 0.510 | 0.510 | 0.510 | 0.510 |
| Local Supplemental | 0.178 | 0.169 | 0.250 | 0.250 | 0.215 |
| <u>Capital Project Fund</u> | | | | | |
| Non-voted School Tax: | | | | | |
| Local Capital Improvement | 2.000 | 2.000 | 2.000 | 2.000 | 2.000 |
| Total Non-Voted Millage | 8.540 | 8.092 | 8.004 | 7.700 | 7.604 |
| <u>Debt Service Fund</u> | | | | | |
| Voted School Tax Debt Service | 0.511 | 0.473 | 0.421 | 0.342 | 0.151 |
| Total District Millage Levy | 9.051 | 8.565 | 8.425 | 8.042 | 7.755 |

Source: Duval County Property Appraiser.

Pursuant to Article VII of the State Constitution, the Board may not levy ad valorem taxes, exclusive of voted taxes levied for the payment of debt service, in excess of 10 mills. The Board has levied 7.700 non-voted mills for the Fiscal Year ended June 30, 2007 and 7.604 non-voted mills for Fiscal Year ending June 30, 2008.

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Assessed Valuation

The following table shows the assessed value and estimated actual value of taxable property in the District in each of the past ten fiscal years.

**Duval County Public Schools
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands)
(unaudited)**

| Fiscal Year | Real Property ⁽¹⁾ | Personal Property ⁽²⁾ | Centrally Assessed Property ⁽³⁾ | Total Taxable Property ⁽⁴⁾ | Estimated Actual Values | % Taxable Value For Operating Millages |
|-------------|------------------------------|----------------------------------|--|---------------------------------------|-------------------------|--|
| 2006 | \$46,764,106 | \$5,032,337 | \$154,699 | \$51,951,142 | \$77,477,171 | 67.05% |
| 2005 | 40,901,242 | 4,790,934 | 148,554 | 45,840,730 | 68,661,525 | 66.76 |
| 2004 | 35,752,946 | 4,690,592 | 207,378 | 40,650,916 | 61,676,160 | 65.91 |
| 2003 | 32,580,744 | 4,624,319 | 169,546 | 37,374,609 | 56,409,622 | 66.26 |
| 2002 | 27,147,738 | 4,691,012 | 130,112 | 31,968,862 | 47,714,719 | 67.00 |
| 2001 | 24,880,668 | 4,721,210 | 138,449 | 29,740,327 | 44,158,093 | 67.35 |
| 2000 | 22,752,874 | 4,536,116 | 108,934 | 27,397,924 | 41,803,761 | 65.54 |
| 1999 | 21,192,207 | 4,439,390 | 138,561 | 25,770,158 | 39,448,272 | 65.33 |
| 1998 | 19,686,572 | 4,230,470 | 124,628 | 24,041,625 | 37,202,821 | 64.62 |
| 1997 | 18,459,034 | 4,137,983 | 85,635 | 22,682,652 | 35,304,582 | 64.25 |

⁽¹⁾ Currently, State Homestead Exemption Laws exempt from taxation the first \$25,000 of assessed value for qualified homeowners. See "RECENT LEGISLATIVE CHANGES AFFECTING DISTRICT REVENUES - Recent Legislation Concerning Ad Valorem Taxes" for information concerning a proposed constitutional amendment which may affect future assessed and actual values of taxable property and the current State Homestead Exemption Laws.

⁽²⁾ Personal property values are also net of certain allowable exemptions - primarily for inventories (which have not been assessed since 1982) and governmental property.

⁽³⁾ Centrally assessed property is primarily railroad property and private car line property, which must be separately assessed.

⁽⁴⁾ Estimated actual values are the total "just" values or property subject to taxation, as defined by Section 193.011 of the Florida Statutes.

⁽⁴⁾ Presented net of tax exempt property.

Source: Duval County Public Schools Comprehensive Annual Financial Report For Year Ended June 30, 2006.

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Principal Taxpayers

The following table contains the list of the County's ten largest taxpayers for the fiscal year ended September 30, 2006.

List of 10 Highest Ad Valorem Taxpayers in Duval County, Florida

| | <u>Percentage</u> | <u>Valuation</u> |
|--|-------------------|-----------------------|
| Bell South/Jacksonville MSA Limited | .77% | \$406,459,530 |
| Anheuser-Busch, Inc./Metal Container Corp. | .59 | 308,597,388 |
| Vistakon/Johnson & Johnson Vision | .47 | 246,775,775 |
| Flagler Development Company | .45 | 235,454,572 |
| Blue Cross & Blue Shield | .39 | 206,435,773 |
| Wal-Mart Properties/Stores | .31 | 162,620,178 |
| Cedar Bay Generating Company | .31 | 162,354,525 |
| Liberty Property Limited Partnership | .27 | 143,248,555 |
| First States Investors | .27 | 142,336,200 |
| Mid-America Apartments | <u>.26</u> | <u>138,493,824</u> |
| Total Taxable Assessed Value of 10 Largest Taxpayers | 4.10 | 2,151,776,320 |
| Total Taxable Assessed Value of Other Taxpayers | <u>95.90</u> | <u>50,309,637,309</u> |
| TOTAL | <u>100.00%</u> | <u>52,461,413,629</u> |

Source: Comprehensive Annual Financial Report for the City of Jacksonville, Florida for the Fiscal Year ended September 30, 2006.

RECENT LEGISLATIVE CHANGES AFFECTING DISTRICT REVENUES

Constitutional Amendments

In the November 5, 2002 general election, the voters of the State of Florida approved two amendments to the State Constitution that may affect the Board's operations. Amendment 9 to the State Constitution requires that the State Legislature provide funding for sufficient classrooms so that class sizes can be reduced to certain constitutional class size maximums by the beginning of the 2010 school year. Amendment 9 and Section 1003.03, Florida Statutes, which implements Amendment 9, collectively, are referred to herein as the "Class Size Legislation".

The Class Size Legislation establishes constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten through 3rd grade, 22 for grades 4 through 8 and 25 for grades 9 through 12. These maximums must be implemented by the beginning of the 2010 school year. School districts that presently exceed these class size maximums are required to reduce the average number of students per class in each of these grade groupings by at least two students each year, beginning with the 2003-04 fiscal year.

The Class Size Legislation further creates an "Operating Categorical Fund for Class Size Reduction", the "Classroom for Kids Program", the "District Effort Recognition Grant Program" and the "Class Size Reduction Lottery Revenue Bond Program" to provide funding programs for capital outlays and operating expenditures necessary in relation to these mandated class size reductions.

The Class Size Legislation requires each school board to consider implementing various policies and methods to meet these constitutional class sizes, including encouraging dual enrollment courses, encouraging the Florida Virtual School, maximizing instructional staff, reducing construction costs, using

joint-use facilities, implementing alternative class scheduling, redrawing attendance zones, implementing evening and multiple sessions and implementing year-round and non-traditional calendars. Failure to reduce class sizes by at least two students each year until the constitutional maximum is met may result in transfer of class size reduction operating funds to fixed capital outlay appropriations, required implementation of year-round schools, double sessions, extended school year or rezoning, implementation of a state-mandated constitutional compliance plan or withholding of various State funds.

To date, the District has complied with the requirements of the Class Size Legislation. While the Class Size Legislation suggests that the State Legislature, and not local school districts, is generally responsible for the cost of compliance, it is uncertain what effect implementation might have upon the District or the Board. The Class Size Legislation is largely focused upon funding of capital outlays and facility needs. There can be no assurance that these funds will be sufficient to meet the capital and facility needs of the District required by the Class Size Legislation. Further, there can be no assurance that the District will have funds sufficient to meet the capital and facility needs of the District required by the Class Size Legislation or that compliance therewith will not adversely affect other capital needs and operating costs of the District.

In the November 5, 2002 general election, the voters of the State of Florida also approved Amendment 8 to the State Constitution which provides that every 4-year old child in the State shall be offered a free, high quality pre-kindergarten learning opportunity by the State no later than the 2005 school year. In furtherance thereof, Section 411.012, Florida Statutes, created a voluntary universal pre-kindergarten education program for four-year olds within the Agency for Workforce Innovation and directed the State Board of Education to conduct a study and make recommendations for this education program regarding curriculum and standards, quality of instruction, delivery system, assessment and evaluation, funding and best practices.

During the 2004-A special session, the Florida Legislature passed House Bill 1-A, codified in Part V of Chapter 1002, Florida Statutes, which creates a statewide Voluntary Pre-kindergarten Education Program. Among other things, House Bill 1-A provides eligibility and enrollment requirements, authorizes parents to enroll their children in a school-year pre-kindergarten (“Pre-K”) program delivered by a private Pre-K provider, a summer program delivered by a public school or private Pre-K provider or, if offered in a school district that meets class-size reduction requirements, a school year Pre-K program delivered by a public school. House Bill 1-A also requires school districts to deliver summer Pre-K programs and permits school districts to deliver school-year Pre-K programs. Additionally, House Bill 1-A appropriates State funds to finance the Pre-K programs and provides the method for calculating the funds allocated to each Pre-K program provider.

House Bill 1-A provides State funding for the Pre-K programs. It is uncertain what effect implementation of and compliance with House Bill 1-A might have upon the District or the Board. There can be no assurance that House Bill 1-A and compliance therewith will not adversely affect the District. Further, there can be no assurance that the District will have funds sufficient to meet the capital and facility needs of the District required by House Bill 1-A or that compliance therewith will not adversely affect other capital needs and operating costs of the District, which may have an adverse impact on the District’s ability to appropriate funds for Lease Payments.

For a discussion of recent legislative amendments with respect to the homestead exemption, see “AD VALOREM TAXATION - Constitutional Amendment”.

Recent Legislation Concerning Ad Valorem Taxes

During a special legislative session held between June 12 and June 14, 2007, the Florida Legislature adopted a property tax plan which could significantly impact ad valorem tax collections for Florida local governments. One component of the adopted legislation requires counties, cities and special districts to roll back their millage rates for the 2007-08 fiscal year to a level that, with certain adjustments and exceptions, will generate the same level of ad valorem tax revenue as in fiscal year 2006-07; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates will be determined after first reducing 2006-07 ad valorem tax revenues by zero to nine percent (0% to 9%). Notwithstanding, millage rates may be increased to the rolled back rate prior to such 0-9% reduction or to the nonvoted millage rate levied in fiscal year 2006-07 if such increase is approved by a two-thirds vote or unanimous vote, respectively, of the governing body of the county, city or special district. In addition, the legislation limits how much the aggregate amount of ad valorem tax revenues may increase in future fiscal years. School districts are not required to comply with these particular provisions of the legislation.

During an additional special session of the Legislature held for the purposes of making adjustments to the State budget in response to recent declines in State revenues (see "Risk Factors-State Revenues") and to adopt legislation to provide property tax relief, the Legislature adopted legislation on October 29, 2007, which legislation was approved by the Governor of the State on November 13, 2007 (Ch. 2007-338, Laws of Florida), proposing amendments to the State Constitution that, if approved by the voters in a special election scheduled for January 29, 2008, would exempt certain portions of a property's assessed value from taxation, and in certain cases limit increases in assessed value of non-homestead property. The amendments will only become effective if at least 60% of the persons voting in the referendum approve the amendments. The following is a brief summary of certain important provisions contained in the proposed amendments:

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

2. Permits owners of homestead property to transfer their "Save Our Homes" benefit (up to \$500,000) to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their "Save Our Homes" benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. See "AD VALOREM TAXATION - General" for a description of the "Save Our Homes" benefit. This exemption applies to all taxes, including school district taxes.

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

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

It is impossible at this time to predict whether the proposed constitutional amendments will be approved by the voters. If the amendments are approved as scheduled on January 29, 2008, it will

become effective for the 2008 tax year (2008-09 fiscal year for local governments). Various analyses indicate that the aggregate taxable values of real property in the State are likely to be reduced significantly if the constitutional amendments becomes effective and that the fiscal impact on school districts would be the loss of approximately \$2.756 billion over the next five years. Certain members of the Florida Legislature have publicly indicated that they will seek to replace the ad valorem revenues lost by school districts with other revenue sources but no formal action has been taken and no replacement source of revenues has been identified. Moreover, even if the Florida Legislature provides a replacement source of revenues, there is no assurance that such replacement revenues will be legally available to make Lease Payments. At this time, it is impossible to estimate with any certainty the level of impact that any constitutional amendment, if approved, will have on the District, but the impact could be substantial.

FUTURE FINANCINGS

The District anticipates issuing Additional Certificates in calendar year 2008 with the proceeds to be used to finance the construction of educational facilities to be leased to the Board under the Master Lease, and simultaneously therewith, such parcels will be ground leased to the Corporation.

LEGAL MATTERS

Certain legal matters in connection with the authorization, execution, delivery and sale of the Series 2007 Certificates are subject to an approving legal opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, and Lawrence & Parker, P.A., Jacksonville, Florida Co-Special Counsel, whose approving opinion, the form of which is attached hereto as "APPENDIX E - Form of Tax Opinion of Co-Special Counsel", will be available at the time of delivery of the Series 2007 Certificates. Certain legal matters will be passed on for the Board by the Office of General Counsel of the City of Jacksonville, Florida, and for the Corporation by the Office of General Counsel of the City of Jacksonville, Florida. Certain legal matters will be passed on for the Underwriters by their Counsel, Greenberg Traurig, P.A., Miami, Florida. Payment of fees for services rendered by Co-Special Counsel and Underwriters' counsel relating to the authorization, sale, execution and delivery of the Series 2007 Certificates is contingent upon the issuance of the Series 2007 Certificates.

Co-Special Counsel has not been engaged to, nor has it undertaken to, review the accuracy, completeness or sufficiency of this Offering Statement or any other offering material relating to the Series 2007 Certificates; provided, however, that Co-Special Counsel shall render an opinion to the Underwriters (as to which only they may rely) of the Series 2007 Certificates relating to the accuracy of certain statements and information contained herein under the heading "TAX TREATMENT" and certain statements which summarize provisions of the Master Lease, the Series 2007 Lease, the Trust Agreement, the Assignment, the Ground Lease, the Assignment of Ground Lease and the Series 2007 Certificates.

LITIGATION

The Board is currently engaged in a number of lawsuits and disputes incidental to its operations. Upon the basis of information presently available, the Office of General Counsel to the City of Jacksonville, Florida, Counsel to the Board, 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 result of operations of the Board.

Concurrently with the delivery of the Series 2007 Certificates, the Counsel to the Board will deliver an opinion which states, among other things, that there is no litigation or other proceedings pending or, to the best knowledge of the Board, threatened against the Board that seeks to restrain or

enjoin the issuance or delivery of the Series 2007 Certificates, the Master Lease, Lease Schedule No. 2007 or questioning or affecting the validity of the Series 2007 Certificates, the Master Lease or Lease Schedule No. 2007 or any proceedings of the Board or actions of the Trustee with respect to the authorization, sale, execution or issuance of the Series 2007 Certificates or the transactions contemplated by this Offering Statement or the Master Lease, the Trust Agreement, Lease Schedule No. 2007 or any other agreement or instrument to which the Board is a party in connection therewith and which is used or contemplated for use in the transactions contemplated by this Offering Statement and neither the creation, organization nor existence of the Board is contested.

The School desegregation case, *Jacksonville Branch, NAACP v. Duval County School Board*, (U.S.D.C., Middle District of Florida, Jacksonville Division), commenced on December 6, 1960, under the case style of *Braxton v. Board of Public Instruction of Duval County*. At that time, the Duval County school system was operating segregated facilities consisting of 89 predominantly white schools and 29 predominantly black schools. Desegregation commenced in September, 1964, pursuant to the Court's Order.

Thereafter, various orders and appeals were entered, resulting generally in the District being operated under a court mandate to move the vast majority of its schools to an overall 70% white, 30% minority population as to both students and teachers. On April 11, 1985, a new complaint was filed, alleging noncompliance. The District counter claimed for a declaration that it was unitary, and requested that it be released from the Court's Order. On September 6, 1988, the District Court entered an Order granting the District's requested relief and declaring the District unitary.

The NAACP appealed, and the United States Court of Appeals for the Eleventh Circuit reversed. *Jacksonville Branch, NAACP v. Duval County School Board*, 83 F.2d 945 (11th Cir. 1989). Thereafter, on July 9, 1990, the parties entered into a Corrected Stipulation and Agreement (the "CSA") approved by the District Court. Pursuant to the CSA, the District was authorized to, and did, open seven new schools and build a replacement school.

On July 11, 1991, the NAACP filed a "Motion to Change the Method By Which the Defendant is Implementing the Corrected Stipulation and Agreement". The District Court upheld the CSA, and denied the NAACP's motion. The United States Court of Appeals for the Eleventh Circuit upheld the CSA in all material matters. *Jacksonville Branch, NAACP v. Duval County School Board*, 978 F.2d 1574 (11th Cir. 1992).

On October 1, 1996, the District renewed its request for an order declaring the District unitary. A fifteen-day trial was held on the District's Motion for Unitary Status. The District Court fully considered whether the District had achieved unitary status in student assignment and in each of the other five areas of school district operation identified in the seminal case of *Green v. School Board of New Kent County*, 391 U.S. 430 (1968), and other applicable and controlling case law. The District Court entered an Opinion and Judgment declaring the District unitary on May 27, 1999. The NAACP appealed that Opinion and Judgment and the United States Court of Appeals for the Eleventh Circuit denied the appeal.

In the Opinion of the Office of General Counsel to the City of Jacksonville, Florida, Counsel to the Board, a determination by the United States Court of Appeals that the Opinion and Judgment was entered in error will not (i) adversely affect the enforceability of the Trust Agreement, the Series 2007 Lease, the Ground Lease, the Series 2007 Assignment of Ground Lease, the Series 2007 Assignment of Lease or the Series 2007 Certificates, or (ii) impair the ability of the Board to acquire, construct, install and equip the Series 2007 Project or to appropriate Available Revenues to make Basic Rent Payments in accordance with the Series 2007 Lease.

TAX TREATMENT

Opinion of Co-Special Counsel

The Internal Revenue Code of 1986, as amended (the “Code”), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2007 Certificates in order that the Interest Component of the Basic Rent Payments received by the Owners of the Series 2007 Certificates be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause such Interest Component to be included in federal gross income retroactive to the date of issuance of the Series 2007 Certificates, regardless of the date on which such non-compliance occurs or is ascertained. The Board and the Corporation have covenanted in the Lease Agreement to comply with such requirements in order to maintain the exclusion from federal gross income of the Interest Component.

In the opinion of Co-Special Counsel, the form of which is attached hereto as APPENDIX E, assuming compliance with the aforementioned covenants, prior to the termination of the Series 2007 Lease resulting from an Event of Non-Appropriation or Event of Default thereunder, the Interest Component of the Basic Rent Payments is excludable from gross income and is not a specific item of tax preference for federal income tax purposes under existing statutes, regulations, rulings and court decisions. However, the Interest Component of the Basic Rent Payments is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations pursuant to the Code.

Internal Revenue Code of 1986

The Code contains a number of provisions that apply to the Series 2007 Certificates, including among other things, restrictions relating to the use of investment of the proceeds of the Series 2007 Certificates and the payment of certain arbitrage earnings in excess of the “yield” on the Series 2007 Certificates to the Treasury of the United States. Noncompliance with such provisions may result in the Interest Component of the Basic Rent Payments being included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2007 Certificates.

Financial Institutions

Banks and thrift institutions are generally unable to deduct any portion of the interest expense allocable to purchasing or carrying tax-exempt obligations (except “qualified tax-exempt obligations”) if such interest costs are incurred in taxable years ending after December 31, 2000, with respect to bonds acquired after August 7, 1986. An exception is provided for “qualified tax exempt obligations” specifically designated as such by the School Board. The Series 2007 Certificates do not qualify for such exception.

Collateral Tax Consequences

Except as described above, Co-Special Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Series 2007 Certificates. Prospective purchasers of Series 2007 Certificates should be aware that the ownership of Series 2007 Certificates may result in collateral tax consequences to various types of corporations relating to (1) the branch profits tax, (2) the denial of interest deductions to purchase or carry such Series 2007 Certificates, and (3) the inclusion of the Interest Component of the Basic Rent Payments in passive income for certain Subchapter S corporations. In addition, the Interest Component may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2007 CERTIFICATES AND THE RECEIPT OR ACCRUAL OF THE INTEREST COMPONENT OF THE BASIC RENT PAYMENTS MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE CERTIFICATE HOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE CERTIFICATE HOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

The Interest Component of the Basic Rent Payments may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Series 2007 Certificates should consult their own tax advisors as to the income tax status of such Interest Component in their particular state or local jurisdictions.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2007 Certificates. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alterations of federal tax consequences may have affected the market value of obligations similar to the Series 2007 Certificates. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2007 Certificates and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Series 2007 Certificates.

NOTWITHSTANDING THE FOREGOING, CO-SPECIAL COUNSEL EXPRESSES NO OPINION REGARDING THE FEDERAL INCOME TAX OR FLORIDA TAX CONSEQUENCES RESULTING FROM THE OWNERSHIP OF THE SERIES 2007 CERTIFICATES OR THE RECEIPT BY THE OWNERS THEREOF OF PAYMENTS ON THE SERIES 2007 CERTIFICATES FOLLOWING THE TERMINATION OF THE LEASE AGREEMENT RESULTING FROM AN EVENT OF NON-APPROPRIATION OR EVENT OF DEFAULT THEREUNDER.

Original Issue Discount

Under the Code, the difference between the principal amount of the Series 2007 Certificates maturing July 1 in the years 2013 bearing interest at 3.500%, 2018, 2019, 2020, 2023 bearing interest at 4.375%, 2024 and 2025 (collectively, the “Discount Certificates”) and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Discount Certificates of the same maturity was sold, is “original issue discount”. Original issue discount represents interest which is excluded from gross income for federal income tax purposes; however, such interest is taken into account for purposes of determining the alternative minimum tax imposed on corporations and may result in the collateral federal tax consequences in the year of accrual, referred to above. Original issue discount will accrue over the term of a Discount Certificate at a constant interest rate compounded semi-annually. A purchaser who acquires a Discount Certificate at the initial offering price thereof to the public will be treated as receiving, prior to the termination of the Series 2007 Lease resulting from an Event of Non-Appropriation or Event of Default thereunder, an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he holds such Discount Certificates by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Discount Certificates. The federal income tax consequences of the purchase, ownership and prepayment, sale or other disposition of Discount Certificates which are

not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Owners of Series 2007 Certificates should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, prepayment or other disposition of such Discount Certificates and with respect to the state and local tax consequences of owning and disposing of such Discount Certificates.

Co-Special Counsel expresses no opinion regarding the federal income tax consequences resulting from the accrual of original issue discount following the termination of the Series 2007 Lease resulting from an Event of Non-Appropriation or Event of Default thereunder.

Original Issue Premium

The difference between the principal amount of the Series 2007 Certificates maturing July 1 in the years 2009 through 2012, inclusive, 2013 bearing interest at 4.000%, 2014 through 2017, inclusive, 2021, 2022, 2023 bearing interest at 5.000%, 2026, 2027 and 2033 (collectively, the “Premium Certificates”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Certificates of the same maturity was sold constitutes to an initial purchaser amortizable certificate premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable certificate premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Certificate (or, in the case of a Premium Certificate callable prior to maturity, the amortization period and yield must be determined on the basis of the earliest call date that results in the lowest yield on the Premium Certificate). For purposes of determining gain or loss on the sale or other disposition of a Premium Certificate, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser’s adjusted basis in such Premium Certificate annually by the amount of amortizable certificate premium for the taxable year. The amortization of certificate premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Series 2007 Certificates. Owners of the Premium Certificates are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Certificates.

Co-Special Counsel expresses no opinion regarding the federal income tax consequences resulting from the accrual of original issue premium following the termination of the Series 2007 Lease resulting from an Event of Non-Appropriation or Event of Default thereunder.

RATINGS

Moody’s Investors Service (“Moody’s”) and Fitch Ratings (“Fitch”) are expected to assign ratings of “Aaa” and “AAA”, respectively, to the Series 2007 Certificates, with the understanding that, upon delivery of the Series 2007 Certificates, the Policy will be issued by the Insurer. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody’s Investors Service, 99 Church Street, New York, New York 10007; Fitch, Inc., One State Street Plaza, New York, New York 10004. Moody’s and Fitch have also assigned underlying ratings of “A1” and “A+”, respectively, to the Series 2007 Certificates without regard to insurance. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2007 Certificates.

The above ratings are not recommendations to buy, sell or hold the Series 2007 Certificates, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Each of the rating agencies has recently issued press releases or reports stating that they are examining the potential effects of downturns in the market for structured finance (“SF”) instruments, including collateralized debt obligations (“CDOs”), on the claims-paying ability of the bond insurance companies, including Financial Security Assurance Inc. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2007 Certificates.

In a November 5, 2007 press release, Fitch stated that “due to minimal SF CDO exposures and strong initial capital cushions, Fitch anticipates no capital or rating issues resulting from updated capital reviews of ... Financial Security Assurance Inc.”. In a November 8, 2007 press release, Moody’s stated that “FSA [has] minimal exposure to ABS CDOs and, for this reason, [is] highly unlikely to fall below Moody’s capital adequacy benchmarks for [its] rating category”. On October 29, 2007, Standard & Poor’s, A Division of the McGraw Hill Companies, Inc. (“S&P”) published a report entitled “Industry Report Card: Subprime Mortgage Sector Brings Mixed Developments for Bond Insurers Back”. The report, which contains a section on Financial Security, is now located at: <http://www2.standardandpoors.com/portal/site/sp/en/us/page.article/4,5,5,1,1148448937019.html>. There can be no assurance that the views expressed in those documents represent the current views of the rating agencies or that those views will not change in the future.

FINANCIAL ADVISOR

The Board has retained SunTrust Robinson Humphrey, Inc., Orlando, Florida, as financial advisor in connection with the Board’s financing plans and with respect to the issuance of the Series 2007 Certificates. Fees paid to SunTrust Robinson Humphrey, Inc. may include fees for bidding investments on behalf of the Board. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Offering Statement. The Financial Advisor did not participate in the underwriting of the Series 2007 Certificates.

FINANCIAL STATEMENTS

Pursuant to Section 11.45, Florida Statutes, the financial operations of the Board are subject to annual audit. The Board may use independent auditors two out of every three fiscal years with the Auditor General’s office auditing the financial operations of the Board once every three fiscal years. Audit responsibilities assigned to the Auditor General and/or an independent auditor include the presentation of an annual report on the Board’s financial statements, assessment of the adequacy of the Board’s control environment, and determination of the Board’s compliance with legal requirements. The financial statements of the Board for the Fiscal Year ended June 30, 2006 were audited by Ernst & Young LLP (“E&Y”). See “APPENDIX B – BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF DUVAL COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2006 AND EXCERPTED PAGES FROM THE SUPERINTENDENT’S ANNUAL FINANCIAL REPORT (UNAUDITED) FOR THE FISCAL YEAR ENDED JUNE 30, 2007” attached hereto for an explanation of the scope and objectives of E&Y’s report for the Fiscal Year ended June 30, 2006. The Comprehensive Annual Financial Report of the Duval County Public Schools for the Fiscal Year Ended June 30, 2006 in its entirety is available at www.dac-ey.com.

Additionally, included in Appendix B to this Offering Statement is the Superintendent’s Annual Financial Report for the Fiscal Year ended June 30, 2007. The figures contained in the Superintendent’s report have not been audited and are therefore subject to change.

UNDERWRITING

The Series 2007 Certificates are being purchased by UBS Securities LLC, on behalf of itself and the other underwriters listed on the cover page hereof (collectively, the “Underwriters”). The Series 2007 Certificates are being purchased by the Underwriters at a price of \$147,557,981.30 (which represents the par amount of the Series 2007 Certificates plus a net original issue premium of \$2,756,808.50 and less Underwriters’ discount of \$773,827.20). The Underwriters’ obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2007 Certificates if any Series 2007 Certificates are purchased. The Series 2007 Certificates may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

CONTINUING DISCLOSURE

The Board has agreed and undertaken for the benefit of Series 2007 Certificate holders and in order to assist the Underwriters in complying with the continuing disclosure requirements of Rule 15c12-12 of the Securities Exchange Commission (the “Rule”) to provide certain financial information and operating data relating to the Board and the Series 2007 Certificates in each year (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events, if material. Such undertaking shall only apply so long as the Series 2007 Certificates remain outstanding under the Trust Agreement. The Annual Report and audited financial statements will be filed annually by the dissemination with each Nationally Recognized Municipal Securities Information Repository (“NRMSIRSs”) described in the Form of Disclosure Dissemination Agent Agreement attached hereto as Appendix G, 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 dissemination agent with the Municipal Securities Rulemaking Board or the NRMSIRSs 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 G - Form of Disclosure Dissemination Agent Agreement” attached hereto. The undertakings have been made in order to assist the Underwriters in complying with the Rule. The Disclosure Dissemination Agent Agreement shall be executed by the Board and Digital Assurance Certification, L.L.C., as Dissemination Agent thereunder, prior to the issuance of the Series 2007 Certificates. No other entity other than the Board is obligation to provide any continuing disclosure information with respect to the Series 2007 Certificates pursuant to the Rule.

With respect to the Series 2007 Certificates, no party other than the Board is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the aforementioned Rule.

ACCURACY AND COMPLETENESS OF OFFERING STATEMENT

The references, excerpts, and summaries of all documents, statutes, and information concerning the Board and the Series 2007 Project and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2007 Certificates, the security for the payment of the Series 2007 Certificates and the rights and obligations of the owners thereof and to each such statute, report or instrument.

Any statements made in this Offering Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Offering Statement nor any

statement that may have been made verbally or in writing is to be construed as a contract with the Owners of the Series 2007 Certificates.

The Appendices attached hereto are integral parts of this Offering Statement and must be read in their entirety together with all foregoing statements.

AUTHORIZATION OF OFFERING STATEMENT

The execution and delivery of this Offering Statement has been duly authorized and approved by the Board. At the time of delivery of the Series 2007 Certificates, the undersigned will furnish a certificate to the effect that nothing has come to their attention which would lead them to believe that the Offering Statement (other than the information related to DTC or its book-entry system of registration, the Insurer, the Policy and the information contained under the heading "TAX EXEMPTION", as to which no opinion will be expressed), as of its date and as of the date of delivery of the Series 2007 Certificates, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Offering Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

SCHOOL BOARD OF DUVAL COUNTY, FLORIDA

By: /s/ Betty Burney
Chairman

By: /s/ W. E. Pratt-Dannals
Acting Superintendent

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APPENDIX A

GENERAL INFORMATION REGARDING CITY OF JACKSONVILLE, FLORIDA

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APPENDIX A

GENERAL INFORMATION REGARDING CITY OF JACKSONVILLE, FLORIDA

THE FOLLOWING INFORMATION CONCERNING THE CITY OF JACKSONVILLE, FLORIDA IS INCLUDED ONLY FOR THE PURPOSE OF PROVIDING GENERAL BACKGROUND INFORMATION. THE INFORMATION HAS BEEN COMPILED ON BEHALF OF THE SCHOOL BOARD AND SUCH COMPILATION INVOLVED ORAL AND WRITTEN COMMUNICATIONS WITH THE VARIOUS SOURCES INDICATED HEREIN. THE INFORMATION IS SUBJECT TO CHANGE, ALTHOUGH EFFORTS HAVE BEEN MADE TO UPDATE THE INFORMATION WHERE PRACTICABLE.

Government

The City of Jacksonville, Florida (the "City"), founded in 1832, established a consolidated government on September 1, 1968. As of September 30, 2006, the City had an estimated population was 891,192 living within an area of 840.1 square miles. Within Duval County there are four separate municipalities (the Cities of Jacksonville Beach, Neptune Beach and Atlantic Beach and the Town of Baldwin) which, as of September 30, 2007, represented a combined population of 42,729 within 15.9 square miles. The city is the doorway to Florida (along the Atlantic coast) and the center of the five county Jacksonville Metropolitan Statistical Area (MSA), which MSA has an estimated population of 1,272,700.

The city operates under a strong Mayor/City Council form of government. The 19 member City Council is made up of 14 districts and 5 at large Councilmen/women. The 20 city elected officials stand for election every 4 years (having no mid-term elections) and are subject to a 2 term limitation.

By its Charter, the county continues to utilize the Florida County structured elected Constitutional Officers (Sheriff, Tax Collector, Property Appraiser, Supervisor of Elections and Clerk of the Court). The Sheriff operates the combined Police/Sheriff operation as well as the corrections/court bailiff activities. The Clerk of the Court operates the court/record filing activities, but unlike the majority of the other 67 counties the Clerk does not have financial accounting/reporting, which have been transferred to the administration.

A number of traditional city activities are operated by independent authorities and/or Commissions.

- JEA (electric, water and wastewater utilities)
- Water Sewer Expansion Authority (WSEA)
- Jacksonville Port Authority
- Jacksonville Aviation Authority
- Jacksonville Transportation Authority, (which also operates the bus/mass transit system)
- Jacksonville Economic Development Commission* (which also operates the city/county CRA districts) Jacksonville Children's Commission*
- Jacksonville Library Commission*

Each of the Authority/Commission is subject to annual budget submission to/approval by the City Council.

* Presented as part of the Mayor budget submission to City Council.

Population Growth

The following table shows the City’s population for the past ten years.

| <u>Year</u> <u>(September 30)</u> | <u>Population</u> |
|--------------------------------------|-------------------|
| 1997 | 754,048 |
| 1998 | 766,705 |
| 1999 | 778,341 |
| 2000 | 791,507 |
| 2001 | 793,898 |
| 2002 | 807,012 |
| 2003 | 826,951 |
| 2004 | 837,037 |
| 2005 | 859,361 |
| 2006 | 891,192 |

Source: City of Jacksonville, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2006.

The Jacksonville MSA, which includes Duval, Baker, St. Johns, Clay, and Nassau Counties, has experienced significant growth over the last decade. Measures of growth come in many forms. The following schedule is intended to demonstrate not only individual year growth, but three, five and ten year annual average trends.

**ACTUAL/ESTIMATES AND AVERAGE % GROWTH
ANNUAL AND THREE, FIVE AND TEN YEAR PERSPECTIVES**

| | <u>Average % Growth</u> | | | | | | | | | |
|----------------------------------|-------------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|----------------|
| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> | <u>1996</u> | <u>Last 3</u> | <u>Last 5</u> | <u>Last 10</u> |
| Population (in thousands) | | | | | | | | | | |
| City/County | 891.2 | 859.4 | 847.3 | 827.9 | 807.9 | 791.6 | 740.9 | 2.5% | 2.5% | 2.0% |
| MSA | 1,272.7 | 1,224.7 | 1,204.6 | 1,170.8 | 1,134.8 | 1,115.0 | 994.9 | 2.9% | 2.8% | 2.8% |

Source: Comprehensive Annual Financial Report for the City of Jacksonville, Florida for the Fiscal Year ended September 30, 2006.

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Income

The City’s per capita personal income for the last ten fiscal years is shown in the following table:

**City of Jacksonville, Florida
Per Capital Personal Income
Fiscal Years 1997-2006**

| <u>Fiscal Year (September 30)</u> | <u>Income</u> |
|---------------------------------------|---------------|
| 1997 | \$18,299,740 |
| 1998 | 19,822,257 |
| 1999 | 20,616,898 |
| 2000 | 22,548,896 |
| 2001 | 22,828,124 |
| 2002 | 23,651,670 |
| 2003 | 24,788,824 |
| 2004 | 26,371,290 |
| 2005 | 27,689,855 |
| 2006 | 29,074,347 |

Source: City of Jacksonville, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2006.

Industry

The City is an expanding business city. Jacksonville's deep-water port gives access to global markets and two-thirds of the 50 million consumers in the Southeastern United States are located within 600 miles. In addition, the City is home to over 80 corporate and regional headquarters.

The following table illustrates the annual average industry employment in the City:

2006 Annual Average Industry Employment

| <u>Industry Title</u> | <u># Employed</u> | <u>% of Total</u> |
|--|-------------------|-------------------|
| Construction | 44,700 | 7.3% |
| Manufacturing* | 34,100 | 5.6 |
| Transportation, Warehousing & Public Utilities | 132,700 | 21.9 |
| Wholesale Trade & Retail Trade | 27,500 | 4.5 |
| Finance & Insurance | 49,600 | 8.2 |
| Professional & Business Services | 88,500 | 14.6 |
| Education & Health Services | 71,400 | 11.8 |
| Government* | <u>74,800</u> | <u>12.3</u> |
| Total Nonagricultural Employment | 605,500 | 78.97% |

* Includes NADEP civilian manufacturing employment.
Source: Current Employment Statistics; Florida Department of Labor and Security 2006.

Employment

The following table lists the principal employers for the year 2006.

City of Jacksonville, Florida 2006 Principal Employers

| Name of Employer | Employees | Rank | % of Total City Employment |
|--------------------------------|-----------|------|----------------------------|
| Naval Air Station Jacksonville | 25,245 | 1 | 4.00% |
| Naval Air Station Mayport | 15,293 | 2 | 2.42 |
| Duval County Public Schools | 14,284 | 3 | 2.26 |
| City of Jacksonville | 8,828 | 4 | 1.40 |
| Baptist Health | 7,000 | 5 | 1.11 |
| Blue-Cross & Blue Shield | 7,000 | 5 | 1.11 |
| Publix Distribution Center | 6,615 | 6 | 1.05 |
| Winn-Dixie | 6,200 | 7 | 0.98 |
| Mayo Clinic | 5,000 | 8 | 0.79 |
| CSX | 4,400 | 9 | 0.70 |
| Citibank (Citi-cards) | 4,200 | 10 | 0.67 |

Source: Comprehensive Annual Financial Report for the City of Jacksonville, Florida for the Fiscal Year ended September 30, 2006.

2006 Household Information Jacksonville MSA

| | |
|----------------------------|----------|
| Median Household Income | \$49,073 |
| Average Household Income | 61,970 |
| Per Capita Income | 23,911 |
| Total Number of Households | 479,790 |
| Average Household Size | 2.61 |

Source: Decision Data Resource 2006

The following table sets forth the labor force and unemployment rates for the Jacksonville MSA for the last five fiscal years.

Labor Force Jacksonville MSA

| Year | Labor Force | Unemployment Rate |
|------|-------------|-------------------|
| 2006 | 649,056 | 3.3% |
| 2005 | 609,942 | 3.9 |
| 2004 | 608,406 | 4.3 |
| 2003 | 588,805 | 5.3 |
| 2002 | 591,156 | 5.3 |

Source: Florida Agency for Workforce Innovation

Military

Sixteen of every hundred Jacksonville-area residents are connected with the Navy, either through active or reserve duty, or as a retiree, civilian employee or member of a military family. This translates into an annual economic impact of \$6.1 billion for the local economy. Only Norfolk, Virginia, and San Diego, California, have a higher concentration of Navy personnel. The area's four Navy bases employ more than 56,000 and have a combined annual payroll of \$1.59 billion.

Every year, over 4,100 highly trained, mission-oriented personnel exit or retire from military service, and 80 percent of those choose to stay in Jacksonville. Area employers and economic development groups applaud these prospective employees who are hard-working and disciplined, and trained in electronics, technical maintenance, repair and management.

Educational System

Duval County Public Schools consist of more than 160 schools throughout the Jacksonville metropolitan area. The district is divided into four clusters: two elementary clusters, one high school cluster, and one Superintendent's Standard Bearer and Acceleration Schools cluster. There are 105 elementary schools, 28 middle schools, and 19 high schools. In addition, there are four alternative schools, and three exceptional student centers. Duval County Public Schools, and all of the schools under its jurisdiction, has earned accreditation from the Southern Association of Colleges and Schools. As one of the nation's largest public school districts, Duval County serves approximately 130,000 students.

List of Higher Education Facilities

| <u>School Name</u> | <u>Type of Institution</u> | <u>Number of Students</u> * |
|--------------------------------------|----------------------------|-----------------------------|
| University of Florida | 4-year | 49,693 |
| University of North Florida | 4-year | 15,234 |
| Jacksonville University | 4-year | 2,972 |
| Florida Community College (FCCJ) | 2-year | 23,627 |
| St. Johns River Community College | 2-year | 4,847 |
| Embry-Riddle Aeronautical University | 4-year | 4,776 |
| Bethune-Cookman College | 4-year | 3,090 |
| Lake City Community College | 2-year | 2,621 |
| Flagler College | 4-year | 2,158 |
| University of Phoenix | 4-year | 2,380 |
| Edward Waters College | 4-year | 839 |
| Jones College | 2-year/4-year | 623 |
| Florida Coastal School of Law | Postgraduate | 1,040 |
| ITT Technical Institute | 2-year/4-year | 585 |
| Keiser University | 2-year/4-year | 250 |
| Webster University | Postgraduate | 193 |
| Florida Technical College | Technical | 125 |

* 2005 Fall Enrollment.

Source: National Center for Education Statistics

Educational Attainment
(Highest Level of Education Completed for Population Over Age 25)

Jacksonville MSA

| | |
|--------------------------------|-------|
| High School Diploma or Greater | 32.6% |
| Some College, No Diploma | 22.6 |
| Associate's degree | 8.7 |
| Bachelor's Degree | 17.9 |
| Graduate/Professional Degree | 8.3 |

Source: Decision Data Resource 2006

Medical Facilities

The Jacksonville medical services industry with over 50,000 employees, half a dozen major hospitals and a recent private capital investment of more than \$600 million, the healthcare industry serves as a driving force for business development and the expansion of world-class medical research facilities in the city of Jacksonville. These facilities cater to the city's 850,000 residents, as well as the surrounding northeast Florida regional population of more than 1.4 million.

St. Vincent's Medical Center is ranked among the nation's best in the heart and heart surgery categories according to *U.S. News & World Report*. The University of Florida and Shands, The Mayo Clinic and Baptist Health Systems lead the way in stroke, heart and children's care and research. In addition, Shands Jacksonville is establishing the benchmark in emergency technology with their new air ambulance, the EC-145. This addition to the TraumaOne program is the only one of its kind in the northeast Florida region.

The nation's third proton beam therapy center has been established at the Shands Jacksonville medical center. This groundbreaking form of cancer treatment effectively destroys tumors without damaging the adjacent healthy tissue. The Jacksonville Economic Development Commission (JEDC) has assisted Shands with the approval of approximately \$60 million in industrial revenue bonds to support the proton beam therapy. By 2009, the proton beam therapy center is expected to create 118 new jobs and treat more than 2,000 cancer patients annually.

The Mayo Clinic Jacksonville is in the process of building a 214-bed, six-floor tower, totaling 650,000 square feet adjacent to its existing facility. The JEDC played a pivotal role in providing \$125 million in industrial revenue bonds for the capital improvements to the Mayo Clinic. The clinic employs a staff of nearly 300 physicians along with a multitude of health professionals. In addition to the structural expansion, the Mayo Clinic plans to invest \$22 million over the next nine years to expand its clinical laboratory program. The expansion will enable Mayo Medical Laboratories to provide their specialized care to more of the local Jacksonville community.

The accolades surrounding Baptist Health are will continue to grow due to their \$400 million expansion over the next five years. This growth aims to meet the ever-changing and growing needs of the Jacksonville community. There are three major projects included in this expansion. \$114 million is being allocated to Wolfson's Children's Hospital which will fund a new 150-bed facility that is expected to create approximately 110 new jobs. Baptist Medical Center South is being allocated \$65 million to construct a 80-bed inpatient building off of St. Augustine Road. Lastly, there will be a \$26 million

expansion and renovation to the operating rooms at Baptist Medical Center Downtown. In 2006, *Child* magazine ranked Wolfson Children’s Hospital in the top three children’s hospitals in Florida.

Recently, Blue Cross and Blue Shield of Florida Inc. (BCBSF), which is headquartered in Jacksonville, has collaboratively embarked on an initiative with the University of Florida tackling healthcare issues across the state. BCBSF has established a \$3.5 million endowment at UF to open a research center that will address critical issues such as statewide access to healthcare, the nursing shortages and the quality of patient care. The total investment in this BCBSF Center for Health Care Access, Patient Safety and Quality Care at the University of Florida in Gainesville will undoubtedly have an enormous effect on all facets of the healthcare industry throughout the state of Florida and beyond.

Property Tax Rates

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
FISCAL YEARS ENDED SEPTEMBER 30, 2000-2006**

| Fiscal <u>Year</u> | City of Jacksonville | | | Other Taxing Authorities | | | |
|-----------------------|----------------------|------------------------|--------------|----------------------------|---|---------------------------|--------------|
| | <u>Operations</u> | Debt <u>Service</u> | <u>Total</u> | <u>School District</u> | Water <u>Management District</u> | <u>FIND⁽¹⁾</u> | <u>Total</u> |
| 2000 | 10.7618 | 0.0243 | 10.7861 | 9.3660 | 0.4820 | 0.0440 | 20.6781 |
| 2001 | 10.5498 | 0.0225 | 10.5723 | 9.2580 | 0.4720 | 0.0410 | 20.3433 |
| 2002 | 10.3465 | 0.0210 | 10.3675 | 8.8720 | 0.4620 | 0.0386 | 19.7401 |
| 2003 | 10.1650 | 0.0192 | 10.1842 | 8.9200 | 0.4620 | 0.0385 | 19.6047 |
| 2004 | 9.8938 | 0.0000 | 9.8938 | 9.0510 | 0.4620 | 0.0385 | 19.3913 |
| 2005 | 9.6879 | 0.0000 | 9.6879 | 8.5650 | 0.4620 | 0.0385 | 18.7534 |
| 2006 | 9.6500 | 0.0000 | 9.6500 | 8.4250 | 0.4620 | 0.0385 | 18.5755 |

⁽¹⁾ Florida Inland Navigation District.

Source: City of Jacksonville, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2006.

Construction

The annual building permits data for the County is set forth in the table below.

**DUVAL COUNTY, FLORIDA
BUILDING PERMITS
2002-2006**

| <u>Year</u> | <u>Single Family Residential (New)</u> | <u>Multi Family Residential (New)</u> | <u>Total All New Residential</u> | <u>All New Residential Construction Cost</u> |
|-------------|--|---|--------------------------------------|--|
| 2006 | 6,450 | 3,633 | 10,083 | \$1,280,636,000 |
| 2005 | 8,328 | 5,179 | 13,507 | 1,990,302,000 |
| 2004 | 6,193 | 3,468 | 9,661 | 1,223,525,000 |
| 2003 | 5,942 | 2,457 | 8,399 | 968,038,000 |
| 2002 | 5,537 | 2,724 | 8,261 | 804,319,000 |

Source: www.fred.labormarketinfo.com.

Assessed Value of Taxable Property and Principal Taxpayers

The following table shows the assessed value and taxable value for the County in each of the past five years.

CITY OF JACKSONVILLE, FLORIDA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 FISCAL YEARS ENDING SEPTEMBER 30, 2002 -2006⁽¹⁾
 (amounts in thousands)

| Fiscal Year | Real Property ⁽¹⁾ | Personal Property ⁽²⁾ | Centrally Assessed Property ⁽³⁾ | Total Taxable Assessed Value ⁽⁴⁾ | Total Direct Tax Rate | Estimated Actual Values | Assessed Value as a % of Actual Value |
|-------------|------------------------------|----------------------------------|--|---|-----------------------|-------------------------|---------------------------------------|
| 2002 | \$29,711,042 | \$5,219,215 | \$136,971 | \$35,067,228 | 10.3675 | \$52,707,516 | 66.53% |
| 2003 | 32,531,312 | 4,925,078 | 189,099 | 37,643,489 | 10.1842 | 57,041,509 | 65.99 |
| 2004 | 35,752,946 | 4,690,592 | 207,378 | 40,650,916 | 9.8398 | 61,676,160 | 65.91 |
| 2005 | 40,684,503 | 4,790,934 | 148,554 | 45,623,991 | 9.6879 | 68,661,525 | 66.45 |
| 2006 | 47,333,137 | 5,181,388 | 168,318 | 52,682,843 | 9.6500 | 78,317,336 | 67.27 |

⁽¹⁾ Property is assessed as of January 1 and taxes based on these assessments are levied and become due on the following November 1. Therefore, assessments and levies applicable to a certain tax year are collected in the fiscal year ending during the next succeeding calendar year.

⁽²⁾ Personal property values are also net of certain allowable exemptions - primarily for inventories (which have not been assessed since 1982) and governmental property.

⁽³⁾ Centrally assessed property is primarily railroad property and private car line property, which must be separately assessed.

⁽⁴⁾ Estimated actual values are the total "just" values or property subject to taxation, as defined by Section 193.011 of the Florida Statutes.

⁽⁴⁾ Presented net of tax exempt property.

Source: City of Jacksonville, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2006.

Principal Property Taxpayers

| | Percentage | Valuation |
|---|----------------|-------------------------|
| Bell South/Jacksonville MSA Limited | .77% | \$406,459,530 |
| Anheuser-Busch, Inc./Metal Container Corp. | .59 | 308,597,388 |
| Vistakon/Johnson & Johnson Vision | .47 | 246,775,775 |
| Flagler Development Company | .45 | 235,454,572 |
| Blue Cross & Blue Shield | .39 | 206,435,773 |
| Wal-Mart Properties/Stores | .31 | 162,620,178 |
| Cedar Bay Generating Company | .31 | 162,354,525 |
| Liberty Property Limited Partnership | .27 | 143,248,555 |
| First States Investors | .27 | 142,336,200 |
| Mid-America Apartments | .26 | 138,493,824 |
| Total Taxable Assessed Value | 4.10 | 2,151,776,320 |
| Total Taxable Assessed Value of other Taxpayers | 95.90 | 50,309,637,309 |
| TOTAL | 100.00% | \$52,461,413,629 |

Source: Comprehensive Annual Financial Report for the City of Jacksonville, Florida for the Fiscal Year ended September 30, 2006.

Debt Administration

The city’s financial condition is evidenced by the continuation of its long-held high-grade bond ratings on indebtedness from the major credit rating services.

| | <u>Moodys</u> | <u>S&P</u> | <u>Fitch</u> |
|--|---------------|----------------|--------------|
| <u>General Government</u> | | | |
| Excise Tax Revenue Bonds | Aa3 | A+ | AA |
| Local Government Half-cent Sales Tax Bonds | Aa3 | AA+ | AA |
| Guaranteed Entitlement Revenue Bonds | A2 | A+ | AA- |
| Capital Improvement Revenue Bonds | A1 | N/A | AA- |
| Capital Projects Revenue Bonds | N/A | N/A | AA- |
| <u>Special Program</u> | | | |
| Better Jacksonville Plan | Aa3 | AA- | AA |
| Sales Tax Bonds | Aa3 | AA- | AA |
| Transportation Bonds | | | |
| <u>Components Units</u> | | | |
| JEA | | | |
| Electric | Aa2 | AA- | AA- |
| Water & Sewer | Aa3 | AA- | AA |
| St. John’s River Power Park (SJRPP) | Aa2 | AA- | AA- |
| JAA | A2 | N/A | A |
| JPA | A2 | N/A | N/A |

Source: Comprehensive Annual Financial Report for the City of Jacksonville, Florida for the Fiscal Year ended September 30, 2006.

Cash Management

The investment goal of the city is to invest public funds in a manner that will earn a competitive yield on its portfolio, consistent with its primary function of safeguarding public assets by minimizing credit and market risks. Safety of principal is regarded as the foremost objective of the investment program. Maintaining sufficient liquidity is also an important investment objective. These investments are stated at fair value.

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Pension Plans

The city sponsors two public employee retirement systems administered by two separate and distinct pension Boards of Trustees that provide retirement, death, and disability benefits.

| | Jacksonville Retirement System | | Police & Fire Retirement System |
|----------------------------|--------------------------------|-------------------|---------------------------------|
| | <u>Gen. Employees</u> | <u>Correction</u> | |
| Active | 5,096 | 596 | 2,730 |
| Retired | 4,460 | 18 | 1,847 |
| Net Assets (in millions) | \$1,619 | \$70 | \$840 |
| Earning Percentage | | | |
| Market | 8.33% | 7.68% | 8.50% |
| Actuarial | 7.97% | 7.03% | 8.95% |
| Contribution (in millions) | \$43.6 | \$9.3 | \$49.1 |
| Benefits (in millions) | 98.8 | 0.5 | \$90.1 |

Source: City of Jacksonville, Florida Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2006.

In addition, certain city employees (less than 1% of total payroll) and elected officials participate in the State of Florida Retirement System.

Risk Management

The city administers a comprehensive risk management and loss-control program, the primary objectives of which are to (1) identify potential exposures to loss, (2) evaluate the frequency and severity of losses, (3) reduce or eliminate risks or losses through established procedures and practices, and (4) determine the most efficient use of financial resources to satisfy losses.

The city’s risk management policy is to rely primarily on the concept of self-insurance, supplemented by excess insurance coverage, when dealing with its various loss exposures, including workers’ compensation, automobile liability, and general liability. Participants in the risk management pool include the city and independent agencies electing to be included. The city funds its risk retention losses dollar-for-dollar on an actuarially computed basis.

Unlike commercial insurance, establishment of a self-insurance fund, accounted for by the participant, does not result in the pure transfer of risk. The program’s self-insured liability remains among and between the participants in varying degrees of risk sharing. State sovereign immunity statutes limit the liability to the participants for certain general liability risk exposures to \$100,000 per individual and \$200,000 per occurrence. There is a \$1 million retention for workers’ compensation and no excess insurance for automobile liability and general liability. Various cost containment measures, such as managed care, are utilized by the workers’ compensation self-insurance program in order to appropriately minimize medical claim costs.

Commercial insurance has been purchased for other risk exposures, including aviation, marine, property, fidelity bonding and employee benefits (medical, disability, dental, vision, prescription drug, and life).

APPENDIX B

**BASIC FINANCIAL STATEMENTS OF THE SCHOOL BOARD OF
DUVAL COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE
30, 2006 AND EXCERPTED PAGES FROM THE SUPERINTENDENT'S
ANNUAL FINANCIAL REPORT (UNAUDITED) FOR THE FISCAL
YEAR ENDED JUNE 30, 2007**

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Duval County Public Schools

Jacksonville, Florida

Comprehensive Annual Financial Report

For the
Fiscal Year
Ended June 30, 2006

Prepared by:
Business Services

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Report of Independent Certified Public Accountants

Members of the School Board
Duval County Public Schools

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Duval County Public Schools (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the charter schools, which comprise the discretely presented component units of the District. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of other auditors.

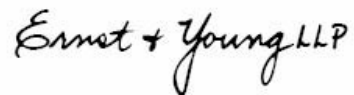
We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the District's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit, and the reports of other auditors, provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the District as of June 30, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2006 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Similarly, the combining and individual fund financial statements and schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of this report have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



November 10, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The School Board of Duval County ("School Board") Management's Discussion and Analysis ("MD&A") is provided to describe and explain significant financial differences between the government-wide financial statements as of June 30, 2006, and the fund financial statements by using short-term and long-term analysis of the Duval County Public Schools ("District") activities as of June 30, 2006, based on information presented in the financial report and fiscal policies that have been adopted by the School Board. Moreover, the School Board's MD&A is designed to assist the reader in the following:

- Focusing on significant financial issues of the District.
- Obtaining an overview and analysis of the District's financial activities as of June 30, 2006.
- Identifying changes in the District's financial position.
- Identifying material deviations from the approved budget.
- Highlighting financial issues in individual funds.

The MD&A is a component of the entire financial statement report. Thus, the MD&A is a tool intended to highlight significant transactions, events and conditions in conjunction with the District's financial statements and notes to financial statements found on pages 33 through 64.

Financial Highlights

Key financial highlights for the 2005-06 fiscal year are as follows:

- District's assets exceeded its liabilities by \$826,235,027 as of fiscal year ending June 30, 2006.
- Net assets of the District increased by \$48,190,921 in comparison to 2004-05 fiscal year. This represents a 6.2% increase in net assets in 2005-06.
- The District's Government-wide revenues totaled \$1,064,779,105 and are comprised of general revenues of \$972,034,924 or 91.29% of the total revenues, program specific revenues from charges for services, operating grants and contributions, and capital grants and contributions, totaling \$92,744,181 or 8.71% of the total revenues.
- Expenses incurred by the District totaled \$1,016,588,184 for governmental related activities. Program specific revenues offset these expenses by \$92,744,181 and general revenues funded the remaining difference.
- The District's governmental funds reported combined ending fund balances of \$312,458,669 or a decrease of \$22,454,468 or 6.7% in 2005-06 fiscal year in comparison with the prior year.

- The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$51,878,881 at June 30, 2006, or 6.4% of total General Fund expenditures.
- The General Fund total fund balance as of June 30, 2006, totaled \$85,462,054. This represents an 11.4% increase in comparison to 2004-05 fiscal year General Fund balance total of \$76,747,738. The increase in total fund balance of the General Fund is mainly attributed to the increases in State and Local revenues of \$29,711,780 and \$35,858,983 respectively.
- The District's investment in capital assets (net of accumulated depreciation) increased by \$47,210,479 or 6.7%.

Overview of the Financial Statements

The District's basic financial statements are comprised of three components:

- 1) Government-Wide Financial Statements;
- 2) Fund Financial Statements;
- 3) Notes to Financial Statements.

In addition, this report contains other required supplementary information.

Government-Wide Financial Statements

The Government-wide financial statements provide both short-term and long-term information regarding the overall financial position of the District, in a manner similar to a private-sector business. Additionally, these statements are intended to summarize and simplify the analysis of the cost of various governmental services and/or subsidy to various business-type activities and/or component units. The statements include a statement of net assets and a statement of activities designed to provide consolidated financial information about the activities of the primary government presented on accrual basis of accounting. For further clarification:

- The Statement of Net Assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District.
- The Statement of Activities presents information about the change in the District's net assets and the results of operations during the fiscal year. Moreover, an increase or decrease in net assets is an indicator that the District's financial health is either improving or declining.

The Government-wide financial statements present the District's activities in the following two categories:

Governmental Activities

The District's activities and services include instruction, pupil personnel services, instructional support services, administrative support services, facility maintenance, transportation, food services and other functions. Overall, property taxes, State and Federal assistance, and interest/investment earnings provide most of the resources that support these activities. Additionally, all capital and debt financing activities are reported in these statements. The District currently does not report any business-type activities, which would include functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Component Units

The District reports the combined activities of five separate legal entities. Although component units are legally separate organizations, inclusion in this report is required based on meeting set criteria requiring inclusion provided by generally accepted accounting principles. Four of these organizations are Charter Schools. The financial information for these component units is reported separately from the financial information presented for the primary government. The Duval School Board Leasing Corporation ("Leasing Corporation") is the fifth legal entity that is categorized as a blended component unit. The Leasing Corporation was formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationships between the District and the Leasing Corporation, its financial activities have been included as an integral part of the primary government. The Government-wide financial statements are included in this report.

As previously disclosed, over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. However, this information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment and the condition of the District's capital assets including its school buildings and administrative facilities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. Fund financial statements provide detailed information about the District's financial activities with focus directed to its most significant or "major" funds. The District's major funds for this fiscal year are the General Fund, Other Debt Service, Capital Projects – Capital Improvement Fund, and the Capital Projects – Other Capital Projects Fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Funds are established for various purposes and the fund financial statements allow the demonstration of sources and uses and/or budgetary compliance on pages are included in this report.

All of the funds of the District can be classified into one of the following three categories:

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds use a spendable financial resource measurement focus in contrast to the economic resource measurement focus used in the Government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term analysis that may be useful in evaluating a government's near-term financing requirements. Moreover, comparing this detailed short-term analysis with long-term view presented as governmental activities in the government-wide financial statements may potentially enhance the understanding of long-term impact of the District's near-term financing decisions. Therefore, to facilitate this comparison, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances are reconciled to the Government-wide financial statements. To further assist the user in this comparison, reconciliation of the governmental fund and government-wide financial information is disclosed on the page following each statement. The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District adopts an annual appropriated budget for governmental funds.—

Proprietary Funds

Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains a proprietary fund for its Internal Service Fund. Internal service funds are used to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for its self-insurance program, including workers' compensation, general liability, and automobile liability coverages. The District also uses an internal service fund for printing. The District's Internal Service Fund is included within governmental activities in the government-wide financial statements since this service predominantly benefits the District's governmental functions.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as school and activity funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District's only Fiduciary Funds are the Agency Funds used to account for resources held for the school internal funds.

Notes to the Basic Financial Statements

The notes within the Basic Financial Statements provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government’s financial position. The following is a summary of the District’s net assets as of June 30, 2006, compared to net assets as of June 30, 2005:

| | Net Assets, End of Year | | |
|------------------------------|--------------------------------|-----------------------|--------------|
| | Governmental Activities | | |
| | June 30, 2006 | June 30, 2005 | Change % |
| Current and Other Assets | \$ 404,442,875 | \$ 416,614,660 | -2.9% |
| Capital Assets | 750,549,225 | 703,338,746 | 6.7% |
| Total Assets | 1,154,992,100 | 1,119,953,406 | 3.1% |
| Long-Term Liabilities | 275,846,049 | 293,970,893 | -6.2% |
| Other Liabilities | 52,911,024 | 47,938,407 | 10.3% |
| Total Liabilities | 328,757,073 | 341,909,300 | -3.9% |
| Net Assets: | | | |
| Invested in Capital Assets - | | | |
| Net of Debt | 549,729,072 | 524,174,412 | 4.9% |
| Restricted | 247,345,800 | 234,026,267 | 5.7% |
| Unrestricted (Deficit) | 29,160,155 | 19,843,427 | 46.9% |
| Total Net Assets | \$ 826,235,027 | \$ 778,044,106 | 6.2% |

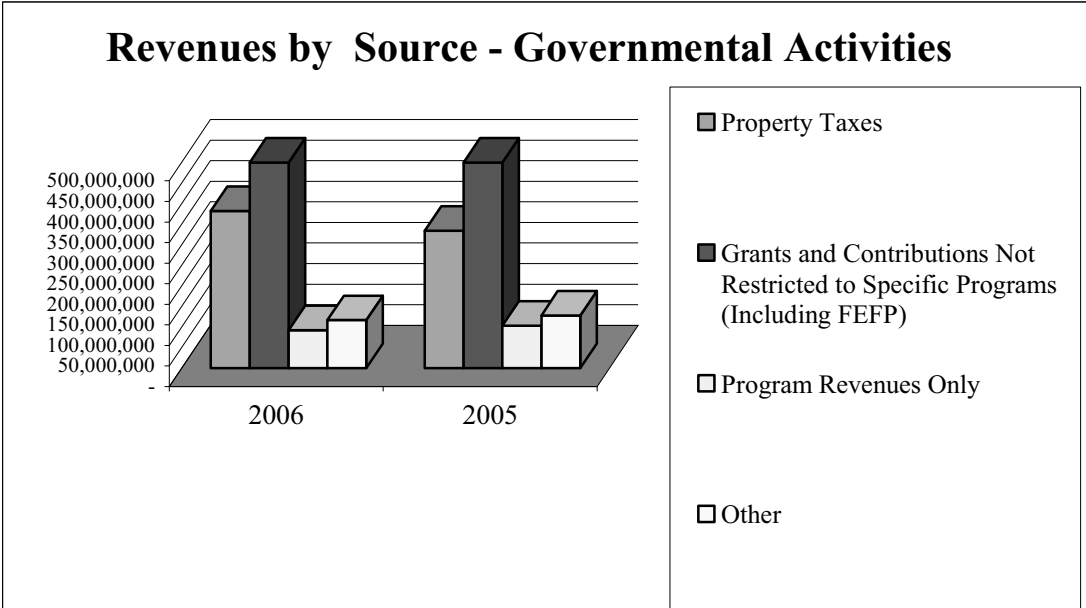
By far the largest portion of the District’s total net assets (66.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide educational and related services to the students of Duval County, Florida; consequently, these assets are not available for future spending. Although the District’s investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of the District’s total net assets (29.9%) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets may be used to meet the District’s ongoing obligations to students, employees, and creditors. Moreover, the District’s net assets increased by \$48,190,921 (6.2%) during the 2005-06 fiscal year. The increase represents the degree to which ongoing revenues have exceeded ongoing expenses.

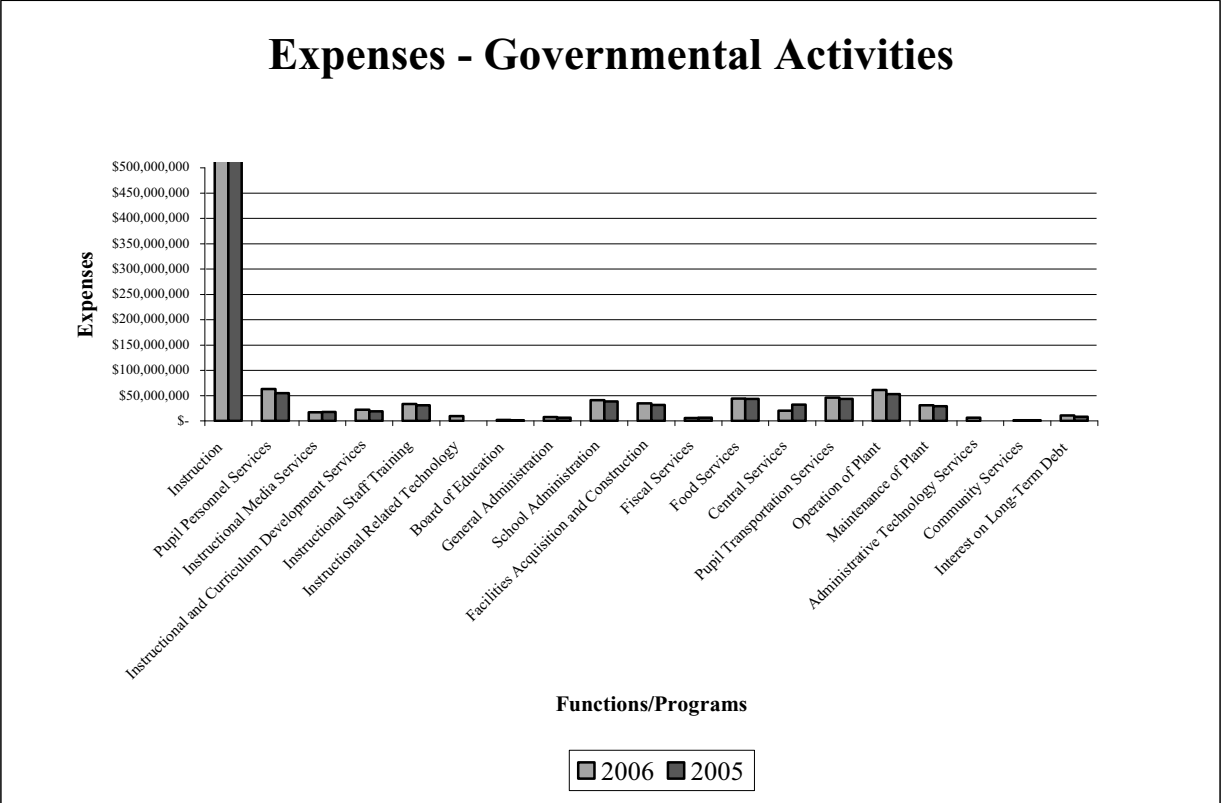
Details of the revenues and expenses comprising the increase are as follows:

| Operating Results | | | |
|---|----------------------|----------------------|-----------------|
| For the Fiscal Year Ended | | | |
| Governmental Activities | | | |
| | <u>June 30, 2006</u> | <u>June 30, 2005</u> | <u>Change %</u> |
| Program Revenues: | | | |
| Charges for Services | \$ 26,121,447 | \$ 25,735,102 | 1.5% |
| Operating Grants and Contributions | 45,770,657 | 47,517,131 | -3.7% |
| Capital Grants and Contributions | 20,852,077 | 30,048,615 | -30.6% |
| General Revenues: | | | |
| Property Tax Levied for Operational Purposes | 272,216,105 | 237,686,909 | 14.5% |
| Property Tax Levied for Debt Service | 19,491,295 | 18,404,609 | 5.9% |
| Property Tax Levied for Capital Projects | 90,456,276 | 77,669,872 | 16.5% |
| Grants and Contributions Not Restricted to Specific Programs | 565,831,277 | 523,077,944 | 8.2% |
| Unrestricted Investment Earnings | 13,728,006 | 11,909,874 | 15.3% |
| Miscellaneous | 10,311,965 | 12,476,504 | -17.3% |
| Total Revenues | <u>1,064,779,105</u> | <u>984,526,560</u> | <u>8.2%</u> |
| Functions/Programs Expenses | | | |
| Instruction | 560,826,730 | 521,647,595 | 7.5% |
| Pupil Personnel Services | 62,701,243 | 54,564,530 | 14.9% |
| Instructional Media Services | 17,220,291 | 17,502,704 | -1.6% |
| Instructional and Curriculum Development Services | 21,785,102 | 19,124,906 | 13.9% |
| Instructional Staff Training | 33,292,113 | 30,941,004 | 7.6% |
| Instructional Related Technology | 9,587,351 | - | 100.0% |
| Board of Education | 1,683,054 | 1,550,414 | 8.6% |
| General Administration | 7,661,149 | 6,370,396 | 20.3% |
| School Administration | 40,733,928 | 38,346,686 | 6.2% |
| Facilities Acquisition and Construction | 34,893,677 | 31,372,931 | 11.2% |
| Fiscal Services | 5,819,582 | 6,026,873 | -3.4% |
| Food Services | 43,767,714 | 43,087,583 | 1.6% |
| Central Services | 20,276,104 | 32,276,413 | -37.2% |
| Pupil Transportation Services | 45,782,751 | 43,235,947 | 5.9% |
| Operation of Plant | 61,200,190 | 52,600,847 | 16.3% |
| Maintenance of Plant | 30,734,973 | 28,663,143 | 7.2% |
| Administrative Technology Services | 6,570,050 | - | 100.0% |
| Community Services | 1,381,756 | 1,476,452 | -6.4% |
| Interest on Long-Term Debt | 10,670,426 | 8,309,461 | 28.4% |
| Total Functions/Programs Expenses | <u>1,016,588,184</u> | <u>937,097,885</u> | <u>8.5%</u> |
| Increase in Net Assets | <u>\$ 48,190,921</u> | <u>\$ 47,428,675</u> | <u>1.6%</u> |

The State’s Florida Education Finance Program (“FEFP”) and local property taxes provide the majority of the District’s revenues for current operations. These revenues are included in general revenues, which provide 91.3% of total revenues, whereas program revenues provide only about 8.7%. The majority of program revenues (83.6%) are in the facilities acquisition and construction, food services, and pupil transportation services activities.



The FEFP funding formula is used to allocate State revenue sources for current District operations and, utilizing student enrollment data, is designed to maintain equity in funding across all Florida school districts considering funding ability based on taxable local property values. During the 2005-06 fiscal year, the District experienced an increase in local property tax revenues levied for operational purposes of \$34,529,196 or 14.5% (mainly attributed to increasing property values), \$1,086,686 or 5.9% for debt service and \$12,786,404 or 16.5% for capital projects. The increase in local property tax revenues was a main factor in the growth in total revenues. Student enrollment decreased by 530 students to 127,218 in the 2005-06 fiscal year as compared to 127,748 in 2004-05 fiscal year.



Direct instructional activities represent the majority of the District’s expenses, totaling approximately 55.2% of total governmental expenses in the 2005-06 fiscal year. Overall, total expenses increased by \$79,490,299 or 8.5%, as compared to total revenues which increased by \$80,252,545 or 8.2%.

Financial Analysis of the District’s Funds

As noted previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of June 30, 2006, the District’s governmental funds reported combined ending fund balances of \$312,458,669. This represents a decrease of \$22,454,468 or 6.7% in comparison with the prior fiscal year. The District’s total governmental fund revenues increased by \$81,652,236 or 8.3% in comparison to prior year; the expenditures increase by \$88,738,909 or 8.9% thus resulting in a reduction in the governmental funds reported combined ending fund

balance. In regards to the current year, governmental funds reported combined ending fund balances, approximately \$222,279,405 or 71.1% of the total amount constitutes unreserved fund balances. These funds are generally available for spending at the District's discretion considering each fund's established purpose. The remaining fund balance, \$90,179,264, is reserved to allocate for committed items and is not available for new spending. The following are the items included in this allocation: 1) liquidation of contracts and outstanding purchase orders at year-end; 2) state categorical programs funding; 3) inventories purchased and available for issuance; 4) funding for future employee benefits costs reductions; and 5) funding for other purposes - debt service.

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$51,878,881 or 61%, while total fund balance was \$85,462,054. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 6.4% of total General Fund expenditures, while total fund balance represents 10.6% of total General Fund expenditures.

The District's General Fund total fund balance for 2005-06 fiscal year increased by \$8,714,316 or 11.4% compared to the prior fiscal year. Key contributors to this increase are as follows:

- An increase in revenues of \$66,124,079 was comprised mainly of increases in State and local revenue sources. State revenues increased by \$29,711,780, mainly from increased State categorical funding, and local revenues increased by \$35,858,983, mainly from increases in local property taxes.
- An increase in expenditures of \$61,434,506 was mainly due to an increase in expenditures for instruction of \$36,854,337 and the added expenditure in 2005-06 fiscal year for instruction related technology of \$10,165,915.
- Total expenditures exceeded total revenues by \$13,863,232.

The Debt Service Fund – Other Debt Service Fund has a total fund balance of \$41,497,694, all of which is reserved for the payment of debt service. Moreover, these funds are restricted for repayment of the District's miscellaneous obligations, including lease payments required under the District's Certificates of Participation ("COP") and the Qualified Zone Academy Bonds ("QZAB") financing arrangement. The net increase in fund balance of \$3,349,953 was mainly due to issuance of 2005-06 Certificates of Participation (including Qualified Zone Academy Bonds).

The Capital Projects – Capital Improvement Fund has a total fund balance of \$137,540,024, all of which is restricted for the acquisition, construction, and maintenance of

capital assets. The fund balance increased by \$3,179,457 or 2.4% in comparison to the prior fiscal year, primarily resulting from an increase in local revenues of \$10,460,033 in conjunction with decreased expenditures by \$6,463,877. Thus, overall this contributed to a net increase in fund balance by 2.4%.

The Capital Projects – Other Capital Projects Fund is mainly used to account for the financial resources received from the lottery capital outlay program, Certificates of Participation (COP) proceeds, and other miscellaneous sources. The fund had a total fund balance of \$14,095,805 all of which is reserved for capital projects. The net decrease in fund balance in comparison to prior year is \$33,767,708, resulting primarily from the reduction in issuances of Certificates of Participation from \$38,290,000 in 2004-05 to \$970,250 in 2005-06. There was an increase in 2005-06 fiscal year of \$7,426,710 or 23.9% in comparison to 2004-05 fiscal year.

Proprietary Funds

The District’s Proprietary Funds provide the same type of information found in the government-wide financial statements. The Internal Service Fund’s unrestricted net assets totaled \$25,317,787 at the end of the current fiscal year. Thus, the District experienced a \$6,418,340 or 34% increase in comparison to prior year’s total proprietary funds net assets.

General Fund Budgetary Highlights

During the current fiscal year the District experienced relatively minor variances between the original budget and the final amended budget; final budget for revenues increased by \$5,178 or .0001% and appropriations for expenditures decreased by \$4,089,245 or .47%. Budget revisions are necessary to adjust planned revenues and expenditures to actual revenues and resource needs.

Actual revenues were \$203,708 or .03% more than final budgeted amounts, whereas actual expenditures were \$58,652,356, or 6.8%, less than anticipated. Since actual expenditures were substantially less than budgetary estimates, the need to draw on the existing fund balance was minimized. The actual ending fund balance exceeded the estimated fund balance in the final budget by \$58,616,031.

Capital Assets and Long-Term Debt

Capital Assets

The District’s investment in capital assets (net of accumulated depreciation) as of June 30, 2006, totaled \$750,549,225. The capital assets include land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures and equipment; motor vehicles; audio visual materials; computer software; and construction in progress. The investment in capital assets (net of accumulated depreciation) increased during the current fiscal year by \$47,210,479 or 6.7%.

Capital Assets at Year-End
(Net of Accumulated Depreciation)

| | 2005-2006 | 2004-2005 | Increase (Decrease) |
|-----------------------------------|-----------------------|-----------------------|------------------------|
| Land | \$ 79,060,687 | \$ 68,968,149 | \$ 10,092,538 |
| Land Improvements | 2,305,626 | 1,125,414 | 1,180,212 |
| Construction in Progress | 37,468,336 | 49,000,155 | (11,531,819) |
| Improvements Other Than Building | 42,600,791 | 37,831,868 | 4,768,923 |
| Buildings and Fixed Equipment | 530,621,085 | 486,720,631 | 43,900,454 |
| Furniture, Fixtures and Equipment | 45,415,199 | 44,176,121 | 1,239,078 |
| Motor Vehicles | 3,239,131 | 3,032,906 | 206,225 |
| Audio Visual Materials | 29,970 | 39,610 | (9,640) |
| Computer Software | 9,808,400 | 12,443,892 | (2,635,492) |
| Total Capital Assets, Net | \$ 750,549,225 | \$ 703,338,746 | \$ 47,210,479 |

Major capital asset events during the current fiscal year included new construction, remodeling, renovations, and site improvements at several schools and other facilities, with costs totaling \$71,837,840. The schools included Arlington Middle School, Brentwood Elementary School, Terry Parker High School, First Coast High School, Merrill Road Elementary School, Matthew Gilbert Middle School, Mandarin High School, John Ford Elementary School, Highland Middle School, Neptune Beach Elementary School, New Berlin Elementary School, New Chaffee Road/Westside Elementary School, New High School-Southeast Duval, North Shore Elementary School, Nutrition Center, Paxon Middle School, A. Philip Randolph Academy of Technology, and Southside Middle School. Additional information on the District’s capital assets is shown in Note 5.

Long-Term Debt

The District had total outstanding debt principal of \$201,917,921 at the end of the current fiscal year, of which \$43,631,454 of general obligation debt is secured by a pledge of property taxes levied. The remaining debt consists of Certificates of Participation (including Qualified Zone Academy Bonds) of \$125,121,467 and State School Bonds totaling \$33,165,000:

| Description | Balance on July 1, 2005 | Additions | Deductions | Balance on June 30, 2006 | Due In One Year |
|---------------------------------------|----------------------------|---------------------|------------------------|-----------------------------|----------------------|
| Bonds Payable | \$ 91,735,000 | \$ - | \$ (17,245,000) | \$ 74,490,000 | \$ 18,300,000 |
| Unamortized Bond Premiums | 4,300,729 | - | (1,433,575) | 2,867,154 | 1,433,577 |
| Deferred Loss on Bond Refunding | (841,050) | 280,350 | - | (560,700) | (280,350) |
| Certificates of Participation Payable | 118,070,000 | - | (2,335,000) | 115,735,000 | 2,435,000 |
| Unamortized Premiums-COP | 2,887,836 | - | (183,369) | 2,704,467 | 183,369 |
| Qualified Zone Academy Bonds | 5,667,000 | 1,015,000 | - | 6,682,000 | - |
| Total Governmental Activities | <u>\$ 221,819,515</u> | <u>\$ 1,295,350</u> | <u>\$ (21,196,944)</u> | <u>\$ 201,917,921</u> | <u>\$ 22,071,596</u> |

The District's total debt decreased by 9.0% during the current fiscal year. The key factor in this decrease was the payments of general obligation bonds. Other changes in long-term debt were made in accordance with payment schedules. Additional information on the District's long-term debt is shown in Notes 6 through 8.

Economic Factors and 2005-06 Fiscal Year's Budgets and Rates

All of these factors were considered in preparing the District budget for the 2005-06 fiscal year:

- The unemployment rate (seasonally adjusted) for the District, geographically Duval County, Florida, is currently 3.4%, a decrease from the rate of 3.9% from the prior fiscal year. However, this compares favorably to the State's average unemployment rate of 3.8% and to the national average rate of 5% as of June 2006.
- There are approximately 25 companies with headquarters in Jacksonville with greater than 500 employees for a total of 52,378 employees. Additionally, there are 32 various unions in the area with the largest membership in the public sectors, with approximately 13,700 members.
- The Better Jacksonville Plan is a \$2.25 billion comprehensive growth management strategy initiative which encompasses public facilities, roads and infrastructure, environmental projects and targeted economic development.
- Florida legislation requiring the reduction of class sizes at all levels over the next several years continues to have a strong impact on the District's budget and its ability to provide elective courses and other services to the schools.
- Inflationary trends in the District compare favorably to national indices.

During the 2005-06 fiscal year, unreserved, undesignated fund balance in the General Fund increased from \$28,046,230 to \$51,878,881 in comparison to prior year. The District strives to maintain this level of undesignated fund balance in an effort to ensure resources are available for unforeseen changes in economic factors.

Requests for Information

This financial report is designed to provide a general overview of the District's finances. Any questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Director of Business Services, Duval County Public Schools, 1701 Prudential Drive, Jacksonville, Florida 32207-8182.

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BASIC FINANCIAL STATEMENTS

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DUVAL COUNTY PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2006

| | <u>Primary Government</u> | | <u>Component Units</u> | |
|---|---------------------------|--|------------------------|-----------------------|
| | <u>Governmental</u> | | <u>Charter</u> | |
| | <u>Activities</u> | | <u>Schools</u> | <u>Total</u> |
| Assets | | | | |
| Cash and Cash Equivalents | \$ 14,944,691 | | \$ 285,808 | \$ 15,230,499 |
| Investments | 271,507,804 | | - | 271,507,804 |
| Investments Held With Fiscal Agent | 23,971,357 | | - | 23,971,357 |
| Accounts Receivable | 15,018,013 | | 39,685 | 15,057,698 |
| Interest Receivable | 1,362,816 | | - | 1,362,816 |
| Deposits Receivable | 25,000 | | - | 25,000 |
| Due From Other Agencies | 21,905,690 | | 21,694 | 21,927,384 |
| Due From Excess Insurance Carriers | 1,280,125 | | - | 1,280,125 |
| Inventories | 3,883,356 | | - | 3,883,356 |
| Other Assets | 1,097,768 | | 7,908 | 1,105,676 |
| Restricted Assets: | | | | |
| Cash Held With Fiscal Agent | 874,111 | | - | 874,111 |
| Investments Held With Fiscal Agent | 48,572,144 | | - | 48,572,144 |
| Capital Assets: | | | | |
| Non-Depreciable | 118,834,649 | | - | 118,834,649 |
| Depreciable (Net) | 631,714,576 | | 2,456,018 | 634,170,594 |
| Total Assets | <u>1,154,992,100</u> | | <u>2,811,113</u> | <u>1,157,803,213</u> |
| Liabilities | | | | |
| Accounts and Contracts Payable | 21,665,953 | | 104,149 | 21,770,102 |
| Accrued Salaries and Benefits | 13,197,450 | | 72 | 13,197,522 |
| Due to Other Agencies | 6,606,607 | | - | 6,606,607 |
| Unearned Revenue | 5,155,954 | | 21,694 | 5,177,648 |
| Matured Certificates of Participation | 2,335,000 | | - | 2,335,000 |
| Matured Interest Payable | 2,844,548 | | - | 2,844,548 |
| Accrued Interest Payable | 1,069,921 | | - | 1,069,921 |
| Deposits Payable | 33,229 | | - | 33,229 |
| Sales Tax Payable | 2,362 | | - | 2,362 |
| Note Payable | - | | 46,000 | 46,000 |
| Noncurrent Liabilities: | | | | |
| Portion Due or Payable Within One Year: | | | | |
| Notes Payable | - | | 53,556 | 53,556 |
| Bonds Payable | 19,453,227 | | - | 19,453,227 |
| Obligations Under Capital Lease | - | | 4,520 | 4,520 |
| Certificates of Participation Payable | 2,618,369 | | - | 2,618,369 |
| Retirement Incentive Program Benefits Payable | 86,240 | | - | 86,240 |
| Compensated Absences Payable | 7,221,658 | | - | 7,221,658 |
| Estimated Insurance Claims Payable | 2,985,545 | | - | 2,985,545 |
| Portion Due or Payable After One Year: | | | | |
| Notes Payable | - | | 32,037 | 32,037 |
| Bonds Payable | 57,343,227 | | - | 57,343,227 |
| Obligations Under Capital Lease | - | | 19,662 | 19,662 |
| Certificates of Participation Payable | 122,503,098 | | - | 122,503,098 |
| Compensated Absences Payable | 52,892,682 | | - | 52,892,682 |
| Estimated Insurance Claims Payable | 10,742,003 | | - | 10,742,003 |
| Total Liabilities | <u>328,757,073</u> | | <u>281,690</u> | <u>329,038,763</u> |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 549,729,072 | | 2,361,189 | 552,090,261 |
| Restricted for: | | | | |
| Capital Projects | 161,173,667 | | - | 161,173,667 |
| Debt Service | 60,237,873 | | - | 60,237,873 |
| State Categorical Programs | 21,419,106 | | - | 21,419,106 |
| Other Purposes | 4,515,154 | | - | 4,515,154 |
| Unrestricted | 29,160,155 | | 168,234 | 29,328,389 |
| Total Net Assets | <u>\$ 826,235,027</u> | | <u>\$ 2,529,423</u> | <u>\$ 828,764,450</u> |

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

**DUVAL COUNTY PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

| Functions/Programs | Expenses | Program Revenues | | |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Instruction | \$ 560,826,730 | \$ 11,224,176 | \$ - | \$ - |
| Pupil Personnel Services | 62,701,243 | - | - | - |
| Instructional Media Services | 17,220,291 | - | - | - |
| Instruction and Curriculum Development Services | 21,785,102 | - | - | - |
| Instructional Staff Training | 33,292,113 | - | - | - |
| Instructional Related Technology | 9,587,351 | - | - | - |
| Board of Education | 1,683,054 | - | - | - |
| General Administration | 7,661,149 | - | - | - |
| School Administration | 40,733,928 | - | - | - |
| Facilities Acquisition & Construction | 34,893,677 | - | - | 16,887,946 |
| Fiscal Services | 5,819,582 | - | - | - |
| Food Services | 43,767,714 | 14,897,271 | 26,546,541 | - |
| Central Services | 20,276,104 | - | - | - |
| Pupil Transportation Services | 45,782,751 | - | 19,224,116 | - |
| Operation of Plant | 61,200,190 | - | - | - |
| Maintenance of Plant | 30,734,973 | - | - | - |
| Administrative Technology Services | 6,570,050 | - | - | - |
| Community Services | 1,381,756 | - | - | - |
| Interest on Long-Term Debt | 10,670,426 | - | - | 3,964,131 |
| Government | <u>1,016,588,184</u> | <u>26,121,447</u> | <u>45,770,657</u> | <u>20,852,077</u> |
| Component Units: | | | | |
| Charter Schools | <u>6,553,441</u> | <u>-</u> | <u>240,373</u> | <u>-</u> |

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes

Property Taxes, Levied for Debt Service

Property Taxes, Levied for Capital Projects

Grants and Contributions Not Restricted to Specific Programs

Unrestricted Investment Income

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets - July 1, 2005

Net Assets - June 30, 2006

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

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|---------------------|-----------------------|
| Primary Government | Component Units | |
| Governmental | Charter | |
| Activities | Schools | Total |
| \$ (549,602,554) | | \$ (549,602,554) |
| (62,701,243) | | (62,701,243) |
| (17,220,291) | | (17,220,291) |
| (21,785,102) | | (21,785,102) |
| (33,292,113) | | (33,292,113) |
| (9,587,351) | | (9,587,351) |
| (1,683,054) | | (1,683,054) |
| (7,661,149) | | (7,661,149) |
| (40,733,928) | | (40,733,928) |
| (18,005,731) | | (18,005,731) |
| (5,819,582) | | (5,819,582) |
| (2,323,902) | | (2,323,902) |
| (20,276,104) | | (20,276,104) |
| (26,558,635) | | (26,558,635) |
| (61,200,190) | | (61,200,190) |
| (30,734,973) | | (30,734,973) |
| (6,570,050) | | (6,570,050) |
| (1,381,756) | | (1,381,756) |
| (6,706,295) | | (6,706,295) |
| <u>(923,844,003)</u> | <u>-</u> | <u>(923,844,003)</u> |
| | <u>(6,313,068)</u> | <u>(6,313,068)</u> |
| 272,216,105 | - | 272,216,105 |
| 19,491,295 | - | 19,491,295 |
| 90,456,276 | - | 90,456,276 |
| 565,831,277 | 6,306,138 | 572,137,415 |
| 13,728,006 | - | 13,728,006 |
| 10,311,965 | 4,215 | 10,316,180 |
| <u>972,034,924</u> | <u>6,310,353</u> | <u>978,345,277</u> |
| <u>48,190,921</u> | <u>(2,715)</u> | <u>48,188,206</u> |
| <u>778,044,106</u> | <u>2,532,138</u> | <u>780,576,244</u> |
| <u>\$ 826,235,027</u> | <u>\$ 2,529,423</u> | <u>\$ 828,764,450</u> |

DUVAL COUNTY PUBLIC SCHOOLS
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2006

| | <u>General Fund</u> | <u>Other Debt Service</u> | <u>Capital Projects - Capital Improvement Fund</u> |
|--|-----------------------|-------------------------------|--|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 14,654,091 | \$ - | \$ - |
| Cash held with Fiscal Agent | - | 874,075 | - |
| Investments | 80,675,771 | 45,812,277 | 144,446,759 |
| Accounts Receivable | 14,254,656 | - | - |
| Interest Receivable | 800,077 | - | 474,464 |
| Deposits Receivable | 25,000 | - | - |
| Due From Other Agencies | 178 | - | 1,421 |
| Inventories | 3,212,409 | - | - |
| Total Assets | <u>\$ 113,622,182</u> | <u>\$ 46,686,352</u> | <u>\$ 144,922,644</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Payroll Deductions and Withholdings | \$ 13,197,450 | \$ - | \$ - |
| Accounts Payable | 9,190,769 | 9,110 | 6,578,514 |
| Construction Contracts Payable - Retained Percentage | - | - | 804,106 |
| Matured Certificates of Participation | - | 2,335,000 | - |
| Matured Interest Payable | - | 2,844,548 | - |
| Sales Tax Payable | 217 | - | - |
| Due to Other Agencies | 5,515,622 | - | - |
| Deposits Payable | 33,229 | - | - |
| Unearned Revenue | 222,841 | - | - |
| Total Liabilities | <u>28,160,128</u> | <u>5,188,658</u> | <u>7,382,620</u> |
| Fund Balances: | | | |
| Reserved for: | | | |
| State Categorical Programs | 17,774,251 | - | - |
| Encumbrances | 12,596,513 | - | 17,221,628 |
| Inventories | 3,212,409 | - | - |
| Other Purposes | - | - | - |
| Debt Service Funds | - | 41,497,694 | - |
| Unreserved Reported In: | | | |
| General Fund | 51,878,881 | - | - |
| Special Revenue Funds | - | - | - |
| Capital Projects Funds | - | - | 120,318,396 |
| Total Fund Balances | <u>85,462,054</u> | <u>41,497,694</u> | <u>137,540,024</u> |
| Total Liabilities and Fund Balances | <u>\$ 113,622,182</u> | <u>\$ 46,686,352</u> | <u>\$ 144,922,644</u> |

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

| Capital Projects - Other Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------------------|-------------------------------------|
| \$ - | \$ 600 | \$ 14,654,691 |
| - | 36 | 874,111 |
| 13,073,376 | 24,133,754 | 308,141,937 |
| - | 763,356 | 15,018,012 |
| - | 55,936 | 1,330,477 |
| - | - | 25,000 |
| 5,982,624 | 13,816,410 | 19,800,633 |
| - | 670,948 | 3,883,357 |
| <u>\$ 19,056,000</u> | <u>\$ 39,441,040</u> | <u>\$ 363,728,218</u> |
| | | |
| \$ - | \$ - | \$ 13,197,450 |
| 1,815,723 | 1,646,696 | 19,240,812 |
| 1,077,023 | 498,208 | 2,379,337 |
| - | - | 2,335,000 |
| - | - | 2,844,548 |
| - | 2,145 | 2,362 |
| - | 565,235 | 6,080,857 |
| - | - | 33,229 |
| 2,067,449 | 2,865,664 | 5,155,954 |
| <u>4,960,195</u> | <u>5,577,948</u> | <u>51,269,549</u> |
| | | |
| - | - | 17,774,251 |
| 13,691,428 | 5,201,987 | 48,711,556 |
| - | 670,948 | 3,883,357 |
| - | 19,810,100 | 19,810,100 |
| - | - | 41,497,694 |
| - | - | 51,878,881 |
| - | 2,973,999 | 2,973,999 |
| 404,377 | 5,206,058 | 125,928,831 |
| <u>14,095,805</u> | <u>33,863,092</u> | <u>312,458,669</u> |
| <u>\$ 19,056,000</u> | <u>\$ 39,441,040</u> | <u>\$ 363,728,218</u> |

**DUVAL COUNTY PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2006**

Total Fund Balances - Governmental Funds \$ 312,458,669

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

Capital assets, net of accumulated depreciation, used in governmental activities are not
financial resources and, therefore, are not reported as assets in the governmental funds. 750,549,225

Accrued interest on long-term liabilities are not due and payable in the current
period and, therefore, are not reported in the governmental funds. (1,069,921)

Debt issuance costs are not expensed in the government-wide financial statements,
but are reported as deferred charges and amortized over the life of the debt. 1,097,768

Internal service funds are used by management to charge the costs of certain activities
such as insurance to individual funds. The assets and liabilities of the internal
service funds are included in governmental activities in the statement of net assets. 25,317,787

Long-term liabilities, including bonds payable, are not due and payable in
the current period and therefore are not reported as liabilities in the governmental funds.
Long-term liabilities at year-end consist of:

| | | | |
|--|----|-------------|---------------|
| Bonds Payable | \$ | 76,796,454 | |
| Certificates of Participation Payable | | 125,121,467 | |
| Compensated Absences Payable | | 60,114,340 | |
| Deferred Compensation Benefits Payable | | 86,240 | (262,118,501) |
| | | | |

Total Net Assets - Governmental Activities \$ 826,235,027

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

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**DUVAL COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

| | General Fund | Other Debt Service | Capital Projects - Capital Improvement Fund | Capital Projects - Other Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------|-----------------------|--|---|--------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Federal Direct Sources: | | | | | | |
| Reserve Officer Training Corps (ROTC) | \$ 611,595 | \$ - | \$ - | \$ - | \$ - | \$ 611,595 |
| Other Federal Direct Sources | 744,252 | - | - | - | 6,428,014 | 7,172,266 |
| Total Federal Direct | 1,355,847 | - | - | - | 6,428,014 | 7,783,861 |
| Federal Through State Sources: | | | | | | |
| Food Service | - | - | - | - | 25,747,831 | 25,747,831 |
| Other Federal Through State Sources | 773,941 | - | - | - | 82,595,479 | 83,369,420 |
| Total Federal Through State | 773,941 | - | - | - | 108,343,310 | 109,117,251 |
| State Sources: | | | | | | |
| Florida Education Finance Program | 369,910,723 | - | - | - | - | 369,910,723 |
| Categorical Programs | 116,348,913 | - | - | - | - | 116,348,913 |
| District Discretionary Lottery Funds | 6,163,916 | - | - | - | - | 6,163,916 |
| CO&DS Withheld for Administrative Expense | 66,615 | - | - | - | - | 66,615 |
| Other State Sources | 2,667,603 | - | - | 437,880 | 19,957,249 | 23,062,732 |
| Total State Sources | 495,157,770 | - | - | 437,880 | 19,957,249 | 515,552,899 |
| Local Sources: | | | | | | |
| Ad Valorem Taxes | 272,216,105 | - | 90,754,793 | - | 19,192,779 | 382,163,677 |
| Interest Income | 5,389,201 | 1,712,587 | 2,730,716 | 1,732,280 | 406,208 | 11,970,992 |
| Other Local Sources | 21,382,775 | - | 33,387 | 170 | 15,796,804 | 37,213,136 |
| Total Local Sources | 298,988,081 | 1,712,587 | 93,518,896 | 1,732,450 | 35,395,791 | 431,347,805 |
| Total Revenues | 796,275,639 | 1,712,587 | 93,518,896 | 2,170,330 | 170,124,364 | 1,063,801,816 |

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

(Continued)

| | Capital Projects - | | | | | |
|---|---------------------|--------------------|---------------------|---------------------|--------------------|----------------------|
| | Other Debt | Capital | Capital Projects - | Other | Total | |
| EXPENDITURES | General Fund | Service | Improvement | Other Capital | Governmental | Governmental |
| | | | Fund | Projects Fund | Funds | Funds |
| Current: | | | | | | |
| Instruction | \$ 498,205,329 | \$ - | \$ - | \$ - | \$ 39,276,097 | \$ 537,481,426 |
| Pupil Personnel Services | 44,585,808 | - | - | - | 15,367,687 | 59,953,495 |
| Instructional Media Services | 16,263,294 | - | - | - | 210,573 | 16,473,867 |
| Instruction and Curriculum Development | 13,929,612 | - | - | - | 6,885,059 | 20,814,671 |
| Instructional Staff Training | 15,934,387 | - | - | - | 16,026,119 | 31,960,506 |
| Instruction Related Technology | 10,165,915 | - | - | - | - | 10,165,915 |
| Board of Education | 1,652,634 | - | - | - | - | 1,652,634 |
| General Administration | 4,443,882 | - | - | - | 3,044,841 | 7,488,723 |
| School Administration | 38,798,885 | - | - | - | 30,944 | 38,829,829 |
| Facilities Acquisition & Construction | 1,933,685 | - | 24,420,119 | 1,840,548 | 6,378,799 | 34,573,151 |
| Fiscal Services | 5,519,393 | - | - | - | - | 5,519,393 |
| Food Services | - | - | - | - | 47,225,059 | 47,225,059 |
| Central Services | 19,180,435 | - | - | - | 352,233 | 19,532,668 |
| Pupil Transportation Services | 41,123,738 | - | - | - | 4,674,182 | 45,797,920 |
| Operation of Plant | 60,640,637 | - | - | - | 82,424 | 60,723,061 |
| Maintenance of Plant | 30,254,052 | - | - | - | - | 30,254,052 |
| Administrative Technology Services | 6,375,648 | - | - | - | - | 6,375,648 |
| Community Services | 745,456 | - | - | - | 530,802 | 1,276,258 |
| Capital Outlay: | | | | | | |
| Facilities Acquisition & Construction | 386,081 | - | 35,252,998 | 36,622,904 | 9,763,778 | 82,025,761 |
| Debt Service: | | | | | | |
| Principal | - | 2,335,000 | - | - | 17,245,000 | 19,580,000 |
| Interest and Fiscal Charges | - | 5,689,095 | - | - | 4,880,070 | 10,569,165 |
| Dues, Fees and Issuance Costs | - | 70,945 | - | - | 300 | 71,245 |
| Total Expenditures | 810,138,871 | 8,095,040 | 59,673,117 | 38,463,452 | 171,973,967 | 1,088,344,447 |
| Excess (Deficiency) of Revenues | | | | | | |
| Over Expenditures | (13,863,232) | (6,382,453) | 33,845,779 | (36,293,122) | (1,849,603) | (24,542,631) |
| OTHER FINANCIAL SOURCES (USES) | | | | | | |
| Certificates of Participation Issued | - | 44,750 | - | 970,250 | - | 1,015,000 |
| Proceeds from the Sale of Capital Assets | 41,742 | - | - | 1,819,050 | - | 1,860,792 |
| Loss Recoveries | 11,073 | - | - | 1,298 | - | 12,371 |
| Transfers In | 23,591,015 | 9,687,656 | - | - | 266,282 | 33,544,953 |
| Transfers Out | (1,066,282) | - | (30,666,322) | (265,184) | (2,347,165) | (34,344,953) |
| Total Other Financial Sources (Uses) | 22,577,548 | 9,732,406 | (30,666,322) | 2,525,414 | (2,080,883) | 2,088,163 |
| Net Change in Fund Balance | 8,714,316 | 3,349,953 | 3,179,457 | (33,767,708) | (3,930,486) | (22,454,468) |
| Fund Balance, Beginning July 1, 2005 | 76,747,738 | 38,147,741 | 134,360,567 | 47,863,513 | 37,793,578 | 334,913,137 |
| Fund Balance, Ending June 30, 2006 | \$ 85,462,054 | \$41,497,694 | \$ 137,540,024 | \$ 14,095,805 | \$ 33,863,092 | \$ 312,458,669 |

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

**DUVAL COUNTY PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

| | | |
|---|----|--------------|
| Net Change in Fund Balance - Governmental Funds | \$ | (22,454,468) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays in excess of depreciation expense. | | 50,854,536 |
| Capital assets donated to the District increase net assets in the government-wide financial statements, but are not financial resources and, therefore, are not reported in the governmental funds. | | 271,462 |
| The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the cost of assets sold. | | (3,915,519) |
| Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of long-term debt that was repaid in the current period. | | 19,580,000 |
| Issuing long-term bonded debt is an other financing source in the governmental funds, but issuing new debt increases long-term liabilities in the statement of net assets. This is the amount of long-term bonded debt that was issued during the current period. | | (1,015,000) |
| The cost of issuing bonds is recognized as an expenditure in the governmental funds. However, these amounts are deferred and amortized in the statement of activities. | | (417,472) |
| The premium amortization on proceeds of bonds remarketed in a prior period is reported in the statement of activities, but is not a current financial resource and, therefore, is not reported in the governmental funds. | | 1,616,944 |
| In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for leave used. This is the net amount of vacation and sick leave paid in excess of the amount earned in the current period. | | (3,224,644) |
| The net change in the retirement incentive program liability is reported in the government-wide statements, but not in the governmental fund statements. | | 89,285 |
| Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds. | | 31 |
| Interest on long-term debt is recognized as an expenditure in the governmental funds when due, but is recognized as interest accrues in the statement of activities. This is the net decrease in accrued interest during the current period. | | 387,457 |
| Internal service funds are used by management to charge the cost of certain activities to individual funds. The change in net assets of internal service funds is reported with governmental activities. | | 6,418,309 |
| Change in Net Assets - Governmental Activities | \$ | 48,190,921 |

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

DUVAL COUNTY PUBLIC SCHOOLS
STATEMENT OF NET ASSETS - PROPRIETARY FUND
JUNE 30, 2006

| | | <u>Governmental Activities - Internal Service Fund</u> |
|---|----|--|
| ASSETS | | |
| Current Assets: | | |
| Cash Held With Fiscal Agent | \$ | 290,000 |
| Investments | | 35,909,368 |
| Interest Receivable | | 32,339 |
| Due From Other Agencies | | 2,105,057 |
| Due from Excess Insurance Carriers, Net | | 1,280,125 |
| Total Assets | | <u>39,616,889</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable | | 45,804 |
| Due to Other Agencies | | 525,750 |
| Estimated Insurance Claims Payable | | 2,985,545 |
| Total Current Liabilities | | <u>3,557,099</u> |
| Noncurrent Liabilities: | | |
| Estimated Insurance Claims Payable | | 10,742,003 |
| Total Noncurrent Liabilities | | <u>10,742,003</u> |
| Total Liabilities | | <u>14,299,102</u> |
| NET ASSETS | | |
| Unrestricted | | <u>25,317,787</u> |
| Total Net Assets | \$ | <u><u>25,317,787</u></u> |

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

**DUVAL COUNTY PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006**

| | Governmental Activities - Internal Service Fund |
|------------------------------------|--|
| OPERATING REVENUES | |
| Charges for Services | \$ 1,960,447 |
| Premium Revenues | 8,044,612 |
| | 10,005,059 |
| OPERATING EXPENSES | |
| Salaries and Benefits | 462,351 |
| Purchased Services | 2,150,778 |
| Materials and Supplies | 344,245 |
| Insurance Claims and Related Costs | 2,560,583 |
| | 5,517,957 |
| Operating Income | 4,487,102 |
| NONOPERATING REVENUES | |
| Interest | 1,131,207 |
| Total Non-operating Revenues | 1,131,207 |
| Transfers In | 800,000 |
| Change in net assets | 6,418,309 |
| Net Assets July 1, 2005 | 18,899,478 |
| Net Assets, June 30, 2006 | \$ 25,317,787 |

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

DUVAL COUNTY PUBLIC SCHOOLS
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2006

| | Governmental Activities - Internal Service Fund |
|---|--|
| | Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from Interfund Services Provided | \$ 10,420,190 |
| Cash Payments to Suppliers | (6,615,147) |
| Payments to Employees | (462,351) |
| Net Cash Provided by Operating Activities | 3,342,692 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers from other funds | 800,000 |
| Net Cash Provided by Noncapital Financing Activities | 800,000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of Investments | (5,280,404) |
| Interest on Investments | 1,137,712 |
| Net Cash Used in Investing Activities | (4,142,692) |
| Net Change in Cash | - |
| Cash at Beginning of Year | 290,000 |
| Cash at End of Year | \$ 290,000 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | |
| Operating Income | \$ 4,487,102 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Changes in Assets and Liabilities: | |
| Increase in Due from Excess Insurance Carriers | (423,051) |
| Decrease in Due from Other Agencies | 838,183 |
| Increase in Accounts Payable | 38,109 |
| Decrease in Due to Other Agencies | (261,699) |
| Decrease in Estimated Insurance Claims Payable | (1,335,952) |
| Total Adjustments | (1,144,410) |
| Net Cash Provided by Operating Activities | \$ 3,342,692 |
| Noncash Investing Activity | |
| Increase in Fair Value of Investments | \$ 99,850 |

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

DUVAL COUNTY PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2006

| | Agency Funds - School Internal Accounts |
|--------------------|--|
| ASSETS | |
| Cash | \$ 6,355,957 |
| Investments | 648,660 |
| Total Assets | \$ 7,004,617 |
| LIABILITIES | |
| Accounts Payable | \$ 7,004,617 |
| Total Liabilities | \$ 7,004,617 |

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

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School Board of Duval County (“School Board”) has direct responsibility for operation, control, and supervision of the Duval County Public Schools (“District”) and is the primary government for financial reporting. The District is a part of the Florida system of public education. The governing body of the District is the School Board which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Duval County, Florida.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for the identification of any entities for which the School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component units are included within the School Board's reporting entity:

- Blended Component Unit - The District has one blended component unit which is the Duval School Board Leasing Corporation (“Leasing Corporation”). The Leasing Corporation was formed to facilitate the financing for the acquisition of facilities and equipment as further discussed in Note 6. The District and the Leasing Corporation have the same governing board and the District is financially accountable for the debt of this entity. Therefore, the financial activities of the Leasing Corporation are included in the accompanying financial statements. Separate financial statements for the Leasing Corporation are not published.
- Discretely Presented Component Units - The component units columns in the basic financial statements include the financial data of the District's other component units. These component units consist of the following four charter schools: Florida School for Integrated Academics and Technologies Jacksonville, Inc.; S.O.C.K. Outstanding Students (S.O.S) Middle School Academy, Inc.; S.O.C.K. Outstanding Students (S.O.S) High School Academy, Inc; and Wayman Academy of the Arts, Inc. (collectively the “Charter Schools”). S.O.C.K. Outstanding Students (S.O.S.) High School Academy ceased operations on July 10, 2006. The Charter Schools were determined to be fiscally dependent because they rely on the District for their tax levy and a majority of their budget.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

The Charter Schools are separate not-for-profit Corporations organized pursuant to Chapter 617, Florida Statutes, the *Florida Not for Profit Corporation Act*, and Section 1002.33, Florida Statutes, *Charter Schools*. The Charter Schools operate under charters approved by their sponsor, the School Board. The financial data reported on the accompanying financial statements was derived from the audited annual financial statements of four of the Charter Schools for the fiscal year ended June 30, 2006. The annual reports are on file at the District's administrative offices.

Basis of Presentation

Government-wide Financial Statements - Government-wide financial statements including the Statement of Net Assets and the Statement of Activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expenses are allocated to the various expense functions based on actual and estimated usage of the assets in those functions.

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

The effects of interfund activity have been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State of Florida that are legally restricted to be expended for specific current operating purposes.
- Other Debt Service – to account for the accumulation of resources for, and the payment of, debt principal, interest and related costs for the District's Certificates of Participation (COPs) and Qualified Zone Academy Bonds (QZAB).
- Capital Projects – Capital Improvement Fund – to account for the financial resources generated by the capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.
- Capital Projects – Other Capital Projects Fund – to account for the financial resources received from the lottery capital outlay program, certificates of participation proceeds, and other miscellaneous sources, to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Internal Service Fund – to account for the District's individual self-insurance programs and the District's printing operations.
- Agency Funds – to account for resources of the school internal funds which are used to administer monies collected at the schools in connection with school, student athletic, class, and club activities.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds. The major revenue sources that are susceptible to accrual are Classrooms for Kids, Public Education Capital Outlay ("PECO"), property taxes, Title I, Title II, and IDEA Part B (Title VI).

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

The Internal Service Fund is accounted for as a proprietary activity under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board thereafter. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's Internal Service Fund are charges to the District for workers' compensation, general liability, and automobile liability insurance premiums and print shop charges. The principal operating expenses include insurance claims, administrative expenses, fees and printing costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

The principal operating revenues of the District's printing operations are provided on a cost-reimbursement basis. The principal operating expenses are to be fully covered through fees and charges to customers. If expenses are not fully recovered at year end, the remaining costs are allocated to the customers during the year.

The Charter Schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

Deposits and Investments

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows for the Internal Service Fund considers cash as those accounts used as demand deposit accounts.

Investments consist of amounts placed with the State Board of Administration ("SBA") for participation in the Local Government Surplus Funds Trust Fund investment pool ("SBA Investment Pool") created by Section 218.405, Florida Statutes, and those made locally. The SBA Investment Pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the SBA Investment Pool, which is a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at amortized cost. Investments made locally consist of amounts placed in obligations of United States Government Agencies and Instrumentalities and are reported at fair value. Investments for the Agency Funds consist of monies placed in certificates of deposit.

Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior years and the current year.

Receivables and Payables

The major portion of the outstanding receivables as of June 30, 2006, was due from other governments, primarily the State of Florida. These receivables are considered to be fully collectible. Property tax revenue is recognized when received by the District, except that revenue is accrued for property taxes collected by the Duval County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, no delinquent tax revenue deferral is recorded. See subsequent note regarding property taxes – revenue recognition.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the moving weighted-average basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

Capital Assets

Capital assets, which includes land; land improvements; improvements other than buildings, buildings and fixed equipment; furniture, fixtures and equipment, motor vehicles, audio-visual materials, computer software, and construction in progress, are reported in the governmental activities in the government-wide financial statements as depreciable or non-depreciable. Capital assets are defined by the District as assets with an initial, individual cost equal to or greater than \$750. All land purchases and related expenses are classified as construction in progress regardless of amount. The purchase is classified as a land asset upon final payment of the land. All assets are recorded at historical cost or estimated historical cost if purchased or constructed prior to July 1, 1969. Donated assets are recorded at estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized once the project is substantially complete. The term "substantial completion" means that a project has been sufficiently completed in accordance with the contract documents so that the owner can occupy or utilize the work, or designated portions thereof, for the use for which it is intended, as expressed in the contract documents. Substantial completion is determined when the project's managing architect/engineer has completed American Institute of Architects (AIA) Form 9704 "Certificate of Substantial Completion" and that certificate has been reviewed and accepted by the District. Capital expenditures made in the current fiscal year for projects not substantially complete are recorded on the District's financial statements as "Construction in Progress". Interest costs incurred during construction of capital assets are not capitalized as part of the cost of construction. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets of the District, as well as the component units, excluding land, land improvements, and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

| <u>Description</u> | <u>Estimated Lives</u> |
|------------------------------------|------------------------|
| Improvements Other than Buildings | 10 - 40 years |
| Buildings and Fixed Equipment | 10 - 50 years |
| Furniture, Fixtures, and Equipment | 5 - 15 years |
| Motor Vehicles | 7 years |
| Audio Visual Materials | 5 years |
| Computer Software | 5 years |

Current-year information relative to changes in capital assets is described in a subsequent note.

Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental funds financial statements, bonds and other long-term obligations are not recognized as liabilities until due. The governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental funds financial statements only for the current matured portion of compensated absences expected to be paid using expendable available resources. Changes in long-term liabilities for the current year are reported in a subsequent note.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

State of Florida Revenue Sources

Revenues from the State of Florida (“State”) that are resources for current operations are primarily received from the Florida Education Finance Program (FEFP) administered by the Florida Department of Education (“Department”) under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent (“FTE’s”) students and related data to the Department. The Department performs certain edit checks on the reported number of FTE’s and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District’s compliance in determining and reporting FTE’s and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education (“State Board”) rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided. It also requires that the money not expended at the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay (“PECO”) money, to the District on an annual basis. The District also received an allocation (“Classrooms for Kids”) under the lottery funded Public School Capital Outlay Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of PECO and Classrooms for Kids funds as deferred revenue until such time as an encumbrance authorization is received.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

District Property Taxes

The District is authorized by State law to levy property taxes for District school operations, capital improvements, and debt service.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District Property Taxes (continued)

Property taxes consist of ad valorem taxes on real and personal property within the District. The Duval County Property Appraiser determines the real and personal property values within the District. The Duval County Tax Collector then collects the taxes and remits them to the District.

The School Board adopted the 2005 tax levy for fiscal year 2006 revenues, in September 2005. Taxes become an enforceable lien on property as of January 1 of the year following the tax levy. Tax bills are mailed in October in the year of the tax assessment and taxes are payable between November 1 of the year assessed and March 31 of the following year with discounts of up to 4% for early payment.

Taxes become delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the School Board adopts the tax levy. Property tax revenue is recognized in the governmental fund financial statements when the District receives the taxes, except that revenue is accrued for taxes collected by the Duval County Tax Collector at fiscal year-end and remitted to the District within 60 days of fiscal year end. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

Millages and taxes levied for the current year are presented in a subsequent note.

Grants

The District receives Federal awards for the enhancement of various educational programs through formula-based grant programs. These revenues are disbursed based on incurring eligible expenditures. Most of the Federal funds are passed through the Department of Education to the District. Moreover, Federal revenue is recognized to the extent that eligible expenditures have been incurred.

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

The School Board follows procedures established by State statutes and State Board rules in establishing budget balances for governmental funds as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board rules.
- Appropriations are controlled at the function level (e.g., instruction, pupil and personnel services, and school administration) and may be amended by a resolution at any School Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

3. INVESTMENTS

As of June 30, 2006, the District had the following investments and maturities:

| Investment | Maturities | Governmental Funds (1) | Internal Service Funds | Total | | Total Investments |
|---|-------------------------|---------------------------|---------------------------|----------------------------|-------------------|-----------------------|
| | | | | Governmental Activities | Agency Funds | |
| (SBA) Investment Pool | 27 Day Average (1) | \$ 77,227,089 | \$ 21,122,318 | \$ 98,349,407 | \$ - | \$ 98,349,407 |
| Obligations of United States Government | | | | | | |
| Agencies and Instrumentalities | July 2006-December 2008 | 229,470,183 | 14,787,050 | 244,257,233 | - | 244,257,233 |
| Commercial Paper | | 605,346 | - | 605,346 | - | 605,346 |
| Certificate of Deposits | July 2006 - March 2010 | - | - | - | 648,660 | 648,660 |
| District Bond Proceeds held and administered by the State Board of Education | Various within one year | 839,319 | - | 839,319 | - | 839,319 |
| Total Investments, Reporting Entity | | \$ 308,141,937 | \$ 35,909,368 | \$ 344,051,305 | \$ 648,660 | \$ 344,699,965 |

(1) Includes \$48,572,144 restricted investments held by the fiscal agent under a trust indenture relating to the District's Certificates of Participation.

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

3. INVESTMENTS (continued)

Interest Rate Risk

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

The District has \$244,257,233 in obligations of United States Government Agencies and Instrumentalities of which \$122,478,403 are callable, that include embedded options consisting of the option at the discretion of the issuer to call their obligation or pay a stated increase in the interest rate. These securities have various call dates, and mature between July 2006 and December 2008.

| Type | Total Fair Value | Maturities Up To One Year | Maturities Over One Year and Up to Two Years | Maturities Over Two Years and Up to Three Years | Maturities Over Three Years and Up to Four Years |
|--|-----------------------|---------------------------|--|---|--|
| (SBA) Investment Pool | \$ 98,349,407 | \$ 98,349,407 | \$ - | \$ - | \$ - |
| Certificates of Deposit | 648,660 | 555,891 | \$ 42,769 | - | \$ 50,000 |
| Government Agency Securities | 244,257,233 | 99,339,057 | 80,520,689 | \$ 64,397,487 | - |
| Commercial Paper | 605,346 | 605,346 | - | - | - |
| District Bond Proceeds Held and Administered by the State Board of Education | 839,319 | 839,319 | - | - | - |
| Total Fair Value of Investments | \$ 344,699,965 | \$ 199,689,020 | \$ 80,563,458 | \$ 64,397,487 | \$ 50,000 |

Credit Risk

Section 218.415, Florida Statutes, authorizes the District to invest in investments approved by the School Board. The School Board has adopted an investment policy that authorizes investing in the Local Government Surplus Funds Trust Fund or similar intergovernmental investment pools; money market funds registered with the Securities and Exchange Commission; interest-bearing time deposits and bankers' acceptances; direct or guaranteed obligations of United States government agencies and instrumentalities; certain bonds or obligations of any state of the United States of America or any agency, instrumentality, or local government unit of any such state; commercial paper; and other specified investments.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

3. INVESTMENTS (continued)

Credit Risk (continued)

As of June 30, 2006, the District's investment in the Local Government Surplus Funds Trust fund investment pool was unrated.

The District's investments in the Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Leasing Corporation, and Federal Farm Credit Bureau were rated AAA by Standard & Poor's and AAA by Moody's Investor Services.

The District's investments in commercial paper were rated A1/P1.

The District's investments in certificates of deposit were in qualified public depositories.

Custodial Risk

All securities purchased by, and all collateral obtained by, the School Board is properly designated as an asset of the District and held in safekeeping by a third party custodial bank or other third party custodial institution.

An exception to third party custody of assets is the safekeeping of collateral for repurchase agreements entered into between the School Board and its primary bank for the purpose of conducting day to day cash management functions. Collateral is held by that bank but not in the District's name. The bank issues a safekeeping receipt indicating the collateral pledged to the District.

Additionally, shares of investment funds do not require delivery of shares to the District's custodian as long as the investments held by the fund are under an appropriate safekeeping trustee arrangement and regular statements may be prepared to represent the value of the School Board's ownership interest.

As of June 30, 2006, all investments are held with an appropriate custodian or trustee or are held in accounts in the name of and belonging to the School Board.

Concentration of Credit Risk

Investment policy approved by the School Board includes the following restrictions:

- Investments in commercial paper or bankers acceptances shall have the following restrictions: \$12,500,000 limit per issuer, and limited to 25% of the entire portfolio (including money market and repurchase agreements).
- The maximum allowed in any one U.S. Government Agency issuer shall be 50% of the entire portfolio.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

3. INVESTMENTS (continued)

Concentration of Credit Risk (continued)

As of June 30, 2006, all investment holdings are in compliance with these policies.

| Investment Issuer Name | Fair Value Investment | % of Total Fair Value |
|--|--------------------------|--------------------------|
| Federal Home Loan Banks | \$ 154,674,936 | 44.87% |
| Federal National Mortgage Association | 53,028,345 | 15.38% |
| Federal Home Loan Mortgage Association | 31,699,252 | 9.20% |
| Federal Farm Credit Bank | 4,854,700 | 1.41% |
| State Board of Administration (SBA) | 98,349,407 | 28.53% |
| Commercial Paper | 605,346 | 0.18% |
| Other | 1,487,979 | 0.43% |
| Total | \$344,699,965 | 100.00% |

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

4. DUE FROM OTHER AGENCIES

The following is a schedule of amounts due from other agencies:

| <u>Fund/Source</u> | <u>Amount</u> |
|---|----------------------|
| Major Funds: | |
| General: | |
| Miscellaneous Projects | \$ 178 |
| Capital Projects: Capital Improvement | |
| Local Property Taxes | 1,421 |
| Capital Projects - Other Capital Projects | |
| Classrooms for Kids | 5,147,968 |
| Effort Index Grants | 755,000 |
| Gas Tax Relief Funds | 79,656 |
| Nonmajor Governmental Funds: | |
| Public Education Capital Outlay | |
| State Appropriations (PECO) | 11,959,301 |
| Special Revenue - Food Service | |
| Meal Reimbursements | 799,124 |
| Special Revenue - Other: | |
| Miscellaneous Projects | 1,051,343 |
| Debt Service - District Bonds | |
| Local Property Taxes | 6,642 |
| Total Governmental Funds | <u>19,800,633</u> |
| Proprietary Fund: | |
| Internal Service Fund | |
| Special Disability Trust Fund | 2,105,057 |
| Total Governmental Activities | <u>\$ 21,905,690</u> |

The amounts due from other agencies in the Capital Projects Funds for PECO State Appropriations, Classrooms for Kids, and Effort Index Grants are for long-term capital projects and may not be entirely collected within one year. The amount due from other agencies in the Internal Service Fund from the Special Disability Trust Fund is paid on a first-in, first-out basis in the order the reimbursement requests were received based on available funding. Therefore, the entire balance is not expected to be collected within one year.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

| | <u>Balance June 30, 2005</u> | <u>Increases</u> | <u>Deletions</u> | <u>Balance June 30, 2006</u> |
|--|----------------------------------|-----------------------|------------------------|----------------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 68,968,149 | \$ 10,591,782 | \$ (499,244) | \$ 79,060,687 |
| Land improvements | 1,125,414 | 1,180,212 | - | 2,305,626 |
| Construction in progress | 49,000,155 | 71,837,840 | (83,369,659) | 37,468,336 |
| Total capital assets not being depreciated | <u>119,093,718</u> | <u>83,609,834</u> | <u>(83,868,903)</u> | <u>118,834,649</u> |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 105,106,847 | 6,558,567 | (447,740) | 111,217,674 |
| Building and fixed equipment | 1,038,418,508 | 65,411,588 | (7,229,303) | 1,096,600,793 |
| Furniture, fixtures and equipment | 147,567,980 | 18,753,544 | (16,300,370) | 150,021,154 |
| Motor vehicles | 9,151,334 | 1,251,800 | (602,442) | 9,800,692 |
| Audio visual materials | 712,050 | 2,601 | (80,244) | 634,407 |
| Computer software | 45,445,711 | 2,071,276 | (137,115) | 47,379,872 |
| Total capital assets being depreciated | <u>1,346,402,430</u> | <u>94,049,376</u> | <u>(24,797,214)</u> | <u>1,415,654,592</u> |
| Less accumulated depreciation for: | | | | |
| Improvements other than buildings | (67,274,979) | (1,568,416) | 226,512 | (68,616,883) |
| Buildings and fixed equipment | (551,697,877) | (18,901,192) | 4,619,361 | (565,979,708) |
| Furniture, fixtures and equipment | (103,391,859) | (16,979,210) | 15,765,114 | (104,605,955) |
| Motor vehicles | (6,118,428) | (1,031,181) | 588,048 | (6,561,561) |
| Audio visual materials | (672,440) | (12,241) | 80,244 | (604,437) |
| Computer software | (33,001,819) | (4,681,814) | 112,161 | (37,571,472) |
| Total accumulated depreciation | <u>(762,157,402)</u> | <u>(43,174,054)</u> | <u>21,391,440</u> | <u>(783,940,016)</u> |
| Depreciable Capital Assets, Net | <u>584,245,028</u> | <u>50,875,322</u> | <u>(3,405,774)</u> | <u>631,714,576</u> |
| Total Capital Assets, Net | <u>\$ 703,338,746</u> | <u>\$ 134,485,156</u> | <u>\$ (87,274,677)</u> | <u>\$ 750,549,225</u> |

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

5. CHANGES IN CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

| | | |
|--|----|-------------------|
| Instruction | \$ | 28,519,362 |
| Pupil Personnel | | 3,001,664 |
| Instructional Media | | 992,950 |
| Instructional & Curriculum Development | | 1,140,054 |
| Instructional Staff Training | | 1,572,878 |
| Instructional Related Technology | | 307,653 |
| School Board | | 35,023 |
| General Administration | | 203,650 |
| School Administration | | 2,127,519 |
| Facilities | | 47,231 |
| Fiscal Service | | 288,972 |
| Food Service | | 1,073,752 |
| Central Services | | 1,317,593 |
| Pupil Transportation | | 127,125 |
| Operation of Plant | | 933,572 |
| Maintenance of Plant | | 1,135,431 |
| Administrative Technology Services | | 234,782 |
| Community Service | | 114,843 |
| Total Depreciation | \$ | <u>43,174,054</u> |

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

6. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2006, are as follows:

| Series | Amount Outstanding | Interest Rates (Percent) | Lease Term Maturity | Original Amount |
|-------------------------------------|-----------------------|--------------------------------|------------------------|--------------------|
| Series 2000 | \$ 42,365,000 | 4.50 - 5.75 | 2020 | \$ 53,000,000 |
| Series 2005 (Refunding) | 35,355,000 | 3.00 - 5.00 | 2020 | 35,355,000 |
| Series 2005A | 38,015,000 | 2.50 - 5.00 | 2025 | 38,290,000 |
| Series 2003-QZAB | 5,667,000 | (1) | 2018 | 5,667,000 |
| Series 2005-QZAB | 1,015,000 | (1) | 2021 | 1,015,000 |
| Sub Total | 122,417,000 | | | |
| Unamortized Premiums | 2,704,467 | | | |
| Total Certificates of Participation | \$ 125,121,467 | | | |

(1) Interest on this debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZABs. The rate of return to the holders was established by the United States Government at the time of the sale.

The School Board has entered into a master financing arrangement characterized as a lease-purchase agreement, with the Leasing Corporation, whereby the District secured financing of various educational facilities and equipment. The financing was accomplished through the issuance of Certificates of Participation, by the Leasing Corporation to third-party investors, to be repaid from the proceeds of rent paid by the District.

Series 2000 Certificates

As a condition of the financing arrangement, the School Board has given a ground lease on District property to the Leasing Corporation, with a rental fee of \$10 per year. The ground lease commenced on October 1, 2000, and will terminate on the earlier of the date on which the Series 2000 Certificates are paid in full or July 1, 2035. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the School Board. If the District fails to renew the lease or to provide for the rent payments through to term, the District may be required to surrender the sites included under the Series 2000 Ground Lease Agreement to the Trustee for the benefit of the securers of the Certificates for the remaining term of the ground lease, which may be through July 1, 2035.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

6. CERTIFICATES OF PARTICIPATION (continued)

The District properties included in the Series 2000 Ground Lease Agreement under this arrangement include:

- Oceanway Elementary #270 - New Elementary School “V”
- Kernan Trail Elementary #231- New Elementary School “W”
- Don Brewer Elementary #217 - New Elementary School “X”
- Kernan Middle #279 - New Middle School “CC”
- Sandalwood High School #237 - Ten Portable Replacements to Permanent Classrooms
- Alfred I. DuPont Middle School #66 – Addition of New 6th Grade Wing
- Paxon School for Advanced Studies #75 – Additional Science Labs

Series 2003-QZAB Certificates

The Series 2003-Qualified Zone Academy Bonds (“Series 2003-QZAB”) were issued under a special program whereby the certificates, bearing an original issue date of December 23, 2003, will mature in full December 23, 2018, for the original \$5,667,000 issue amount. There is no interest cost for borrowing monies under this program. The financing proceeds were used to acquire technology-related equipment and improvements at various designated schools, which are leased by the District from the Leasing Corporation. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$292,607 for 15 consecutive years began December 23, 2004. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a trust agreement until the certificates mature. The Series 2003-QZAB issue is secured by the assets held under the trust agreement in the event of cancellation or default.

The schools designated for technology-related equipment and improvements under the Series 2003-QZAB issue include:

- John Love Elementary School #73
- Highlands Middle School #244
- Southside Middle School #211
- J.E.B. Stuart Middle School #207
- Mandarin Middle School #259
- Landmark Middle School #256

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

6. CERTIFICATES OF PARTICIPATION (continued)

Series 2005-QZAB Certificates

The Series 2005-Qualified Zone Academy Bonds (“Series 2005-QZAB”) were issued under a special program whereby the certificates, bearing an original issue date of October 20, 2005, will mature in full on October 20, 2021, for the original \$1,015,000 issue amount. There is no interest cost for borrowing monies under this program. The financing proceeds were used to acquire technology-related equipment and improvements at several designated schools, which are leased by the District from the Leasing Corporation. The School Board entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$51,210.97 for 16 consecutive years began on October 20, 2006. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a trust agreement until the certificates mature. The Series 2005-QZAB issue is secured by the assets held under the trust agreement in the event of cancellation or default.

The schools designated for technology-related equipment and improvements under the Series 2005-QZAB issue include:

- Cedar Hills Elementary School #97
- Brookview Elementary School #206

Series 2005 Certificates (Crossover Refunding)

On January 11, 2005, the School Board issued Certificates of Participation, Series 2005, to advance refund Series 2000 Certificate payments in the amount of \$35,355,000. The proceeds were used to refund a portion of the School Board’s outstanding Certificates of Participation, Series 2000. The Crossover Refunding Certificates were issued with average interest rate of 4.47% and will replace outstanding Certificates with an average interest rate of 5.42%. The refunding will result in a net present value savings to the District of approximately \$1.77 million. Proceeds from this issuance are currently escrowed and will pay debt service on this series until the refunding date of July 1, 2009, at which time the remaining balance in the escrow will be used to advance refund the Series 2000 Certificates.

Proceeds from the issuance were \$37,083,912 including \$1,728,912 of net premium on some of the certificates sold. Of this amount, \$36,631,001 was deposited into the Escrow Fund, and \$452,911 was used for underwriter’s discount, bond insurance, or deposited into the Cost of Issuance Fund.

As a condition of the financing arrangement, the School Board will maintain, subsequent to the refunding date of July 1, 2009, the ground lease on District property given at the issuance of the Series 2000 Certificates to the Leasing Corporation, with a rental fee of \$10 per year. The final maturity date for the Series 2005 Certificates is July 1, 2020.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

6. CERTIFICATES OF PARTICIPATION (continued)

Series 2005A Certificates

On March 31, 2005, the School Board issued \$38,290,000 Certificates of Participation (COPs). Originally priced on March 16, 2005, the all-inclusive true interest cost of the new issue is 4.66%. The average interest rate on the new certificates is 4.85%. These certificates may be redeemed at par, on July 1, 2015.

Proceeds from the issuance were \$39,524,575 including \$1,234,575 of net premium on some of the bonds sold. Of this amount, \$39,000,000 was deposited into the Project Fund, and \$520,964 was used for underwriter's discount, bond insurance, or deposited in the Cost of Issuance Fund. Additional proceeds of \$3,611 were also generated.

As a condition of the financing arrangement, the School Board has given a ground lease on District property to the Leasing Corporation, with a rental fee of \$10 per year. The ground lease commenced on March 31, 2005, and will terminate on the earlier of the date on which the Series 2005A Certificates are paid in full or July 1, 2030. The final maturity date for the Series 2005A Certificates is July 1, 2025. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District. If the School Board fails to renew the lease or to provide for the rent payments through to term, the District may be required to surrender the sites included under the Series 2005A Ground Lease Agreement to the Trustee for the benefit of the securers of the Certificates for the remaining term of the ground lease, which may be through July 1, 2030.

The District properties included in the Series 2005 ground lease under this arrangement include:

- New Arlington Middle School (Replacement) #213
- New Nutrition Service Center (Paxon School for Advanced Studies Property)

Minimum Lease Payments

Lease payments are payable by the District, semiannually, on January 1 and July 1, and must be remitted by the District as of the 15th day of the month preceding the payment dates. The following is a schedule by years of future minimum lease payments under the lease agreements together with the present value of minimum lease payments as of June 30, 2006.

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

6. CERTIFICATES OF PARTICIPATION (continued)

| <u>Fiscal Year Ending June 30</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|-----------------------------------|-----------------------|-----------------------|----------------------|
| 2007 | \$ 8,073,277 | \$ 2,435,000 | \$ 5,638,277 |
| 2008 | 8,077,967 | 2,545,000 | 5,532,967 |
| 2009 | 8,080,569 | 2,660,000 | 5,420,569 |
| 2010 | 38,925,396 | 35,590,000 | 3,335,396 |
| 2011 | 6,417,436 | 3,135,000 | 3,282,436 |
| 2012-2016 | 31,967,185 | 17,605,000 | 14,362,185 |
| 2017-2021 | 32,421,156 | 22,485,000 | 9,936,156 |
| 2022-2025 | 33,073,163 | 29,280,000 | 3,793,163 |
| Subtotal | <u>167,036,149</u> | <u>115,735,000</u> | <u>51,301,149</u> |
| Unamortized Premium | <u>2,704,467</u> | <u>2,704,467</u> | <u>0</u> |
| Total Minimum Lease Payment | <u>\$ 169,740,616</u> | <u>\$ 118,439,467</u> | <u>\$ 51,301,149</u> |
| Lump Sum Payments | <u>Maturity Date</u> | | |
| Series 2003 - QZAB | December 23, 2018 | 5,667,000 | |
| Series 2005 - QZAB | October 20, 2021 | <u>1,015,000</u> | |
| | | <u>\$ 125,121,467</u> | |

Annual requirements to amortize the premiums for the 2005 Series and 2005A Series as of June 30, 2006 are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Total</u> |
|-----------------------------------|---------------------|
| 2007 | \$ 183,369 |
| 2008 | 183,369 |
| 2009 | 183,369 |
| 2010 | 183,369 |
| 2011 | 183,369 |
| 2012-2024 | <u>1,787,622</u> |
| Total | <u>\$ 2,704,467</u> |

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

7. BONDS PAYABLE

Bonds Payable at June 30, 2006, is as follows:

| <u>Bond Type</u> | <u>Amount Outstanding</u> | <u>Interest Rates (Percent)</u> | <u>Annual Maturity To</u> |
|--|-------------------------------|---|-----------------------------------|
| State School Bonds: | | | |
| Series 1997-A | \$ 29,090,000 | 4.80 - 6.00 | 2017 |
| Series 1998-A | 2,885,000 | 4.50 - 5.50 | 2018 |
| Series 1999-A | 1,190,000 | 4.00 - 4.75 | 2019 |
| District General Obligation Bonds, Refunding: | | | |
| Series 1992, Remarketed | <u>41,325,000</u> | 6.30 | 2008 |
| Subtotal All Bonds | 74,490,000 | | |
| Unamortized Premium | 2,867,154 | | |
| Less Unamortized Loss | <u>(560,700)</u> | - | - |
| Total Bonds Payable | <u>\$ 76,796,454</u> | | |

The various bonds were issued to finance capital outlay projects of the District.

The following is a description of the bonded debt issues:

State School Bonds

These bonds are issued by the State Board on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

District General Obligation Bonds

General Obligation Refunding Bonds, Series 1992, were authorized by the School Board, pursuant to Chapters 1010 and 1011, Florida Statutes, approved at a special election held on May 26, 1987, and secured by a pledge of property taxes levied. These bonds were issued to refund the General Obligation Bonds, Series 1987 and Series 1988, which were issued to finance capital outlay projects of the District.

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

7. BONDS PAYABLE (continued)

District General Obligation Bonds (continued)

The Series 1992 Refunding Bonds were purchased and remarketed pursuant to the terms of a Remarketing Agreement dated June 13, 2002. The Bonds were purchased (called) at their early redemption price and remarketed as non-callable bonds on August 1, 2002. Utilizing the spread between the interest rates payable on the Bonds and the market rates, the Bonds were remarketed at a premium sufficient to pay the early redemption fees and the remarketing costs, and to provide an additional gain of \$8,108,648 for capital outlay projects within the District. The amortization schedule for the Remarketed Series 1992 Refunding Bonds is unchanged from that of the original Series 1992 Refunding Bonds, and the remarketing premium of \$8,601,460 is being amortized over the remaining life of the Bonds. Annual requirements to amortize the bonded debt as of June 30, 2006, are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------------|----------------------|----------------------|----------------------|
| State School Bonds | | | |
| 2007 | \$ 3,963,639 | \$ 2,285,000 | \$ 1,678,639 |
| 2008 | 3,967,439 | 2,420,000 | 1,547,439 |
| 2009 | 3,968,564 | 2,550,000 | 1,418,564 |
| 2010 | 3,970,388 | 2,675,000 | 1,295,388 |
| 2011 | 3,971,488 | 2,810,000 | 1,161,488 |
| 2012-2016 | 19,841,156 | 16,290,000 | 3,551,156 |
| 2017-2019 | 4,364,224 | 4,135,000 | 229,224 |
| Total State School Bonds | 44,046,898 | 33,165,000 | 10,881,898 |
| General Obligation Bonds | | | |
| 2007 | 18,114,003 | 16,015,000 | 2,099,003 |
| 2008 | 18,068,715 | 17,010,000 | 1,058,715 |
| 2009 | 8,561,450 | 8,300,000 | 261,450 |
| Total General Obligation Bonds | 44,744,168 | 41,325,000 | 3,419,168 |
| Subtotal - All Bonds | 88,791,066 | 74,490,000 | 14,301,066 |
| Less: Unamortized Loss | (560,700) | (560,700) | - |
| Add: Unamortized Premium | | | |
| General Obligation Bonds | 2,867,154 | 2,867,154 | - |
| Total | \$ 91,097,520 | \$ 76,796,454 | \$ 14,301,066 |

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

7. BONDS PAYABLE (continued)

District General Obligation Bonds

Annual requirements to amortize the premiums for the Remarketed Series 1992 General Obligation Refunding Bonds as of June 30, 2006, are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Total</u> |
|-----------------------------------|---------------------|
| 2007 | \$ 1,433,577 |
| 2008 | 1,433,577 |
| Total | <u>\$ 2,867,154</u> |

8. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

| Description | GOVERNMENTAL ACTIVITIES | | | Balance on June 30, 2006 | Due In One Year |
|---------------------------------------|----------------------------|----------------------|------------------------|-----------------------------|----------------------|
| | Balance on July 1, 2005 | Additions | (Deductions) | | |
| Estimated Insurance Claims Payable | \$ 15,063,500 | \$ 4,796,706 | \$ (6,132,658) | \$ 13,727,548 | \$ 2,985,545 |
| Bonds Payable | 91,735,000 | - | (17,245,000) | \$ 74,490,000 | 18,300,000 |
| Unamortized Bond Premiums | 4,300,729 | - | (1,433,575) | \$ 2,867,154 | 1,433,577 |
| Deferred Loss on Bond Refunding | (841,050) | - | 280,350 | \$ (560,700) | (280,350) |
| Certificates of Participation Payable | 118,070,000 | - | (2,335,000) | \$ 115,735,000 | 2,435,000 |
| Unamortized Premiums-COP | 2,887,836 | - | (183,369) | \$ 2,704,467 | 183,369 |
| Qualified Zone Academy Bonds | 5,667,000 | 1,015,000 | - | \$ 6,682,000 | - |
| Retirement Incentive Program | | | | | |
| Benefits Payable | 175,525 | - | (89,285) | \$ 86,240 | 86,240 |
| Compensated Absences Payable | 56,889,696 | 9,664,106 | (6,439,462) | \$ 60,114,340 | 7,221,658 |
| Total Governmental Activities | <u>\$ 293,948,236</u> | <u>\$ 15,475,812</u> | <u>\$ (33,577,999)</u> | <u>\$ 275,846,049</u> | <u>\$ 32,365,039</u> |

The governmental activities, retirement incentive program benefits, and compensated absences are generally liquidated with resources of the General Fund. The Certificates of Participation are generally liquidated with resources of the Capital Projects – Capital Improvement Funds. Bonds payable are paid out of the Debt Service Funds. The estimated insurance claims are generally liquidated with resources of the Proprietary Fund as discussed

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

8. CHANGES IN LONG-TERM LIABILITIES (continued)

in Note 16. Estimated liability for long-term claims include estimated insurance claims payable and retirement incentive programs benefits payable.

9. RESERVE FOR ENCUMBRANCES

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

The Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2005-06 fiscal year budget as a result of purchase orders outstanding at June 30, 2006, for \$48,711,556. The District placed orders early to insure that textbooks would be available for the beginning of the 2006-07 school year. Therefore, \$7,646,991 included in the encumbrance total denotes the textbook orders for the 2006-07 school year.

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds. However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$3,782,679 at June 30, 2006.

10. INTERFUND TRANSFERS

The following is a summary of interfund transfers reported in the fund financial statements:

| Funds | Interfund | |
|------------------------|----------------------|----------------------|
| | Transfers In | Transfers Out |
| Major Funds: | | |
| General | \$ 23,591,015 | \$ 1,066,282 |
| Other Debt Service | 9,687,656 | - |
| Capital Projects: | | |
| Capital Improvement | - | 30,666,322 |
| Other Capital Projects | - | 265,184 |
| Other Non-major Funds | 266,282 | 2,347,165 |
| Internal Service | 800,000 | - |
| | <u>\$ 34,344,953</u> | <u>\$ 34,344,953</u> |

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

10. INTERFUND TRANSFERS (continued)

The majority of transfers from the Capital Projects – Capital Improvement Fund were to fund Certificate of Participation debt service payments and to provide funding for transportation.

The transfers out of the Non-major Governmental Funds were to fund capital lease debt service payments in the Non-major Governmental Funds – Other Debt Service and to transfer unexpended Medicaid administrative claiming funds from the Special Revenue - Other Fund to the General Fund. The remaining transfers between funds were operational in nature.

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of State revenue sources and amounts:

| Sources | Amounts |
|---|----------------|
| Florida Education Finance Program | \$ 369,910,723 |
| Categorical Educational Programs: | |
| Florida Teachers Lead Program | \$ 865,964 |
| Instructional Materials | 11,207,709 |
| Transportation | 19,224,116 |
| Class Size Reduction/Operating Funds | 71,726,201 |
| School Recognition Funds | 8,799,097 |
| Excellent Teaching Program | 1,008,886 |
| Voluntary Prekindergarten Program | 283,700 |
| Public School Technology | 2,365,745 |
| Teacher Training | 867,495 |
| Discretionary Lottery Fund | 116,348,913 |
| Public Education Capital Outlay (PECO) | 6,163,916 |
| Capital Outlay & Debt Service Bonds | 14,710,125 |
| Motor Vehicle License Tax (CO&DS) | 3,897,516 |
| Pari-Mutuel Tax | 476,885 |
| Food Service Supplement | 446,500 |
| Charter Schools Capital Outlay | 798,710 |
| Motor Home License Tax | 319,342 |
| Florida Diagnostic Learning Resources | 280,358 |
| Interest on Undistributed Capital Outlay & Debt Service Funds | 85,611 |
| State Forest Funds | 55,936 |
| Miscellaneous Other – Capital and Food Service | 65 |
| Miscellaneous State Revenue | 66,615 |
| TOTAL | 1,991,684 |
| | \$ 515,552,899 |

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

12. PROPERTY TAX

The following is a summary of millages and taxes levied on the 2005 tax roll for the 2005-06 fiscal year:

| | <u>Millages</u> | <u>Taxes Levied</u> |
|-----------------------------------|-----------------|-----------------------|
| <u>GENERAL FUND</u> | | |
| Nonvoted School Tax: | | |
| Required Local Effort | 5.2440 | \$ 240,388,789 |
| Basic Discretionary Local Effort | 0.7600 | 34,838,955 |
| <u>DEBT SERVICE FUNDS</u> | | |
| Voted Tax: | | |
| Special Tax School District No. 1 | 0.4210 | 19,298,947 |
| <u>CAPITAL PROJECTS FUNDS</u> | | |
| Nonvoted Tax: | | |
| Local Capital Improvements | <u>2.0000</u> | <u>91,681,460</u> |
| Total | <u>8.425</u> | <u>\$ 386,208,151</u> |

(1) Based on certifications from the Duval County Property Appraiser, which includes prior year certificate sales received in 2005-06.

Actual property taxes collected totaled 95% of taxes levied. The Duval County Tax Collector is not required by law to make an accounting to the School Board of the difference between taxes levied and taxes collected. However, because discounts are allowed for early payments of taxes and because of other reasons for non-collection, the School Board budget estimates an anticipated 5% shortfall between taxes levied and taxes collected.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

13. STATE RETIREMENT PROGRAM

Defined Benefit Plan

In excess of 99% of the District's obligations for defined benefit plans relate to the Florida Retirement System ("FRS"). The FRS is primarily a State-administered cost-sharing multiple-employer defined benefit retirement plan ("Defined Benefit Plan"). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the Defined Benefit Plan vest at six years of service. The Defined Benefit Plan also includes an early retirement provision but imposes a penalty for each year a member retires before his or her normal retirement date. The Defined Benefit Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program ("DROP") subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

One employee participates in the General Employees Pension Plan administered by the City of Jacksonville. The financial impact of participation in this pension plan is not significant as the total amount of required contributions by the District and the employee represents less than 1% of all required retirement system contributions. Details of the General Employees Pension Plan are presented in the City of Jacksonville's Annual Financial Report which is filed as a public record with the City of Jacksonville.

Funding Policy

The FRS contribution rates for members are established as a percentage of gross salary and may be amended by the State of Florida. During the 2005-2006 fiscal year, contribution rates were as follows:

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

13. STATE RETIREMENT PROGRAM (continued)

Defined Benefit Plan (continued)

| <u>Class or Plan</u> | <u>Employee</u> | <u>Employer (A)</u> |
|--|-----------------|---------------------|
| FRS, Regular | 0.00 | 7.83 |
| FRS, Elected County Officers | 0.00 | 15.23 |
| FRS, Special Risk | 0.00 | 18.53 |
| FRS, Senior Management | 0.00 | 10.45 |
| Teacher's Retirement System, Plan E (TRS) | 6.25 | 11.35 |
| State and County Officers and Employee's Retirement Sytem, Division B (SCORES) | 4.00 | 9.10 |
| DROP - Applicable to Members from All of the Above Classes or Plans | 0.00 | 9.33 |
| FRS, Reemployed Retiree | (B) | (B) |

Notes:

- (A) Employer rates include 1.11% for the post-employment health insurance supplement and 0.05% for administrative/educational fee.
 1. The 1.11% HIS rate and the 0.05% administrative/educational fee do not apply to members in Supplemental Retirement Program of the Institute of Food and Agricultural Sciences (IFAS).
 2. Member contribution rates did not change in FY 2005/06 for TRS or SCORES.
 3. The DROP rate includes the 1.11% HIS rate but the 0.05% administrative/educational fee does not apply to DROP participants.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

The District’s liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District’s contributions (including employee contributions) for the fiscal years ending June 30, 2004, June 30, 2005, and June 30, 2006, totaled \$34,639,879, \$37,254,666 and \$41,424,411 respectively, which were equal to the required contributions for each fiscal year.

Defined Contribution Plan

Effective July 1, 2002, the Public Employee Optional Retirement Program (“PEORP”) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Required employer contributions made to the program for the fiscal year ending June 30, 2006, totaled \$3,403,584.

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

13. STATE RETIREMENT PROGRAM (continued)

Pension Reporting

The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS which includes its financial statements, required supplementary information, actuarial report, and other relevant information may be obtained from the Florida Department of Retirement Services, Division of Retirement in Tallahassee, Florida.

14. RETIREMENT INCENTIVE PROGRAM

The Board offered a retirement incentive program in a prior fiscal year for administrators, specialists, and certain classified exempt personnel who submitted an application to participate and agreed to retire from employment under the provisions of the Florida Retirement System. The District was required to contribute the difference between the cost of single premium group health insurance coverage and the amount received by the retiree for the post-retirement health-care insurance supplement from the Florida Retirement System and to pay the entire premium for \$10,000 term life insurance coverage for each retiree for up to ten years depending on the effective retirement date.

As of June 30, 2006, the District reported a liability of \$75,417 in the Statement of Net Assets, representing the present value of the estimated future payments for health insurance coverage for 35 retirees and \$10,823 in life insurance coverage for 37 retirees participating in the retirement incentive program. The liability for the retirement incentive program is generally liquidated with General Fund resources.

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

15. CONSTRUCTION CONTRACT COMMITMENTS

The following is a summary of major construction contract commitments remaining at fiscal year-end:

| School | Project No. | Contract Amount | Completed to Date | Balance Committed |
|--|-------------|-----------------|-------------------|-------------------|
| <u>New School Construction</u> | | | | |
| New High School Campus with Athletic Fields | C-90650 | \$ 7,859,094 | \$ 668,933 | \$ 7,190,161 |
| New School-Chaffee Road | C-91060 | 2,051,488 | 855,316 | 1,196,172 |
| Conversion to K-8 North Shore | C-91080 | 3,867,578 | 761,385 | 3,106,193 |
| Replacement Arlington Middle | C-90970 | 704,439 | 75,000 | 629,439 |
| New Northside K - 5 School A | C-90980 | 13,320,703 | 11,211,868 | 2,108,835 |
| Total New School Construction | | 27,803,302 | 13,572,502 | 14,230,800 |
| <u>Additions and Remodeling</u> | | | | |
| Classroom Addition at First Coast | C-91050 | 5,064,999 | 3,850,430 | 1,214,569 |
| Portable-Districtwide | C-90700 | 1,889,355 | 985,254 | 904,101 |
| Highlands Elementary-Additions, Remodeling and Renovations | C-91100 | 3,088,788 | 1,994,307 | 1,094,481 |
| New Nutrition Center | C-90870 | 13,006,030 | 11,643,296 | 1,362,734 |
| Additions/Renovation & Site Improvement Seabreeze Elementary | C-90950 | 163,898 | 64,856 | 99,042 |
| Total Additions and Remodeling | | 23,213,070 | 18,538,143 | 4,674,927 |
| Totals | | \$ 51,016,372 | \$ 32,110,645 | \$ 18,905,727 |

16. RISK MANAGEMENT PROGRAMS

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 natural disasters. Workers' compensation, general liability, and automobile liability coverages are being provided on a self-insured basis. The District's liability for workers' compensation is limited from \$150,000 to \$425,000 per occurrence, depending on the year of occurrence, through January 31, 2003. Additionally, during the period February 1, 1997, through January 31, 2002, the District's liability is limited by aggregate excess coverage when total claims minus specific excess coverage exceed the loss fund established annually by the District. For claims occurring on or after February 1, 2003, the District has retained the entire liability for workers' compensation claims. The District's liability for tort claims under the general and automobile liability coverages are limited by State statute to \$100,000 per claim and \$200,000 per incident. The District has contracted with an insurance administrator to administer the self-insurance program, including the processing, investigating, and payment of claims. The insurance administrator has been approved by the Department of Financial Services, Office of Insurance Regulation.

A liability in the amount of \$13,727,548 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2006. The amount of settled claims did not exceed insurance coverage for the last 3 years.

**DUVAL COUNTY PUBLIC SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

16. RISK MANAGEMENT PROGRAMS (continued)

The following schedule represents the changes in claims liability for the past three fiscal years for the District's self-insurance program:

| | <u>Liability</u> | <u>Estimates</u> | <u>Payments</u> | <u>Year End</u> |
|---------|------------------|------------------|-----------------|-----------------|
| 2003-04 | \$ 15,936,051 | \$ 6,761,747 | \$ (5,872,028) | \$ 16,825,770 |
| 2004-05 | \$ 16,825,770 | \$ 2,627,372 | \$ (4,389,642) | \$ 15,063,500 |
| 2005-06 | \$ 15,063,500 | \$ 4,796,706 | \$ (6,132,658) | \$ 13,727,548 |

Liability coverage for property protection, errors and omissions, employee blanket bond, and other coverage deemed necessary by the School Board are provided through purchased commercial insurance, with minimum deductibles for each line of coverage.

Health and hospitalization coverage for District employees is being provided through purchased commercial insurance. The health and hospitalization coverage provided by the District contains high employee and dependent deductibles. To satisfy the annual deductibles associated with the coverage, the District contributes \$500 per eligible employee, and an additional \$300 for dependent and family coverage, to an Internal Revenue Code Section 125 Flexible Benefits Plan ("Flexible Benefits Plan"). These and other Flexible Benefit Plan contributions are subject to a use-it-or-lose-it rule whereby unspent balances remaining in the Flexible Benefit Plan after the reimbursement eligibility period are forfeited. The District's Plan Document generally requires that forfeited balances be used to provide increased benefits or compensation to employees in future years. At June 30, 2006, the District held forfeited balances totaling \$2,191,804 that are restricted to providing employee benefits in future years.

17. CONTINGENT LIABILITIES

The District is involved in several pending and threatened legal actions. In the opinion of District management, the range of potential loss from all such claims and actions should not materially affect the financial condition of the District. For governmental activities, claims and judgments are generally liquidated with resources of the Proprietary Fund.

The District receives grants from various Federal agencies. Amounts received or receivable under the grant programs are subject to audit and adjustment by the various Federal grantor and pass-through agencies. The amount, if any, of disallowed claims, including amounts already collected, cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

REQUIRED SUPPLEMENTARY
INFORMATION

**DUVAL COUNTY PUBLIC SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006**

| | General Fund | | | |
|---|--------------------|--------------------|--------------------|----------------------------------|
| | Budgeted Amounts | | Actual Amounts | Variance Positive/ (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Federal Direct Sources: | | | | |
| Reserve Officer Training Corps (ROTC) | \$ 400,000 | \$ 611,595 | \$ 611,595 | \$ - |
| Other Federal Direct Sources | 870,000 | 744,252 | 744,252 | - |
| Total Federal Direct | <u>1,270,000</u> | <u>1,355,847</u> | <u>1,355,847</u> | <u>-</u> |
| Federal thru State: | | | | |
| Hurricane Emergency | - | 773,941 | 773,941 | - |
| Total Federal Through State | <u>-</u> | <u>773,941</u> | <u>773,941</u> | <u>-</u> |
| State Sources: | | | | |
| Florida Education Finance Program | 393,915,765 | 369,910,723 | 369,910,723 | - |
| Categorical Programs | 113,394,393 | 116,348,913 | 116,348,913 | - |
| District Discretionary Lottery Funds | 7,003,169 | 6,163,916 | 6,163,916 | - |
| CO&DS Withheld for Administrative Expense | 66,587 | 66,615 | 66,615 | - |
| Other State Sources | 749,500 | 2,476,687 | 2,667,603 | 190,916 |
| Total State Sources | <u>515,129,414</u> | <u>494,966,854</u> | <u>495,157,770</u> | <u>190,916</u> |
| Local Sources: | | | | |
| Ad Valorem Taxes | 261,534,456 | 270,928,597 | 272,216,105 | 1,287,508 |
| Interest Income | 2,700,000 | 5,389,201 | 5,389,201 | - |
| Other Local Sources | 15,432,883 | 22,657,491 | 21,382,775 | (1,274,716) |
| Total Local Sources | <u>279,667,339</u> | <u>298,975,289</u> | <u>298,988,081</u> | <u>12,792</u> |
| Total Revenues | <u>796,066,753</u> | <u>796,071,931</u> | <u>796,275,639</u> | <u>203,708</u> |

The notes to the budgetary comparison schedule are an integral part of this schedule.

| General Fund | | | | |
|--|-------------------------|----------------------|-----------------------|--|
| | Budgeted Amounts | | Actual Amounts | Variance Positive/ (Negative) |
| | Original | Final | | |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | \$ 543,694,372 | \$ 532,413,179 | \$ 498,205,329 | \$ 34,207,850 |
| Pupil Personnel Services | 44,665,185 | 46,510,923 | 44,585,808 | 1,925,115 |
| Instructional Media Services | 16,024,636 | 17,040,490 | 16,263,294 | 777,196 |
| Instruction and Curriculum Development | 22,552,144 | 16,457,296 | 13,929,612 | 2,527,684 |
| Instructional Staff Training Services | 16,729,913 | 18,569,818 | 15,934,387 | 2,635,431 |
| Instruction Related Technology | 9,923,599 | 12,222,600 | 10,165,915 | 2,056,685 |
| Board of Education | 3,216,958 | 3,024,581 | 1,652,634 | 1,371,947 |
| General Administration | 5,637,320 | 5,536,227 | 4,443,882 | 1,092,345 |
| School Administration | 38,071,985 | 39,421,164 | 38,798,885 | 622,279 |
| Facilities Acquisition & Construction | 3,185,169 | 3,435,607 | 1,933,685 | 1,501,922 |
| Fiscal Services | 6,852,194 | 7,854,507 | 5,519,393 | 2,335,114 |
| Central Services | 24,664,513 | 20,975,575 | 19,180,435 | 1,795,140 |
| Pupil Transportation Services | 44,654,415 | 41,620,819 | 41,123,738 | 497,081 |
| Operation of Plant | 56,111,998 | 64,547,450 | 60,640,637 | 3,906,813 |
| Maintenance of Plant | 29,238,106 | 31,169,434 | 30,254,052 | 915,382 |
| Administrative Technology | 5,353,806 | 7,001,142 | 6,375,648 | 625,494 |
| Community Services | 246,101 | 981,894 | 745,456 | 236,438 |
| Capital Outlay: | | | | |
| Facilities Acquisition & Construction | - | - | 386,081 | (386,081) |
| Debt Service: | | | | |
| Retirement of Principal | 2,058,058 | 8,521 | - | 8,521 |
| Total Expenditures | <u>872,880,472</u> | <u>868,791,227</u> | <u>810,138,871</u> | <u>58,652,356</u> |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | <u>(76,813,719)</u> | <u>(72,719,296)</u> | <u>(13,863,232)</u> | <u>58,856,064</u> |
| OTHER FINANCIAL SOURCES (USES) | | | | |
| Transfers In | 22,291,683 | 23,678,357 | 23,591,015 | (87,342) |
| Proceeds from Sale of Capital Assets | - | 41,742 | 41,742 | - |
| Loss Recoveries | - | 10,334 | 11,073 | 739 |
| Transfers Out | (889,194) | (1,161,823) | (1,066,282) | 95,541 |
| Total Other Financial Sources | <u>21,402,489</u> | <u>22,568,610</u> | <u>22,577,548</u> | <u>8,938</u> |
| Net Change in Fund Balance | (55,411,230) | (50,150,686) | 8,714,316 | 58,865,002 |
| Fund Balance, Beginning | 76,973,649 | 76,996,709 | 76,747,738 | (248,971) |
| Fund Balance, Ending | <u>\$ 21,562,419</u> | <u>\$ 26,846,023</u> | <u>\$ 85,462,054</u> | <u>\$ 58,616,031</u> |

**DUVAL COUNTY PUBLIC SCHOOLS
CAPITAL IMPROVEMENT - CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

| | Capital Improvement | | | |
|--|----------------------------|--------------------------|------------------------|--|
| | Budgeted Amounts | | | Variance Positive/ (Negative) |
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| Local Sources: | | | | |
| Ad Valorem Taxes | \$ 87,120,072 | \$ 87,120,072 | \$ 90,754,793 | \$ 3,634,721 |
| Interest Income | 1,977,200 | 2,659,549 | 2,730,716 | 71,167 |
| Other Local Sources | - | 150,000 | 33,387 | (116,613) |
| Total Local Sources | <u>89,097,272</u> | <u>89,929,621</u> | <u>93,518,896</u> | <u>3,589,275</u> |
| Total Revenues | <u>89,097,272</u> | <u>89,929,621</u> | <u>93,518,896</u> | <u>3,589,275</u> |
| EXPENDITURES | | | | |
| Facilities Acquisition & Construction | 175,476,196 | 178,142,683 | 59,673,117 | 118,469,566 |
| Total Expenditures | <u>175,476,196</u> | <u>178,142,683</u> | <u>59,673,117</u> | <u>118,469,566</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(86,378,924)</u> | <u>(88,213,062)</u> | <u>33,845,779</u> | <u>122,058,841</u> |
| OTHER FINANCIAL USES | | | | |
| Transfers Out | (42,921,002) | (43,329,586) | (30,666,322) | 12,663,264 |
| Total Other Financial Uses | <u>(42,921,002)</u> | <u>(43,329,586)</u> | <u>(30,666,322)</u> | <u>12,663,264</u> |
| Net Change in Fund Balance | <u>(129,299,926)</u> | <u>(131,542,648)</u> | <u>3,179,457</u> | <u>134,722,105</u> |
| Fund Balance, Beginning | <u>135,840,827</u> | <u>146,048,797</u> | <u>134,360,567</u> | <u>(11,688,230)</u> |
| Fund Balance, Ending | <u>\$ 6,540,901</u> | <u>\$ 14,506,149</u> | <u>\$ 137,540,024</u> | <u>\$ 123,033,875</u> |

**DUVAL COUNTY PUBLIC SCHOOLS
OTHER CAPITAL PROJECTS - CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

| | Other Capital Projects | | | |
|--|-------------------------------|-------------------------|-------------------------|--|
| | Budgeted Amounts | | Actual Amounts | Variance Positive/ (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| State Sources: | | | | |
| Other State Sources | \$ 2,267,449 | \$ 2,564,207 | \$ 437,880 | \$ (2,126,327) |
| Total State Sources | <u>2,267,449</u> | <u>2,564,207</u> | <u>437,880</u> | <u>(2,126,327)</u> |
| Local Sources: | | | | |
| Interest Income | 74,300 | 223,760 | 1,732,280 | 1,508,520 |
| Other Local Sources | - | 88,396,064 | 170 | (88,395,894) |
| Total Local Sources | <u>74,300</u> | <u>88,619,824</u> | <u>1,732,450</u> | <u>(86,887,374)</u> |
| Total Revenues | <u>2,341,749</u> | <u>91,184,031</u> | <u>2,170,330</u> | <u>(89,013,701)</u> |
| EXPENDITURES | | | | |
| Facilities Acquisition & Construction | 133,991,058 | 136,882,522 | 38,463,452 | 98,419,070 |
| Total Expenditures | <u>133,991,058</u> | <u>136,882,522</u> | <u>38,463,452</u> | <u>98,419,070</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(131,649,309)</u> | <u>(45,698,491)</u> | <u>(36,293,122)</u> | <u>(9,405,369)</u> |
| OTHER FINANCIAL SOURCES (USES) | | | | |
| Certificates of Participation Issued | 85,606,764 | - | 970,250 | 970,250 |
| Proceeds from the Sale of Capital Assets | - | - | 1,819,050 | 1,819,050 |
| Loss Recoveries | - | - | 1,298 | 1,298 |
| Transfers Out | (240,001) | (339,177) | (265,184) | 73,993 |
| Total Other Financial Sources (Uses) | <u>85,366,763</u> | <u>(339,177)</u> | <u>2,525,414</u> | <u>2,864,591</u> |
| Net Change in Fund Balance | <u>(46,282,546)</u> | <u>(46,037,668)</u> | <u>(33,767,708)</u> | <u>(12,269,960)</u> |
| Fund Balance, Beginning | <u>49,461,084</u> | <u>48,424,291</u> | <u>47,863,513</u> | <u>(560,778)</u> |
| Fund Balance, Ending | <u>\$ 3,178,538</u> | <u>\$ 2,386,623</u> | <u>\$ 14,095,805</u> | <u>\$ (12,830,738)</u> |

**DUVAL COUNTY PUBLIC SCHOOLS
OTHER DEBT SERVICE- DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

| | Other Debt Service | | | Variance Positive/ (Negative) |
|--|---------------------------|---------------|-----------------------|--|
| | Budgeted Amounts | | Actual Amounts | |
| | Original | Final | | |
| REVENUES | | | | |
| Local Sources: | | | | |
| Interest Income | \$ - | \$ - | \$ 1,712,587 | \$ 1,712,587 |
| Total Local Sources | - | - | 1,712,587 | 1,712,587 |
| EXPENDITURES | | | | |
| Debt Service: | | | | |
| Principal | 6,000,000 | 2,335,000 | 2,335,000 | - |
| Interest and Fiscal Charges | 7,663,291 | 4,910,894 | 5,689,095 | (778,201) |
| Dues, Fees and Issuance Costs | - | 126,812 | 70,945 | 55,867 |
| Total Expenditures | 13,663,291 | 7,372,706 | 8,095,040 | (722,334) |
| Excess (Deficiency) of Revenues Over Expenditures | (13,663,291) | (7,372,706) | (6,382,453) | (990,253) |
| OTHER FINANCIAL SOURCES | | | | |
| Certificates of Participation Issued | - | 44,750 | 44,750 | - |
| Transfers In | 21,369,320 | 9,687,656 | 9,687,656 | - |
| Total Other Financial Sources | 21,369,320 | 9,732,406 | 9,732,406 | - |
| Net Change in Fund Balance | 7,706,029 | 2,359,700 | 3,349,953 | (990,253) |
| Fund Balance, Beginning | 38,147,741 | 38,147,741 | 38,147,741 | - |
| Fund Balance, Ending | \$ 45,853,770 | \$ 40,507,441 | \$ 41,497,694 | \$ (990,253) |

SUMMARY OF BUDGET POLICIES

Budget Information

GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, requires governments to include as Required Supplementary Information (RSI), budgetary comparison schedules for the general fund and each major special revenue fund that has a legally adopted budget. As of June 30, 2006, none of the District's special revenue funds qualified as a major fund; accordingly, a budgetary comparison is included as RSI solely for the General Fund.

Budgetary Compliance

The School Board follows procedures established by State statutes and State Board of Education rules in establishing budget balances for governmental funds as described below:

- On an annual basis, budgets are prepared, public hearings are held, and original budgets are adopted for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board of Education rules.
- Appropriations are controlled at the function level (e.g., instruction, pupil personnel services, and school administration) and may be amended by resolution at any Board meeting prior to the due date for the annual financial report.
- Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

The reported final budgetary data presented in the accompanying schedule represents the final appropriated budget after amendments approved by the District.

Report of Independent Certified Public Accountants on Internal
Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Members of the School Board
Duval County Public Schools

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Duval County Public Schools (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 10, 2006. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the charter schools, which comprise the discretely presented component units of the District, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

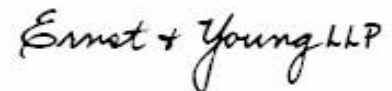
In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness, based on auditing standards generally accepted in the United States as established by the American Institute of Certified Public Accountants, is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

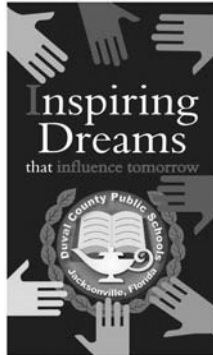
We noted certain matters that we reported to management of the District in a separate letter dated November 10, 2006.

This report is intended solely for the information and use of the School Board, management, federal awarding agencies and pass-through entities, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



November 10, 2006

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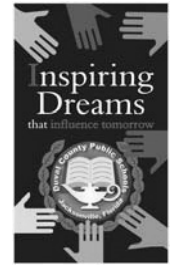


**Duval County Public Schools
Annual Financial Report
2006-2007**

September 18, 2007



Duval County Public Schools Management's Discussion and Analysis Fiscal Year Ended June 30, 2007



The District School Board of Duval County Management's Discussion and Analysis (MD&A) is provided to describe and account for significant financial differences between the government-wide financial statements and the fund financial statements for the fiscal year ended June 30, 2007. Short-term and long-term analyses of the District's activities are used for this narrative, based on information presented in the financial report and fiscal policies that have been adopted by the School Board. Moreover, the District School Board of Duval County MD&A is designed to assist the reader in the following:

- ◇ Focusing on significant financial issues of the District.
- ◇ Obtaining an overview and analysis of the District's financial activities.
- ◇ Identifying changes in the District's financial position.
- ◇ Identifying material deviations from the approved budget.
- ◇ Highlighting financial issues in individual funds.

The Management's Discussion and Analysis (MD&A) is a component of the entire financial statement report. Thus, the MD&A is a tool intended to highlight significant transactions, events and conditions in conjunction with the District's financial statements and notes to financial statements found in Exhibit D-1 on pages 18-A through 18-II.

Financial Highlights

Key financial highlights for the 2006-07 fiscal year are as follows:

- ◇ District's total assets exceeded its total liabilities by \$912,190,178 as of fiscal year ending June 30, 2007.
 - ◇ Net assets of the District increased by \$88,938,292 in comparison to an increase of \$48,190,921 in the 2005-06 fiscal year. This represents a 10.4 percent increase in net assets in 2006-07.
 - ◇ The District's Government-wide revenues totaled \$1,191,359,385 and are comprised of general revenues of \$1,072,132,486 or 90.0 percent of the total revenues for the 2006-07 fiscal year, as compared to \$972,034,924 or 91.3 percent for the 2005-06 fiscal year. Program specific revenues from charges for services, operating grants, contributions grants, capital grants and other contributions totaling \$119,226,898 or 10.0 percent of the total revenues for the 2006-07 fiscal year, as compared to \$92,744,181 or 8.7 percent in the prior year.
 - ◇ Expenses incurred by the District totaled \$1,102,421,093 for governmental related activities. Program specific revenues offset these expenses by \$119,226,898 and general revenues funded the remaining difference.
-

-
- ◇ The District's governmental funds reported combined ending fund balances of \$335,855,262 or an increase of \$27,919,733 in 2006-07 fiscal year in comparison with the prior year. A prior period adjustment of \$4,523,141 reduces the net increase to \$23,396,592.
 - ◇ The unreserved fund balance of the General Fund, representing the net current financial resources available for general appropriation by the Board, totaled \$45,217,476 at June 30, 2007 or 5.1 percent of total General Fund expenditures, as compared to \$51,878,881 or 6.4 percent at June 30, 2006.
 - ◇ Beginning net assets were reduced on the Statement of Activities and the Statement of Revenues, Expenses, and Changes in Fund Net Assets by \$2,983,141 (entity-wide) as a result of the State refinancing Capital Outlay and Debt Service Fund long term debt. Additionally, two adjustments were made to the District's fund balance for Aetna US HealthCare unrecognized liability (a decrease of \$5,166,736) and for CO&DS refunds (an increase of \$643,595). Thus, the Governmental Statements of Revenues Expenditures and Change in Fund Balances denotes an adjustment (reduction) to fund balance by \$4,523,141.
 - ◇ During the current year, General Fund expenditures exceeded revenues by \$5,333,292. This may be compared to last year's results in which General Fund expenditures exceeded revenues by \$13,863,232.
 - ◇ The General Fund total fund balance as of June 30, 2007 totaled \$102,404,702. This represents a 19.8 percent increase in comparison to 2005-06 fiscal year fund balance total of \$85,462,054. The increase in total fund balance of the General Fund is mainly attributed to the increases in State and Local revenues of \$63,712,745 and \$20,512,555 respectively.
 - ◇ The District's investment in capital assets (net of accumulated depreciation) increased by \$37,716,104 or 5.0 percent.

Non-Financial Events

- ◇ Six capital projects were completed during the 2006-07 fiscal year, including replacing gymnasium canopies, modernizing elevators, replacing the emergency generators at Carter G. Woodson Elementary, replacing the gymnasium floor at William Raines High, installing a new intercom system at San Jose Elementary and completing a new tennis court complex at Baldwin Middle-Senior High School. These projects were completed at a cost of \$560,091, which is 8.6% under the \$613,000 budgeted for these projects.
 - ◇ The Chaffee Road Elementary School was in the final stages of construction as of June 30, 2007. The school is scheduled to open on August 20, 2007 at a budgeted cost of \$22,000,000. Planned enrollment is 788 students.
-

-
- ◇ The District's student enrollment decreased by 1398 students, or 1.1 percent from the prior year. This is slightly less than the overall enrollment decline of 1.8 percent for the State of Florida.

Overview of the Financial Statements

The District's basic financial statements comprised of three components:

- 1) Government-Wide Financial Statements;
- 2) Fund Financial Statements;
- 3) Notes to Financial Statements.

In addition, this report contains other required supplemental information.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information regarding the overall financial position of the District, in a manner similar to a private-sector business. Additionally, this statement is intended to summarize and simplify the analysis of the cost of various governmental services and/or subsidy to various business-type activities and/or component units. The statements include a statement of net assets and a statement of activities designed to provide consolidated financial information about the activities of the primary government presented on accrual basis of accounting. For further clarification:

- ◇ The Statement of Net Assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the District.
- ◇ The Statement of Activities presents information about the change in the District's net assets and the results of operations during the fiscal year. Moreover, an increase or decrease in net assets is an indicator that the District's financial health is either improving or declining.

The Government-wide financial statements present the District's activities in the following two categories:

- 1) Governmental activities - The District's activities and services includes educational programs for basic, vocational, adult and exceptional education; pupil personnel services, instructional support services, administrative support services, facility maintenance, transportation, food services and other functions. Over all, property taxes, State and Federal assistance, and interest/investment earnings provide most of the resources that support these activities. Additionally, all capital and debt financing activities are reported in these statements.
-

-
- 3) Business-type activities - The District currently does not report any business-type activities, which would include functions that are intended to recover all or a significant portion of their costs through user fees and charges.
 - 2) Component units - The District reports the combined activities of five separate legal entities. Although component units are legally separate organizations, inclusion in this report is required based on meeting set criteria provided by generally accepted accounting principles. Four of these organizations are Charter Schools. The financial information for these component units is reported separately from the financial information presented for the primary government. Duval School Board Leasing Corporation is the fifth legal entity that is categorized as a blended component unit. The Financing Corporation for Duval County Public Schools Financial formed to facilitate financing for the acquisition of facilities and equipment. Due to the substantive economic relationships between the District and this Corporation, its financial activities have been included as an integral part of the primary government. The government-wide financial statements can be found in Exhibit B-1 and B-2.

As previously disclosed, over a period of time, changes in the District's net assets are an indication of improving or deteriorating financial condition. However, this information should be evaluated in conjunction with other non-financial factors, such as changes in the District's property tax base, student enrollment and the condition of the District's capital assets including its school buildings and administrative facilities.

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Funds are established for various purposes and the Fund Financial Statement allows the demonstration of sources and uses and/or budgetary compliance (Exhibit E-1 and G-1 through G-3). Fund financial statements provide detailed information about the District's financial activities with focus directed to its most significant or "major" funds, which is in contrast to the entity-wide perspective contained in the government-wide statements.

All of the funds of the District can be classified into one of the following three categories:

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds use a spendable financial resource measurement focus in contrast to the economic resource measurement focus used in the Government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term analysis that

may be useful in evaluating a government's near-term financing requirements. Moreover, comparing this detailed short-term analysis with long-term view presented as governmental activities in the government-wide financial statements may potentially enhance the understanding of long-term impact of the District's near-term financing decisions. Therefore, to facilitate this comparison, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental funds and governmental activities. To further assist the user in this comparison, reconciliation of the governmental fund and government-wide financial information is disclosed on the page following each statement (Exhibit C-2 page 5 and Exhibit C-4 page 7).

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the District's most significant funds. The District's major funds for this fiscal year are the General Fund, Debt Service-Other Debt Service, Capital Projects-Capital Improvement Section 1011.71(2) F.S. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule is provided for the General Fund to demonstrate compliance with this budget. In addition, the General Fund budgetary comparison schedule is included in this report as required supplementary information (Exhibit E-1).-

Proprietary Funds

Proprietary funds may be established to account for activities in which a fee is charged for services. The District maintains a proprietary fund for its Internal Service Fund. Internal service funds are used to accumulate and allocate costs internally among the District's various functions. The District uses its Internal Service Fund to account for:

- ◇ self-insurance program
- ◇ workers' compensation
- ◇ general liability insurance
- ◇ automobile liability coverage
- ◇ printing

The District's Internal Service Fund is included within governmental activities in the government-wide financial statements since this service predominantly benefits the District's governmental functions.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as school and activity funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. In its fiduciary capacity, the District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The District's only Fiduciary Funds are the Agency Funds that are used to account for resources held for the school internal funds.

Notes to the Basic Financial Statements

The notes within the Basic Financial Statements provide additional information that is essential to understanding the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the District's net assets as of June 30, 2007, compared to net assets as of June 30, 2006:

Net Assets, End of Year

| | Governmental Activities | | Change % |
|--------------------------------------|------------------------------------|-----------------------|-----------------|
| | 6-30-07 | 6-30-06 | |
| Current and Other Assets | \$ 462,433,077 | \$ 404,442,875 | 14.3% |
| Capital Assets | 788,265,329 | 750,549,225 | 5.0% |
| Total Assets | 1,250,698,406 | 1,154,992,100 | 8.2% |
| Long-Term Liabilities | 220,916,148 | 275,846,049 | -19.0% |
| Other Liabilities | 117,592,080 | 52,911,024 | 122.2% |
| Total Liabilities | 338,508,228 | 328,757,073 | 3.0% |
| Net Assets: | | | |
| Invested in Capital Assets - | | | |
| Net of Debt | 611,200,000 | 549,729,072 | 11.2% |
| Restricted | 278,322,488 | 247,345,800 | 12.5% |
| Unrestricted (Deficit) | 22,667,690 | 29,160,155 | -22.3% |
| Total Net Assets | \$ 912,190,178 | \$ 826,235,027 | 10.4% |
| Effect of Prior Period Adjustment | | \$ 2,983,141 | .4% |
| Restated Net Assets | | \$ 823,251,886 | 10.8% |

**Duval County Public Schools
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2007**

By far the largest portion of the District's net assets (86.4 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide educational and related services to the students of Duval County, Florida; consequently, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

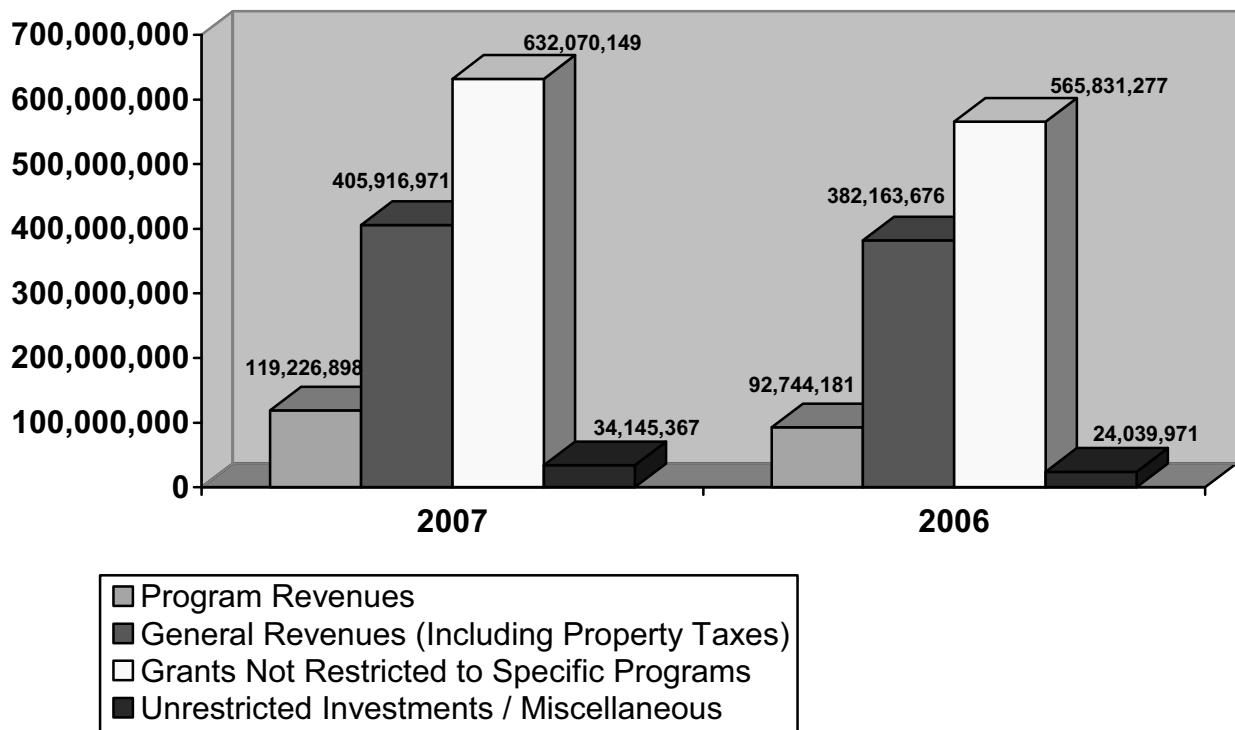
The restricted portion of the District's net assets (30.5 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets may be used to meet the District's ongoing obligations to students, employees, and creditors. Moreover, the District's total net assets increased by \$88,938,292 during the 2006-07 fiscal year.

Details of the revenues and expenses comprising the overall increase are as follows:

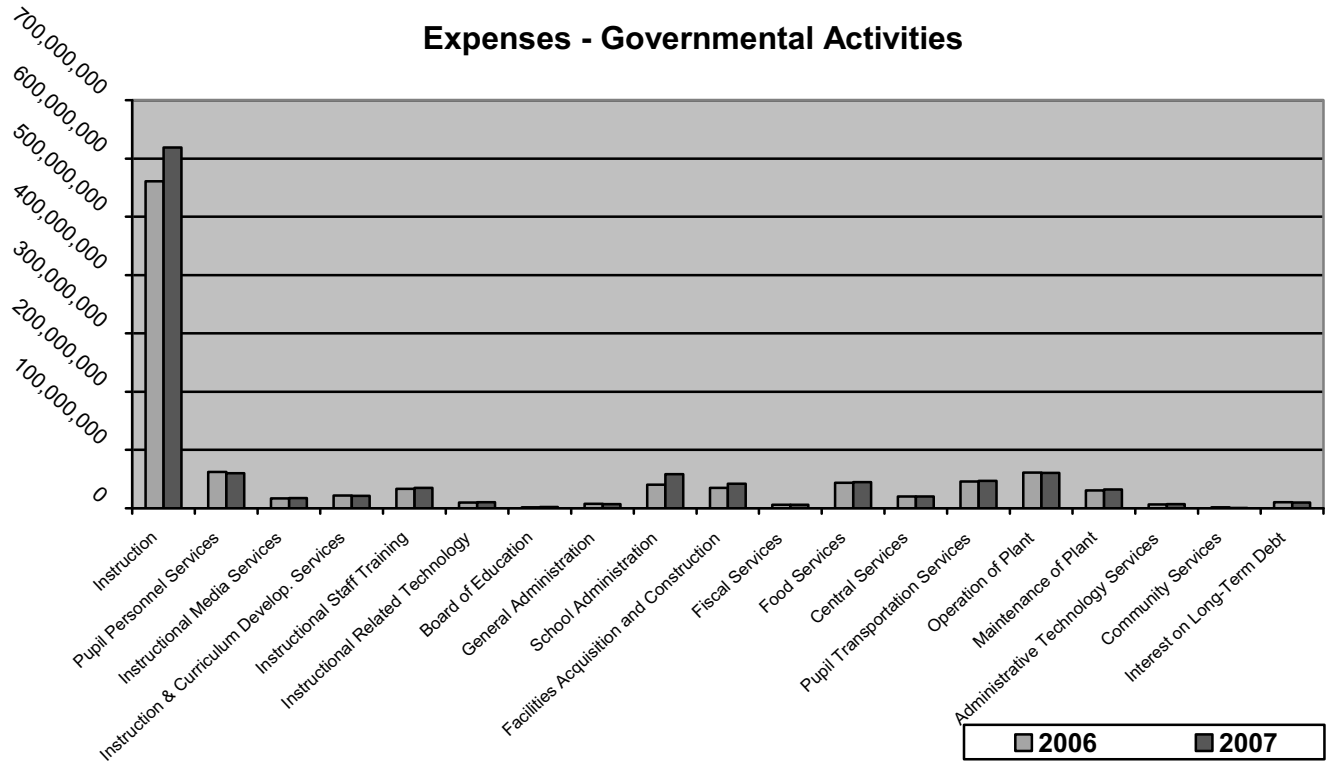
| | Operating Results 2006-07 Fiscal Year | | |
|--|--|----------------------|-----------------|
| | Governmental Activities | | Change % |
| | 6-30-07 | 6-30-06 | |
| Program Revenues: | | | |
| Charges for Services | \$ 25,700,050 | \$ 26,121,447 | -1.6% |
| Operating Grants and Contributions | 47,997,637 | 45,770,657 | 4.9% |
| Capital Grants and Contributions | 45,529,211 | 20,852,077 | 118.3% |
| General Revenues: | | | |
| Property Tax Levied for Operational Purposes | 288,222,740 | 272,216,105 | 5.9% |
| Property Tax Levied for Debt Service | 17,187,155 | 19,491,295 | -11.8% |
| Property Tax Levied for Capital Projects | 100,507,076 | 90,456,276 | 11.1% |
| Grants and Contributions Not Restricted to Specific Programs | 632,070,149 | 565,831,277 | 11.7% |
| Unrestricted Investment Earnings | 21,920,016 | 13,728,006 | 59.7% |
| Miscellaneous | 12,225,351 | 10,311,965 | 18.6% |
| Total Revenues | 1,191,359,385 | 1,064,779,105 | 11.9% |
| Functions/Program Expenses: | | | |
| Instruction | 618,840,153 | 560,826,730 | 10.3% |
| Pupil Personnel Services | 60,298,362 | 62,701,243 | -3.8% |
| Instructional Media Services | 17,527,941 | 17,220,291 | 1.8% |
| Instruction and Curriculum Development Services | 21,552,252 | 21,785,102 | -1.1% |
| Instructional Staff Training | 34,994,749 | 33,292,113 | 5.1% |
| Instructional Related Technology | 10,418,117 | 9,587,351 | 8.7% |
| Board of Education | 2,016,835 | 1,683,054 | 19.8% |
| General Administration | 6,986,926 | 7,661,149 | -8.8% |
| School Administration | 58,438,247 | 40,733,928 | 43.5% |
| Facilities Acquisition and Construction | 42,034,144 | 34,893,677 | 20.5% |
| Fiscal Services | 6,018,931 | 5,819,582 | 3.4% |
| Food Services | 45,069,090 | 43,767,714 | 3.0% |
| Central Services | 20,412,095 | 20,276,104 | 0.7% |
| Pupil Transportation Services | 47,244,974 | 45,782,751 | 3.2% |
| Operation of Plant | 60,726,982 | 61,200,190 | -0.8% |
| Maintenance of Plant | 32,515,569 | 30,734,973 | 5.8% |
| Administrative Technology Services | 6,948,836 | 6,570,050 | 5.8% |
| Community Services | 774,763 | 1,381,756 | -43.9% |
| Interest on Long-Term Debt | 9,602,127 | 10,670,426 | -10.0% |
| Total Functions/Program Expenses | 1,102,421,093 | 1,016,588,184 | 8.4% |
| Increase in Net Assets | \$ 88,938,292 | \$ 48,190,921 | 84.6% |

The State's funds within the Florida Education Finance Program (FEFP) and local property taxes provide the majority of the District's revenues for current operations. These revenues are included in general revenues, which provide about 90 percent of total revenues, whereas program revenues provide only about 10 percent. The majority of program revenues are in the facilities acquisition and construction, food services, and pupil transportation services activities.

Revenues by Source - Governmental Activities



The FEFP funding formula is used to allocate State revenue sources for current District operations and, utilizing student enrollment data, is designed to maintain equity in funding across all Florida school districts considering funding ability based on taxable local property values. During the 2006-07 fiscal year, the District experienced an increase in local property tax revenues levied for operational purposes (general fund) of \$16,006,635 or 5.9 percent (mainly attributed to increasing property values), \$10,050,800 or 11.1 percent for capital projects. Property taxes levied for debt service decreased by \$2,304,140 or 11.8 percent. The increase in local property tax revenues for the general and capital projects funds, class size reduction funding for teachers and construction, and funding for teacher bonuses were the main factors in the growth in total revenues.



Direct instructional activities represent the majority of the District’s expenses, totaling approximately 56.1 percent of total governmental expenses in the 2006-07 fiscal year. Overall, total expenses increased by \$85,832,909 or 8.4 percent, as compared to total revenues which increased by \$126,580,280, or 11.9 percent.

Financial Analysis of the District’s Funds

As noted previously, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of June 30, 2007, the District’s governmental funds reported combined ending fund balances of \$335,855,262. This represents an increase of \$27,919,733 not including a prior period adjustment of \$4,523,141, or 7.5 percent in comparison with the prior fiscal year. The District’s total governmental fund revenues increased by \$124,238,745 or 12.2 percent in comparison to prior year; the expenditures increased by \$71,810,452 or 6.6 percent. In regards to the current year governmental funds reported

combined ending fund balances, approximately \$216,292,952 or 64.4 percent of the total amount constitutes unreserved fund balances. These funds are generally available for spending at the District's discretion considering each fund's established purpose. The remaining fund balance, \$119,562,310, is reserved to allocate for committed items that is not available for new spending. The following are the items included in this allocation: 1) liquidation of contracts and outstanding purchase orders at year-end; 2) state categorical programs funding; 3) inventories purchased and available for issuance; 4) funding for future employee benefits costs reductions; and 5) funding for other purposes - debt services.

Major Governmental Funds

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$45,217,476, while total fund balance was \$102,404,702. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. Unreserved fund balance represents 5.1 percent of total General Fund expenditures, while total fund balance represents 11.6 percent of total General Fund expenditures.

The District's General Fund total fund balance for 2006-07 fiscal year increased by \$22,109,384, less a prior period adjustment of \$5,166,736, for a net overall increase of \$16,942,648 or 19.8 percent compared to the prior fiscal year. Key contributors to this increase are as follows:

- ◇ An increase in revenues of \$83,654,657 comprised mainly of increases in State and local revenue sources. State revenues increased by \$63,712,745, mainly from increased State categorical funding, and local revenues increased by \$20,512,555, mainly from increases in District School Taxes collected.
- ◇ An increase in expenditures of \$75,124,717, mainly due to increases in expenditures for instruction of \$54,171,188 and school administration for \$16,847,791.
- ◇ Total expenditures exceeded total revenues by \$5,333,292.

The Debt Service Fund – Other Debt Service Fund has a total fund balance of \$42,347,065, all of which is reserved for the payment of debt service. Moreover, these funds are restricted for re-payment of the District's miscellaneous obligations, including lease payments required under the District's Certificates of Participation (including Qualified Zone Academy Bonds) financing arrangement. There was a net increase in fund balance of \$849,371.

The Capital Projects Fund – Capital Improvement Section 1011.72(2) F.S. Fund has a total fund balance of \$131,092,679, all of which is restricted for the acquisition, construction, and maintenance of capital assets. The fund balance decreased by \$6,447,344 in comparison to the prior fiscal year, primarily resulting from an increase in local revenues of \$12,732,095 or 12 percent in conjunction with heavily increased expenditures for facilities acquisition and construction projects by \$26,036,200, or 31.2 percent. Overall, this contributed to a net decrease in fund balance by 4.7 percent.

Proprietary funds - The District's Proprietary Funds provide the same type of information found in the government-wide financial statements. The Internal Service Fund's net assets totaled \$30,441,714, with \$17,771,808 being unrestricted at the end of the current fiscal year. Thus, the District's experienced a \$5,123,927 or 20.2 percent increase in comparison to prior year's total net assets.

General Fund Budgetary Highlights

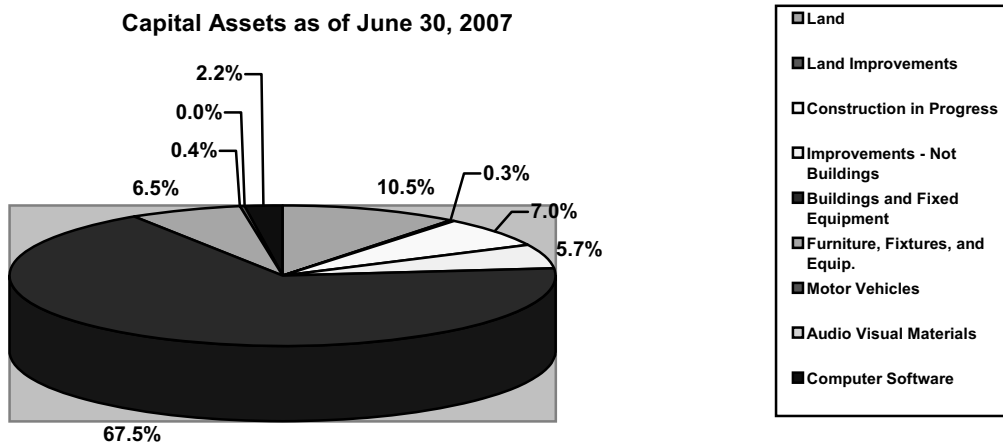
During the current fiscal year the District experienced relatively minor variances between the original budget and the final amended budget; final budget for revenues decreased by \$1,804,806 or .20 percent, appropriations for expenditures decreased by \$1,773,502 or .18 percent. Budget revisions are necessary to adjust planned revenues and expenditures to on actual revenues and resource needs.

Actual revenues were slightly less than final budgeted amounts, whereas actual expenditures were \$83,823,238 or 8.6 percent, less than anticipated. Since actual expenditures were substantially less than budgetary estimates, the need to draw on existing fund balance was minimized. The actual ending fund balance exceeded the estimated fund balance in the final budget by \$82,051,962.

Capital Assets and Long-Term Debt

Capital Assets

The District's investment in capital assets (net of accumulated depreciation) as of June 30, 2007, totaled \$788,265,329. The capital assets include land; land improvements; improvements other than buildings; buildings and fixed equipment; furniture, fixtures and equipment; motor vehicles; audio visual materials; computer software; and construction in progress. The investment in capital assets (net of accumulated depreciation) increased during the current fiscal year by \$37,716,104 or 5 percent.



Capital Assets at Year-End
(Net of Accumulated Depreciation)

| | 2006-07 | 2005-06 | Increase (Decrease) |
|------------------------------------|-----------------------|-----------------------|------------------------|
| Land | \$ 82,562,350 | \$ 79,060,687 | \$ 3,501,663 |
| Land Improvements | 2,371,494 | 2,305,626 | 65,868 |
| Construction in Progress | 55,074,767 | 37,468,336 | 17,606,431 |
| Improvements Other Than Buildings | 44,797,150 | 42,600,791 | 2,196,359 |
| Buildings and Fixed Equipment | 532,033,818 | 530,621,085 | 1,412,733 |
| Furniture, Fixtures, and Equipment | 50,930,678 | 45,415,198 | 5,515,480 |
| Motor Vehicles | 2,791,502 | 3,239,131 | (447,629) |
| Audio Visual Materials | 16,181 | 29,970 | (13,789) |
| Computer Software | 17,687,390 | 9,808,401 | 7,878,989 |
| Total Capital Assets, Net | \$ 788,265,329 | \$ 750,549,225 | \$ 37,716,104 |

Major capital asset events beginning during the current fiscal year included new construction, remodeling, renovations, and site improvements at several schools and other facilities, with costs totaling \$48,942,904. The schools included Abess Park Elementary, Alden Road Exceptional Child Center, Alimacani Elementary, Arlington Elementary, Cedar Hills Elementary, Crown Point Elementary, Darnell-Cookman Middle, Duncan U. Fletcher High, Fort Caroline Middle, Hogan-Spring Glen Elementary, Andrew Jackson High, James Weldon Johnson Middle, Kings Trail Elementary, Lake Lucina Elementary, Mayport Middle, Terry Parker High, William Raines High, Jean Ribault High, San Mateo Elementary, Spring Park Elementary, J.E.B Stuart High, Twin Lakes Academy Middle, Samuel W. Wolfson High, and Carter G. Woodson Elementary. Additional information on the District's capital assets is shown in Note 5 in Exhibit D-1 on page 18-N.

Long-Term Debt

The District had total Bond and Certificates of Participation outstanding debt principal of \$167,950,000 at the end of the current fiscal year, of which \$25,310,000 of general obligation debt is secured by a pledge of property taxes levied. The remaining debt consisted of Certificates of Participation of \$113,300,000 and State School Bonds totaling \$29,340,000:

**Duval County Public Schools
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2007**

| Description | GOVERNMENTAL ACTIVITIES | | | | |
|---------------------------------------|----------------------------|------------|-----------------|-----------------------------|--------------------|
| | Balance on July 1, 2006 | Additions | (Deductions) | Balance on June 30, 2007 | Due In One Year |
| Bonds Payable | 74,490,000 | | (19,840,000) | \$ 54,650,000 | 19,415,000 |
| Unamortized Bond Premiums | 2,867,154 | - | (1,433,577) | \$ 1,433,577 | 1,433,577 |
| Deferred Loss on Bond Refunding | (560,700) | 280,350 | | \$ (280,350) | (280,350) |
| Certificates of Participation Payable | 115,735,000 | - | (2,435,000) | \$ 113,300,000 | 2,545,000 |
| Unamortized Premiums-COP | 2,704,467 | - | (183,369) | \$ 2,521,098 | 183,369 |
| Qualified Zone Academy Bonds | 6,682,000 | | - | \$ 6,682,000 | - |
| Total Governmental Activities | \$ 201,917,920 | \$ 280,350 | \$ (23,891,946) | \$ 178,306,325 | \$ 23,296,596 |

The Districts total debt decreased by 14.7 percent during the current fiscal year. The key factors in this decrease were the payments of general obligation bonds, and refinancing the CO & DS bonds. Other changes in long-term debt were made in accordance with payment schedules. Additional information on the District's long-term debt is shown in Notes 6 through 8 in Exhibit D-1 on pages 18-Q through 18-Z.

Economic Factors and 2006-07 Fiscal Year's Budgets and Rates

All of these factors were considered in preparing the District budget for the 2006-07 fiscal year:

- ◇ The unemployment rate (seasonally adjusted) for the District (Duval County, Florida) is currently 3.5 percent, a decrease from the rate of 4.2 percent from the prior fiscal year. However, this compares unfavorably to the State's average unemployment rate of 3.3 percent. On the other hand, this rate compares favorably to the national average rate of 5.4 percent as of June 2007.
- ◇ There are approximately 25 companies with headquarters in Jacksonville with greater than 500 employees for a total of 44,921 employees. Additionally, there are 32 various unions in the area with the largest membership in the public sectors, with approximately 13,700 members.
- ◇ The Better Jacksonville Plan is a \$2.25 billion comprehensive growth management strategy initiative which encompasses public facilities, roads and infrastructure, environmental projects and targeted economic development.

- ◇ Florida legislation requiring the reduction of class sizes at all levels over the next several years continues to have a strong impact on the District's budget and its ability to provide elective courses and other services to the schools.
- ◇ Inflationary trends in the District compare favorably to national indices.
- ◇ The housing market within Duval County has decreased, as the market throughout the State. During 2001 – 2005, the housing market increased by 78.1 percent. During 2006 – 2007, only an 8% growth was expected.
- ◇ Governor Crist began working to reduce property taxes throughout the State. The District relies on property taxes for a significant portion of its revenues. A referendum is scheduled in order to determine future property tax assessments.

During the 2006-07 fiscal year, unreserved, undesignated fund balance in the General Fund decreased from \$46,712,145 (\$51,878,881 less a restatement of \$5,166,736) to \$45,217,476 in comparison to prior year. The District strives to maintain this level of a 3% – 5% undesignated fund balance in an effort to ensure resources are available for unforeseen changes in economic factors.

Requests for Information

This financial report is designed to provide a general overview of the Duval County District School Board's finances. Any questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the General Director of Business Services, Duval County Public Schools, 1701 Prudential Drive, Jacksonville, Florida 32207-8182.

**DISTRICT SCHOOL BOARD OF DUVAL COUNTY
STATEMENT OF NET ASSETS
June 30, 2007**

| ASSETS | Account Number | Primary Government | | | Component Units |
|---|----------------|-------------------------|--------------------------|------------------|-----------------|
| | | Governmental Activities | Business-type Activities | Total | |
| Cash and Cash Equivalents | 1110 | 5,129,181.11 | | 5,129,181.11 | 826,960.04 |
| Investments | 1160 | 350,499,118.13 | | 350,499,118.13 | |
| Taxes Receivable, Net | 1120 | | | 0.00 | |
| Accounts Receivable, Net | 1130 | 16,717,864.79 | | 16,717,864.79 | 1,600.00 |
| Interest Receivable | 1170 | 579,120.00 | | 579,120.00 | |
| Due from Reinsurer | 1180 | 516,966.91 | | 516,966.91 | |
| Deposits Receivable | 1210 | | | 0.00 | 5,035.34 |
| Due from Other Agencies | 1220 | 37,778,588.04 | | 37,778,588.04 | 78,725.00 |
| Internal Balances | | 172,523.87 | | 172,523.87 | |
| Inventory | 1150 | 4,258,080.88 | | 4,258,080.88 | |
| Prepaid Items | 1230 | 1,240,995.45 | | 1,240,995.45 | 3,839.90 |
| Restricted Assets: | | | | | |
| Cash with Fiscal Agent | 1114 | 45,540,637.86 | | 45,540,637.86 | |
| Capital Assets: | | | | | |
| Land | 1310 | 82,562,349.32 | | 82,562,349.32 | |
| Land Improvements - Nondepreciable | 1315 | 2,371,493.80 | | 2,371,493.80 | |
| Construction in Progress | 1360 | 55,074,766.51 | | 55,074,766.51 | |
| Improvements Other Than Buildings | 1320 | 115,130,933.90 | | 115,130,933.90 | 89,097.44 |
| Less Accumulated Depreciation | 1329 | (70,333,783.74) | | (70,333,783.74) | (29,720.91) |
| Buildings and Fixed Equipment | 1330 | 1,117,620,850.26 | | 1,117,620,850.26 | 1,893,719.31 |
| Less Accumulated Depreciation | 1339 | (585,587,032.72) | | (585,587,032.72) | (203,917.55) |
| Furniture, Fixtures and Equipment | 1340 | 157,632,765.55 | | 157,632,765.55 | 701,629.48 |
| Less Accumulated Depreciation | 1349 | (106,702,087.26) | | (106,702,087.26) | (364,279.26) |
| Motor Vehicles | 1350 | 9,455,068.98 | | 9,455,068.98 | 135,783.95 |
| Less Accumulated Depreciation | 1359 | (6,663,567.03) | | (6,663,567.03) | (58,547.94) |
| Property Under Capital Leases | 1370 | | | 0.00 | |
| Less Accumulated Depreciation | 1379 | | | 0.00 | |
| Audio Visual Materials | 1381 | 590,654.36 | | 590,654.36 | |
| Less Accumulated Depreciation | 1388 | (574,473.15) | | (574,473.15) | |
| Computer Software | 1382 | 59,441,178.56 | | 59,441,178.56 | 50,350.00 |
| Less Accumulated Amortization | 1389 | (41,753,788.09) | | (41,753,788.09) | (16,795.64) |
| Total Assets | | 1,250,698,406.29 | 0.00 | 1,250,698,406.29 | 3,113,479.16 |
| LIABILITIES AND NET ASSETS | | | | | |
| LIABILITIES | | | | | |
| Salaries and Wages Payable | 2110 | | | 0.00 | |
| Payroll Deductions and Withholdings | 2170 | 18,276,615.97 | | 18,276,615.97 | 3,119.98 |
| Accounts Payable | 2120 | 51,526,113.06 | | 51,526,113.06 | 62,382.06 |
| Construction Contracts Payable | 2140 | 1,992,142.30 | | 1,992,142.30 | |
| Due to Fiscal Agent | 2240 | 5,911.86 | | 5,911.86 | |
| Accrued Interest on Sale of Bonds | 2210 | 659,959.29 | | 659,959.29 | |
| Deposits Payable | 2220 | 32,955.90 | | 32,955.90 | |
| Due to Other Agencies | 2230 | 6,742,739.68 | | 6,742,739.68 | |
| Sales Tax Payable | 2260 | 625.27 | | 625.27 | |
| Estimated Unpaid Claims | 2271 | | | 0.00 | |
| Estimated Liability for Claims Adjustment | 2272 | | | 0.00 | |
| Noncurrent Liabilities: | | | | | |
| Portion Due Within One Year: | | | | | |
| Section 1011.13, F.S., Notes Payable | 2250 | | | 0.00 | |
| Notes Payable | 2310 | | | 0.00 | 45,000.00 |
| Bonds Payable | 2320 | 20,568,226.75 | | 20,568,226.75 | |
| Obligations Under Capital Leases | 2315 | | | 0.00 | 22,950.00 |
| Liability for Compensated Absences | 2330 | 7,796,832.49 | | 7,796,832.49 | |
| Certificates of Participation Payable | 2340 | 2,728,369.07 | | 2,728,369.07 | |
| Estimated Liability for Long-Term Claims | 2350 | 3,313,764.00 | | 3,313,764.00 | |
| Estimated PECO Advance Payable | 2370 | | | 0.00 | |
| Deferred Revenue | 2410 | 3,947,824.34 | | 3,947,824.34 | 11,510.00 |
| Estimated Liability for Arbitrage Rebate | 2280 | | | 0.00 | |
| Portion Due After One Year: | | | | | |
| Notes Payable | 2310 | | | 0.00 | |
| Bonds Payable | 2320 | 35,235,000.00 | | 35,235,000.00 | |
| Obligations Under Capital Leases | 2315 | | | 0.00 | |
| Liability for Compensated Absences | 2330 | 56,850,006.75 | | 56,850,006.75 | |
| Certificates of Participation Payable | 2340 | 119,774,728.70 | | 119,774,728.70 | |
| Estimated Liability for Long-Term Claims | 2350 | 9,056,413.00 | | 9,056,413.00 | |
| Estimated PECO Advance Payable | 2370 | | | 0.00 | |
| Deferred Revenue | 2410 | | | 0.00 | |
| Estimated Liability for Arbitrage Rebate | 2280 | | | 0.00 | |
| Total Liabilities | | 338,508,228.43 | 0.00 | 338,508,228.43 | 144,962.04 |
| NET ASSETS | | | | | |
| Invested in Capital Assets, Net of Related Debt | | 611,200,000.38 | | 611,200,000.38 | 2,055,511.00 |
| Restricted For: | | | | | |
| Categorical Carryover Programs | 2710 | 44,871,927.85 | | 44,871,927.85 | |
| Debt Service | 2750 | 61,324,002.70 | | 61,324,002.70 | |
| Capital Projects | | 169,491,951.88 | | 169,491,951.88 | 201,571.00 |
| Other Purposes | | 2,634,605.47 | | 2,634,605.47 | |
| Unrestricted | | 22,667,689.58 | | 22,667,689.58 | 711,435.12 |
| Total Net Assets | | 912,190,177.86 | 0.00 | 912,190,177.86 | 2,968,517.12 |
| Total Liabilities and Net Assets | | 1,250,698,406.29 | 0.00 | 1,250,698,406.29 | 3,113,479.16 |

The notes to the financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF DUVAL COUNTY
 STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended June 30, 2007

| FUNCTIONS | Account Number | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Units |
|---|----------------|------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|------------------|-----------------|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | |
| | | | | | | Governmental Activities | Business-type Activities | Total | |
| Governmental Activities: | | | | | | | | | |
| Instruction | 5000 | 618,840,152.51 | 11,872,656.67 | | | (606,967,495.84) | | (606,967,495.84) | |
| Pupil Personnel Services | 6100 | 60,298,361.98 | | | | (60,298,361.98) | | (60,298,361.98) | |
| Instructional Media Services | 6200 | 17,527,941.15 | | | | (17,527,941.15) | | (17,527,941.15) | |
| Instruction and Curriculum Development Services | 6300 | 21,552,251.96 | | | | (21,552,251.96) | | (21,552,251.96) | |
| Instructional Staff Training Services | 6400 | 34,994,748.86 | | | | (34,994,748.86) | | (34,994,748.86) | |
| Instruction Related Technology | 6500 | 10,418,116.67 | | | | (10,418,116.67) | | (10,418,116.67) | |
| School Board | 7100 | 2,016,835.46 | | | | (2,016,835.46) | | (2,016,835.46) | |
| General Administration | 7200 | 6,986,925.81 | | | | (6,986,925.81) | | (6,986,925.81) | |
| School Administration | 7300 | 58,438,246.56 | | | | (58,438,246.56) | | (58,438,246.56) | |
| Facilities Acquisition and Construction | 7400 | 42,034,143.52 | | | 41,717,827.87 | (316,315.65) | | (316,315.65) | |
| Fiscal Services | 7500 | 6,018,930.52 | | | | (6,018,930.52) | | (6,018,930.52) | |
| Food Services | 7600 | 45,069,089.93 | 13,827,392.85 | 27,236,086.43 | | (4,005,610.65) | | (4,005,610.65) | |
| Central Services | 7700 | 20,412,095.17 | | | | (20,412,095.17) | | (20,412,095.17) | |
| Pupil Transportation | 7800 | 47,244,974.13 | | 20,761,551.00 | | (26,483,423.13) | | (26,483,423.13) | |
| Operation of Plant | 7900 | 60,726,982.31 | | | | (60,726,982.31) | | (60,726,982.31) | |
| Maintenance of Plant | 8100 | 32,515,569.05 | | | | (32,515,569.05) | | (32,515,569.05) | |
| Administrative Technology Services | 8200 | 6,948,836.40 | | | | (6,948,836.40) | | (6,948,836.40) | |
| Community Services | 9100 | 774,763.45 | | | | (774,763.45) | | (774,763.45) | |
| Interest on Long-term Debt | 9200 | 9,602,127.36 | | | 3,811,383.45 | (5,790,743.91) | | (5,790,743.91) | |
| Unallocated Depreciation/Amortization Expense* | | | | | | 0.00 | | 0.00 | |
| Total Governmental Activities | | 1,102,421,092.80 | 25,700,049.52 | 47,997,637.43 | 45,529,211.32 | (983,194,194.53) | | (983,194,194.53) | |
| Business-type Activities: | | | | | | | | | |
| Self Insurance Consortium | | | | | | | 0.00 | 0.00 | |
| Daycare Operations | | | | | | | 0.00 | 0.00 | |
| Total Business-type Activities | | 0.00 | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | |
| Total Primary Government | | 1,102,421,092.80 | 25,700,049.52 | 47,997,637.43 | 45,529,211.32 | (983,194,194.53) | 0.00 | (983,194,194.53) | |
| Component Units: | | | | | | | | | |
| Charter Schools/Foundations | | 6,732,167.89 | | 151,556.32 | | | | (6,580,611.57) | |
| Total Component Units | | 6,732,167.89 | 0.00 | 151,556.32 | 0.00 | | | (6,580,611.57) | |

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Capital Projects
- Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Special Items

Extraordinary Items

Transfers

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

Change in Net Assets

Net Assets - July 1, 2006

Net Assets - June 30, 2007

| | | | |
|------------------|------|------------------|--------------|
| 288,222,740.09 | | 288,222,740.09 | |
| 17,187,155.25 | | 17,187,155.25 | |
| 100,507,075.66 | | 100,507,075.66 | |
| | | 0.00 | |
| 632,070,148.80 | | 632,070,148.80 | 7,222,781.27 |
| 21,920,015.60 | | 21,920,015.60 | 4.80 |
| 12,225,351.09 | | 12,225,351.09 | 2,365.05 |
| | | 0.00 | |
| | | 0.00 | |
| | | 0.00 | |
| 1,072,132,486.49 | 0.00 | 1,072,132,486.49 | 7,225,151.12 |
| 88,938,291.96 | 0.00 | 88,938,291.96 | 644,539.55 |
| 823,251,885.90 | | 823,251,885.90 | 2,323,977.57 |
| 912,190,177.86 | 0.00 | 912,190,177.86 | 2,968,517.12 |

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

**DISTRICT SCHOOL BOARD OF DUVAL COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007**

| | Account Number | General 100 | Other Debt Service 290 | Capital Improvement Section 1011.71(2) F.S. 370 | Other Governmental Funds | Total Governmental Funds |
|--|----------------|----------------|------------------------|---|--------------------------|--------------------------|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | 1110 | 5,128,681.11 | 810,905.11 | 0.00 | 536.00 | 5,940,122.22 |
| Investments | 1160 | 124,035,052.74 | 46,764,890.12 | 152,123,872.35 | 30,583,684.82 | 353,507,500.03 |
| Taxes Receivable, Net | 1120 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Receivable, Net | 1130 | 11,206,231.55 | 0.00 | 3,638,697.82 | 1,872,935.42 | 16,717,864.79 |
| Interest Receivable | 1170 | 240,991.00 | 0.00 | 323,685.00 | 0.00 | 564,676.00 |
| Due from Reinsurer | 1180 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deposits Receivable | 1210 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due From Other Funds: | | | | | | |
| Budgetary Funds | 1141 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Internal Funds | 1142 | 172,523.87 | 0.00 | 0.00 | 0.00 | 172,523.87 |
| Due from Other Agencies | 1220 | 0.00 | 0.00 | 0.00 | 37,156,108.59 | 37,156,108.59 |
| Inventory | 1150 | 3,206,999.57 | 0.00 | 0.00 | 1,051,081.31 | 4,258,080.88 |
| Prepaid Items | 1230 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Assets | | 143,990,479.84 | 47,575,795.23 | 156,086,255.17 | 70,664,346.14 | 418,316,876.38 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| LIABILITIES | | | | | | |
| Salaries, Benefits and Payroll Taxes Payable | 2110 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Payroll Deductions and Withholdings | 2170 | 18,276,615.97 | 0.00 | 0.00 | 0.00 | 18,276,615.97 |
| Accounts Payable | 2120 | 22,842,839.43 | 0.00 | 24,044,184.97 | 4,581,686.55 | 51,468,710.95 |
| Judgments Payable | 2130 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Construction Contracts Payable | 2140 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Construction Contracts Payable-Retained Percentage | 2150 | 33,621.29 | 0.00 | 949,391.63 | 1,009,129.38 | 1,992,142.30 |
| Due to Fiscal Agent | 2240 | 0.00 | 5,228,729.99 | 0.00 | 0.00 | 5,228,729.99 |
| Sales Tax Payable | 2260 | 625.27 | 0.00 | 0.00 | 0.00 | 625.27 |
| Accrued Interest Payable | 2210 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deposits Payable | 2220 | 32,955.90 | 0.00 | 0.00 | 0.00 | 32,955.90 |
| Due to Other Agencies | 2230 | 0.00 | 0.00 | 0.00 | 1,514,009.69 | 1,514,009.69 |
| Due to Other Funds: | | | | | | |
| Budgetary Funds | 2161 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Internal Funds | 2162 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred Revenue | 2410 | 399,120.03 | 0.00 | 0.00 | 3,548,704.31 | 3,947,824.34 |
| Total Liabilities | | 41,585,777.89 | 5,228,729.99 | 24,993,576.60 | 10,653,529.93 | 82,461,614.41 |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Endowments | 2705 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| State Required Carryover Programs | 2710 | 44,871,927.85 | 0.00 | 0.00 | 0.00 | 44,871,927.85 |
| Encumbrances | 2720 | 9,108,298.89 | 0.00 | 34,355,482.94 | 12,514,550.83 | 55,978,332.66 |
| Inventory | 2730 | 3,206,999.57 | 0.00 | 0.00 | 1,051,081.31 | 4,258,080.88 |
| Other Purposes | | 0.00 | 42,347,065.24 | 0.00 | 18,976,937.46 | 61,324,002.70 |
| Unreserved, Reported in: | | | | | | |
| General Fund | 2760 | 45,217,475.64 | 0.00 | 0.00 | 0.00 | 45,217,475.64 |
| Special Revenue Funds | 2760 | 0.00 | 0.00 | 0.00 | 1,482,857.58 | 1,482,857.58 |
| Debt Service Funds | 2760 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital Projects Funds | 2760 | 0.00 | 0.00 | 96,737,195.63 | 25,985,389.03 | 122,722,584.66 |
| Permanent Funds | 2760 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Fund Balances | 2700 | 102,404,701.95 | 42,347,065.24 | 131,092,678.57 | 60,010,816.21 | 335,855,261.97 |
| Total Liabilities and Fund Balances | | 143,990,479.84 | 47,575,795.23 | 156,086,255.17 | 70,664,346.14 | 418,316,876.38 |

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

**DISTRICT SCHOOL BOARD OF DUVAL COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
For the Fiscal Year Ended June 30, 2007**

| | |
|---|------------------------------|
| Total Fund Balances - Governmental Funds | 335,855,261.97 |
| Amounts reported for <i>governmental activities</i> in the statement of net assets are different because: | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 788,265,329.25 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | 2,954,922.20 |
| Accrued interest on Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | 409,962.98 |
| Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | 30,441,714.24 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | <u>(245,737,012.78)</u> |
| Total Net Assets - Governmental Activities | <u><u>912,190,177.86</u></u> |

The notes to the financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF DUVAL COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2007

| | Account Number | General 100 | Other Debt Service 290 | Capital Improvement Section 1011.71(2) F.S. 370 | Other Governmental Funds | Total Governmental Funds |
|---|----------------|----------------|------------------------|---|--------------------------|--------------------------|
| REVENUES | | | | | | |
| Federal Direct | 3100 | 1,384,904.35 | 0.00 | 0.00 | 5,581,362.09 | 6,966,266.44 |
| Federal Through State and Local | 3200 | 174,240.05 | 0.00 | 0.00 | 112,316,078.72 | 112,490,318.77 |
| State Sources | 3300 | 558,870,515.28 | 0.00 | 0.00 | 47,269,897.06 | 606,140,412.34 |
| Local Sources | 3400 | 319,500,635.86 | 1,607,170.09 | 106,250,990.96 | 35,084,766.14 | 462,443,563.05 |
| Total Revenues | | 879,930,295.54 | 1,607,170.09 | 106,250,990.96 | 200,252,104.01 | 1,188,040,560.60 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Instruction | 5000 | 551,974,526.80 | 0.00 | 0.00 | 41,172,515.98 | 593,147,042.78 |
| Pupil Personnel Services | 6100 | 40,543,745.25 | 0.00 | 0.00 | 17,232,364.61 | 57,776,109.86 |
| Instructional Media Services | 6200 | 16,535,355.45 | 0.00 | 0.00 | 197,062.28 | 16,732,417.73 |
| Instruction and Curriculum Development Services | 6300 | 11,288,325.51 | 0.00 | 0.00 | 9,760,967.87 | 21,049,293.38 |
| Instructional Staff Training Services | 6400 | 22,868,819.24 | 0.00 | 0.00 | 10,783,969.18 | 33,652,788.42 |
| Instruction Related Technology | 6500 | 10,679,283.15 | 0.00 | 0.00 | 0.00 | 10,679,283.15 |
| School Board | 7100 | 1,983,822.76 | 0.00 | 0.00 | 0.00 | 1,983,822.76 |
| General Administration | 7200 | 4,126,228.30 | 0.00 | 0.00 | 2,668,121.07 | 6,794,349.37 |
| School Administration | 7300 | 55,603,574.32 | 0.00 | 0.00 | 61,361.69 | 55,664,936.01 |
| Facilities Acquisition and Construction | 7410 | 1,594,218.19 | 0.00 | 33,945,932.19 | 39,312.87 | 35,579,463.25 |
| Fiscal Services | 7500 | 5,775,913.23 | 0.00 | 0.00 | 0.00 | 5,775,913.23 |
| Food Services | 7600 | 0.00 | 0.00 | 0.00 | 44,926,025.35 | 44,926,025.35 |
| Central Services | 7700 | 19,580,680.08 | 0.00 | 0.00 | 328,157.81 | 19,908,837.89 |
| Pupil Transportation Services | 7800 | 43,170,815.71 | 0.00 | 0.00 | 3,961,808.80 | 47,132,624.51 |
| Operation of Plant | 7900 | 59,964,222.89 | 0.00 | 0.00 | 156,032.30 | 60,120,255.19 |
| Maintenance of Plant | 8100 | 31,854,998.71 | 0.00 | 0.00 | 0.00 | 31,854,998.71 |
| Administrative Technology Services | 8200 | 7,050,447.43 | 0.00 | 0.00 | 0.00 | 7,050,447.43 |
| Community Services | 9100 | 494,857.85 | 0.00 | 0.00 | 243,891.11 | 738,748.96 |
| Debt Service: (Function 9200) | | | | | | |
| Retirement of Principal | 710 | 0.00 | 2,435,000.00 | 0.00 | 18,300,000.00 | 20,735,000.00 |
| Interest | 720 | 0.00 | 5,587,460.02 | 0.00 | 3,690,771.25 | 9,278,231.27 |
| Dues, Fees and Issuance Costs | 730 | 0.00 | 23,250.00 | 0.00 | 573,486.52 | 596,736.52 |
| Miscellaneous Expenditures | 790 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital Outlay: | | | | | | |
| Facilities Acquisition and Construction | 7420 | 173,752.89 | 0.00 | 49,453,223.30 | 29,350,597.01 | 78,977,573.20 |
| Other Capital Outlay | 9300 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Expenditures | | 885,263,587.76 | 8,045,710.02 | 83,399,155.49 | 183,446,445.70 | 1,160,154,898.97 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | | (5,333,292.22) | (6,438,539.93) | 22,851,835.47 | 16,805,658.31 | 27,885,661.63 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Long-Term Bonds Issued | 3710 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Premium on Sale of Bonds | 3791 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Discount on Sale of Bonds (Function 9299) | 891 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Refunding Bonds Issued | 3715 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Premium on Refunding Bonds | 3792 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Discount on Refunding Bonds (Function 9299) | 892 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Certificates of Participation Issued | 3750 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Premium on Certificates of Participation | 3793 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Discount on Certificates of Participation (Function 9299) | 893 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Loans Incurred | 3720 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Proceeds from the Sale of Capital Assets | 3730 | 0.00 | 0.00 | 0.00 | 25,000.00 | 25,000.00 |
| Loss Recoveries | 3740 | 9,071.66 | 0.00 | 0.00 | 0.00 | 9,071.66 |
| Proceeds of Forward Supply Contract | 3760 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Special Facilities Construction Advances | 3770 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Payments to Refunded Bond Escrow Agent (Function 9299) | 760 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfers In | 3600 | 27,661,160.60 | 7,287,910.82 | 0.00 | 227,556.38 | 35,176,627.80 |
| Transfers Out | 9700 | (227,556.38) | 0.00 | (29,299,179.82) | (5,649,891.60) | (35,176,627.80) |
| Total Other Financing Sources (Uses) | | 27,442,675.88 | 7,287,910.82 | (29,299,179.82) | (5,397,335.22) | 34,071.66 |
| SPECIAL ITEMS | | | | | | |
| | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EXTRAORDINARY ITEMS | | | | | | |
| | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Change in Fund Balances | | 22,109,383.66 | 849,370.89 | (6,447,344.35) | 11,408,323.09 | 27,919,733.29 |
| Fund Balances, July 1, 2006 | 2800 | 85,462,054.45 | 41,497,694.35 | 137,540,022.92 | 47,958,898.06 | 312,458,669.78 |
| Adjustment to Fund Balances | 2891 | (5,166,736.16) | 0.00 | 0.00 | 643,595.06 | (4,523,141.10) |
| Fund Balances, June 30, 2007 | 2700 | 102,404,701.95 | 42,347,065.24 | 131,092,678.57 | 60,010,816.21 | 335,855,261.97 |

The notes to the financial statements are an integral part of this statement.
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**DISTRICT SCHOOL BOARD OF DUVAL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007**

Net Change in Fund Balances - Governmental Funds **27,919,733.29**

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

| | |
|--|----------------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense in excess of capital outlays in the current period. | 37,762,113.71 |
| Capital assets donated to the District increase net assets in the government-wide financial statements, but are not financial resources and, therefore, are not reported in the governmental funds | 189,329.98 |
| The statement of activities reflects only the gain/loss on the sale of assets, whereas the governmental funds include all proceeds from these sales. Thus, the change in net assets differs from the change in fund balances by the cost of assets sold. | (235,339.44) |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments in the current period. | 20,735,000.00 |
| The cost of issuing bonds is recognized as an expenditure in governmental funds. However these amounts are deferred and amortized in the statement of activities | (137,122.55) |
| The premium amortization on proceeds of bonds remarketed in a prior period is reported in the statement of activities, but is not a current financial resource and, therefore, is not reported in the governmental funds | 1,616,945.82 |
| In the statement of activities, the cost of compensated absences is measured by the amounts earned during the year, while in the governmental funds expenditures are recognized based on the amounts actually paid for leave used. This is the net amount of vacation and sick leave paid in excess of the amount earned in the current period. | (4,532,499.08) |
| The net change in the retirement incentive program liability is reported in the government-wide statements, but not in the governmental fund statements. | 86,240.25 |
| Interest on long term debt is recognized as an expenditure in governmental funds when due, but is recognized as interest on an accrual basis in the statement of activities. This recognizes the net decrease in accrued interest during the current period. | 409,962.98 |
| Internal service funds are used by management to charge the cost of certain activities, such as insurance, to individual funds. The net revenue of internal service funds is reported with governmental activities. | 5,123,927.00 |

Change in Net Assets of Governmental Activities **88,938,291.96**

DISTRICT SCHOOL BOARD OF DUVAL COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

| | Account Number | Business-type Activities - Enterprise Funds | | | | | | | | | Governmental Activities - Internal Service Funds |
|--|----------------|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------|-----------|------------------------|--------|--|
| | | Self Insurance Consortium 911 | Self Insurance Consortium 912 | Self Insurance Consortium 913 | Self Insurance Consortium 914 | Self Insurance Consortium 915 | Other 921 | Other 922 | Other Enterprise Funds | Totals | |
| ASSETS | | | | | | | | | | | |
| Current Assets: | | | | | | | | | | | |
| Cash and Cash Equivalents | 1110 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 290,000.00 |
| Investments | 1160 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 41,431,314.85 |
| Accounts Receivable, Net | 1130 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest Receivable | 1170 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 14,444.00 |
| Due from Reinsurer | 1180 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 516,966.91 |
| Deposits Receivable | 1210 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due from Other Funds-Budgetary | 1141 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due from Other Agencies | 1220 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 622,479.45 |
| Inventory | 1150 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prepaid Items | 1230 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Current Assets | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 42,875,205.21 |
| Noncurrent Assets: | | | | | | | | | | | |
| Restricted Cash and Cash Equivalents | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital Assets: | | | | | | | | | | | |
| Land | 1310 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Land Improvements - Nondepreciable | 1315 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Construction in Progress | 1360 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Improvements Other Than Buildings | 1320 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accumulated Depreciation | 1329 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Buildings and Fixed Equipment | 1330 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accumulated Depreciation | 1339 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Furniture, Fixtures and Equipment | 1340 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accumulated Depreciation | 1349 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Motor Vehicles | 1350 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accumulated Depreciation | 1359 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Property Under Capital Leases | 1370 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accumulated Depreciation | 1379 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Computer Software | 1382 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accumulated Amortization | 1389 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Noncurrent Assets | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Assets | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 42,875,205.21 |
| LIABILITIES | | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | | |
| Salaries, Benefits and Payroll Taxes Payable | 2110 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Payroll Deductions and Withholdings | 2170 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Payable | 2120 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 57,402.11 |
| Judgments Payable | 2130 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sales Tax Payable | 2260 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accrued Interest Payable | 2210 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deposits Payable | 2220 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due to Other Funds-Budgetary | 2161 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due to Other Agencies | 2230 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5,911.86 |
| Deferred Revenues | 2410 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Estimated Unpaid Claims | 2271 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12,370,177.00 |
| Estimated Liability for Claims Adjustment Expense | 2272 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Obligations Under Capital Leases | 2315 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Liability for Compensated Absences | 2330 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Estimated Liability for Long-Term Claims | 2350 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Current Liabilities | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12,433,490.97 |
| Noncurrent Liabilities: | | | | | | | | | | | |
| Liabilities Payable from Restricted Assets: | | | | | | | | | | | |
| Deposits Payable | 2220 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Noncurrent Liabilities: | | | | | | | | | | | |
| Obligations Under Capital Leases | 2315 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Liability for Compensated Absences | 2330 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Estimated Liability for Long-Term Claims | 2350 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Noncurrent Liabilities | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Liabilities | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12,433,490.97 |
| NET ASSETS | | | | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 2770 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Restricted for _____ | 2780 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12,669,906.01 |
| Unrestricted | 2790 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 17,771,808.23 |
| Total Net Assets | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 30,441,714.24 |
| Total Liabilities and Net Assets | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 42,875,205.21 |

The notes to the financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF DUVAL COUNTY
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Fiscal Year Ended June 30, 2007

| | Account Number | Business-type Activities - Enterprise Funds | | | | | | | | Governmental Activities - Internal Service Funds |
|--|----------------|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-----------|-----------|------------------------|--|
| | | Self Insurance Consortium 911 | Self Insurance Consortium 912 | Self Insurance Consortium 913 | Self Insurance Consortium 914 | Self Insurance Consortium 915 | Other 921 | Other 922 | Other Enterprise Funds | |
| OPERATING REVENUES | | | | | | | | | | |
| Charges for Services | 3481 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Charges for Sales | 3482 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Premium Revenue | 3484 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Operating Revenues | 3489 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Operating Revenues | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| OPERATING EXPENSES | | | | | | | | | | |
| Salaries | 100 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Employee Benefits | 200 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Purchased Services | 300 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Energy Services | 400 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Materials and Supplies | 500 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital Outlay | 600 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Expenses | 700 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Depreciation | 780 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Operating Expenses | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operating Income (Loss) | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | | | | |
| Interest Revenue | 3430 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Gifts, Grants and Bequests | 3440 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Miscellaneous Local Sources | 3495 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Loss Recoveries | 3740 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Gain on Disposition of Assets | 3780 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest Expense | 720 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Miscellaneous Expense | 790 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Loss on Disposition of Assets | 810 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Nonoperating Revenues (Expenses) | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Income (Loss) Before Operating Transfers | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfers In | 3600 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfers Out | 9700 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| SPECIAL ITEMS | | | | | | | | | | |
| | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| EXTRAORDINARY ITEMS | | | | | | | | | | |
| Change In Net Assets | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Assets - July 1, 2006 | 2880 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Adjustment to Net Assets | 2896 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Assets - June 30, 2007 | 2780 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

The notes to the financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF DUVAL COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2007

| | Business-type Activities - Enterprise Funds | | | | | | | | | Governmental Activities - Internal Service Funds |
|---|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|--------------|--------------|------------------------------|--------|---|
| | Self Insurance Consortium 911 | Self Insurance Consortium 912 | Self Insurance Consortium 913 | Self Insurance Consortium 914 | Self Insurance Consortium 915 | Other 921 | Other 922 | Other Enterprise Funds | Totals | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | | | | |
| Receipts from customers and users | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Receipts from interfund services provided | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 12,769,072.46 |
| Payments to suppliers | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (8,675,708.81) |
| Payments to employees | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (400,260.42) |
| Payments for interfund services used | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other receipts (payments) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net cash provided (used) by operating activities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,693,103.23 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | | | | |
| Subsidies from operating grants | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfers from other funds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfers to other funds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net cash provided (used) by noncapital financing activities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | | | | |
| Proceeds from capital debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital contributions | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Proceeds from disposition of capital assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Acquisition and construction of capital assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Principal paid on capital debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest paid on capital debt | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net cash provided (used) by capital and related financing activities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | | | | | |
| Proceeds from sales and maturities of investments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 9,997,500.00 |
| Interest and dividends received | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,627,743.05 |
| Purchase of investments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (15,318,346.28) |
| Net cash provided (used) by investing activities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (3,693,103.23) |
| Net increase (decrease) in cash and cash equivalents | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash and cash equivalents - July 1, 2006 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 290,000.00 |
| Cash and cash equivalents - June 30, 2007 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 290,000.00 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | | | |
| Operating income (loss) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,295,083.95 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | | | |
| Depreciation/Amortization expense | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Commodities used from USDA program | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Change in assets and liabilities: | | | | | | | | | | |
| (Increase) decrease in accounts receivable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (Increase) decrease in interest receivable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 17,894.74 |
| (Increase) decrease in due from reinsurer | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 763,157.99 |
| (Increase) decrease in deposits receivable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (Increase) decrease in due from other funds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (Increase) decrease in due from other agencies | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1,482,577.90 |
| (Increase) decrease in inventory | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| (Increase) decrease in prepaid items | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increase (decrease) in salaries and benefits payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increase (decrease) in payroll tax liabilities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increase (decrease) in accounts payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 11,598.21 |
| Increase (decrease) in judgments payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increase (decrease) in sales tax payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increase (decrease) in accrued interest payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increase (decrease) in deposits payable | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increase (decrease) in due to other funds | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increase (decrease) in due to other agencies | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (519,838.56) |
| Increase (decrease) in deferred revenues | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Increase (decrease) in estimated unpaid claims | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (1,357,371.00) |
| Increase (decrease) in estimated liability for claims adjustment expense | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total adjustments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 398,019.28 |
| Net cash provided (used) by operating activities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 3,693,103.23 |
| Noncash investing, capital, and financing activities: | | | | | | | | | | |
| Borrowing under capital lease | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Contributions of capital assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Purchase of equipment on account | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital asset trade-ins | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net Increase/(Decrease) in the fair value of investments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 201,100.00 |
| Commodities received through USDA program | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

**DISTRICT SCHOOL BOARD OF DUVAL COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

**Exhibit C-8
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June 30, 2007

| | Account Number | Total Investment Trust Funds 84X | Total Private-Purpose Trust Funds 85X | Total Pension Trust Funds 87X | Total Agency Funds 89X |
|---|-------------------|---|--|--|---------------------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | 1110 | 0.00 | 0.00 | 0.00 | 6,622,545.62 |
| Investments | 1160 | 0.00 | 0.00 | 0.00 | 676,141.81 |
| Accounts Receivable, Net | 1130 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest Receivable | 1170 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due from Other Funds-Budgetary | 1141 | 0.00 | 0.00 | 0.00 | 0.00 |
| Inventory | 1150 | | | | 0.00 |
| Due from Other Agencies | 1220 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Assets | | 0.00 | 0.00 | 0.00 | 7,298,687.43 |
| LIABILITIES | | | | | |
| Salaries, Benefits and Payroll Taxes Payable | 2110 | 0.00 | 0.00 | 0.00 | 0.00 |
| Payroll Deductions and Withholdings | 2170 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Payable | 2120 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due to Other Agencies | 2230 | 0.00 | 0.00 | 0.00 | |
| Due to Other Funds-Budgetary | 2161 | 0.00 | 0.00 | 0.00 | 0.00 |
| Internal Accounts Payable | 2290 | 0.00 | 0.00 | 0.00 | 7,298,687.43 |
| Total Liabilities | | 0.00 | 0.00 | 0.00 | 7,298,687.43 |
| NET ASSETS | | | | | |
| Assets Held in Trust for Pension Benefits | | 0.00 | 0.00 | 0.00 | |
| Assets Held in Trust for Scholarships and Other Purposes | | 0.00 | 0.00 | 0.00 | |
| Total Net Assets | | 0.00 | 0.00 | 0.00 | |

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

**DISTRICT SCHOOL BOARD OF DUVAL COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

**Exhibit C-9
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For the Fiscal Year Ended June 30, 2007

| | Account Number | Total Investment Trust Funds 84X | Total Private-Purpose Trust Funds 85X | Total Pension Trust Funds 87X |
|--|-------------------|---|--|--|
| ADDITIONS | | | | |
| Contributions: | | | | |
| Employer | | 0.00 | 0.00 | 0.00 |
| Plan Members | | 0.00 | 0.00 | 0.00 |
| Gifts, Grants and Bequests | 3440 | 0.00 | 0.00 | 0.00 |
| Investment Earnings: | | | | |
| Interest | 3431 | 0.00 | 0.00 | 0.00 |
| Gain on Sale of Investments | 3432 | 0.00 | 0.00 | 0.00 |
| Net Increase (Decrease) in the Fair Value of Investments | | 0.00 | 0.00 | 0.00 |
| Total Investment Earnings | | 0.00 | 0.00 | 0.00 |
| Less Investment Expense | | 0.00 | 0.00 | 0.00 |
| Net Investment Earnings | | 0.00 | 0.00 | 0.00 |
| Total Additions | | 0.00 | 0.00 | 0.00 |
| DEDUCTIONS | | | | |
| Salaries | 100 | 0.00 | 0.00 | 0.00 |
| Employee Benefits | 200 | 0.00 | 0.00 | 0.00 |
| Purchased Services | 300 | 0.00 | 0.00 | 0.00 |
| Other Expenses | 700 | 0.00 | 0.00 | 0.00 |
| Refunds of Contributions | | 0.00 | 0.00 | 0.00 |
| Administrative Expenses | | 0.00 | 0.00 | 0.00 |
| Total Deductions | | 0.00 | 0.00 | 0.00 |
| Change In Net Assets | | 0.00 | 0.00 | 0.00 |
| Net Assets - July 1, 2006 | 2885 | 0.00 | 0.00 | 0.00 |
| Net Assets - June 30, 2007 | 2785 | 0.00 | 0.00 | 0.00 |

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

**DISTRICT SCHOOL BOARD OF DUVAL COUNTY
COMBINING STATEMENT OF NET ASSETS
MAJOR AND NONMAJOR COMPONENT UNITS
June 30, 2007**

| | Account Number | Major Component Unit Name | Major Component Unit Name | Total Nonmajor Component Units | Total Component Units |
|---|----------------|---------------------------|---------------------------|--------------------------------|-----------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | 1110 | 0.00 | 0.00 | 826,960.04 | 826,960.04 |
| Investments | 1160 | 0.00 | 0.00 | 0.00 | 0.00 |
| Taxes Receivable, Net | 1120 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Receivable, Net | 1130 | 0.00 | 0.00 | 1,600.00 | 1,600.00 |
| Interest Receivable | 1170 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due from Reinsurer | 1180 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deposits Receivable | 1210 | 0.00 | 0.00 | 5,035.34 | 5,035.34 |
| Due from Other Agencies | 1220 | 0.00 | 0.00 | 78,725.00 | 78,725.00 |
| Internal Balances | | 0.00 | 0.00 | 0.00 | 0.00 |
| Inventory | 1150 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prepaid Items | 1230 | 0.00 | 0.00 | 3,839.90 | 3,839.90 |
| Restricted Assets: | | | | | |
| Cash with Fiscal Agent | 1114 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital Assets: | | | | | |
| Land | 1310 | 0.00 | 0.00 | 0.00 | 0.00 |
| Land Improvements - Nondepreciable | 1315 | 0.00 | 0.00 | 0.00 | 0.00 |
| Construction in Progress | 1360 | 0.00 | 0.00 | 0.00 | 0.00 |
| Improvements Other Than Buildings | 1320 | 0.00 | 0.00 | 89,097.44 | 89,097.44 |
| Less Accumulated Depreciation | 1329 | 0.00 | 0.00 | (29,720.91) | (29,720.91) |
| Buildings and Fixed Equipment | 1330 | 0.00 | 0.00 | 1,893,719.31 | 1,893,719.31 |
| Less Accumulated Depreciation | 1339 | 0.00 | 0.00 | (203,917.55) | (203,917.55) |
| Furniture, Fixtures and Equipment | 1340 | 0.00 | 0.00 | 701,629.48 | 701,629.48 |
| Less Accumulated Depreciation | 1349 | 0.00 | 0.00 | (364,279.26) | (364,279.26) |
| Motor Vehicles | 1350 | 0.00 | 0.00 | 135,783.95 | 135,783.95 |
| Less Accumulated Depreciation | 1359 | 0.00 | 0.00 | (58,547.94) | (58,547.94) |
| Property Under Capital Leases | 1370 | 0.00 | 0.00 | 0.00 | 0.00 |
| Less Accumulated Depreciation | 1379 | 0.00 | 0.00 | 0.00 | 0.00 |
| Audio Visual Materials | 1381 | 0.00 | 0.00 | 0.00 | 0.00 |
| Less Accumulated Depreciation | 1388 | 0.00 | 0.00 | 0.00 | 0.00 |
| Computer Software | 1382 | 0.00 | 0.00 | 50,350.00 | 50,350.00 |
| Less Accumulated Amortization | 1389 | 0.00 | 0.00 | (16,795.64) | (16,795.64) |
| Total Assets | | 0.00 | 0.00 | 3,113,479.16 | 3,113,479.16 |
| LIABILITIES AND NET ASSETS | | | | | |
| LIABILITIES | | | | | |
| Salaries and Wages Payable | 2110 | 0.00 | 0.00 | 0.00 | 0.00 |
| Payroll Deductions and Withholdings | 2170 | 0.00 | 0.00 | 3,119.98 | 3,119.98 |
| Accounts Payable | 2120 | 0.00 | 0.00 | 62,382.06 | 62,382.06 |
| Construction Contracts Payable | 2140 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due to Fiscal Agent | 2240 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accrued Interest | 2210 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deposits Payable | 2220 | 0.00 | 0.00 | 0.00 | 0.00 |
| Due to Other Agencies | 2230 | 0.00 | 0.00 | 0.00 | 0.00 |
| Sales Tax Payable | 2260 | 0.00 | 0.00 | 0.00 | 0.00 |
| Estimated Unpaid Claims | 2271 | 0.00 | 0.00 | 0.00 | 0.00 |
| Estimated Liability for Claims Adjustment | 2272 | 0.00 | 0.00 | 0.00 | 0.00 |
| Noncurrent Liabilities: | | | | | |
| Portion Due Within One Year: | | | | | |
| Section 1011.13, F.S., Notes Payable | 2250 | 0.00 | 0.00 | 0.00 | 0.00 |
| Notes Payable | 2310 | 0.00 | 0.00 | 45,000.00 | 45,000.00 |
| Bonds Payable | 2320 | 0.00 | 0.00 | 0.00 | 0.00 |
| Obligations Under Capital Leases | 2315 | 0.00 | 0.00 | 22,950.00 | 22,950.00 |
| Liability for Compensated Absences | 2330 | 0.00 | 0.00 | 0.00 | 0.00 |
| Certificates of Participation Payable | 2340 | 0.00 | 0.00 | 0.00 | 0.00 |
| Estimated Liability for Long-Term Claims | 2350 | 0.00 | 0.00 | 0.00 | 0.00 |
| Estimated PECO Advance Payable | 2370 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred Revenue | 2410 | 0.00 | 0.00 | 11,510.00 | 11,510.00 |
| Estimated Liability for Arbitrage Rebate | 2280 | 0.00 | 0.00 | 0.00 | 0.00 |
| Portion Due After One Year: | | | | | |
| Notes Payable | 2310 | 0.00 | 0.00 | 0.00 | 0.00 |
| Bonds Payable | 2320 | 0.00 | 0.00 | 0.00 | 0.00 |
| Obligations Under Capital Leases | 2315 | 0.00 | 0.00 | 0.00 | 0.00 |
| Liability for Compensated Absences | 2330 | 0.00 | 0.00 | 0.00 | 0.00 |
| Certificates of Participation Payable | 2340 | 0.00 | 0.00 | 0.00 | 0.00 |
| Estimated Liability for Long-Term Claims | 2350 | 0.00 | 0.00 | 0.00 | 0.00 |
| Estimated PECO Advance Payable | 2370 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred Revenue | 2410 | 0.00 | 0.00 | 0.00 | 0.00 |
| Estimated Liability for Arbitrage Rebate | 2280 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Liabilities | | 0.00 | 0.00 | 144,962.04 | 144,962.04 |
| NET ASSETS | | | | | |
| Invested in Capital Assets, Net of Related Debt | | 0.00 | 0.00 | 2,055,511.00 | 2,055,511.00 |
| Restricted For: | | | | | |
| Categorical Carryover Programs | 2710 | 0.00 | 0.00 | 0.00 | 0.00 |
| Debt Service | 2750 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital Projects | | 0.00 | 0.00 | 201,571.00 | 201,571.00 |
| Other Purposes | | 0.00 | 0.00 | 0.00 | 0.00 |
| Unrestricted | | | | | |
| Total Net Assets | | 0.00 | 0.00 | 2,968,517.12 | 2,968,517.12 |
| Total Liabilities and Net Assets | | 0.00 | 0.00 | 3,113,479.16 | 3,113,479.16 |

The notes to the financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF DUVAL COUNTY
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
MAJOR AND NONMAJOR COMPONENT UNITS
Major Component Unit Name
For the Fiscal Year Ended June 30, 2007

| FUNCTIONS | Account Number | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------|-------------|----------------------|------------------------------------|----------------------------------|---|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Component Unit Activities |
| Component Unit Activities: | | | | | | |
| Instruction | 5000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Pupil Personnel Services | 6100 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Instructional Media Services | 6200 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Instruction and Curriculum Development Services | 6300 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Instructional Staff Training Services | 6400 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Instruction Related Technology | 6500 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| School Board | 7100 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| General Administration | 7200 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| School Administration | 7300 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Facilities Acquisition and Construction | 7400 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Fiscal Services | 7500 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Food Services | 7600 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Central Services | 7700 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Pupil Transportation | 7800 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operation of Plant | 7900 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Maintenance of Plant | 8000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Administrative Technology Services | 8200 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Community Services | 9100 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest on Long-term Debt | 9200 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Unallocated Depreciation/Amortization Expense* | | 0.00 | | | | 0.00 |
| Total Component Unit Activities | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

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| | |
|---|------|
| General Revenues: | |
| Taxes: | |
| Property Taxes, Levied for Operational Purposes | 0.00 |
| Property Taxes, Levied for Debt Service | 0.00 |
| Property Taxes, Levied for Capital Projects | 0.00 |
| Local Sales Taxes | 0.00 |
| Grants and Contributions Not Restricted to Specific Programs | 0.00 |
| Investment Earnings | 0.00 |
| Miscellaneous | 0.00 |
| Special Items | 0.00 |
| Extraordinary Items | 0.00 |
| Transfers | 0.00 |
| Total General Revenues, Special Items, Extraordinary Items, and Transfers | 0.00 |
| Change in Net Assets | 0.00 |
| Net Assets - July 1, 2006 | 0.00 |
| Net Assets - June 30, 2007 | 0.00 |

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

DISTRICT SCHOOL BOARD OF DUVAL COUNTY
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
MAJOR AND NONMAJOR COMPONENT UNITS
Major Component Unit Name
For the Fiscal Year Ended June 30, 2007

| FUNCTIONS | Account Number | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------|----------|----------------------|------------------------------------|----------------------------------|---|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Component Unit Activities |
| Component Unit Activities: | | | | | | |
| Instruction | 5000 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Pupil Personnel Services | 6100 | 0.00 | 0.00 | | 0.00 | 0.00 |
| Instructional Media Services | 6200 | 0.00 | 0.00 | | 0.00 | 0.00 |
| Instruction and Curriculum Development Services | 6300 | 0.00 | 0.00 | | 0.00 | 0.00 |
| Instructional Staff Training Services | 6400 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Instruction Related Technology | 6500 | 0.00 | | 0.00 | 0.00 | 0.00 |
| School Board | 7100 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| General Administration | 7200 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| School Administration | 7300 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Facilities Acquisition and Construction | 7400 | | 0.00 | 0.00 | 0.00 | 0.00 |
| Fiscal Services | 7500 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Food Services | 7600 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Central Services | 7700 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Pupil Transportation | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Operation of Plant | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Maintenance of Plant | 8100 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Administrative Technology Services | 8200 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Community Services | 9100 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest on Long-term Debt | 9200 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Unallocated Depreciation/Amortization Expense* | | 0.00 | | | | 0.00 |
| Total Component Unit Activities | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

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General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Capital Projects
- Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

- Investment Earnings
- Miscellaneous
- Special Items
- Extraordinary Items
- Transfers

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

- Change in Net Assets
- Net Assets - July 1, 2006
- Net Assets - June 30, 2007

| |
|------|
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |
| 0.00 |

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

DISTRICT SCHOOL BOARD OF DUVAL COUNTY
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
MAJOR AND NONMAJOR COMPONENT UNITS
TOTAL NONMAJOR COMPONENT UNITS
For the Fiscal Year Ended June 30, 2007

| FUNCTIONS | Account Number | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------|---------------------|----------------------|------------------------------------|----------------------------------|---|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Component Units Activities |
| Component Unit Activities: | | | | | | |
| Instruction | 5000 | 2,952,678.47 | 0.00 | 0.00 | 0.00 | (2,952,678.47) |
| Pupil Personnel Services | 6100 | 247,917.91 | 0.00 | 0.00 | 0.00 | (247,917.91) |
| Instructional Media Services | 6200 | 132,741.87 | 0.00 | 0.00 | 0.00 | (132,741.87) |
| Instruction and Curriculum Development Services | 6300 | 120,370.26 | 0.00 | 0.00 | 0.00 | (120,370.26) |
| Instructional Staff Training Services | 6400 | 2,936.88 | 0.00 | 0.00 | 0.00 | (2,936.88) |
| Instruction Related Technology | 6500 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| School Board | 7100 | 36,395.73 | 0.00 | 0.00 | 0.00 | (36,395.73) |
| General Administration | 7200 | 87,106.88 | 0.00 | 0.00 | 0.00 | (87,106.88) |
| School Administration | 7300 | 1,703,973.70 | 0.00 | 0.00 | 0.00 | (1,703,973.70) |
| Facilities Acquisition and Construction | 7400 | 19,030.80 | 0.00 | 0.00 | 0.00 | (19,030.80) |
| Fiscal Services | 7500 | 146,924.16 | 0.00 | 0.00 | 0.00 | (146,924.16) |
| Food Services | 7600 | 295,190.39 | 0.00 | 151,556.32 | 0.00 | (143,634.07) |
| Central Services | 7700 | 35,058.07 | 0.00 | 0.00 | 0.00 | (35,058.07) |
| Pupil Transportation | 7800 | 378,594.00 | 0.00 | 0.00 | 0.00 | (378,594.00) |
| Operation of Plant | 7900 | 314,149.40 | 0.00 | 0.00 | 0.00 | (314,149.40) |
| Maintenance of Plant | 8100 | 182,021.37 | 0.00 | 0.00 | 0.00 | (182,021.37) |
| Administrative Technology Services | 8200 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Community Services | 9100 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest on Long-term Debt | 9200 | 13,820.70 | 0.00 | 0.00 | 0.00 | (13,820.70) |
| Unallocated Depreciation/Amortization Expense* | | 63,257.30 | | | | (63,257.30) |
| Total Component Unit Activities | | 6,732,167.89 | 0.00 | 151,556.32 | 0.00 | (6,580,611.57) |

General Revenues:

Taxes:

| | |
|---|--------------|
| Property Taxes, Levied for Operational Purposes | 0.00 |
| Property Taxes, Levied for Debt Service | 0.00 |
| Property Taxes, Levied for Capital Projects | 0.00 |
| Local Sales Taxes | 0.00 |
| Grants and Contributions Not Restricted to Specific Programs | 7,222,781.27 |
| Investment Earnings | 4.80 |
| Miscellaneous | 2,365.05 |
| Special Items | 0.00 |
| Extraordinary Items | 0.00 |
| Transfers | 0.00 |
| Total General Revenues, Special Items, Extraordinary Items, and Transfers | 7,225,151.12 |
| Change in Net Assets | 644,539.55 |
| Net Assets - July 1, 2006 | 2,323,977.57 |
| Net Assets - June 30, 2007 | 2,968,517.12 |

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

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

DISTRICT SCHOOL BOARD OF DUVAL COUNTY
 COMBINING STATEMENT OF ACTIVITIES
 MAJOR AND NONMAJOR COMPONENT UNITS
 TOTAL COMPONENT UNITS
 For the Fiscal Year Ended June 30, 2007

| FUNCTIONS | Account Number | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets |
|---|----------------|---------------------|----------------------|------------------------------------|----------------------------------|---|
| | | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total Component Units Activities |
| Component Unit Activities: | | | | | | |
| Instruction | 5000 | 2,952,678.47 | 0.00 | 0.00 | 0.00 | (2,952,678.47) |
| Pupil Personnel Services | 6100 | 247,917.91 | 0.00 | 0.00 | 0.00 | (247,917.91) |
| Instructional Media Services | 6200 | 132,741.87 | 0.00 | 0.00 | 0.00 | (132,741.87) |
| Instruction and Curriculum Development Services | 6300 | 120,370.26 | 0.00 | 0.00 | 0.00 | (120,370.26) |
| Instructional Staff Training Services | 6400 | 2,936.88 | 0.00 | 0.00 | 0.00 | (2,936.88) |
| Instruction Related Technology | 6500 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| School Board | 7100 | 36,395.73 | 0.00 | 0.00 | 0.00 | (36,395.73) |
| General Administration | 7200 | 87,106.88 | 0.00 | 0.00 | 0.00 | (87,106.88) |
| School Administration | 7300 | 1,703,973.70 | 0.00 | 0.00 | 0.00 | (1,703,973.70) |
| Facilities Acquisition and Construction | 7400 | 19,030.80 | 0.00 | 0.00 | 0.00 | (19,030.80) |
| Fiscal Services | 7500 | 146,924.16 | 0.00 | 0.00 | 0.00 | (146,924.16) |
| Food Services | 7600 | 295,190.39 | 0.00 | 151,556.32 | 0.00 | (143,634.07) |
| Central Services | 7700 | 35,058.07 | 0.00 | 0.00 | 0.00 | (35,058.07) |
| Pupil Transportation | 7800 | 378,594.00 | 0.00 | 0.00 | 0.00 | (378,594.00) |
| Operation of Plant | 7900 | 314,149.40 | 0.00 | 0.00 | 0.00 | (314,149.40) |
| Maintenance of Plant | 8100 | 182,021.37 | 0.00 | 0.00 | 0.00 | (182,021.37) |
| Administrative Technology Services | 8200 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Community Services | 9100 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interest on Long-term Debt | 9200 | 13,820.70 | 0.00 | 0.00 | 0.00 | (13,820.70) |
| Unallocated Depreciation/Amortization Expense* | | 63,257.30 | | | | (63,257.30) |
| Total Component Unit Activities | | 6,732,167.89 | 0.00 | 151,556.32 | 0.00 | (6,580,611.57) |

General Revenues:

Taxes:

- Property Taxes, Levied for Operational Purposes
- Property Taxes, Levied for Debt Service
- Property Taxes, Levied for Capital Projects
- Local Sales Taxes

Grants and Contributions Not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Special Items

Extraordinary Items

Transfers

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

Change in Net Assets

Net Assets - July 1, 2006

Net Assets - June 30, 2007

| | |
|--|--------------|
| | 0.00 |
| | 0.00 |
| | 0.00 |
| | 0.00 |
| | 7,222,781.27 |
| | 4.80 |
| | 2,365.05 |
| | 0.00 |
| | 0.00 |
| | 0.00 |
| | 7,225,151.12 |
| | 644,539.55 |
| | 2,323,977.57 |
| | 2,968,517.12 |

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

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

DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The School Board of Duval County (“School Board”) has direct responsibility for operation, control, and supervision of the Duval County Public Schools (“District”) and is the primary government for financial reporting. The District is a part of the Florida system of public education. The governing body of the District is the School Board which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the School Board. Geographic boundaries of the District correspond with those of Duval County, Florida.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for the identification of any entities for which the School Board is financially accountable and other organizations for which the nature and significance of their relationship with the School Board are such that exclusion would cause the District's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, the following component units are included within the School Board's reporting entity:

- Blended Component Unit - The District has one blended component unit which is the Duval School Board Leasing Corporation. The Leasing Corporation was formed to facilitate the financing for the acquisition of facilities and equipment as further discussed in Note 6. The District and the Leasing Corporation have the same governing board and the District is financially accountable for the debt of this entity. Therefore, the financial activities of the Leasing Corporation are not published independently of the District.
 - Discretely Presented Component Units - The component units columns in the basic financial statements include the financial data of the District's other component units. These component units consist of the following four charter schools: Florida School for Integrated Academics and Technologies Jacksonville, Inc.; Pathways Academy; S.O.C.K. Outstanding Students (S.O.S.) Academy Middle School, Inc.; and Wayman Academy of the Arts, Inc. (collectively the “Charter Schools”). The Charter Schools were determined to be fiscally dependent because they rely on the District for a majority of their budget.
-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

The Charter Schools are separate not-for-profit Corporations organized pursuant to Chapter 617, Florida Statutes, the *Florida Not for Profit Corporation Act*, and Section 1002.33, Florida Statutes, *Charter Schools*. The Charter Schools operate under charters approved by their sponsor, the School Board. The financial data reported on the accompanying financial statements was derived from the financial statements of four of the Charter Schools for the fiscal year ended June 30, 2007. The financial reports are on file at the District's administrative offices.

Basis of Presentation

Government-wide Financial Statements - Government-wide financial statements including the Statement of Net Assets and the Statement of Activities, present information about the District as a whole. These statements include the nonfiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Depreciation expenses are allocated to the various expense functions based on actual and estimated usage of the assets in those functions.

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

The effects of interfund activity have been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State of Florida that are legally restricted to be expended for specific current operating purposes.
- Other Debt Service – to account for the accumulation of resources for, and the payment of, debt principal, interest and related costs for the District's Certificates of Participation (COPs) and Qualified Zone Academy Bonds (QZABs).
- Capital Projects – Capital Improvement Fund – to account for the financial resources generated by the capital improvement tax levy to be used for educational capital outlay needs, including new construction and renovation and remodeling projects.

Additionally, the District reports the following proprietary and fiduciary fund types:

- Internal Service Fund – to account for the District's individual self-insurance programs and the District's printing operations.
 - Agency Funds – to account for resources of the school internal funds which are used to administer monies collected at the schools in connection with school, student athletic, class, and club activities.
-

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements. Revenues are recognized when earned and expenses are recognized when liabilities are incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds. The major revenue sources that are susceptible to accrual are Classrooms for Kids, Public Education Capital Outlay ("PECO"), property taxes, Title I, Title II, and IDEA Part B (Title VI).

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

The Internal Service Fund is accounted for as a proprietary activity under standards issued by the Financial Accounting Standards Board through November 1989 and applicable standards issued by the Governmental Accounting Standards Board thereafter. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary funds' principal ongoing operations. The principal operating revenues of the District's Internal Service Fund are charges to the District for workers' compensation, general liability, and automobile liability insurance premiums and print shop charges. The principal operating expenses of the District's Internal Service Fund include insurance claims, administrative expenses, fees and printing costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

The principal operating revenues of the District's printing operations are provided on a cost-reimbursement basis. The principal operating expenses of the District's printing operations are to be fully covered through fees and charges to customers. If expenses are not fully recovered at year end, the remaining costs are allocated to the customers during the year.

The Charter Schools are accounted for as governmental organizations and follow the same accounting model as the District's governmental activities.

Deposits and Investments

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The statement of cash flows for the Internal Service Fund considers cash as those accounts used as demand deposit accounts.

Investments consist of amounts placed with the State Board of Administration ("SBA") for participation in the Local Government Surplus Funds Trust Fund investment pool ("SBA Investment Pool") created by Section 218.405, Florida Statutes, and those made locally. The SBA Investment Pool operates under investment guidelines established by Section 215.47, Florida Statutes. The District's investments in the SBA Investment Pool, which is a Securities and Exchange Commission Rule 2a7-like external investment pool, are reported at amortized cost. Investments made locally consist of amounts placed in obligations of United States Government Agencies and Instrumentalities and are reported at fair value. Investments for the Agency Funds consist of monies placed in certificates of deposit.

Types and amounts of investments held at fiscal year-end are described in a subsequent note on investments. The calculation of realized gains and losses is independent of a calculation of the net change in the fair value of investments. Realized gains and losses on investments that have been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in prior years and the current year.

Receivables and Payables

The major portion of the outstanding receivables as of June 30, 2007, was due from other governments, primarily the State of Florida. These receivables are considered to be fully collectible. Property tax revenue is recognized when received by the District, except that revenue is accrued for property taxes collected by the Duval County Tax Collector at fiscal year-end but not yet remitted to the District. Because any delinquent taxes collected after June 30 would not be material, no delinquent tax revenue deferral is recorded. See subsequent note regarding property taxes – revenue recognition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories consist of expendable supplies held for consumption in the course of District operations. Inventories are stated at cost on the moving weighted-average basis, except that United States Department of Agriculture surplus commodities are stated at their fair value as determined at the time of donation to the District's food service program by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution. The costs of inventories are recorded as expenditures when used rather than purchased.

Capital Assets

Capital assets, which includes land; land improvements; improvements other than buildings, buildings and fixed equipment; furniture, fixtures and equipment, motor vehicles, audio-visual materials, computer software, and construction in progress, are reported in the governmental activities in the government-wide financial statements as depreciable or non-depreciable. Capital assets are defined by the District as assets with an initial, individual cost equal to or greater than \$750. All land purchases and related expenses are classified as construction in progress regardless of amount. The purchase is classified as a land asset upon final payment of the land. All assets are recorded at historical cost or estimated historical cost if purchased or constructed prior to July 1, 1969. Donated assets are recorded at estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized once the project is substantially complete. The term "substantial completion" means that a project has been sufficiently completed in accordance with the contract documents so that the owner can occupy or utilize the work, or designated portions thereof, for the use for which it is intended, as expressed in the contract documents. Substantial completion is determined when the project's managing architect/engineer has completed American Institute of Architects (AIA) Form 9704 "Certificate of Substantial Completion" and that certificate has been reviewed and accepted by the District. Capital expenditures made in the current fiscal year for projects not substantially complete are recorded on the District's financial statements as "Construction in Progress". Interest costs incurred during construction of capital assets are not capitalized as part of the cost of construction. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Capital assets of the District, as well as the component units, excluding land, land improvements, and construction in progress, are depreciated using the straight-line method over the following estimated useful lives:

| <u>Description</u> | <u>Estimated Lives</u> |
|------------------------------------|------------------------|
| Improvements Other than Buildings | 10 - 40 years |
| Buildings and Fixed Equipment | 10 - 50 years |
| Furniture, Fixtures, and Equipment | 5 - 15 years |
| Motor Vehicles | 7 years |
| Audio Visual Materials | 5 years |
| Computer Software | 5 years |

Current-year information relative to changes in capital assets is described in a subsequent note.

Long-Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental funds financial statements, bonds and other long-term obligations are not recognized as liabilities until due. The governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In the government-wide financial statements, compensated absences (i.e., paid absences for employee vacation and sick leave) are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental funds financial statements only for the current matured portion of compensated absences expected to be paid using expendable available resources. Changes in long-term liabilities for the current year are reported in a subsequent note.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

State of Florida Revenue Sources

Revenues from the State of Florida ("State") that are resources for current operations are primarily received from the Florida Education Finance Program (FEFP) administered by the Florida Department of Education ("Department") under the provisions of Section 1011.62, Florida Statutes. In accordance with this law, the District determines and reports the number of full-time equivalent ("FTE's") students and related data to the Department. The Department performs certain edit checks on the reported number of FTE's and related data, and calculates the allocation of funds to the District. The District is permitted to amend its original reporting for a period of nine months following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the District's compliance in determining and reporting FTE's and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. State Board of Education ("State Board") rules require that revenue earmarked for certain programs be expended only for the program for which the money is provided. It also requires that the money not expended at the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General Fund is reserved in the governmental fund financial statements for the unencumbered balance of categorical educational program resources.

The State allocates gross receipts taxes, generally known as Public Education Capital Outlay ("PECO") money, to the District on an annual basis. The District also received an allocation ("Classrooms for Kids") under the lottery funded Public School Capital Outlay Program. The District is authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. Accordingly, the District recognizes the allocation of PECO and Classrooms for Kids funds as deferred revenue until such time as an encumbrance authorization is received.

A schedule of revenue from State sources for the current year is presented in a subsequent note.

District Property Taxes

The District is authorized by State law to levy property taxes for District school operations, capital improvements, and debt service.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

District Property Taxes (continued)

Property taxes consist of ad valorem taxes on real and personal property within the District. The Duval County Property Appraiser determines the real and personal property values within the District. The Duval County Tax Collector then collects the taxes and remits them to the District.

The School Board adopted the 2006 tax levy for fiscal year 2006 revenues, in September 2005. Taxes become an enforceable lien on property as of January 1 of the year following the tax levy. Tax bills are mailed in October in the year of the tax assessment and taxes are payable between November 1 of the year assessed and March 31 of the following year with discounts of up to 4% for early payment.

Taxes become delinquent on April 1 of the year following the year of assessment. State law provides for enforcement of collection of personal property taxes by seizure of the property to satisfy unpaid taxes, and for enforcement of collection of real property taxes by the sale of interest-bearing tax certificates to satisfy unpaid taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

Property tax revenues are recognized in the government-wide financial statements when the School Board adopts the tax levy. Property tax revenue is recognized in the governmental fund financial statements when the District receives the taxes, except that revenue is accrued for taxes collected by the Duval County Tax Collector at fiscal year-end and remitted to the District within 60 days of fiscal year end. Because any delinquent taxes collected after June 30 would not be material, delinquent taxes receivable are not accrued and no delinquent tax revenue deferral is recorded.

Millages and taxes levied for the current year are presented in a subsequent note.

Grants

The District receives Federal awards for the enhancement of various educational programs through formula-based grant programs. These revenues are disbursed based on incurring eligible expenditures. Most of the Federal funds are passed through the Department of Education to the District. Moreover, Federal revenue is recognized to the extent that eligible expenditures have been incurred.

2. BUDGETARY COMPLIANCE AND ACCOUNTABILITY

The School Board follows procedures established by State statutes and State Board rules in establishing budget balances for governmental funds as described below:

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law and State Board rules.
 - Appropriations are controlled at the function level (e.g., instruction, pupil and personnel services, and school administration) and may be amended by a resolution at any School Board meeting prior to the due date for the annual financial report.
 - Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.
 - Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.
-

**DUVAL COUNTY PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

3. INVESTMENTS

As of June 30, 2007, the District had the following investments and maturities:

| Investment | Maturities | Governmental Funds (1) | Internal Service Funds | Total Governmental Activities | Agency Funds | Total Investments |
|---|-------------------------|---------------------------|---------------------------|-------------------------------------|-------------------|-----------------------|
| Unrestricted Investments: | | | | | | |
| SBA Investment Pool | 26 Day Average (1) | \$ 202,201,354 | \$ 36,440,665 | \$ 238,642,019 | \$ - | \$ 238,642,019 |
| Obligations of United States Government Agencies and Instrumentalities | July 2007-December 2008 | 105,914,625 | 4,990,650 | 110,905,275 | - | 110,905,275 |
| Other Investments | Within one year | 105,435 | | 105,435 | | 105,435 |
| Certificate of Deposits | July 2007 - July 2010 | - | - | - | 676,142 | 676,142 |
| District Bond Proceeds held and administered by the State Board of Education | Various within one year | 846,389 | - | 846,389 | - | 846,389 |
| Total Unrestricted Investments | | 309,067,803 | 41,431,315 | 350,499,118 | 676,142 | 351,175,260 |
| Restricted Investments: | | | | | | |
| Proceeds from Certificates of Participation held in Trust by Fiscal Agent | July,2007-June, 2009 | 44,439,697 | - | 44,439,697 | - | 44,439,697 |
| Total Investments | | \$ 353,507,500 | \$ 41,431,315 | \$ 394,938,815 | \$ 676,142 | \$ 395,614,957 |

As of June 30,2007, Restricted Assets consisted of the following categories:

| | Governmental Funds (1) | Internal Service Funds | Total Governmental Activities | Agency Funds | Total Investments |
|---|---------------------------|---------------------------|-------------------------------------|-----------------|----------------------|
| Cash Held in Trust by Fiscal Agent | \$ 810,941 | \$ 290,000 | \$ 1,100,941 | \$ - | \$ 1,100,941 |
| Investments Held in Trust by Fiscal Agent | 45,540,638 | | 45,540,638 | | 45,540,638 |
| Total Restricted Assets | \$ 46,351,579 | \$290,000 | \$46,641,579 | \$ - | \$46,641,579 |

Interest Rate Risk

Section 218.415(17), Florida Statutes, limits investment maturities to provide sufficient liquidity to pay obligations as they come due. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

3. INVESTMENTS (continued)

Interest Rate Risk (continued)

The District has \$110,905,275 in obligations of United States Government Agencies and Instrumentalities of which \$91,335,675 are callable, that include embedded options consisting of the option at the discretion of the issuer to call their obligation or pay a stated increase in the interest rate. These securities have various call dates, and mature between July 2007 and December 2008.

| Type | Total Fair Value | Maturities Up To One Year | Maturities Over One Year and Up to Two Years | Maturities Over Two Years and Up to Three Years |
|--|------------------------------|------------------------------|--|--|
| <u>Governmental Funds:</u> | | | | |
| (SBA) Investment Pool | \$ 238,642,019 | \$ 238,642,019 | \$ - | \$ - |
| Government Agency Securities | 110,905,275 | 82,521,621 | 28,383,654 | |
| Other Investments | 105,435 | 105,435 | | |
| District Bond Proceeds Held and Administered by the State Board of Education | 846,389 | 846,389 | | |
| Total Investments - Governmental Funds | <u>\$ 350,499,118</u> | <u>\$ 322,115,464</u> | <u>\$ 28,383,654</u> | <u>\$ -</u> |
| <u>Fiduciary Funds:</u> | | | | |
| Certificates of Deposit | \$ 676,142 | \$ 584,489 | \$ 25,502 | \$ 66,151 |
| Total Investments - Fiduciary Funds | <u>\$ 676,142</u> | <u>\$ 584,489</u> | <u>\$ 25,502</u> | <u>\$ 66,151</u> |
| Total Investments | <u><u>\$ 351,175,260</u></u> | <u><u>\$ 322,699,953</u></u> | <u><u>\$ 28,409,156</u></u> | <u><u>\$ 66,151</u></u> |

Credit Risk

Section 218.415, Florida Statutes, authorizes the District to invest in investments approved by the School Board. The School Board has adopted an investment policy that authorizes investing in the Local Government Surplus Funds Trust Fund or similar intergovernmental investment pools; money market funds registered with the Securities and Exchange Commission; interest-bearing time deposits and bankers' acceptances; direct or guaranteed obligations of United States government agencies and instrumentalities; certain bonds or obligations of any state of the United States of America or any agency, instrumentality, or local government unit of any such state; commercial paper; and other specified investments.

3. INVESTMENTS (continued)

Credit Risk (continued)

As of June 30, 2007, the District's investment in the Local Government Surplus Funds Trust fund investment pool was unrated.

The District's investments in the Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Leasing Corporation, and Federal Farm Credit Bureau were rated AAA by Standard & Poor's and AAA by Moody's Investor Services.

The District's investments in certificates of deposit were in qualified public depositories.

Custodial Risk

All securities purchased by, and all collateral obtained by, the School Board is properly designated as an asset of the District and held in safekeeping by a third party custodial bank or other third party custodial institution.

An exception to third party custody of assets is the safekeeping of collateral for repurchase agreements entered into between the School Board and its primary bank for the purpose of conducting day to day cash management functions. Collateral is held by that bank but not in the District's name. The bank issues a safekeeping receipt indicating the collateral pledged to the District.

Additionally, shares of investment funds do not require delivery of shares to the District's custodian as long as the investments held by the fund are under an appropriate safekeeping trustee arrangement and regular statements may be prepared to represent the value of the School Board's ownership interest.

As of June 30, 2007, all investments are held with an appropriate custodian or trustee or are held in accounts in the name of and belonging to the School Board.

Concentration of Credit Risk

Investment policy approved by the School Board includes the following restrictions:

- Investments in commercial paper or bankers acceptances shall have the following restrictions: \$12,500,000 limit per issuer, and limited to 25% of the entire portfolio (including money market and repurchase agreements).

3. INVESTMENTS (continued)

Concentration of Credit Risk (continued)

- The maximum allowed in any one U.S. Government Agency issuer shall be 50% of the entire portfolio.

As of June 30, 2007, all investment holdings are in compliance with these policies.

| Investment Issuer Name | Fair Value Investment | % of Total Fair Value |
|--|----------------------------------|--------------------------|
| <u>Governmental Funds:</u> | | |
| Federal Home Loan Banks | \$ 83,060,164 | 23.7% |
| Federal National Mortgage Association | 13,088,011 | 3.7% |
| Federal Home Loan Mortgage Association | 9,782,100 | 2.8% |
| Federal Farm Credit Bank | 4,975,000 | 1.4% |
| State Board of Administration (SBA) | 238,642,019 | 68.0% |
| Other | 951,824 | 0.3% |
| Total Governmental Funds | <u>\$ 350,499,118</u> | <u>99.8%</u> |
| Fiduciary Funds: | | |
| Certificates of Deposit | 676,142 | 0.2% |
| Total Fiduciary Funds | <u>\$ 676,142</u> | <u>0.2%</u> |
| Total Investments | <u><u>\$ 351,175,260</u></u> | <u><u>100.0%</u></u> |

4. DUE FROM OTHER AGENCIES

The following is a schedule of amounts due from other agencies:

| <u>Fund/Source</u> | <u>Amount</u> |
|---|----------------------|
| Major Funds: | |
| Capital Projects - Other Capital Projects | |
| Classrooms for Kids | \$ 22,494,901 |
| Nonmajor Governmental Funds: | |
| Public Education Capital Outlay | |
| State Appropriations (PECO) | 11,820,850 |
| Special Revenue - Food Service | |
| Meal Reimbursements | 1,041,848 |
| Special Revenue - Other: | |
| Miscellaneous Projects | 1,798,510 |
| Total Governmental Funds | <u>37,156,109</u> |
| Proprietary Fund: | |
| Internal Service Fund | |
| Special Disability Trust Fund | 622,479 |
| Total Governmental Activities | <u>\$ 37,778,588</u> |

The amounts due from other agencies in the Capital Projects Funds for PECO State Appropriations, and Classrooms for Kids are for long-term capital projects and may not be entirely collected within one year. The amount due from other agencies in the Internal Service Fund from the Special Disability Trust Fund is paid on a first-in, first-out basis in the order the reimbursement requests were received based on available funding. Therefore, the entire balance is not expected to be collected within one year.

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

| | <u>Balance June 30, 2006</u> | <u>Increases</u> | <u>Deletions</u> | <u>Balance June 30, 2007</u> |
|--|----------------------------------|----------------------|------------------------|----------------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 79,060,687 | \$ 3,526,663 | \$ (25,000) | \$ 82,562,350 |
| Land improvements | 2,305,626 | 65,868 | - | 2,371,494 |
| Construction in progress | 37,468,336 | 46,343,833 | (28,737,402) | 55,074,767 |
| Total capital assets not being depreciated | <u>118,834,649</u> | <u>49,936,364</u> | <u>(28,762,402)</u> | <u>140,008,611</u> |
| Capital assets being depreciated: | | | | |
| Improvements other than buildings | 111,217,674 | 3,913,260 | | 115,130,934 |
| Building and fixed equipment | 1,096,600,793 | 21,020,057 | | 1,117,620,850 |
| Furniture, fixtures and equipment | 150,021,154 | 23,286,949 | (15,675,338) | 157,632,765 |
| Motor vehicles | 9,800,692 | 619,117 | (964,740) | 9,455,069 |
| Audio visual materials | 634,406 | | (43,752) | 590,654 |
| Computer software | 47,379,872 | 12,203,942 | (142,635) | 59,441,179 |
| Total capital assets being depreciated | <u>1,415,654,591</u> | <u>61,043,325</u> | <u>(16,826,465)</u> | <u>1,459,871,450</u> |
| Less accumulated depreciation for: | | | | |
| Improvements other than buildings | (68,616,883) | (1,716,900) | | (70,333,783) |
| Buildings and fixed equipment | (565,979,708) | (19,607,325) | | (585,587,033) |
| Furniture, fixtures and equipment | (104,605,955) | (17,454,782) | 15,358,650 | (106,702,087) |
| Motor vehicles | (6,561,561) | (1,060,712) | 958,706 | (6,663,567) |
| Audio visual materials | (604,437) | (11,549) | 41,513 | (574,473) |
| Computer software | (37,571,472) | (4,324,548) | 142,231 | (41,753,789) |
| Total accumulated depreciation | <u>(783,940,016)</u> | <u>(44,175,816)</u> | <u>16,501,100</u> | <u>(811,614,732)</u> |
| Depreciable Capital Assets, Net | 631,714,575 | 16,867,509 | (325,365) | 648,256,719 |
| Total Capital Assets, Net | <u>\$ 750,549,224</u> | <u>\$ 66,803,873</u> | <u>\$ (29,087,768)</u> | <u>\$ 788,265,329</u> |

5. CHANGES IN CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

| | | |
|--|-----------|-------------------|
| Instruction | \$ | 29,284,447 |
| Pupil Personnel | | 2,686,048 |
| Instructional Media | | 924,025 |
| Instructional & Curriculum Development | | 926,066 |
| Instructional Staff Training | | 1,568,460 |
| Instructional Related Technology | | 544,082 |
| School Board | | 32,805 |
| General Administration | | 187,851 |
| School Administration | | 2,771,549 |
| Facilities | | 46,586 |
| Fiscal Service | | 278,685 |
| Food Service | | 1,310,236 |
| Central Services | | 1,209,585 |
| Pupil Transportation | | 138,900 |
| Operation of Plant | | 880,245 |
| Maintenance of Plant | | 1,070,511 |
| Administrative Technology Services | | 269,223 |
| Community Service | | 46,513 |
| Total Depreciation | <u>\$</u> | <u>44,175,816</u> |

6. CERTIFICATES OF PARTICIPATION

Certificates of Participation at June 30, 2007, are as follows:

| <u>Series</u> | <u>Amount Outstanding</u> | <u>Interest Rates (Percent)</u> | <u>Lease Term Maturity</u> | <u>Original Amount</u> |
|-------------------------------------|-------------------------------|---|--------------------------------|----------------------------|
| Series 2000 | \$ 40,210,000 | 4.75 - 5.75 | 2020 | \$ 53,000,000 |
| Series 2005 (Refunding) | 35,355,000 | 3.00 - 5.00 | 2020 | 35,355,000 |
| Series 2005A | 37,735,000 | 3.00 - 5.00 | 2025 | 38,290,000 |
| Series 2003-QZAB | 5,667,000 | (1) | 2018 | 5,667,000 |
| Series 2005-QZAB | <u>1,015,000</u> | (1) | 2021 | 1,015,000 |
| Sub Total | 119,982,000 | | | |
| Unamortized Premiums | <u>2,521,098</u> | | | |
| Total Certificates of Participation | <u>\$ 122,503,098</u> | | | |

(1) Interest on this debt is "paid" by the United States Government through the issuance of Federal income tax credits to the holder of the QZABs. The rate of return to the holders was established by the United States Government at the time of the sale.

6. CERTIFICATES OF PARTICIPATION (continued)

The School Board has entered into a master financing arrangement characterized as a lease-purchase agreement, with the Leasing Corporation, whereby the District secured financing of various educational facilities and equipment. The financing was accomplished through the issuance of Certificates of Participation, by the Leasing Corporation to third-party investors, to be repaid from the proceeds of rent paid by the District.

Series 2000 Certificates

On October 1, 2000, the Duval County School Board entered into a Master Lease Program with the Duval School Board Leasing Corporation for the purpose of issuance of a Series 2000 Certificates of Participation in the amount of \$53,000,000. The District secured financing for the purpose of construction of three new elementary schools, one middle school, and replacement of 10 relocate able senior high classrooms with permanent classrooms.

Upon execution and delivery of the Series 2000 Lease Agreement on October 19, 2000, the Board entered into a Ground Lease Agreement with the Duval School Board Leasing Corporation in which the Board granted the Corporation “for the benefit of the Certificate Owners a leasehold estate in and to the Series 2000 Project and land on which the Series 2000 Project will be located.

As a condition of the financing arrangement, the School Board has given a ground lease on District property to the Leasing Corporation, with a rental fee of \$10 per year. The ground lease commenced on October 1, 2000, and will terminate on the earlier of the date on which the Series 2000 Certificates are paid in full or July 1, 2035. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the School Board. If the District fails to renew the lease or to provide for the rent payments through to term, the District may be required to surrender the sites included under the Series 2000 Ground Lease Agreement to the Trustee for the benefit of the securers of the Certificates for the remaining term of the ground lease, which may be through July 1, 2035.

The District properties included in the Series 2000 Ground Lease Agreement under this arrangement include:

- Oceanway Elementary #270 - New Elementary School “V”
 - Kernan Trail Elementary #231- New Elementary School “W”
 - Don Brewer Elementary #217 - New Elementary School “X”
 - Kernan Middle #279 - New Middle School “CC”
 - Sandalwood High School #237 - Ten Portable Replacements to Permanent Classrooms
 - Alfred I. DuPont Middle School #66 – Addition of New 6th Grade Wing
 - Paxon School for Advanced Studies #75 – Additional Science Labs
-

6. CERTIFICATES OF PARTICIPATION (continued)

Series 2003-QZAB Certificates

The Series 2003-Qualified Zone Academy Bonds (“Series 2003-QZAB”) were issued under a special program whereby the certificates, bearing an original issue date of December 23, 2003, will mature in full December 23, 2018, for the original \$5,667,000 issue amount. There is no interest cost for borrowing monies under this program. The financing proceeds were used to acquire technology-related equipment and improvements at various designated schools, which are leased by the District from the Leasing Corporation. The District entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$292,607 for 15 consecutive years began December 23, 2004.

The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a trust agreement until the certificates mature. The Series 2003-QZAB issue is secured by the assets held under the trust agreement in the event of cancellation or default.

The schools designated for technology-related equipment and improvements under the Series 2003-QZAB issue include:

- John Love Elementary School #73
- Highlands Middle School #244
- Southside Middle School #211
- J.E.B. Stuart Middle School #207
- Mandarin Middle School #259
- Landmark Middle School #256

Series 2005-QZAB Certificates

The Series 2005-Qualified Zone Academy Bonds (“Series 2005-QZAB”) were issued under a special program whereby the certificates, bearing an original issue date of October 20, 2005, will mature in full on October 20, 2021, for the original \$1,015,000 issue amount. There is no interest cost for borrowing monies under this program. The financing proceeds were used to acquire technology-related equipment and improvements at several designated schools, which are leased by the District from the Leasing Corporation. The School Board entered into a forward delivery agreement under which mandatory deposits (rent payments) of \$51,210.97 for 16 consecutive years began on October 20, 2006. The forward delivery agreement provides a guaranteed investment return whereby the required deposits, along with accrued interest, will be sufficient to redeem the certificates at maturity. The invested assets accumulated pursuant to the forward delivery agreement are held under a trust agreement until the certificates mature. The Series 2005-QZAB issue is secured by the assets held under the trust agreement in the event of cancellation or default.

6. CERTIFICATES OF PARTICIPATION (continued)

Series 2005-QZAB Certificates (continued)

The schools designated for technology-related equipment and improvements under the Series 2005-QZAB issue include:

- Cedar Hills Elementary School #97
- Brookview Elementary School #206

Series 2005 Certificates (Crossover Refunding)

On January 11, 2005, the School Board issued Certificates of Participation, Series 2005, to advance refund Series 2000 Certificate payments in the amount of \$35,355,000. The proceeds were used to refund a portion of the School Board's outstanding Certificates of Participation, Series 2000. The Crossover Refunding Certificates were issued with average interest rate of 4.47% and will replace outstanding Certificates with an average interest rate of 5.42%. The refunding will result in a net present value savings to the District of approximately \$1.77 million. Proceeds from this issuance are currently escrowed and will pay debt service on this series until the refunding date of July 1, 2009, at which time the remaining balance in the escrow will be used to advance refund the Series 2000 Certificates.

Proceeds from the issuance were \$37,083,912 including \$1,728,912 of net premium on some of the certificates sold. Of this amount, \$36,631,001 was deposited into the Escrow Fund, and \$452,911 was used for underwriter's discount, bond insurance, or deposited into the Cost of Issuance Fund.

As a condition of the financing arrangement, the School Board will maintain, subsequent to the refunding date of July 1, 2009, the ground lease on District property given at the issuance of the Series 2000 Certificates to the Leasing Corporation, with a rental fee of \$10 per year. The final maturity date for the Series 2005 Certificates is July 1, 2020.

Series 2005A Certificates

On March 31, 2005, the School Board issued \$38,290,000 Certificates of Participation (COPs). Originally priced on March 16, 2005, the all-inclusive true interest cost of the new issue is 4.66%. The average interest rate on the new certificates is 4.85%. These certificates may be redeemed at par, on July 1, 2015.

Proceeds from the issuance were \$39,524,575 including \$1,234,575 of net premium on some of the bonds sold. Of this amount, \$39,000,000 was deposited into the Project Fund, and \$520,964 was used for underwriter's discount, bond insurance, or deposited in the Cost of Issuance Fund. Additional proceeds of \$3,611 were also generated.

6. CERTIFICATES OF PARTICIPATION (continued)

Series 2005A Certificates (continued)

As a condition of the financing arrangement, the School Board has given a ground lease on District property to the Leasing Corporation, with a rental fee of \$10 per year. The ground lease commenced on March 31, 2005, and will terminate on the earlier of the date on which the Series 2005A Certificates are paid in full or July 1, 2030. The final maturity date for the Series 2005A Certificates is July 1, 2025. The properties covered by the ground lease are, together with the improvements constructed thereon from the financing proceeds, leased back to the District.

If the School Board fails to renew the lease or to provide for the rent payments through to term, the District may be required to surrender the sites included under the Series 2005A Ground Lease Agreement to the Trustee for the benefit of the securers of the Certificates for the remaining term of the ground lease, which may be through July 1, 2030.

The District properties included in the Series 2005 ground lease under this arrangement include:

- New Arlington Middle School (Replacement) #213
- New Nutrition Service Center (Paxon School for Advanced Studies Property)

Minimum Lease Payments

Lease payments are payable by the District, semiannually, on January 1 and July 1, and must be remitted by the District as of the 15th day of the month preceding the payment dates.

6. CERTIFICATES OF PARTICIPATION (continued)

Minimum Lease Payments (continued)

The following is a schedule by years of future minimum lease payments under the lease agreements together with the present value of minimum lease payments as of June 30, 2007.

| <u>Fiscal Year Ending June 30</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------------|-----------------------|-----------------------|----------------------|
| 2008 | \$ 4,994,238 | \$ 2,255,000 | \$ 2,739,238 |
| 2009 | 8,075,569 | 2,655,000 | 5,420,569 |
| 2010 | 40,231,743 | 35,885,000 | 4,346,743 |
| 2011 | 6,417,436 | 3,135,000 | 3,282,436 |
| 2012 | 6,414,235 | 3,235,000 | 3,179,235 |
| 2013-2017 | 31,925,596 | 18,365,000 | 13,560,596 |
| 2018-2022 | 32,677,934 | 23,790,000 | 8,887,934 |
| 2023-2025 | 26,443,738 | 23,980,000 | 2,463,738 |
| Subtotal | <u>157,180,489</u> | <u>113,300,000</u> | <u>43,880,489</u> |
| Unamortized Premium | <u>2,521,098</u> | <u>2,521,098</u> | <u>-</u> |
| Total Minimum Lease Payment | <u>\$ 159,701,587</u> | <u>\$ 115,821,098</u> | <u>\$ 43,880,489</u> |
| Lump Sum Payments | <u>Maturity Date</u> | | |
| Series 2003 - QZAB | December 23, 2018 | 5,667,000 | |
| Series 2005 - QZAB | October 20, 2021 | 1,015,000 | |
| Total Minimum Lease Principal Payment | | <u>\$ 122,503,098</u> | |

Annual requirements to amortize the premiums for the 2005 Series and 2005A Series as of June 30, 2007 are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Total</u> |
|-----------------------------------|---------------------|
| 2008 | \$ 183,369 |
| 2009 | 183,369 |
| 2010 | 183,369 |
| 2011 | 183,369 |
| 2012 | 183,369 |
| 2013-2024 | <u>1,604,253</u> |
| Total | <u>\$ 2,521,098</u> |

7. BONDS PAYABLE

Bonds Payable at June 30, 2007, is as follows:

| <u>Bond Type</u> | <u>Amount Outstanding</u> | <u>Interest Rates (Percent)</u> | <u>Annual Maturity To</u> |
|-----------------------------|-------------------------------|---|-----------------------------------|
| State School Bonds: | | | |
| Series 1998-A | (1) \$ 295,000 | 4.50 - 5.50 | 2018 |
| Series 1999-A | 1,105,000 | 4.00 - 4.75 | 2019 |
| Series 2005-A | 25,910,000 | 2.70 - 4.30 | 2025 |
| Series 2005-B | (1) 2,030,000 | 3.50 - 5.00 | 2020 |
| District General Obligation | | | |
| Bonds, Refunding: | | | |
| Series 1992, Remarketed | <u>25,310,000</u> | 6.30 | 2008 |
| Subtotal All Bonds | 54,650,000 | | |
| Unamortized Premium | 1,433,577 | | |
| Less Unamortized Loss | <u>(280,350)</u> | - | - |
| Total Bonds Payable | <u>\$ 55,803,227</u> | | |

(1) Series 1998-A bonds partially refunded and defeased
 by Series 2005-B bonds issued July 13, 2005

The various bonds were issued to finance capital outlay projects of the District.

The following is a description of the bonded debt issues:

State School Bonds

These bonds are issued by the State Board on behalf of the District. The bonds mature serially, and are secured by a pledge of the District's portion of the State-assessed motor vehicle license tax. The State's full faith and credit is also pledged as security for these bonds. Principal and interest payments, investment of Debt Service Fund resources, and compliance with reserve requirements are administered by the State Board of Education and the State Board of Administration.

Defeased Debt

In prior years, portions of the District's State Board of Education, Capital Outlay Bonds, Series 1998-A, were refunded and considered defeased in substance by placing a portion of the proceeds of new bonds in an irrevocable trust to provide for future debt service payments

7. BONDS PAYABLE (continued)

on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the District's statement of net assets. As of June 30, 2007, \$2,310,000 of State Board of Education, Capital Outlay Bonds, Series 1998-A are considered defeased in substance.

District General Obligation Bonds

General Obligation Refunding Bonds, Series 1992, were authorized by the School Board, pursuant to Chapters 1010 and 1011, Florida Statutes, approved at a special election held on May 26, 1987, and secured by a pledge of property taxes levied. These bonds were issued to refund the General Obligation Bonds, Series 1987 and Series 1988, which were issued to finance capital outlay projects of the District.

The Series 1992 Refunding Bonds were purchased and remarketed pursuant to the terms of a Remarketing Agreement dated June 13, 2002. The Bonds were purchased (called) at their early redemption price and remarketed as non-callable bonds on August 1, 2002. Utilizing the spread between the interest rates payable on the Bonds and the market rates, the Bonds were remarketed at a premium sufficient to pay the early redemption fees and the remarketing costs, and to provide an additional gain of \$8,108,648 for capital outlay projects within the District. The amortization schedule for the Remarketed Series 1992 Refunding Bonds is unchanged from that of the original Series 1992 Refunding Bonds, and the remarketing premium of \$8,601,460 is being amortized over the remaining life of the Bonds.

7. BONDS PAYABLE (continued)

District General Obligation Bonds (continued)

Annual requirements to amortize the bonded debt as of June 30, 2007, are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Total</u> | <u>Principal</u> | <u>Interest</u> |
|---------------------------------------|----------------------|----------------------|----------------------|
| State School Bonds: | | | |
| 2008 | \$ 3,883,569 | \$ 2,405,000 | \$ 1,478,569 |
| 2009 | 4,055,644 | 2,450,000 | 1,605,644 |
| 2010 | 4,035,388 | 2,565,000 | 1,470,388 |
| 2011 | 4,034,488 | 2,695,000 | 1,339,488 |
| 2012 | 4,017,500 | 2,820,000 | 1,197,500 |
| 2013-2017 | 19,522,406 | 16,040,000 | 3,482,406 |
| 2018-2019 | 548,225 | 365,000 | 183,225 |
| Total State School Bonds | 40,097,219 | 29,340,000 | 10,757,219 |
| General Obligation Bonds: | | | |
| 2008 | 18,068,715 | 17,010,000 | 1,058,715 |
| 2009 | 8,561,450 | 8,300,000 | 261,450 |
| Total General Obligation Bonds | 26,630,165 | 25,310,000 | 1,320,165 |
| Subtotal - All Bonds | 66,727,384 | 54,650,000 | 12,077,384 |
| Less: Unamortized Loss | (280,350) | (280,350) | - |
| Add: Unamortized Premium | | | |
| General Obligation Bonds | 1,433,577 | 1,433,577 | - |
| Total | \$ 67,880,611 | \$ 55,803,227 | \$ 12,077,384 |

Annual requirements to amortize the premiums for the Remarketed Series 1992 General Obligation Refunding Bonds as of June 30, 2007, are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Total</u> |
|-----------------------------------|---------------------|
| 2008 | \$ 1,433,577 |
| Total | \$ 1,433,577 |

8. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

| Description | GOVERNMENTAL ACTIVITIES | | | | Due In One Year |
|---|-------------------------|---------------|-----------------|--------------------------|-----------------|
| | Balance on July 1, 2006 | Additions | (Deductions) | Balance on June 30, 2007 | |
| Estimated Insurance Claims Payable | \$ 13,727,548 | | \$ (1,357,371) | \$ 12,370,177 | \$ 3,313,764 |
| Bonds Payable | 74,490,000 | | (19,840,000) | 54,650,000 | 19,415,000 |
| Unamortized Bond Premiums | 2,867,154 | - | (1,433,577) | 1,433,577 | 1,433,577 |
| Deferred Loss on Bond Refunding | (560,700) | 280,350 | | (280,350) | (280,350) |
| Certificates of Participation Payable | 115,735,000 | - | (2,435,000) | 113,300,000 | 2,545,000 |
| Unamortized Premiums-COP | 2,704,467 | - | (183,369) | 2,521,098 | 183,369 |
| Qualified Zone Academy Bonds | 6,682,000 | | - | 6,682,000 | - |
| Retirement Incentive Program Benefits Payable | 86,240 | - | (86,240) | - | - |
| Compensated Absences Payable | 60,114,340 | 12,630,888 | (8,098,389) | 64,646,839 | 7,796,832 |
| Total Governmental Activities | \$ 275,846,048 | \$ 12,911,238 | \$ (33,433,946) | \$ 255,323,341 | \$ 34,407,192 |

The governmental activities, retirement incentive program benefits, and compensated absences are generally liquidated with resources of the General Fund. The Certificates of Participation are generally liquidated with resources of the Capital Projects – Capital Improvement Funds. Bonds payable are paid out of the Debt Service Funds. The estimated insurance claims are generally liquidated with resources of the Proprietary Fund as discussed in Note 16. Estimated liability for long-term claims include estimated insurance claims payable and retirement incentive programs benefits payable.

9. RESERVE FOR ENCUMBRANCES

Appropriations in governmental funds are encumbered upon issuance of purchase orders for goods and services. Even though appropriations lapse at the end of the fiscal year, unfilled purchase orders of the current year are carried forward and the next year's appropriations are likewise encumbered.

The Department of Education requires that fund balances be reserved at fiscal year-end to report an amount likely to be expended from the 2007-08 fiscal year budget as a result of purchase orders outstanding at June 30, 2007, for \$13,075,224. The District placed orders of \$8,397,166 early to insure that textbooks would be available for the beginning of the 2007-08 school year.

9. RESERVE FOR ENCUMBRANCES (continued)

Because revenues of grants accounted for in the Special Revenue – Other Fund are not recognized until expenditures are incurred, these grant funds generally do not accumulate fund balances. Accordingly, no reserve for encumbrances is reported for grant funds.

However, purchase orders outstanding for grants accounted for in the Special Revenue – Other Fund total \$2,550,655 at June 30, 2007.

10. ADJUSTMENT TO BEGINNING NET ASSETS AND PRIOR PERIOD FUND BALANCE

The District reduced beginning net assets on the Statement of Activities by \$2,983,141 (entity-wide) as a result of the State refinancing Capital and Debt Service Fund long term debt. Additionally, the District’s prior period fund balance denoted in the Governmental Fund Statement was adjusted \$5,166,736 (reduced) for Aetna US HealthCare unrecognized liability and General Fund and Debt Service Funds by \$643,595 (increase) for CO&DS refunds. Thus, the Governmental Statements of Revenues Expenditures and Change in Fund Balances denotes an adjustment (reduction) to fund balance by \$4,523,141. These adjustment are summarized below:

Adjustment to Beginning Net Assets:

| | | |
|------------------------------------|----|---------------------------|
| Net Assts, July1,2006 | \$ | 826,235,027 |
| Long Term Debt Adjustment | | <u>(2,983,141)</u> |
| Net Assts, July1,2006, as Restated | \$ | <u><u>823,251,886</u></u> |

Adjustment to Fund Balances:

| | General | Debt Service Funds SBE/COBI | Total Governmental Funds |
|--|----------------------|--------------------------------|--------------------------------|
| Fund Balances, July 1, 2006 | \$ 85,462,054 | \$ 839,319 | \$ 312,458,670 |
| Adjustment to Fund Balances | (5,166,736) | 643,595 | (4,523,141) |
| Fund Balances, July 1, 2006, as Restated | <u>\$ 80,295,318</u> | <u>\$ 1,482,914</u> | <u>\$ 307,935,529</u> |

11. INTERFUND TRANSFERS

The following is a summary of interfund transfers reported in the fund financial statements:

| Funds | Interfund | |
|------------------------|---------------|---------------|
| | Transfers In | Transfers Out |
| Major Funds: | | |
| General | \$ 27,661,161 | \$ 227,556 |
| Capital Projects: | 34,210 | |
| Capital Improvement | | |
| Other Capital Project | | 29,995,233 |
| Other Nonmajor Funds: | | |
| Other Federal Programs | 193,346 | 4,953,839 |
| Other Debt Service | 7,287,911 | |
| Total | \$ 35,176,628 | \$ 35,176,628 |

The majority of transfers from the Capital Projects – Capital Improvement Fund were to fund certificate of participation debt service payments and to provide funding for transportation. The transfers out of the Nonmajor Governmental Funds were to fund capital lease debt service payments in the Nonmajor Government Funds-Other Debt Service. Additionally, unexpended Medicaid administrative claiming funds from the Special Revenue-Other Fund were transferred to the General Fund. The remaining transfers between funds were operational in nature.

12. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of State revenue sources and amounts:

| Sources | Amounts |
|---|------------------------------|
| Florida Education Finance Program | \$ 406,897,878 |
| Categorical Educational Programs: | |
| Florida Teachers Lead Program | \$ 2,128,020 |
| Instructional Materials | 12,215,845 |
| Transportation | 20,761,551 |
| Class Size Reduction/Operating Funds | 126,646,541 |
| School Recognition Funds | 5,348,285 |
| Excellent Teaching Program | 2,442,235 |
| Voluntary Prekindergarten Program | <u>266,697</u> |
| Discretionary Lottery Fund | 169,809,174 |
| Public Education Capital Outlay (PECO) | 5,104,410 |
| Capital Outlay & Debt Service Bonds | 15,950,720 |
| Motor Vehicle License Tax (CO&DS) | 3,784,098 |
| Pari-Mutuel Tax | 257,744 |
| Food Service Supplement | 446,500 |
| Charter Schools Capital Outlay | 822,778 |
| Motor Home License Tax | 678,509 |
| Florida Diagnostic Learning Resources | 508,071 |
| Interest on Undistributed Capital Outlay & Debt Service Funds | 85,611 |
| State Forest Funds | 134,339 |
| Miscellaneous Other – Capital and Food Service | 7,493 |
| Miscellaneous State Revenue | 65,847 |
| Full Service Schools | 1,541,325 |
| TOTAL | <u><u>\$ 606,140,412</u></u> |

13. PROPERTY TAX

The following is a summary of millages and taxes levied on the 2006 tax roll for the 2006-07 fiscal year:

| | <u>Millages</u> | <u>Taxes Levied</u> |
|-----------------------------------|-----------------|-----------------------|
| <u>GENERAL FUND</u> | | |
| Nonvoted School Tax: | | |
| Required Local Effort | 4.9400 | \$ 260,253,245 |
| Basic Discretionary Local Effort | 0.7600 | 40,038,961 |
| <u>DEBT SERVICE FUNDS</u> | | |
| Voted Tax: | | |
| Special Tax School District No. 1 | 0.3420 | 18,017,532 |
| <u>CAPITAL PROJECTS FUNDS</u> | | |
| Nonvoted Tax: | | |
| Local Capital Improvements | <u>2.0000</u> | <u>105,365,686</u> |
| Total | <u>8.042</u> | <u>\$ 423,675,424</u> |

(1) Based on certifications from the Duval County Property Appraiser, which includes prior year certificate sales received in 2006-07.

Actual property taxes collected totaled 95% of taxes levied. The Duval County Tax Collector is not required by law to make an accounting to the School Board of the difference between taxes levied and taxes collected. However, because discounts are allowed for early payments of taxes and because of other reasons for non-collection, the School Board budget estimates an anticipated 5% shortfall between taxes levied and taxes collected.

14. STATE RETIREMENT PROGRAM

Defined Benefit Plan

In excess of 99% of the District’s obligations for defined benefit plans relate to the Florida Retirement System (“FRS”). The FRS is primarily a State-administered cost-sharing multiple-employer defined benefit retirement plan (“Defined Benefit Plan”). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and

14. STATE RETIREMENT PROGRAM (continued)

Defined Benefit Plan (continued)

described in detail. Essentially, all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the Defined Benefit Plan vest at six years of service. The Defined Benefit Plan also includes an early retirement provision but imposes a penalty for each year a member retires before his or her normal retirement date. The Defined Benefit Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (“DROP”) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

One employee participates in the General Employees Pension Plan administered by the City of Jacksonville. The financial impact of participation in this pension plan is not significant as the total amount of required contributions by the District and the employee represents less than 1% of all required retirement system contributions. Details of the General Employees Pension Plan are presented in the City of Jacksonville’s Annual Financial Report which is filed as a public record with the City of Jacksonville.

Funding Policy

The FRS contribution rates for members are established as a percentage of gross salary and may be amended by the State of Florida. During the 2006-2007 fiscal year, contribution rates were as follows:

14. STATE RETIREMENT PROGRAM (continued)

| <u>Class or Plan</u> | <u>Percent of Gross Salary</u> | |
|--|--------------------------------|---------------------|
| | <u>Employee</u> | <u>Employer (A)</u> |
| FRS, Regular | 0.00 | 9.85 |
| FRS, Elected County Officers | 0.00 | 16.53 |
| FRS, Special Risk | 0.00 | 20.92 |
| FRS, Senior Management | 0.00 | 13.12 |
| Teacher's Retirement System, Plan E (TRS) | 6.25 | 11.35 |
| State and County Officers and Employee's Retirement System, Division B (SCORES) | 4.00 | 9.10 |
| DROP - Applicable to Members from All of the Above Classes or Plans | 0.00 | 10.91 |
| FRS, Reemployed Retiree | (B) | (B) |

Notes:

- (A) Employer rates include 1.11% for the post-employment health insurance supplement and 0.05% for administrative/educational fee.
1. The 1.11% HIS rate and the 0.05% administrative/educational fee do not apply to members in Supplemental Retirement Program of the Institute of Food and Agricultural Sciences (IFAS).
 2. Member contribution rates did not change in FY 2006/07 for TRS or SCORES.
 3. The DROP rate includes the 1.11% HIS rate but the 0.05% administrative/educational fee does not apply to DROP participants.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District. The District's contributions (including employee contributions) for the fiscal years ending June 30, 2005, June 30, 2006, and June 30, 2007, totaled \$37,254,666,, \$41,424,411 and \$56,025,561 respectively, which were equal to the required contributions for each fiscal year.

14. STATE RETIREMENT PROGRAM (continued)

Defined Contribution Plan

Effective July 1, 2002, the Public Employee Optional Retirement Program ("PEORP") was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Required employer contributions made to the program for the fiscal year ending June 30, 2007, totaled \$5,825,335.

Pension Reporting

The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS which includes its financial statements, required supplementary information, actuarial report, and other relevant information may be obtained from the Florida Department of Retirement Services, Division of Retirement in Tallahassee, Florida.

15. RETIREMENT INCENTIVE PROGRAM

The Board offered a retirement incentive program in a prior fiscal year for administrators, specialists, and certain classified exempt personnel who submitted an application to participate and agreed to retire from employment under the provisions of the Florida Retirement System. The District was required to contribute the difference between the cost of single premium group health insurance coverage and the amount received by the retiree for the post-retirement health-care insurance supplement from the Florida Retirement System and to pay the entire premium for \$10,000 term life insurance coverage for each retiree for up to ten years depending on the effective retirement date.

In the Comprehensive Annual Financial Report as of June 30, 2006, the District reported a liability of \$75,387 in the Statement of Net Assets, representing the present value of payments for health insurance coverage for 35 retirees and \$10,660 in life insurance coverage for 37 retirees participating in the retirement incentive program. The liability for the retirement incentive program is generally liquidated with General Fund resources. This program ended March 31, 2007. No further obligation is required from the District.

16. CONSTRUCTION CONTRACT COMMITMENTS

The following is a summary of major construction contract commitments remaining at fiscal year-end:

| School | Project No. | Contract Amount | Completed to Date | Balance Committed |
|--|-------------|-----------------|-------------------|-------------------|
| <u>New School Construction</u> | | | | |
| New High School Campus with Athletic Fields | C-90650 | \$ 7,502,269 | \$ 828,304 | \$ 6,673,965 |
| New School-Chaffee Road | C-91060 | 20,595,231 | 18,397,381 | 2,197,850 |
| Conversion to K-8 North Shore | C-91080 | 18,713,714 | 8,877,704 | 9,836,010 |
| Replacement Arlington Middle | C-91090 | 2,024,666 | 1,913,874 | 110,792 |
| New Nutrition Center | C-90870 | 415,427 | 411,193 | 4,231 |
| New Northside K - 5 School A | C-90980 | 2,428,054 | 2,332,361 | 95,693 |
| Total New School Construction | | 51,679,361 | 32,760,817 | 18,918,541 |
| <u>Additions and Remodeling</u> | | | | |
| Classroom Addition at First Coast | C-91050 | 1,147,089 | 1,140,291 | 6,799 |
| Portable-Districtwide | C-90700 | 1,429,345 | 1,266,920 | 162,425 |
| Highlands Elementary-Additions, Remodeling and Renovations | C-91100 | 1,024,013 | 1,022,558 | 1,456 |
| Additions/Renovation & Site Improvement Seabreeze Elementary | C-90950 | 123,670 | 119,907 | 3,763 |
| Total Additions and Remodeling | | 3,724,117 | 3,549,676 | 174,443 |
| Totals | | \$ 55,403,478 | \$ 36,310,493 | \$ 19,092,984 |

17. RISK MANAGEMENT PROGRAMS

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 natural disasters. Workers' compensation, general liability, and automobile liability coverages are being provided on a self-insured basis. The District's liability for workers' compensation is limited from \$150,000 to \$425,000 per occurrence, depending on the year of occurrence, through January 31, 2003. Additionally, during the period February 1, 1997, through January 31, 2002, the District's liability is limited by aggregate excess coverage when total claims minus specific excess coverage exceed the loss fund established annually by the District. For claims occurring on or after February 1, 2003, the District has retained the entire liability for workers' compensation claims. The District's liability for tort claims under the general and automobile liability coverages are limited by State statute to \$100,000 per claim and \$200,000 per incident. The District has contracted with an insurance administrator to administer the self-insurance program, including the processing, investigating, and payment of claims. The insurance administrator has been approved by the Department of Financial Services, Office of Insurance Regulation.

A liability in the amount of \$12,370,177 was actuarially determined to cover estimated incurred, but not reported, insurance claims payable at June 30, 2007.

18. RISK MANAGEMENT PROGRAMS

The following schedule represents the changes in claims liability for the past three fiscal years for the District's self-insurance program:

| | <u>Liability</u> | <u>Estimates</u> | <u>Payments</u> | <u>Year End</u> |
|---------|------------------|------------------|-----------------|-----------------|
| 2004-05 | \$ 16,825,770 | \$ 2,627,372 | \$ 4,389,642 | \$ 15,063,500 |
| 2005-06 | \$ 15,063,500 | \$ 4,796,706 | \$ 6,132,658 | \$ 13,727,548 |
| 2006-07 | \$ 13,727,548 | \$ 5,883,751 | \$ 7,241,122 | \$ 12,370,177 |

Liability coverage for property protection, errors and omissions, employee blanket bond, and other coverage deemed necessary by the School Board are provided through purchased commercial insurance, with minimum deductibles for each line of coverage.

Health and hospitalization coverage for District employees is being provided through purchased commercial insurance. The health and hospitalization coverage provided by the District contains high employee and dependent deductibles. To satisfy the annual deductibles associated with the coverage, the District contributes \$500 per eligible employee, and an additional \$300 for dependent and family coverage, to an Internal Revenue Code Section 125 Flexible Benefits Plan ("Flexible Benefits Plan"). These and other Flexible Benefit Plan contributions are subject to a use-it-or-lose-it rule whereby unspent balances remaining in the Flexible Benefit Plan after the reimbursement eligibility period are forfeited. The District's Plan Document generally requires that forfeited balances be used to provide increased benefits or compensation to employees in future years. At June 30, 2007, the District held forfeited balances totaling \$1,825,727 that are restricted to providing employee benefits in future years.

19. CONTINGENT LIABILITIES

The District is involved in several pending and threatened legal actions. In the opinion of District management, the range of potential loss from all such claims and actions should not materially affect the financial condition of the District. For governmental activities, claims and judgments are generally liquidated with resources of the Proprietary Fund.

The District receives grants from various Federal agencies. Amounts received or receivable under the grant programs are subject to audit and adjustment by the various Federal grantor and pass-through agencies. The amount, if any, of disallowed claims, including amounts already collected, cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

APPENDIX C

DEFINITIONS APPLICABLE TO THE BASIC DOCUMENTS

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DEFINITIONS

"Accreted Value" of a Capital Appreciation Certificate means the original principal amount thereof payable from the Principal Component of Basic Rent Payments plus interest payable from the Interest Component of Basic Rent Payments accrued thereon on the basis of a 360-day year consisting of twelve 30-day months compounded semi-annually on each Payment Date commencing on the Payment Date next succeeding the dated date of such Capital Appreciation Certificates to the date of maturity or redemption prior to maturity of such Capital Appreciation Certificates on the date of determination. The Accreted Value with respect to any date other than a Payment Date is the Accreted Value on the next preceding Payment Date or the dated date of such Capital Appreciation Certificates for the period between such dated date and the initial Payment Date for such Certificates plus the percentage of the Accreted Value on the next succeeding Payment Date derived by dividing the number of days from the next preceding Payment Date or the dated date of such Capital Appreciation Certificates for the period between such dated date and the initial Payment Date for such Certificates to the date of determination by the total number of days from the next succeeding Payment Date or the dated date of such Capital Appreciation Certificates for the period between such dated date and the initial Payment Date for such Certificates to the next succeeding Payment Date.

"Act" means Chapters 230, 235 and 236, Florida Statutes, and other applicable provisions of law.

"Amortization Installment" means an annual amount designated as such by the Trust Agreement, such amount to be included in the Basic Rent Payments and to be deposited by the Trustee to the credit of the Principal Account for the purpose of paying Term Certificates.

"Architect" means, with respect to a Project involving the construction of a Building, the architect or firm of architects appointed to perform the duties of the Architect in accordance with Section 5.01 of the Lease Agreement. The Architect may be an employee of the Board, the Developer or the Contractor.

"Assignment of Lease Agreement" means the Assignment of Lease Agreement, dated as of October 1, 2000, by and between the Corporation and the Trustee, as now or hereafter amended.

"Assignment(s) of Ground Lease Agreement" means the Assignment of Ground Lease Agreement, dated as of October 1, 2000, from the Corporation to the Trustee, as now or hereafter amended and any other Assignment of Ground Lease Agreement thereafter delivered by the Corporation to the Trustee pursuant to the terms of a Ground Lease executed and delivered in connection with a Lease Schedule.

"Authorized Officer," when used with respect to the Corporation, means the President, Vice President, Secretary or Treasurer of the Corporation or their deputies or assistants or any other officer of the Corporation who is designated by the Board of Directors of the Corporation as an Authorized Officer for purposes of the Lease Agreement and the Trust Agreement in a written certificate signed by the Chairman of the Board of Directors of the Corporation and filed with the Trustee. The term "Authorized Officer," when used with respect to the Board, means the Chairman, the Superintendent or his designee or any other officer or employee of the Board designated by the Board as an Authorized Officer for purposes of the Lease Agreement and the Trust Agreement in a written certificate signed by the Chairman of the Board and filed with the Trustee.

"Available Revenues" means the moneys and revenues of the Board legally available under the Act to make the Lease Payments. "Available Revenues" shall include, but not be limited to, PECO Funds, FEFP and the Capital Outlay Millage.

"Basic Rent" or "Basic Rent Payment" means the Basic Rent payments set forth in the Lease Schedules, as the same may be adjusted pursuant to the terms of the Lease Agreement.

"Basic Rent Payment Date" means the dates on which Basic Rent becomes due as described in the Lease Schedules. Such Basic Rent Payment Dates shall occur on each December 15 and June 15 unless a Lease Schedule states otherwise; provided, however, payments of Basic Rent shall be made at the time indicated in Section 4.03 of the Lease Agreement.

"Board" means the School Board of Duval County, Florida, and any successor thereto.

"Budget" means the annual budget of revenues and expenses and capital expenditures required to be adopted by the Board for each Fiscal Year pursuant to the laws of the State. "Budget" shall include the Board's continuation Budget, tentative Budget and its final Budget.

"Buildings" means, in regard to a Project, the structures to be financed or refinanced from a disbursement from the Project Account and leased to the Board as part of a Project pursuant to the terms of the Lease Agreement and Trust Agreement and which is more particularly described in the Lease Schedule relating to such Project, as the same may be modified or changed from time to time in accordance with the terms of the Lease Agreement and Trust Agreement.

"Business Day" means any day other than a Saturday or Sunday or a day on which the Trustee is authorized by law to be closed.

"Capital Appreciation Certificates" means the Certificates so designated by the Trust Agreement, which may be either Serial Certificates or Term Certificates and which shall bear interest payable at maturity or redemption.

"Capital Outlay Millage" means the revenues received by the Board from the levy of an ad valorem tax against non-exempt assessable property within the District and available to make Lease Payments pursuant to applicable law.

"Certificate" or **"Certificates"** means the certificates of participation prepared and delivered by the Trustee pursuant to the Trust Agreement.

"Certificate Register" means the books of the Trustee for registration of the ownership of the Certificates pursuant to Section 4.06 of the Trust Agreement.

"Closure Date" means, in regard to a Project, the date provided in the Lease Schedule relating thereto.

"Code" means the Internal Revenue Code of 1986, as amended, and all regulations and rules applicable thereto.

"Commencement Date" means, with respect to a Project, the date set forth in the Lease Schedule relating thereto.

"Completion Certificates" means Certificates issued for purposes of completing a Project pursuant to Section 4.12 of the Trust Agreement.

"Completion Date" shall have, in regard to a Project, the meaning ascribed thereto in Section 6.03(g) of the Trust Agreement.

"Construction Contract" means a contract entered into between the Board on behalf of the Corporation and the Contractor or Developer providing for the terms upon which the Contractor or Developer shall construct and install a Project, or portion thereof.

"Contractor" means, with respect to a Project, the Person or Persons appointed by the Board on behalf of the Corporation to act in such capacity.

"Corporation" means Duval School Board Leasing Corporation, a single-purpose, not-for-profit corporation organized and existing under the laws of the State, and any successor thereto.

"Costs of Issuance" means, in regard to a Series of Certificates and Lease Schedule related thereto, all costs and expenses related to the execution, sale and delivery of such Series of Certificates and execution and delivery of such Lease Schedule, including, but not limited to, costs paid or incurred by the Board, the Corporation or the Trustee for filing costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges and reimbursements, financial and other professional consultant fees and charges and reimbursements, auditors fees and charges and reimbursements, costs of rating agencies or credit ratings, fees for execution, registration, transportation and safekeeping of the Certificates, credit enhancement premiums and charges and fees in connection with the foregoing.

"Costs of Issuance Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Credit Bank" shall mean as to any particular Series of Certificates, the Person (other than an Insurer) providing a letter of credit, a line of credit or another credit or liquidity enhancement facility, as designated in the Lease Schedule relating to such Certificates.

"Credit Enhancer" means, with regard to a Series of Certificates, any Insurer or Credit Bank that provides a municipal bond insurance policy or Credit Facility, respectively, with regard to such Series of Certificates.

"Credit Facility" shall mean as to any particular Series of Certificates, a letter of credit, a line of credit or another credit or liquidity enhancement facility (other than a municipal bond insurance policy issued by an Insurer), as designated in the Lease Schedule relating to such Certificates.

"Current Interest Certificates" means Certificates so designated by the Trust Agreement and on which the interest on which is payable to the Owner thereof on the Payment Dates with respect thereto.

"Department" means the Department of Education of the State of Florida.

"Designated Equipment" means Equipment for which title is required by the Department to be in the name of the Board upon acquisition thereof and which is described as such in the Lease Schedule relating thereto. All Designated Equipment must be consented to by the Department or otherwise permitted by applicable law.

"Developer" means, with respect to a Project, the Person or Persons which shall enter into a Construction Contract with the Board to construct such Project, or portion thereof, on a "turn-key" basis.

"District" means the Duval County School District, and any successor thereto.

"Engineer" means, with respect to a Project involving the construction of a Building, the professional engineer or firm of engineers appointed to perform the duties of the Engineer in accordance with Section 5.01 of the Lease Agreement. The Engineer may be an employee of the Board, the Contractor or the Developer.

"Equipment" means, in regard to a Project, the items of personal property to be financed or refinanced by disbursements from the Project Account and leased to the Board pursuant to the terms and provisions of the Lease Agreement and which are more particularly described in the Lease Schedule relating to such Project, or any substitutions therefor or additions thereto made in accordance with the provisions of the Lease Agreement. "Equipment" shall include Designated

Equipment. All Equipment must be consented to by the Department or otherwise permitted by applicable law.

"Estimated Completion Date" means, with respect to a Project, the date provided in the Lease Schedule related thereto.

"Event of Default" or "Default," when referenced to the Lease Agreement, means an event of default or default under the Lease Agreement as set forth in Section 7.02 of the Lease Agreement, and, when referenced to the Trust Agreement, shall mean an event of default or default as set forth in Section 8.01 of the Trust Agreement.

"Event of Non-Appropriation" shall have the meaning ascribed thereto in Section 7.01 of the Lease Agreement.

"FEFP" means moneys received by the Board from the Florida Education Finance Program pursuant to the Act, to the extent the Department permits such moneys to be used to make Lease Payments.

"Fiscal Year" means the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law.

"Fitch" means Fitch Inc., or any successor thereto.

"Ground Lease" means the Ground Lease Agreement, dated October 1, 2000, from the Board to the Corporation, as the same may be amended from time to time and any other Ground Lease Agreement or Supplement to the Ground Lease Agreement delivered in connection with a Lease Schedule.

"Group" means, in regard to a Project, the group or groups of leased property which shall constitute a portion of such Project as described in the Lease Schedule related thereto.

"Initial Lease Term" means, in regard to a Project, the initial term of the lease of such Project from the Corporation to the Board pursuant to the terms of the Lease Agreement, which Initial Lease Term shall commence on the Commencement Date and shall end on the next succeeding June 30.

"Initial Lease Termination Date" means, in regard to a Project, the last day of the Initial Lease Term.

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

"Insurer" means such Person which shall be in the business of insuring or guaranteeing the payment of the principal of and interest on municipal securities.

"Interest Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Interest Component" means the portion of each Basic Rent Payment constituting interest as set forth in the Lease Schedules.

"Land" means, in regard to a Project, (1) the real property to be financed or refinanced by a disbursement from the Project Account, which shall be selected by the Board in the manner required by law, and (2) the leasehold interest of the Corporation in the Premises, if any, acquired pursuant to a Ground Lease, which, in either case, shall be leased to the Board as part of such Project pursuant to the terms of the Lease Agreement and which is more particularly described in the Lease Schedule relating thereto, to the extent identified and acquired by the Corporation on the Commencement Date.

"Lease Agreement" means the Master Lease-Purchase Agreement, dated as of October 1, 2000, by and between the Corporation, as lessor, and the Board, as lessee, including all Lease Schedules, as now or hereafter amended, modified or supplemented.

"Lease Payment Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Lease Payments" means, collectively, the Basic Rent, the Supplemental Rent and all other amounts owing under the Lease Agreement which are payable by the Board for the lease of the Projects pursuant to the Lease Agreement.

"Lease Schedule" means the Lease Schedule, the form of which is attached to the Lease Agreement as Exhibit C, which shall authorize the lease of a Project to the Board in accordance with the terms of the Lease Agreement.

"Lease Term" means, in regard to a Project, the term of the lease of such Project, pursuant to the provisions of the Lease Agreement and Lease Schedule relating thereto, which Lease Term shall commence on the first day of the Initial Lease Term and shall be equal to the Maximum Lease Term of such Project unless the Lease Agreement is earlier terminated in accordance therewith in which case the Lease Term shall end on such date of termination.

"Letter of Instructions" means the Letter of Instructions attached to each Supplemental Trust Agreement authorizing the issuance of a Series of Certificates as required by Section 6.12 of the Trust Agreement.

"Mandatory Prepayment" means the mandatory prepayment by the Board of all or a portion of the Lease Payments pursuant to Sections 3.07 and 5.08 of the Lease Agreement.

"Mandatory Prepayment Date" means, in regard to a Series of Certificates, the date on which such Certificates shall be redeemed pursuant to the Supplemental Trust Agreement authorizing the issuance thereof.

"Maximum Cost" means, in regard to a Project, the maximum cost of such Project which shall be stated in the Lease Schedule relating thereto.

"Maximum Interest Rate" means, with respect to any particular Series of Variable Rate Certificates, a numerical rate of interest, which shall be set forth in the Supplemental Trust Agreement authorizing the issuance of such Certificates, that shall be the maximum rate of interest such Certificates may at any time bear.

"Maximum Lease Term" means, in regard to a Project, the maximum term of the lease of such Project as provided in the Lease Schedule relating thereto.

"Moody's" or **"Moody's Investors Service"** means Moody's Investors Service, or any successor thereto.

"Net Proceeds," when used with respect to any insurance or condemnation award, means the amount of gross proceeds from such insurance or condemnation award remaining after payment of all expenses incurred in the collection of such gross proceeds.

"Optional Prepayment Date" means the date on which the moneys deposited by the Board pursuant to the exercise of a prepayment option under Section 4.06 of the Lease Agreement shall be applied to the redemption of a Series of Certificates in accordance with the Lease Schedule and Supplemental Trust Agreement relating thereto.

"Outstanding," when used with reference to Certificates means, as of a particular date, all Certificates theretofore issued under the Trust Agreement, except:

- (1) Certificates theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (2) Certificates which have been paid or provision for payment has been made in accordance with Section 12.01 of the Trust Agreement; and
- (3) Certificates in exchange for or in lieu of which other Certificates have been issued.

"Overdue Rate" means a rate of interest equal to the highest rate of interest which any of the Outstanding Certificates shall bear.

"Owner" or **"Certificate Owner"** or **"Owner of Certificates"** or any similar term, when used with respect to the Certificates means any Person who shall be the registered owner of any Outstanding Certificate.

"Payment Dates" means, with respect to the interest due on the Current Interest Certificates (other than Variable Rate Certificates), January 1 and July 1 of each year and, with respect to the principal of the Current Interest Certificates, July 1 in each of the years set forth in the Supplemental Trust Agreements relating to such Series of Certificates. With respect to Capital Appreciation Certificates, the Payment Date shall be July 1 in the years of maturity set forth in the Supplemental Trust Agreements relating to such Series of Certificates. The Payment Dates for Variable Rate Certificates shall be established in the Supplemental Trust Agreement authorizing the issuance of such Certificates.

"PECO Funds" means moneys received by the Board from the Public Education Outlay and Debt Service Fund which are permitted by the Act to be used for payment of Lease Payments.

"Permitted Encumbrances" means, in regard to a Project:

- (1) the Lease Agreement and any liens and encumbrances created or permitted thereby;
- (2) the Assignment of Lease Agreement and any liens and encumbrances created or permitted thereby;
- (3) the Trust Agreement and liens and encumbrances created or permitted thereby;
- (4) any Ground Lease and Assignment of Ground Lease applicable thereto and any liens and encumbrances created or permitted thereby;
- (5) subject to the provisions of Section 5.01(l) of the Lease Agreement, 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 Lease Agreement;
- (6) (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 do not materially and adversely impair the use of such property or materially and adversely affect the value thereof; (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; and (e) landlord's liens;

(7) any mortgage and security interest in a Project, or portion thereof, granted by the Corporation to the Trustee for the benefit of the Owners of the Series of Certificates, the proceeds of which financed or refinanced the acquisition and construction of such Project, pursuant to Section 7.07 of the Trust Agreement; and

(8) any other liens or encumbrances permitted by the Lease Schedule relating to such Project.

"Permitted Investments," except as otherwise provided in Supplemental Trust Agreements, means:

1. (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
 - Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - Senior Debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
 - Consolidated system-wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
 - Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
 - Senior debt obligations
 - Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)

- Student Loan Marketing Association (SLMA)
Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
 - Financial Corporation (FICO)
Debt obligations
 - Resolution Funding Corporation (REFCORP)
Debt obligations
4. Unsecured certificates of deposit, time deposits and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.
 5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.
 6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.
 7. Money market funds rated "AAm" or "AAm-G" by S&P, or better.
 8. "State Obligations," which means:
 - A. Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
 - B. Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "MIG-1" by Moody's.
 - C. Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's.
 9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:
 - A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions

concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

B. the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

C. the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

D. the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

E. no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

F. the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements with (1) any domestic bank, or domestic branch of a foreign bank, the long-term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's and acceptable to the Insurer, provided that:

A. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

B. The Trustee or a third party acting solely as agent therefor or for the Board (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

C. The repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all

proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

D. All other requirements of S&P in respect of repurchase agreements shall be met; and

E. The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Board or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Board or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

A. interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;

B. the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; the Board and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

C. the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation or, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

D. the Board or the Trustee receives the opinion of domestic counsel (which opinion shall be addressed to the Board, the Trustee and the Insurer) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Insurer;

E. the investment agreement shall provide that if during its term:

(1) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Board, the Trustee or a third party acting solely as agent therefor (the "Holder of the Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and

(2) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the direction of the Board or the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Board or Trustee, and

F. The investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

G. the investment agreement must provide that if during its term:

(1) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Board or the Trustee (who shall give such direction if so directed by the Credit Enhancer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Board or Trustee, as appropriate, and

(2) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Board or Trustee, as appropriate.

12. Subject to the prior written approval of the Credit Enhancer, such other obligations as shall be permitted to be legal investments of the Board by the laws of the State.

13. Units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Part IV, Chapter 218, Florida Statutes, as amended.

"Person" means an individual, corporation, partnership, association, joint stock company, trust, unincorporated organization, government or political subdivision.

"Plans and Specifications" means, in regard to a Project, the Board's plans and specifications for such Project, on file or to be on file with the Board, as the same may be amended from time to time in accordance with the Lease Agreement.

"Pledged Accounts" means, in regard to each Series of Certificates, the separate account, if any, established in the Prepayment Fund, and separate subaccounts, if any, established in the Project Account, Costs of Issuance Account, Capitalized Interest Account, the Reserve Account, the Principal Account and the Interest Account at the time such Series shall be issued.

"Premises" means, in regard to a Project, the parcels of real property leased by the Board to the Corporation pursuant to the Ground Lease, which real property shall be described in an exhibit to the Ground Lease.

"Prepayment Amount" means, in regard to a Project, the amount set forth in the Lease Schedule relating thereto.

"Prepayment Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Prepayment Premium" means the amount of prepayment premium, if any, due on any Optional Prepayment Date. The amount of such prepayment premium shall be calculated in accordance with the Trust Agreement.

"Prepayment Price" means, with respect to any Certificate or portion thereof, the principal amount or portion thereof, plus the applicable Prepayment Premium, if any, payable upon prepayment thereof pursuant to such Certificate or the Trust Agreement.

"Principal Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Principal Component" means the portion of each Basic Rent Payment constituting principal as set forth in the Lease Schedules.

"Principal and Interest Requirements" means the respective amounts which are required in each Fiscal Year to provide for:

(1) the interest payable on all Certificates then Outstanding, which is payable on each interest Payment Date in such Fiscal Year,

(2) the principal on all Serial Certificates then Outstanding, which is payable upon the maturity of the Serial Certificates in such Fiscal Year, and

(3) the Amortization Installment for all Term Certificates then Outstanding, which is payable for such Fiscal Year.

In determining the amount of the Principal and Interest Requirements for any Fiscal Year, if interest on the Certificates is payable from the proceeds of such Certificates or from other amounts set aside irrevocably for such purpose at the time such Certificates are issued, interest on such Certificates shall be included in Principal and Interest Requirements only in proportion to the amount of interest payable in the then current Fiscal Year from amounts other than amounts so funded to pay such interest. For purposes of this definition, all amounts payable on a Capital Appreciation Certificate shall be considered a principal payment due in the year of its maturity or earlier mandatory redemption.

"Principal Office" means the designated corporate trust office of the Trustee which shall initially be in New York, New York, or the designated corporate trust office of any successor Trustee.

"Project" shall mean the Land, the Buildings, and/or the Equipment, as described in the Lease Schedule relating thereto, as the same may be amended or modified from time to time in accordance with the terms of the Lease Agreement.

"Project Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Project Budget" means, in regard to a Project, the budget for expenditure of moneys in the subaccount in the Project Account established for such Project as set forth in the Lease Schedule relating thereto.

"Project Costs" or "Costs of the Project" means, in regard to a Project, all costs of payment of, or reimbursement for, acquisition, construction and installation of such Project, including but not limited to, architectural and engineering costs and costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs and sales and use taxes and the cost of title insurance, and, in addition, Costs of Issuance to the extent that the amounts on deposit in the Costs of Issuance Account are insufficient to pay all Costs of Issuance in full. Project Costs shall specifically include any portion of the total costs of such Project or any portion thereof paid by the Board from funds other than proceeds of the Certificates prior to the Closing Date for which the Board seeks reimbursement by filing a Requisition with the Trustee in the manner required by Section 6.03 of the Trust Agreement.

"Project Description" means, in regard to a Project, the description of such Project as set forth in the Lease Schedule relating thereto.

"Project Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Project Schedule" means, in regard to a Project, the timetable for disbursements from the subaccount of the Project Account established therefor for acquisition, construction, delivery and installation of the components of such Project as set forth in the Lease Schedule relating thereto.

"Purchasers" means the original purchasers of a Series of Certificates.

"Qualified Financial Institution" means (1) a bank, a trust company, a national banking association, a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America; or (2) the Government National Mortgage Foundation or any successor thereto or the Federal National Mortgage Foundation or any successor thereto; provided that, for each such entity delineated in clauses (1) and (2), its unsecured or uncollateralized long-term debt obligations, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such entity, have been assigned a credit rating by Moody's of "Aa" or better or by S&P of "AA" or better.

"Real Estate Taxes" shall mean all real estate taxes, public and governmental charges and assessments, including all extraordinary or special assessments, or assessments against any of the personal property included in the Projects, all costs, expenses and attorneys' fees incurred by Lessor in contesting or negotiating with public authorities as to any of same and all sewer and other similar taxes and charges.

"Rebate Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Record Date" means the 15th day of the month preceding any Payment Date (whether or not a Business Day).

"Refunding Certificates" means Certificates issued for purposes of refunding Outstanding Certificates pursuant to Section 4.13 of the Trust Agreement.

"Refunding Securities," except as otherwise provided by Supplemental Trust Agreement, means the investments set forth in paragraphs 1 and 9 of the definition of Permitted Investments.

"Renewal Lease Term" means, in regard to a Project, the period commencing on the day after the last day of the Initial Lease Term and ending on the following June 30. Thereafter, "Renewal Lease Term" shall refer to each succeeding one (1) year term commencing on the day after the last day of the previous Renewal Lease Term and ending on the following June 30.

"Renewal Term Termination Date" means, in regard to a Project, the termination date for the then current Renewal Lease Term which shall be the last day of such Renewal Lease Term.

"Request and Authorization" means a request and authorization from the Corporation and the Board to the Trustee to authenticate and deliver Certificates in accordance with the terms thereof and of the related Supplemental Trust Agreement, and substantially in the form attached to the Trust Agreement as Exhibit C.

"Requisition" means a requisition of the Board to receive amounts from the Project Fund to pay Project Costs or Costs of Issuance in the form attached to the Lease Agreement as Exhibit B.

"Reserve Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Reserve Account Letter of Credit/Insurance Policy" means 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 subaccount of the Reserve Account in order to fulfill the Reserve Requirement relating thereto.

"Reserve Requirement" means, in regard to a subaccount established in the 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 Lease Schedule relating thereto, provided such Requirement not exceed the lesser of (1) the maximum Principal and Interest Requirements on account of the Outstanding Certificates of the Series secured by such subaccount in the current or any subsequent Fiscal Year, (2) one hundred twenty-five percent (125%) of the average annual Principal and Interest Requirements on account of the Outstanding Certificates of the Series secured by such subaccount in the current or any subsequent Fiscal Years, and (3) ten percent (10%) of the proceeds of such Series of Certificates.

"S&P" or **"Standard & Poor's"** means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

"Serial Certificates" means the Certificates designated as Serial Certificates pursuant to the Trust Agreement.

"Series" means all the Certificates delivered on original issuance in a simultaneous transaction and identified pursuant to Section 4.01 of the Trust Agreement and the Supplemental Trust Agreement authorizing the issuance of such Certificates as a separate Series, regardless of variations in maturity, interest rate and other terms.

"Special Counsel" shall mean Nabors, Giblin & Nickerson, P.A., Tampa, Florida, or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exemption of the interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"State" means the State of Florida.

"Stipulated Loss Value" means an amount calculated in accordance with Section 5.08 of the Lease Agreement.

"Superintendent" means the Superintendent of the District, or such Person as shall be authorized to act on his or her behalf.

"Supplemental Rent" shall have the meaning set forth in Section 4.03(e) of the Lease Agreement.

"Supplemental Trust Agreement" means any supplement to or amendment to the Trust Agreement entered into in accordance with Article XI of the Trust Agreement.

"Taxable Certificates" means Certificates for which the Interest Component of the Basic Rent Payments relating thereto shall be includable in gross income for purposes of federal income taxation.

"Term Certificates" means those Certificates designated as Term Certificates pursuant to the Supplemental Trust Agreement authorizing the issuance thereof which are subject to mandatory redemption by Amortization Installments.

"Termination Date" means the date on which the Lease Agreement terminates pursuant to the terms thereof.

"Trust Agreement" means the Master Trust Agreement, dated as of October 1, 2000, between the Corporation and the Trustee, as now and hereafter amended, modified or supplemented by Supplemental Trust Agreements.

"Trust Estate" means all right, title and interest of the Trustee in and to the property and interests therein described in Section 3.03 of the Trust Agreement.

"Trustee" means The Bank of New York, New York, New York, or its successor in interest as the Trustee under the Trust Agreement.

"Variable Rate Certificates" means Certificates issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereto at the date of issue.

"Vendor" means, with respect to a Project, the Person or Persons appointed by the Board to sell Equipment relating to such Project.

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APPENDIX D

FORMS OF CERTAIN BASIC DOCUMENTS

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MASTER LEASE-PURCHASE AGREEMENT

by and between

**DUVAL SCHOOL BOARD LEASING CORPORATION,
as Lessor**

and

**SCHOOL BOARD OF DUVAL COUNTY, FLORIDA,
as Lessee**

Dated as of October 1, 2000

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MASTER LEASE-PURCHASE AGREEMENT

THIS MASTER LEASE-PURCHASE AGREEMENT, is made and entered into as of October 1, 2000 (the "Lease Agreement"), by and between **DUVAL SCHOOL BOARD LEASING CORPORATION**, a single-purpose, not-for-profit corporation organized and existing under the laws of the State of Florida (the "Corporation"), and the **SCHOOL BOARD OF DUVAL COUNTY, FLORIDA**, a school board duly organized and existing under the laws of the State of Florida (the "Board"), acting as the governing body of the Duval County School District;

WITNESSETH:

In consideration of the mutual covenants hereinafter contained and for other valuable consideration, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS AND GENERAL PROVISIONS

SECTION 1.01. DEFINITIONS. The capitalized words and terms used herein shall have the meanings assigned to such words and terms in Exhibit A attached hereto, unless the context clearly requires some other meaning.

SECTION 1.02. RULES OF CONSTRUCTION. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

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

ARTICLE II

RECITALS

SECTION 2.01. STATUS AND POWERS OF CORPORATION. The Corporation is a not-for-profit corporation duly organized and existing pursuant to Chapter 617, Florida Statutes, and is authorized to purchase and to sell or lease or otherwise dispose of property. Pursuant to such authority, the Corporation is authorized to undertake and perform the actions and duties more particularly described herein.

SECTION 2.02. STATUS AND POWERS OF BOARD. The Board is a school board of the State of Florida and is authorized by the laws and Constitution of the State of Florida, particularly the Act, to lease-purchase and acquire real and personal property for the common benefit and in furtherance of its public purposes.

SECTION 2.03. PURPOSE OF AGREEMENT. In order to provide for its governmental and proprietary needs and in furtherance of its public purposes, the Board desires from time to time to lease Projects from the Corporation. The Corporation is able and willing, for adequate consideration, to lease such Projects to the Board.

SECTION 2.04. RELATED AGREEMENTS. The parties hereto acknowledge, approve of, and consent to the terms of the following documents:

(a) the Assignment of Lease Agreement, pursuant to which the Corporation assigns by outright assignment all of its right, title and interest in this Lease Agreement to the Trustee, other than its rights of indemnification, its right to enter into Lease Schedules from time to time and its obligations provided in Section 6.03 of this Lease Agreement;

(b) the Ground Lease(s), pursuant to which the Board has or will demise the Premises to the Corporation and granted a leasehold estate in the portions of the Projects on or being part of the Premises and not otherwise excluded thereunder;

(c) the Assignment(s) of Ground Lease Agreement, pursuant to which the Corporation by outright assignment assigns all of its right, title and interest in the Ground Lease(s) to the Trustee; and

(d) the Trust Agreement pursuant to which the Trustee, the Board and the Corporation agree to implement this Lease Agreement by providing from time to time for the delivery of Series of Certificates to fund or refinance the Projects, for the administration of certain funds, accounts and subaccounts for the benefit of the Owners and, under the circumstances contemplated in such Trust Agreement and in this Lease Agreement, the exercise by the Trustee of certain remedies for the benefit of the Owners.

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ARTICLE III

**ACQUISITION OF PROJECTS;
BOARD TO BE AGENT OF CORPORATION**

SECTION 3.01. DEPOSIT OF MONEYS; LEASE SCHEDULES. (a) In order to induce the Board to lease a Project from the Corporation and to assure the Board that the moneys needed to pay the Costs of such Project and Costs of Issuance relating to such Project will be available without delay, the Corporation and the Board, simultaneous with the delivery of a Lease Schedule relating to such Project by the Board, shall cause to be deposited with the Trustee, the proceeds of the Series of Certificates which shall finance the acquisition, construction and installation of such Project. Such proceeds shall be deposited in such funds, accounts and subaccounts established pursuant to the Trust Agreement as shall be described in the Lease Schedule relating to such Project and the Supplemental Trust Agreement pursuant to which such Series of Certificates are authorized to be issued.

(b) Whenever the Board, in its discretion, determines to lease a Project hereunder, it shall prepare and submit to the Corporation a Lease Schedule relating to such Project. Such Lease Schedule shall be in substantially the form set forth as Exhibit C hereto. The Corporation shall have no obligation to acquire, construct or install, or cause to be acquired, constructed or installed pursuant to Section 3.03 hereof, any portion of a Project until the Corporation has been furnished with a Lease Schedule describing such Project and complying with the provisions of the following paragraph.

(c) Each Lease Schedule submitted by the Board to the Corporation shall be accompanied by the following items:

(i) A certified copy of a resolution duly adopted by the Board authorizing the lease-purchase of the Project described in the Lease Schedule, the Lease Schedule and the Supplemental Trust Agreement relating to the Series of Certificates for which such Lease Schedule was established;

(ii) A certificate of the Chairman of the Board reaffirming the Board's covenants, representations and warranties made hereunder, except as modified by the Lease Schedule, and stating no default has occurred and is continuing under this Lease Agreement;

(iii) An executed copy of the applicable Ground Lease relating to the Project described in the Lease Schedule;

(iv) An executed copy of the Supplemental Trust Agreement relating to the issuance of the Series of Certificates which shall fund the Project described in the Lease Schedule;

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SECTION 2.05. CONSTRUCTION OF THIS LEASE AGREEMENT. For all purposes of this Lease Agreement, reference to the "assignee" of the Corporation means the Trustee acting on behalf of the Owners of the Certificates issued pursuant to the Trust Agreement.

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(v) An executed copy of a Memorandum of Lease with respect to the Project described in the Lease Schedule; and

(vi) An executed copy of a Memorandum of Ground Lease with respect to the Project described in the Lease Schedule.

SECTION 3.02. RIGHT OF ENTRY. In order to enable the Corporation to carry out the terms of this Lease Agreement, to provide for the acquisition, construction and installation of the Projects and to facilitate the exercise of remedies upon an Event of Default or Event of Non-Appropriation hereunder, the Board hereby grants a right of entry to the Corporation, its agents and assignees, including, without limitation, the Trustee, and, subject to the provisions of Section 7.03 hereof, at reasonable times and upon reasonable notice, to each of the Projects. The Board represents that it is empowered to grant such right of entry to the Trustee and the Corporation.

SECTION 3.03. ACQUISITION AND CONSTRUCTION OF THE PROJECTS. (a) The Corporation shall provide for the acquisition, construction and installation of each Project by the Board, as agent of the Corporation, pursuant to applicable State law and Section 3.08 hereof. Title to each Project shall be in the name of the Corporation, except as otherwise provided in Section 4.07 hereof or in Section 7.07 of the Trust Agreement. The Trustee shall establish a separate subaccount in the Project Account for each Project leased hereunder in accordance with Section 6.02 of the Trust Agreement. Amounts on deposit in each subaccount of the Project Account held by the Trustee pursuant to the Trust Agreement shall be disbursed by the Trustee to the Board or the Person designated by the Board to pay Costs of the Project for which such subaccount was established. Such disbursements shall be made pursuant to Requisitions submitted by the Board to the Trustee in accordance with the procedures set forth in the Trust Agreement. Such Requisitions shall be in the form set forth as Exhibit B hereto and shall be accompanied by such further documentation as set forth herein and in Section 6.03 of the Trust Agreement. The Corporation hereby agrees that the Board may be reimbursed for expenditures of moneys made by the Board for Project Costs in anticipation of the issuance of Certificates to fund such Project Costs by filing Requisitions, with the documentation required by Section 6.03 of the Trust Agreement. The Board hereby agrees that, upon its receipt of such reimbursement, the title to any portion of a Project previously acquired will be transferred to the Corporation other than Designated Equipment.

(b) The Corporation and the Board agree that they will assure that each Project will be acquired, constructed and installed in accordance with the Plans and Specifications. The Corporation and the Board further agree that each Project will be acquired, constructed and installed in accordance with the Project Budget and the Project Schedule relating thereto, which shall be provided in the Lease Schedule for such Project. The Board may, at any time prior to the Completion Date for a Project, make modifications to such Project and substitute items or components constituting a portion of such Project, subject to the provisions of this Section 3.03(b), if (i) the Board files with the Trustee, as assignee of the Corporation, a certificate of an Authorized Officer of the Board notifying the Trustee of such modification, addition or substitution, identifying the portion of such Project which is modified, added or substituted, and certifying that after such modification, addition or substitution, amounts on deposit in the subaccount of the Project Account

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relating to such Project, together with interest earnings thereon and any additional legally available sums of the Board deposited therein, will be sufficient to pay all remaining Costs of such Project, including Project Costs incurred in connection with such modification, addition or substitution and any Project Costs which shall have accrued but remain unpaid as of such date, (ii) if the modification, addition or substitution involves Equipment, either the items of substituted Equipment have a useful life equal to or greater than the useful life of the items of Equipment for which it has been substituted or the Credit Enhancer, if any, of the Certificates which shall finance the acquisition of such Equipment approves of a shorter useful life for such substituted Equipment, (iii) the Plans and Specifications, the Project Description, the Project Budget, the Project Schedule and, if necessary, the Estimated Completion Date for such amended or modified Project are each amended, as necessary, to take into account the portion of such Project which is modified, added or substituted, (iv) except as otherwise provided in Section 4.07 hereof, title to the substituted, added or modified portion of the Project shall be in the name of the Corporation, (v) if the modification or substitution involves Equipment, the substituted, added or modified Equipment shall be placed in the same Group as the Equipment for which there has been a substitution or the Credit Enhancer, if any, of the Certificates which shall finance the acquisition of such Equipment approves of the substituted or modified Equipment being placed in a different Group, and (vi) no change shall be made in the schedule of Basic Rent Payments. If the total Costs of such Project exceed the amount estimated therefor, the Board shall take the actions set forth in Section 3.05 hereof as a condition precedent to such modification, addition or substitution. The Board agrees not to lease-purchase any Equipment hereunder except to the extent consented to by the Department or otherwise permitted by applicable law.

(c) For purposes of this Lease Agreement, all materials and services in respect of which amounts are paid by the Trustee for the acquisition, construction and installation of a Project (including moneys disbursed pursuant to Section 6.04 of the Trust Agreement for Costs of Issuance) shall be deemed accepted by the Board hereunder upon execution of the corresponding Lease Schedule and the Board shall thereby be deemed to have agreed that it has received valuable consideration for the portion of the Basic Rent representing Costs of Issuance and will, subject to the provisions of Section 7.01 hereof, pay the Lease Payments in respect of same. The provisions of this Section 3.03(c) shall not in any way limit or affect the Corporation's or the Board's rights to pursue warranty or other claims arising therefrom against any contractor, vendor or supplier of labor or materials of a Project, or any portion thereof. Each Requisition executed by the Board and submitted to the Trustee shall certify that the Board has inspected and accepted the portion of the Project which is the subject of such Requisition. Execution by the Board of a Requisition shall constitute full approval and acceptance of the items or portions of the Project identified therein for all purposes hereunder.

(d) The Corporation and the Board further agree to assure that, where applicable, the Contractors and Developers of a Project involving construction of a Building carry appropriate performance bonds, agree to liquidated damages on a daily basis for construction and delivery delays and comply with workers' compensation laws and affirmative action standards of the Board; provided, however, that (i) this provision shall not apply to any contract the total payments on which do not exceed \$200,000 and (ii) this provision shall not prohibit or limit the Board to provide for

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amended Project Budget showing changes to such Project the result of which there is no cost deficiency and certified to the Trustee as accurate in writing by an Authorized Officer of the Board.

SECTION 3.06. WARRANTIES; DISCLAIMERS. The Board, upon execution of a Requisition for any portion of a Project, thereby shall represent, without further act, that it has (a) thoroughly inspected such portion of such Project described therein, and (b) satisfied itself that such portion of such Project is suitable for its purposes. THE CORPORATION, NOT BEING THE VENDOR, THE DEVELOPER OR THE CONTRACTOR OF ANY PROJECT OR THE VENDOR'S AGENT, DEVELOPER'S AGENT OR CONTRACTOR'S AGENT, MAKES NO WARRANTY OR REPRESENTATIONS, EITHER EXPRESS OR IMPLIED, AS TO THE TITLE TO, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, DESIGN OR CONDITION OF, OR AS TO THE QUALITY, CAPACITY OF THE MATERIAL OR WORKMANSHIP IN ANY PROJECT OR ANY WARRANTY THAT ANY PROJECT WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS OR SPECIAL METHODS. It is agreed that all such risks, as among the Corporation and the Board, are to be borne by the Board at its sole risk and expense, and the Board hereby agrees to look solely to the Vendors, Contractors or Developers of the Projects for all such matters.

SECTION 3.07. UNEXPENDED MONEYS. The Corporation and the Board agree that unexpended moneys remaining in a subaccount of the Costs of Issuance Account funded from a Series of Certificates, shall, upon payment in full of Costs of Issuance relating to such Series, be deposited in the subaccount of the Project Account relating to such Series and that excess moneys, if any, remaining in a subaccount of the Project Account funded from a Series of Certificates shall, on the Completion Date, be applied as a prepayment of Basic Rent Payments for such Series in accordance with Section 6.03(g) of the Trust Agreement.

SECTION 3.08. APPOINTMENT OF AGENCY. (a) The Corporation hereby appoints the Board as its agent to carry out all phases of the acquisition, construction and installation of the Projects, and the Board, as agent of the Corporation, assumes all rights, duties, responsibilities and liabilities of the Corporation regarding acquisition, construction and installation of the Projects, except as limited herein.

(b) The Board, as agent of the Corporation, may enter into any purchase order, agreement or contract required for acquisition, construction and installation of a Project, or any portion thereof, including a turn-key Construction Contract with a Developer, upon being assured that moneys sufficient for the payment thereof are then on deposit in the subaccount of the Project Account related thereto. Each such purchase order, agreement and contract shall be executed by the Board, as agent for the Corporation, in accordance with Section 6A-2, Florida Administrative Code. The benefits of all bids received by the Board for the components of a Project shall be deemed to be assigned by the Board to Corporation. The Board shall comply with all applicable laws in letting contracts or purchase orders in regard to the acquisition, construction and installation of a Project.

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actual damages with respect to design or construction defects. Proceeds of liquidated damages received by the Corporation or the Board shall be deposited, before the Completion Date, into the subaccount of the Project Account relating to such Project and, after the Completion Date, into the subaccount of the Interest Account relating to such Project to be held for Basic Rent Payments; provided, however, that if liquidated damages are to be imposed through withholding payment from the Contractors, then the Board shall direct the Trustee to withdraw from the subaccount of the Project Account relating to such Project an amount equal to said liquidated damages and to deposit such amount in the subaccount of the Interest Account relating to such Project.

(e) The Estimated Completion Date of a Project may be extended if the Trustee shall receive an amended Lease Schedule but in no event shall such date extend beyond the third anniversary of the date of issuance of the Certificates financing said Project (unless the Estimated Completion Date has, pursuant to certification complying with the provisions of the Code, been initially established beyond the third anniversary, in which case such date shall not be extended past the date initially established) unless the Trustee shall receive an opinion of Special Counsel that such extension will not cause the Interest Component on the Basic Rent Payments to become includable in gross income of the recipients thereof for the purpose of federal income taxation. The Board shall take possession of each Project, or portion thereof, upon delivery and acceptance and, where applicable, substantial completion of installation thereof. No delay in the completion of a Project, or any portion thereof, nor any extension of the Estimated Completion Date as permitted herein shall relieve the Board of its obligation to pay the Lease Payments to the extent provided herein.

(f) The Corporation and the Board shall at all times keep title to each Project and their respective interests hereunder and under the Ground Lease(s) free and clear of all liens and encumbrances of every kind whatsoever, except Permitted Encumbrances.

SECTION 3.04. PAYMENT OF COSTS OF ISSUANCE. Payment of Costs of Issuance for each Series of Certificates shall be made pursuant to Requisitions from moneys deposited with the Trustee in the subaccount of the Costs of Issuance Account established for such Series. Costs of Issuance shall be disbursed in accordance with and upon compliance with Section 6.04 of the Trust Agreement.

SECTION 3.05. LIMITATIONS ON ACQUISITION AND CONSTRUCTION. The amount of moneys available under the Trust Agreement to pay for Project Costs and Costs of Issuance for each Project is limited to an aggregate dollar amount of not more than the Maximum Cost provided in the Lease Schedule for such Project. If the Board agrees to an increase in the cost with respect to any portion of a Project or there is a cost overrun as a result of a substitution or modification in a Project as described in Section 3.03(b) hereof, and in either case, the amount in the subaccount of the Project Account relating thereto, together with interest earnings thereon, is not sufficient to pay such Project Costs and complete the acquisition, construction and installation of such Project, then the Board either (a) shall deposit to the credit of such subaccount of the Project Account the additional funds necessary to reduce such deficiency to zero (as certified to the Trustee in writing by an Authorized Officer of the Board), or (b) shall provide to the Corporation an

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(c) Prior to the Completion Date for such Project, the Board, as agent of the Corporation, shall have the right to make any changes in the description of a Project or modify or substitute components thereof, or of any component or portion thereof, whenever the Board deems such changes to be necessary and appropriate; provided, however, that the Board must comply with the provisions of Section 3.03(b) hereof.

(d) The Board, as agent of the Corporation, shall have sole responsibility for, and shall supervise, acquisition, construction and installation of each Project. The Board shall monitor the performance by each Vendor, Developer or Contractor to the extent the Board deems appropriate. The Board shall permit the Corporation, or its assignee, to inspect each Project at any and all reasonable times upon giving the Board prior notice of the inspection. The Corporation or its assignee shall comply with all rules and regulations established by the Board with respect to personal safety and security during such inspections. Notwithstanding the foregoing, the Trustee shall have no affirmative duty to inspect any Project.

(e) The Corporation hereby assigns to the Board all rights and powers to enforce and execute in its own name or the name of the Corporation such purchase orders, agreements or contracts as are required for each Project which enforcement may be at law or in equity; provided, however, that the assignment made by the Corporation herein shall not prevent the Corporation, or its assignee, from asserting said rights and powers in its own behalf following written notice to the Board. Notwithstanding the foregoing, the Trustee shall have no affirmative duty to assert such rights and powers.

(f) Except with respect to Completion Certificates, the Corporation shall not be responsible for payment of, nor shall it pay nor permit to be paid by Trustee pursuant to the Trust Agreement, any amount for a Project in excess of the amount available therefor in the subaccount of the Project Account related thereto held by Trustee pursuant to the Trust Agreement. The Board shall pay said excess amount as provided in Section 3.05 hereof.

(g) The Corporation, or its assignee, shall have the right to inspect periodically the books and records of the Board relating to each Project, and the Board shall permit the Corporation, or its assignee, to make such inspections thereof at all reasonable times and upon reasonable notice as the Board shall deem appropriate. Notwithstanding the foregoing, the Trustee shall have no affirmative duty to make such inspections.

(h) The Board agrees that it will be the sole responsibility of the Board that each Project will be acquired, constructed and installed in accordance with the Plans and Specifications, as the same may be amended from time to time as permitted herein. The Board shall be obligated, subject to the conditions stated herein, to pay in full the Lease Payments regardless of whether such Project is acquired, constructed or installed in accordance with the Plans and Specifications.

(i) The Board shall use its best efforts to acquire, construct and install each Project by the dates set forth in the Project Schedule relating thereto. The Board hereby agrees to use its best efforts to obtain, in each Construction Contract, provisions such that if the acquisition, construction or installation of any portion of such Project has not been completed by the Contractor or Developer

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through the fault of such Contractor or Developer by such dates, the Board may assess liquidated damages against the Contractor or Developer for each day completion is delayed in an amount at least equal to the part of the Lease Payments associated with such portion of such Project not completed, prorated to obtain a daily rate.

(j) To the extent that a Project consists of the acquisition of Land (rather than improvements to real property), nothing in this Lease Agreement shall be construed to prohibit the acquisition of such Land by the exercise of the power of eminent domain so long as the title to such real property will ultimately vest in the Corporation and so long as such acquisition shall be permitted by applicable law. The Corporation hereby agrees to take all action reasonably requested by the Board to enable the Board to institute and prosecute successfully any eminent domain proceedings instituted by the Board.

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APPROPRIATE LEASE PAYMENTS FOR ALL OF THE PROJECTS DESCRIBED ON ALL LEASE SCHEDULES ENTERED INTO PURSUANT TO THIS LEASE AGREEMENT OR NONE OF THEM. All Basic Rent Payments shall be paid in arrears. The Board shall pay the Basic Rent due hereunder to the Trustee at its Principal Office and the Trustee shall apply same as provided in the Trust Agreement. The Board shall specify which subaccount of the Interest Account and Principal Account the Basic Rent Payments shall be deposited in. To the extent that moneys have been deposited and are available with the Trustee from the proceeds of a Series of Certificates for the purpose of paying Basic Rent relating to a Project pursuant to Section 6.01 of the Trust Agreement, the amount to be appropriated shall not be reduced but the Board shall not be required to transfer funds to the Trustee for payments of such Basic Rent, and the Board shall receive a credit against its obligation to pay such Basic Rent for such amounts on deposit with the Trustee.

(c) Each annual aggregate payment of Basic Rent due hereunder shall be for the right to possess the Projects for each Fiscal Year in which moneys have been appropriated by the Board to pay the Basic Rent coming due in such Fiscal Year, provided that the Basic Rent for the period for which a portion of the proceeds of a Series of the Certificates have been deposited with the Trustee shall be paid from such proceeds, it being hereby acknowledged that said moneys constitute special funds held by the Trustee pursuant to this Lease Agreement and the Trust Agreement to be applied for such purpose.

(d) Commencing with the first Basic Rent Payment Date for the initial Project and on each Basic Rent Payment Date thereafter during which any Projects are leased hereunder, there shall be applied as a credit (provided there are no delinquent Basic Rent Payments) against the aggregate amount of Basic Rent payable on such date for the corresponding Lease Schedule an amount which shall be stated in a report of the Trustee given to the Board pursuant to Section 6.11 of the Trust Agreement, which amount shall be equal to the sum of (i) the amount of interest and other income deposited in each subaccount of the Interest Account pursuant to Sections 6.05 and 6.10 of the Trust Agreement since the date of the previous report made by the Trustee pursuant to Section 6.11 of the Trust Agreement, (ii) the amount of moneys, if any, transferred to subaccounts of the Interest Account and Prepayment Fund pursuant to Section 6.03(g) of the Trust Agreement since the date of the previous report made by the Trustee pursuant to Section 6.11 of the Trust Agreement, (iii) the amount of moneys, if any, transferred to each subaccount of the Interest Account pursuant to Section 6.07(f) of the Trust Agreement since the date of the previous report made by the Trustee pursuant to Section 6.11 of the Trust Agreement, plus (iv) the amount, if any, on deposit in each subaccount of the Principal Account and Interest Account on the date of the report made by the Trustee pursuant to Section 6.11 of the Trust Agreement which is not derived from the sources described in clauses (i), (ii) and (iii) above. In the event that the total amount of credit exceeds the Basic Rent due on the Basic Rent Payment Date for the corresponding Lease Schedule, the amount of said excess shall be applied as a credit against subsequent Basic Rent Payments for such Lease Schedule. In addition, the Basic Rent may be reduced if the Board chooses to prepay any or all of the Basic Rent. Whenever moneys in the Lease Payment Fund, including all subaccounts of the Reserve Account, shall be sufficient to pay the principal of, Amortization Installments, and interest coming due on the Certificates, moneys in the Reserve Account shall be deposited in the corresponding subaccount of the Interest Account and the Principal Account as required to pay the Certificates of such Series, and

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ARTICLE IV

LEASE OF PROJECTS; LEASE PAYMENTS

SECTION 4.01. LEASE OF PROJECTS. In consideration of payment by the Board to the Corporation, or its assignee, of the Lease Payments and for other valuable consideration, the Corporation hereby leases from time to time each Project to the Board upon the terms and conditions contained herein, as modified by the Lease Schedule relating to such Project. The Board may modify each Project or may substitute or dispose components or portions of a Project as provided in Sections 3.03(b), 5.13 and 5.14 hereof.

SECTION 4.02. TERM OF AGREEMENT. Effective as of the Commencement Date described in the Lease Schedule relating to each Project, the Corporation agrees to rent and lease to the Board and the Board agrees to rent and lease from the Corporation each such Project for the Initial Lease Term. The Initial Lease Term of each Project shall commence on the Commencement Date relating thereto and terminate on the Initial Lease Termination Date relating thereto. Unless this Lease Agreement is terminated pursuant to Sections 4.06, 7.01 or 7.03 hereof, this Lease Agreement will automatically be renewed on the Initial Lease Termination Date for each Project and each succeeding Renewal Term Termination Date relating thereto for the next succeeding Renewal Lease Term until all Lease Payments in regard to all the Projects shall be made and the Certificates are no longer Outstanding. Each Renewal Lease Term shall be for a period of one (1) year. The number of Renewal Lease Terms plus the Initial Lease Term for a Project shall not exceed the Maximum Lease Term described in the Lease Schedule for such Project.

SECTION 4.03. LEASE PAYMENTS. (a) For the right to use and possession of each of the Projects, the Board shall, subject to the provisions of Sections 4.06 and 7.01 hereof, pay to the Trustee, as assignee of the Corporation, the Basic Rent and the Supplemental Rent as hereinafter described.

(b) The Board agrees to pay as lease rental hereunder for each Project, the Basic Rent on or prior to the Basic Rent Payment Dates as set forth in the Lease Schedule relating thereto, as the same may be modified or amended from time to time following any prepayment of Basic Rent for the lease of such Project. Basic Rent Payments consist of a Principal Component and an Interest Component which shall be stated in each Lease Schedule. The portion of Basic Rent attributable to the Interest Component shall not exceed the maximum rate permitted by Section 215.84, Florida Statutes. Each Project may be divided into Groups of leased property as described in the Lease Schedule relating thereto. The Principal Component and Interest Component attributed to each Group of leased property shall be provided in the Lease Schedule relating thereto. The Board hereby agrees that it shall make all Basic Rent Payments coming due on each Basic Rent Payment Date on or prior to each such Basic Rent Payment Date in accordance with the applicable Lease Schedule, subject to the provisions of Sections 4.06 and 7.01 hereof. THE BOARD SHALL NOT BUDGET AND APPROPRIATE AVAILABLE REVENUES FOR A PORTION OF THE PROJECTS LEASED PURSUANT TO THIS LEASE AGREEMENT; IT MUST BUDGET AND

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no further Basic Rent Payments shall be required hereunder. Should any Basic Rent be paid later than the Basic Rent Payment Date to which such Basic Rent pertains, such Basic Rent shall bear interest at the Overdue Rate from such Basic Rent Payment Date to and inclusive of the date of actual payment.

(e) In addition to the Basic Rent, the Board hereby agrees to pay and discharge from time to time as provided herein, as Supplemental Rent, all other amounts, liabilities and obligations which the Board assumes or agrees to pay to the Corporation, the Trustee, any Credit Enhancers or the issuer of any Reserve Account Insurance Policy or Reserve Account Letter of Credit pursuant to the terms and provisions of any agreements between the Board and such parties, or to others with respect to this Lease Agreement, the Trust Agreement or the Projects, together with interest on any overdue amount, at the Overdue Rate to the date of actual payment. Supplemental Rent shall include, but not be limited to, any redemption premium attributable to the Certificates, the fees and expenses (including reasonable counsel fees and expenses) incurred by the Trustee pursuant to the Trust Agreement or hereunder, all fees and expenses of the Corporation relating to the lease of the Projects or to its corporate existence, and all ongoing expenses relating to the financing of the Projects. The Supplemental Rent shall be paid to Trustee for application in accordance with the terms hereof and of the Trust Agreement.

(f) The 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 and to create a separate subaccount within the Reserve Account for each Series of Certificates unless otherwise provided by the Lease Schedule relating thereto, (ii) to deposit in each subaccount of the Reserve Account either a portion of the proceeds from the sale of the Series of Certificates relating thereto or a Reserve Account Letter of Credit/Insurance Policy equal to the Reserve Requirement relating to such Series or combination thereof, and (iii) to use such amounts or amounts drawn on the Reserve Account Letter of Credit/Insurance Policy deposited in each subaccount of the Reserve Account as set forth in Section 6.07 of the Trust Agreement. In the event the aggregate amount of any cash, the value of any Permitted Investments and the stated amount of any Reserve Account Letter of Credit/Insurance Policy in a subaccount of the Reserve Account shall be less than the Reserve Requirement provided therefor, the Board shall pay to the Trustee (x) in the event such deficiency is due to a transfer from the Reserve Account, from moneys budgeted and appropriated as Basic Rent during the current Fiscal Year and (y) in the event such deficiency is due to a reduction in value of amounts on deposit in the Reserve Account, the Board shall pay to the Trustee, in each case as Supplemental Rent, 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 debt service on a Series of Certificates, the Board shall cause the amount which the Trustee can draw upon such Reserve Account Letter of Credit/Insurance Policy to be reinstated to equal the Reserve Requirement for such Series (or its original stated amount, if the Board shall have deposited into the related subaccount of the Reserve Account a combination of cash and a Reserve Account Letter of Credit/Insurance Policy pursuant to this Section). In the event a Reserve Account Letter of Credit/Insurance Policy on deposit in a subaccount of the Reserve Account expires or is terminated, the 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

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Policy with a stated amount equal to that of the expired or terminated Letter of Credit/Insurance Policy or transfer to the Trustee, for deposit in such subaccount of the Reserve Account in which such Policy had been deposited, an amount of cash equal to the stated amount of such expired or terminated Letter of Credit/Insurance Policy.

(g) The Board hereby agrees to deposit with the Trustee from Available Revenues as required from time to time, any amounts required to be deposited in the Rebate Fund pursuant to Section 6.12 of the Trust Agreement. Such amounts shall be deemed Supplemental Rent hereunder. The obligation of the Board to pay such rebate requirement shall survive a Default or Event of Non-Appropriation, termination of this Lease Agreement and payment of all Outstanding Certificates and shall continue until the expiration of the period of time established by the Code during which the Internal Revenue Service could require an Owner to include the Interest Component on any Certificate in gross income for federal income tax purposes; provided, however, the Board shall be liable only for such rebate requirement which would be owing to the United States Treasury if the same became due at the time of the termination of the Lease Agreement.

(h) The Corporation and the Trustee are entitled to accept, receive and cash or deposit any payment made by the Board for any reason or purpose in any amount whatsoever. No endorsement or statement on any check or letter of the Board shall be deemed as accord and satisfaction or otherwise recognized for any purpose whatsoever. The acceptance of any such payment shall be without prejudice to the Corporation's and Trustee's right to recover any and all amounts owed by the Board hereunder and the Corporation's and Trustee's right to pursue any other available remedy but in all events payable only from Available Revenues lawfully appropriated to the payment of amounts coming due under this Lease Agreement.

SECTION 4.04. PAYMENT IN LAWFUL MONEY; NO SET-OFF. Each Lease Payment shall be paid by the Board in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, to or upon the order of the Corporation at the Principal Office of Trustee or at such other place as the Corporation, or its assignee, shall designate. Notwithstanding any dispute between the Board and the Corporation, but in all events subject to Sections 4.05 and 7.01 hereof, the Board shall make or cause to be made each and all Lease Payments when due and shall not withhold or permit to be withheld any Lease Payments pending the final resolution of such dispute nor shall the Board assert or permit to be asserted any right of setoff, abatement or counter-claim against the obligation to make Lease Payments as set forth herein.

SECTION 4.05. SOURCE OF LEASE PAYMENTS. (a) The Board represents and warrants that for each Initial Lease Term and upon the renewal hereof for any Renewal Lease Term for the Projects the obligation of the Board to make Lease Payments hereunder, for such Fiscal Year of the Board, shall constitute a current expense of the Board and shall not in any way be construed to be a debt of the Board in contravention of any applicable constitutional, statutory or charter limitations or requirements concerning the creation of indebtedness by the Board. THE PAYMENTS DUE HEREUNDER ARE TO BE MADE ONLY FROM THE BOARD'S AVAILABLE REVENUES APPROPRIATED FOR SUCH PURPOSE AND NEITHER THE

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hundred twenty percent (120%) of the average interest rate on the Variable Rate Certificates during the immediately preceding six month period (or such lesser period as such Variable Rate Certificates shall have been Outstanding), or (ii) the Maximum Interest Rate relating to such Variable Rate Certificates.

SECTION 4.06. OPTIONAL PREPAYMENT; DEFEASANCE. (a) The Board shall have the option, so long as no Event of Default hereunder has occurred and is continuing, from any moneys then available for such purpose, on any Optional Prepayment Date for the Series of Certificates relating to a Project, to prepay all or a portion of the Basic Rent relating to such Project or Group within such Project upon not less than forty-five (45) days written notice given prior to such Optional Prepayment Date to the Trustee accompanied by the deposit of the amount of such prepaid Basic Rent with the Trustee not less than thirty-five (35) days prior to the applicable Optional Prepayment Date. Optional prepayments made pursuant to this Section 4.06 may be allocated to a particular Project, or any Group of leased property within a Project. Any prepayment notice delivered pursuant to this Section 4.06(a) shall state (i) that the Board is exercising its right of prepayment pursuant to Section 4.06(a) of the Lease Agreement, (ii) the amount of such prepayment and the Lease Schedule or Lease Schedules to which it pertains, (iii) the Optional Prepayment Date to which such prepayment applies, (iv) the amount of prepayment applicable to a Project or Group within a Project and, therefore, to the Series of Certificates and maturities of such Series relating thereto, and (v) that the deposit with the Trustee of such prepaid amount constitutes an irrevocable option of the Board to prepay Basic Rent in the amount of such prepayment. Each prepayment shall be in an amount equal to a principal amount of Certificates (in denominations of \$5,000 or any whole multiple thereof in the case of Current Interest Certificates and in denominations of \$5,000 maturity value and any whole multiples thereof in the case of Capital Appreciation Certificates) to be redeemed on such Optional Prepayment Date, plus the Prepayment Premium, if any, applicable to a redemption of Certificates on the Optional Prepayment Date designated by the Board in such notice of prepayment, all as provided in the Trust Agreement. Interest on Certificates to be redeemed pursuant to an optional prepayment under this Section accrued to the Optional Prepayment Date set forth in the notice of prepayment above shall be paid by the Trustee from moneys on deposit in the account of the Prepayment Fund and the subaccount of the Interest Account which are pledged to the payment of such Certificates and from Available Revenues provided by the Board.

(b) In the event of a prepayment, in part, of Basic Rent Payments for a Project or Group within a Project, such Basic Rent Payments provided in the Lease Schedule relating thereto shall be adjusted downward by the Trustee to reflect the reduction in the Principal Component and Interest Component of the remaining Basic Rent resulting from such prepayment. Such adjustment shall be done in such manner as to match remaining payments of Basic Rent provided in such Lease Schedule with principal and interest coming due on Certificates which remain Outstanding related thereto.

(c) So long as no Event of Default has occurred and is continuing, the Board may secure the payment of Basic Rent for a Project or Group within a Project by a deposit with the Trustee, as provided in Section 12.01 of the Trust Agreement, of either (i) an amount of moneys which is sufficient to pay such Basic Rent, including the Principal Component, Interest Component and

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BOARD, THE DISTRICT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY ANY SUMS DUE TO THE CORPORATION OR THE TRUSTEE HEREUNDER FROM SOURCES OTHER THAN APPROPRIATED AVAILABLE REVENUES AND THE FAITH AND CREDIT OF NEITHER THE BOARD, THE DISTRICT, NOR THE STATE OF FLORIDA NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED FOR PAYMENT OF SUCH SUMS DUE HEREUNDER AND THE OBLIGATIONS ARISING HEREUNDER DO NOT CONSTITUTE AN INDEBTEDNESS OF THE BOARD, THE DISTRICT, OR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION OR LIMITATION.

(b) All payments of Basic Rent required to be made by the Board under this Lease Agreement shall be made when due without notice or demand, and, subject to Section 7.01 hereof, shall be absolute and unconditional and without any set-off, counterclaim, abatement, deduction or defense (other than payment) whatsoever. The Board shall not make partial payment of the Basic Rent coming due on any Basic Rent Payment Date.

(c) Subject to the Board's right of Non-Appropriation pursuant to Section 7.01 hereof, the Board hereby covenants to direct its Superintendent to provide for the Lease Payments in each annual tentative Budget which shall be submitted to the Board. Except as otherwise provided in Section 7.01 hereof, the Board agrees to take such action as may be necessary to include all Lease Payments (other than Lease Payments to the extent paid from Certificate proceeds then on deposit in the Lease Payment Fund) due hereunder as a separately stated line item in its Budget and to appropriate in each Fiscal Year from Available Revenues an amount necessary to make the Lease Payments due in such Fiscal Year. During the term of this Lease Agreement, the Board will furnish to the Trustee, as assignee of the Corporation, and each Credit Enhancer a copy of the portion of each official tentative and final Budget of the Board relating to such line item within twenty (20) days after it is printed. Anything in this Lease Agreement or the Trust Agreement notwithstanding, the Board and the Corporation agree that this Lease Agreement, the Trust Agreement and all of the Board's obligations to make the Lease Payments are subject to, and can be terminated by the Board upon the happening of, an Event of Non-Appropriation as described in Section 7.01 hereof; provided, however, that the Board shall not be released from or subject to relief with respect to any obligations on its part arising or accruing prior to such termination including, without limitation, any obligation to deposit rebatable arbitrage in the Rebate Fund which may accrue prior to such termination.

(d) The Board hereby agrees that within three Business Days after the adoption or approval of either the tentative or the final Budget which does not include the full amount of the Lease Payments, it will give notice of that fact to the Trustee and each Credit Enhancer.

(e) In the event the Interest Component of a Basic Rent Payment for the lease of a Project shall be calculated on a variable rate basis, the Board agrees that, subject to Section 7.01 hereof, it shall budget for the payment of such Interest Component for each Fiscal Year an amount equal to such Interest Component which would be payable if it were calculated at the lesser of (i) one

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Prepayment Premium, if any, on the Basic Rent Payment Dates or Optional Prepayment Dates, if applicable, and any Supplemental Rent which may be due, or (ii) Refunding Securities, together with cash, if required, in such amount as will, together with interest to accrue thereon, be fully sufficient to pay such Basic Rent including the Principal Component, Interest Component and Prepayment Premium, if any, on their Basic Rent Payment Dates or Optional Prepayment Dates, if applicable, and any Supplemental Rent which may be due. Upon the Board meeting the requirement of this Section 4.06(c), the Corporation shall be entitled to payment of such Basic Rent Payments solely from such cash and/or Refunding Securities.

(d) In the event Refunding Certificates are issued which refund only a portion of an Outstanding Series of Certificates, the schedule of Basic Rent Payments for the corresponding Project and Group within such Project affected by such Refunding Certificates will remain the same but a credit will be given to the Board by the Trustee to take into account that payment of a portion of the Principal Component and the Interest Component which has been provided for by such refunding or defeasance of such portion of such Certificates from the issuance of said Refunding Certificates.

(e) In the event of a deposit with the Trustee of moneys and/or Refunding Securities for the purpose of paying or providing for payment of Certificates in accordance with Article XII of the Trust Agreement, all covenants, agreements and other obligations of the Board under this Lease Agreement, with respect to such Certificates shall be deemed performed except (i) those provisions hereof which by their express terms survive any such payment and defeasance and (ii) the obligation of the Board to make or cause to be made, Basic Rent Payments and Supplemental Rent payments on or for such Certificates from the moneys and/or Refunding Securities deposited pursuant to said Article XII of the Trust Agreement.

(f) In the event the Board prepays Basic Rent for a Group within a Project pursuant to Sections 4.06(a) or 4.06(c) hereof, such Prepayment shall be allocated, to the extent practicable, to maturities of Certificates relating to such Group.

SECTION 4.07. TITLE. (a) Until the date on which payment, or provision for payment as provided in Section 4.06(c) hereof, of the Lease Payments relating to a Project or Group within a Project, other than Designated Equipment, has been made, title to such Project or Group within a Project (including all substitutions thereto) upon acquisition, construction and installation thereof shall remain vested in the Corporation, subject to Permitted Encumbrances and subject to the terms of the Trust Agreement. At such time as payment, or provision for payment as provided in Section 4.06(c) hereof, of all Lease Payments relating to a Project or Group within a Project, other than Designated Equipment, has been made in full, the Board shall be considered to have exercised an option to purchase such Project or Group within a Project, as the case may be, and fee simple title to such Project or Group within a Project free and clear of all encumbrances, except Permitted Encumbrances, shall vest automatically in the Board. Title to a portion of the Project which has been substituted for pursuant to Section 5.14 hereof and a portion of a Project disposed by the Board pursuant to Section 5.13 hereof shall vest automatically in the Board. The Corporation shall deliver any and all documents required to assure vesting of title. The Corporation hereby appoints the

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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 Project or Group within a Project to be in the Board.

(b) Title to all Designated Equipment shall, upon acquisition thereof, vest free and clear in the Board. Even if this Lease Agreement is terminated pursuant to Sections 7.01 or 7.03 hereof prior to the time Basic Rent Payments for Designated Equipment have been made in full by the Board, the Certificate Owners shall have no rights to or remedies against the Designated Equipment.

(g) All procedures required by applicable law regarding the award or negotiation of contracts relating to the acquisition, construction and installation of a Project will be complied with by the Board.

(h) At the Corporation's or the Trustee's request, the Board shall execute and deliver to the Corporation or the Trustee all instruments and do all other acts reasonably necessary to effectuate the intent of this Lease Agreement.

(i) The Board shall permit the Corporation and the Trustee, and their representatives and agents, at all reasonable times, to inspect the Projects; provided, however, that the Trustee and the Corporation are not obliged to make any inspections of the Projects.

(j) The Board shall promptly correct (or cause the Vendor, Contractor or Developer to correct) any defect in the acquisition, construction and installation of a Project or departure from the Plans and Specifications related thereto, except to the extent said Plans and Specifications are modified pursuant to the provisions hereof.

(k) The Board shall give the Trustee and each Credit Enhancer prompt written notice of any material litigation or proceedings concerning the Board or any Project and of any dispute concerning the Board or any Project if the dispute may substantially interfere with the timely acquisition, construction and installation of such Project or with the Board's ability to meet its obligations under this Lease Agreement.

(l) The Board shall commence (or cause the Contractor or Developer to commence) construction of a Project involving construction of a Building and diligently pursue construction to completion of such Project on or before the Estimated Completion Date without permitting any lien, claim, or assessment (actual or contingent) to be asserted or filed against such Project for any material, labor, or other item furnished in connection with the construction or acquisition thereof, which claim, lien, or assessment is not satisfied or transferred to bond within twenty (20) days after it is asserted or filed. At all times during the acquisition and construction of such Project, and to the extent required by applicable law, the Board shall, or shall cause the Contractor or Developer to, comply with the Florida Construction Lien Law, Chapter 713, Florida Statutes, and with all requirements imposed by all governmental authorities having jurisdiction over the acquisition and construction and by all insurance underwriters providing insurance for such Project. Except for Construction Contracts which do not exceed \$500,000 unless otherwise required by the Credit Enhancer, the Board shall cause each Contractor or Developer to obtain and deliver to the Board performance and payment bonds covering one hundred percent (100%) of the value or costs under each Construction Contract for the construction of such Project.

(m) In the case of a Project involving construction of a Building, the Board shall provide the Corporation, Credit Enhancer for the Certificates the proceeds of which shall be used to finance the acquisition and construction of such Project and the Trustee the following additional assurances:

ARTICLE V

COVENANTS; REPRESENTATIONS AND WARRANTIES

SECTION 5.01. THE BOARD'S GENERAL COVENANTS. The Board agrees that this Lease Agreement shall continue in full force and effect, subject to the provisions relating to termination hereof, regardless of the inability or unwillingness of the Board to use any Project because of any reason whatsoever, including, but not limited to, wear, act of God, war, strike, condemnation, loss or damage, defect, obsolescence or breach of warranty. The Board covenants and represents that this Lease Agreement and the performance of the Board's obligations hereunder have been duly approved, authorized, executed and delivered with all proper procedures fully complied with, and that this Lease Agreement is a valid, legal and binding obligation of the Board enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and equitable principles. The Board further covenants and represents as follows:

(a) The Board is a duly created school board existing under the laws of the State of Florida and is the governing body of the District.

(b) There are no pending or threatened lawsuits or administrative or other proceedings contesting the authority for, authorization or performance of, or expenditure of funds pursuant to, this Lease Agreement.

(c) The Board shall only lease Projects for which it has an immediate need and for which it expects to make immediate use, which need shall not be temporary or be expected to diminish during the Maximum Lease Term related thereto, except for the Designated Equipment.

(d) Prior to leasing any Project hereunder the Board shall certify to the Trustee and the Credit Enhancer, if any, relating thereto if there are any circumstances presently known to the Board affecting the Board that could reasonably be expected to alter its foreseeable need for such Project or adversely affect its ability or willingness to budget Available Revenues for the payment of sums due hereunder.

(e) Prior to leasing any Project hereunder the Board shall review its projected revenues, expenses and anticipated Available Revenues for the Maximum Lease Term and shall not lease such Project unless it reasonably expects that it shall have on hand Available Revenues sufficient to timely make all payments as they become due under this Lease Agreement during the term this Lease Agreement is anticipated to be outstanding.

(f) Subject to the provisions of Section 7.01 of this Lease Agreement, the Board intends to make appropriations for payments for each Fiscal Year only from Available Revenues.

(i) If requested and applicable, but only as and when available, all certificates of occupancy, footing or Corporation surveys, "as built" surveys, certificates, appraisals, reports, endorsements, and agreements, the names of all Persons with whom the Board has contracted or intends to contract with in connection with the acquisition, construction and installation of such Project, schedules of all statements for labor and materials for the acquisition, construction and installation of such Project together with copies of all statements, copies of all budget revisions concerning the acquisition, construction and installation of such Project indicating the funds required at any given time to complete such acquisition, construction and installation, and any other documents reasonably required to be furnished.

(ii) If requested, during the acquisition, construction and installation of such Project and upon completion of such acquisition, construction and installation, furnish an Architect's or Engineer's written opinion to the effect that such Project, as constructed, complies with all restrictions recorded and with all applicable governmental laws, regulations, rules, ordinances, orders and codes relating to the construction thereof.

(iii) Furnish when available, a certificate of occupancy and all other similar certificates required to be issued by any governmental agency in connection with the acquisition, construction, installation or occupancy of such Project.

(n) In the case of a Project involving construction of a Building, the Board shall continuously employ or cause to be employed a licensed Architect to supervise the acquisition, construction and installation of such Project.

(o) In the case of a Project involving construction of a Building, the Board shall continuously employ or cause to be employed a licensed Engineer to supervise the acquisition, construction and installation of such Project.

(p) Simultaneously with the acquisition of any component of a Project constituting Land, the Corporation and the Board shall amend the Lease Schedule relating thereto and the applicable Ground Lease to include a metes and bounds description of the Land so acquired.

(q) If an Event of Default or an Event of Non-Appropriation hereunder has occurred, at the Trustee's option with the consent of the applicable Credit Enhancer, the Trustee, as assignee of the Corporation, may make, but is not required to make, any or all subsequent disbursements from a subaccount of the Project Account directly to the Vendors, Contractors or Developers of the Project related to such subaccount. The Board's execution of this Lease Agreement and the related Lease Schedules constitutes an irrevocable authorization for the Trustee to make disbursements directly to such Vendors, Contractors or Developers. In the absence of negligence or misconduct on the part of the Trustee, the Board agrees that all disbursements made to the Vendors, Contractors or Developers shall constitute full performance of the Trustee's obligations to the Board under this Lease Agreement. The Trustee's decision to make a disbursement shall not constitute a waiver of any of the provisions of this Lease Agreement and the related Lease Schedules. If the Board is in default

under this Lease Agreement and the Board is unable to cure its default, the Trustee's decision to make a disbursement shall not preclude the Trustee, as assignee of the Corporation, from declaring the Board in default under this Lease Agreement.

SECTION 5.02. ADDITIONAL COVENANTS, REPRESENTATIONS AND WARRANTIES. (a) The Board represents and warrants that execution of each Requisition by the Board shall constitute an affirmation of the completeness and accuracy of the following representations and warranties as of the date of such execution:

(i) The Board has delivered to the Trustee a complete, fully executed copy of the Construction Contracts, purchase orders and agreements for the acquisition, construction and installation of the Project described in such Requisition, and such contracts, purchase orders and agreements are presently in full force and effect according to their respective terms; the Board is not in default under such contracts, purchase orders and agreements; and the Board has no knowledge of any violation of such contracts, purchase orders and agreements.

(ii) There are no governmental actions or proceedings (except actions or proceedings that are fully covered by insurance) pending or, to the Board's knowledge, threatened affecting the Board or the Project described in such Requisition, which, if adversely determined, would materially adversely impair the Board's ability to perform its obligations under this Lease Agreement.

(iii) The Board knows of no violation and has no notice of a violation of any court order or of any law, regulation, ordinance, rule, order, code or requirement of any governmental authority having jurisdiction over all or any portion of the Project described in such Requisition that may materially detrimentally affect the development and operation of such Project as planned.

(iv) In the case of a Project involving construction of a Building, all governmental permits and approvals required for the construction and installation of such Project have been obtained, except for permits which may be obtained in the normal course without undue delay or unusual expense and which the Board hereby covenants to obtain.

(v) All utility services necessary for the construction of the Project and the operation of the Project have been extended to the Project, including, but not limited to, water, storm and sanitary sewer facilities, electricity and telephone service or sufficient amounts have been deposited in the corresponding account of the Project Fund for such purpose.

(vi) Except for drives located on the Project, the rights of way for all roads necessary for the proposed utilization of the Project have either been acquired by the appropriate governmental authority or dedicated to and accepted by the appropriate governmental authority or sufficient amounts have been deposited in the corresponding account of the Project Fund for such purpose. All such roads are improved or, if not

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other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to the lesser of (i) one hundred percent (100%) of the replacement cost of the Projects, (ii) the Principal Component of the Basic Rent Payments then remaining unpaid (except that such insurance may be subject to deductible clauses not to exceed \$100,000 in the aggregate for any one loss), or (iii) such amount as may be agreed to by the Credit Enhancer and set forth in the Lease Schedule related to such Project(s). Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Board, and may be maintained in whole or in part in the form of self-insurance by the Board, provided such self-insurance complies with the provisions of Section 5.07 hereof. The Net Proceeds of such insurance shall be applied as provided in Section 5.06 hereof.

(b) Flood insurance shall be separately maintained by the Board for any property included in a Project which is located in a federally designated flood plain, in such amounts per occurrence as are available at commercially reasonable costs and in minimum amounts necessary to qualify for federal disaster relief programs. In the event the Board considers flood insurance to be unavailable at commercially reasonable rates, it shall so notify the Trustee and the Credit Enhancer(s), if any, for the Project(s) to which such flood insurance relates. If such Credit Enhancer(s) identify insurance for such coverage at commercially reasonable rates, the Board shall be obligated to obtain such insurance. In the event that such Credit Enhancer(s) and the Board determine that flood insurance is unavailable at commercially reasonable rates, such flood insurance shall be maintained in whole in the form of self-insurance by the Board in compliance with the provisions of Section 5.07 hereof.

(c) The insurance required to be maintained by the Board pursuant to this Section 5.05 shall be provided by carriers rated at least "A" by S&P (a "Qualified Insurer") unless the Credit Enhancer(s), if any, for the Project(s) to which such insurance relates shall approve an insurer with a lower rating. If an insurer's rating falls below "A" (or, with respect to an insurer approved as aforesaid with a rating lower than "A-," falls below the rating such insurer had when approved), such insurer shall be replaced with a Qualified Insurer unless the Credit Enhancer(s), if any, for the Project(s) to which such insurance relates shall approve an insurer with a lower rating.

SECTION 5.06. NET PROCEEDS OF INSURANCE; FORM OF POLICIES. Each policy of insurance obtained pursuant to or required by Section 5.05 hereof which relates to the Projects shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners of the Certificates. Proceeds of self-insurance maintained pursuant to Sections 5.05 and 5.07 hereof shall be paid by the Board to the Trustee for the benefit of the Owners of the Certificates. Copies of all policies of insurance required by this Lease Agreement shall be delivered to the Trustee and each Credit Enhancer. The Board shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement, and shall promptly furnish or cause to be furnished to the Trustee and each Credit Enhancer evidence of such payments. All such policies shall provide that the Trustee shall be given not less than thirty (30) days notice of each expiration, any intended cancellation and any intended reduction of the coverage provided thereby. Neither the Trustee nor any Credit Enhancer shall be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or

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improved, all necessary steps have been taken by the Board and the responsible governmental authority to assure their completion before the date when access to the Project via such roads will be necessary. All curb cuts and traffic signals required in connection with the operation of the Project are complete or are approved for construction by all necessary governmental authorities.

(vii) All representations, warranties, covenants and agreements made by the Board in connection with this Lease Agreement may be relied upon by the Corporation and the Trustee notwithstanding any independent investigation made on behalf of the Corporation or the Trustee.

(b) The inability of the Board to affirm the completeness and accuracy of the representations and warranties in Section 5.02(a) hereof in regard to a Requisition shall not cause the Trustee to not honor the request to pay the amounts described in such Requisition unless the Board is in default under this Lease Agreement.

SECTION 5.03. QUIET ENJOYMENT. The parties hereto mutually covenant that the Board, by keeping and performing the covenants and agreements herein contained, shall at all times during the term of this Lease Agreement peaceably and quietly have, hold and enjoy each Project without suit, trouble or hindrance from the Corporation and free from any claims against the Corporation and the Trustee and all persons claiming thereunder, by or through the Trustee or the Corporation.

SECTION 5.04. LIABILITY INSURANCE. The Board shall maintain or cause to be maintained, throughout the Lease Term, subject to the requirements of State law and if reasonably available from a commercial carrier, a standard comprehensive general liability insurance policy or policies in protection of the Board and the Trustee, their members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by the acquisition, installment or operation of the Projects. Said policy or policies shall provide coverage equal to the liability limits set forth in Section 768.28, Florida Statutes, as the same may be amended from time to time, and in a minimum amount of \$100,000 for damage to property. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried or required to be carried by the Board, and may be maintained in whole or in part in the form of self-insurance by the Board, provided such self-insurance complies with the provisions of Section 5.07 hereof. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

SECTION 5.05. FIRE AND EXTENDED COVERAGE INSURANCE AND FLOOD INSURANCE. (a) The Board shall procure and maintain, or cause to be procured and maintained, throughout the Lease Term, subject to the requirements of State law, insurance against loss or damage to any part of the Projects by fire or lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, also cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke and such

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any adjustment, compromise or settlement of any loss agreed to by the Trustee or any Credit Enhancer.

SECTION 5.07. SELF-INSURANCE. Any self-insurance maintained by the Board pursuant to the foregoing provisions, shall comply with the following terms:

(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 on an annual basis 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 credited for the purpose of maintaining such self-insurance funds, which bank account may be under the control of the Board and may be commingled with other 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; and

(e) The Board may obtain the required insurance coverages through a self-insured governmental pool which meets the criteria described above.

(f) Amounts deposited into the self-insurance claims reserve fund shall not be subject to appropriation by the Board in order to apply such funds to pay claims.

SECTION 5.08. RISK OF LOSS; STIPULATED LOSS VALUES; USE OF PROCEEDS. (a) As between the Corporation and the Board, the Board hereby assumes the entire risk of loss, from any and every cause whatsoever to the Projects.

(b) Except as provided in Section 5.08(c) hereof, the Board shall cause the Net Proceeds relating to a Project of any insurance or condemnation award or of any appropriation made in connection with a self-insurance election received pursuant to Sections 5.05 and 5.07 hereof and of any title insurance award in excess of the Replacement Amount for such Project to be applied to the prompt repair, restoration or replacement of such destroyed, damaged, lost or condemned Project (which repair, restoration or replacement property shall become part of such Project). The title to all replacement portions to such Project, other than Designated Equipment, shall be in the name of the Corporation. Except as otherwise provided herein, any such Net Proceeds shall be deposited with the Trustee in the subaccount of the Project Account from which the acquisition and construction of such Project was financed and shall be disbursed by the Trustee in accordance with the Trust Agreement; provided, however, that any amounts remaining after completion of such repair, restoration or replacement shall be paid to the Board. If such Net Proceeds are insufficient to pay for such repair, restoration or replacement, the Board shall (from the Board's Available Revenues) simultaneously deposit the amount of such deficiency with the Trustee, which deficiency shall

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constitute Supplemental Rent. Any Net Proceeds of insurance or condemnation award or of any appropriation made in connection with self-insurance election which is equal to or less than the Replacement Amount for such Project may, at the option of the Board, be deposited to the subaccount of the Interest Account relating to Certificates which financed or refinanced such Project.

(c) The Board may elect not to repair, restore or replace a Project which has been destroyed, damaged, lost or condemned, or any portion thereof, with the Net Proceeds of any insurance or condemnation award or of any appropriation made in connection with a self-insurance election, by filing a certificate with the Trustee stating that (i) it has made such election, (ii) it is not in the best interests of the Board to repair, restore or replace such Project, or portion thereof, and (iii) the Board intends to abandon and cease to operate such Project, or portion thereof, damaged, destroyed, lost or condemned; provided, further, there shall be a Mandatory Prepayment in the amount of the Stipulated Loss Value (as hereinafter described) of the Project, or portion thereof, which is not repaired, restored or replaced, and if the Net Proceeds are insufficient therefor, the deficiency shall constitute Supplemental Rent hereunder and shall be immediately due and payable from the Board's Available Revenues.

(d) The Stipulated Loss Value attributable to a loss of all of a Project shall be computed as the amount necessary to pay the Principal Component of and Interest Component on the Series of Certificates, the proceeds of which financed or refinanced the acquisition and construction of such Project, on the next succeeding Mandatory Prepayment Date. In the event that less than all of a Project then subject to this Lease Agreement suffers such a loss, damage or destruction, the Stipulated Loss Value shall be the product of (i) the result computed by the foregoing sentence multiplied by (ii) a fraction, the numerator of which is the original Cost of the portion of such Project suffering such loss, damage or destruction and the denominator of which is the aggregate Project Cost for the entire Project then subject to this Lease Agreement, including those items suffering such loss, damage or destruction. In each case, the Stipulated Loss Value shall also include any Supplemental Rent then due hereunder. Upon payment of such Stipulated Loss Value by Board, such Stipulated Loss Value shall be deposited to the credit of the account established in the Prepayment Fund for the sole benefit of the Owners of the Series of Certificates, the proceeds of which were used to finance or refinance the acquisition and construction of such Project. In the event of payment of the Stipulated Loss Value of a portion of the Project, the schedule of Basic Rent Payments in the Lease Schedule for such Project shall be adjusted downward by the Trustee to reflect the reduction in the Principal Component and Interest Component and the remaining Basic Rent resulting from such mandatory prepayment. Such adjustment shall be done in such manner as to match remaining aggregate payments of Basic Rent relating to the destroyed, damaged or condemned Project with principal of and interest coming due on the Series of Certificates which remain Outstanding, the proceeds of which were used to finance or refinance the acquisition and construction of such Project.

SECTION 5.09. PAYMENT OF TAXES. The Board will pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon any Project, or any part thereof, promptly as and when the same shall become due and payable;

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shall not be in jeopardy and if the Board shall set aside or cause to be set aside reserves deemed by it to be adequate with respect thereto; and, provided, further, that the Board upon the commencement of any proceedings to foreclose the lien of any such charge or claim, will forthwith pay or cause to be paid any such charge or claim unless contested in good faith as aforesaid. The Board agrees not to lease-purchase any Equipment hereunder except to the extent consented to by the Department or otherwise permitted by applicable law.

(b) The Board shall never, under any circumstances, have the power to subject the interest of the Corporation or its assignee in the Project to any mechanic's or materialman's lien or liens of any kind.

(c) The Board covenants and agrees with the Corporation that the Board will not permit or suffer to be filed or claimed against the interests of the Corporation and its assignee in the Project during the Lease Term any lien or claim of any kind and, if such lien be claimed or filed, it shall be the duty of the Board, within thirty (30) days after the Board shall have been given written notice of such claim being filed in the Public Records of Duval County, Florida to cause the Project to be released from such claim, either by payment or by posting of a bond or by the payment into a court of competent jurisdiction the amount necessary to relieve and release the Project from such claim or in any other manner which, as a matter of law, will result within such period of thirty (30) days in releasing the Corporation and its assignee and Corporation's and its assignee's interest or interests from such claim.

SECTION 5.13. ENCUMBRANCES OR SALES. (a) Except as permitted in this Lease Agreement and except for Permitted Encumbrances, the Board will not create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon any Project or any portion thereof, or upon any real or personal property (which is not a portion of the Project) essential to the operation of such Project. The Board will not sell or otherwise dispose of any portion of a Project or any such property essential to the proper operation of a Project, except as provided below and in Section 5.14 hereof.

(b) In the manner and subject to the conditions for disposal of property of the Board by law, the Board may sell portions of a Project, other than Equipment, for fair market value upon the following conditions:

(i) The Board shall give notice to the Trustee and the applicable Credit Enhancer, if any, of each such sale not less than thirty (30) days prior to such sale;

(ii) The Board determines pursuant to a certificate of an Authorized Officer that such portion of a Project is no longer needed for the purposes of such Project or such portion should be replaced with property having greater usefulness or value;

(iii) Such disposition shall not, in the opinion of Special Counsel, cause the Interest Component of the Basic Rent Payments received by the Owners of the Certificates

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provided, however, that the Board shall not be required to pay any such tax, assessment or charge, if the validity thereof shall concurrently be contested in good faith by appropriate proceedings, the interests of the Corporation and the Trustee shall not be in jeopardy and if the Board shall set aside, or cause to be set aside, reserves deemed by it to be adequate with respect thereto; and, provided, further, that the Board, upon the commencement of any proceedings to foreclose the lien of any such tax, assessment, or charge, will forthwith pay, or cause to be paid, any such tax, assessment or charge, unless contested in good faith as aforesaid. The Board will not suffer any Project or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor. The Board will also pay or cause to be paid all taxes, assessments and other governmental charges which may be imposed on the Corporation or its operations as a result of the transactions, including the formation and organization of the Corporation, contemplated by this Lease Agreement.

SECTION 5.10. CARE AND USE OF PROJECTS. (a) The Board, at its expense, shall maintain each Project in good operating condition, repair and appearance, and protect same from deterioration other than normal wear and tear; shall cause each Project to be used in compliance with the requirements of applicable laws, ordinances and regulations and the requirements of any policy of insurance required under Sections 5.04 and 5.05 hereof; shall cause each Project to be operated by competent persons only and shall obtain, at the Board's expense, all permits and licenses, if any, required by law for the operation of each Project. The Board agrees that neither the Corporation nor the Trustee shall be responsible for latent defects, wear and tear or gradual deterioration or loss of service or use of any Project or any part thereof. The Board shall have the benefit of all warranties, contracts and rights against any Vendor, Contractor, Developer, materialmen or supplier. Neither the Corporation nor the Trustee shall be liable to the Board or anyone else for any liability, injury, claim, loss, damage or expense of any kind or nature caused directly or indirectly by the inadequacy of any Project or any item supplied by any Vendor, Contractor, Developer, materialmen or supplier or any other party, any interruption of use or loss of service or use or performance of any Project, any loss of business or other consequence or damage, whether or not resulting directly or indirectly from any of the foregoing.

(b) All obligations of the Board under this Section shall be at the Board's sole cost and expense. All costs of operation of each Project and all costs of repair and replacement of each Project resulting from ordinary wear and tear or want of care on the part of the Board shall be the sole responsibility of the Board.

SECTION 5.11. [RESERVED].

SECTION 5.12. OTHER LIENS. (a) The Board shall keep each Project and all parts thereof free from judgments and, except as to Permitted Encumbrances, free from all liens, claims, demands and encumbrances of whatsoever nature or character, to the end that each Project may at all times be maintained and preserved, and the Board shall keep each Project free from any claim or liability which might impair or impede the operation of such Project or the security granted in the Trust Estate to Certificate Owners by the Trust Agreement; provided, however, that the Board shall not be required to pay any such liens, claims or demand if the validity thereof shall concurrently be contested in good faith by appropriate proceedings, if interests of the Corporation and the Trustee

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to become includable in gross income of such Owners for purposes of federal income taxation; and

(iv) The Board shall use the proceeds of such sales either (A) to provide property (which shall become a part of the Project) of equal usefulness and value to the Board or (B) apply the Stipulated Loss Value (calculated in accordance with Section 5.08(d) hereof) thereof (but only if such value exceeds the corresponding Prepayment Amount) as a prepayment of Basic Rent.

The Corporation and the Trustee (subject to the provisions of the Trust Agreement) agree to take all action within their powers required to enable the Board to sell or otherwise dispose of any such property.

SECTION 5.14. SUBSTITUTION OF EQUIPMENT. Subsequent to the Completion Date of a Project, the Board may substitute for an item of Equipment which constitutes a part of such Project other equipment by filing with the Trustee, as assignee of the Corporation, a certificate of an Authorized Officer of the Board stating that such substitute equipment (a) has the same or a greater remaining useful life than the Equipment to be substituted (determined at the time of substitution), (b) has a fair market value equal to or greater than the fair market value of the item of Equipment for which it is substituted (determined at the time substitution), (c) is free and clear of all liens and encumbrances, except the Permitted Encumbrances, (d) has been titled in the name of the Corporation, except in the case of Designated Equipment which shall be titled in the name of the Board, (e) constitutes "Equipment" under this Lease Agreement, and (f) is essential to the operation of the school system. The Board may substitute Equipment which does not meet any of the foregoing provisions if it receives the written consent of Credit Enhancer for the Certificates, the proceeds of which were used to finance the acquisition of such Equipment, to do so.

SECTION 5.15. PROSECUTION AND DEFENSE OF SUITS. (a) The Board shall promptly, upon request of the Corporation, or its assignee, 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 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 Available Revenues, indemnify or cause to be indemnified the Corporation, and its assigns, for all loss, cost, damage and expense, including reasonable attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceedings.

(b) The Board shall defend, or cause to be defended against every suit, action or proceeding at any time brought against the Corporation, or its assignee, or its or their 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 any Project involving the rights of the Corporation, or its assignee, or its or their directors, officers and employees under this Lease Agreement 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

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is the result of misconduct or negligence by such parties; provided, that the Corporation, and its assignee, at their election, may appear in and defend any such suit, action or proceeding. To the extent permitted and limited by applicable law and only from Available Revenues, the Board shall indemnify or cause to be indemnified the Corporation, and its assignee, against any and all claims, demands, costs or liability claimed or asserted by any person, arising out of such receipt, application or disbursement.

SECTION 5.16. FURTHER ASSURANCES. Whenever and so often as requested so to do by the Corporation, or its assignee, the Board will promptly execute and deliver or cause to be delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully to vest in the Corporation, or its assignee, all rights, interest, powers, benefits, privilege and advantages conferred or intended to be conferred upon the Corporation by this Lease Agreement.

SECTION 5.17. REPORTING REQUIREMENTS. Upon request, the Board will furnish, or cause to be furnished, to the Corporation, or its assignee, and each Credit Enhancer detailed certified reports of audit covering the operations of the Board for said Fiscal Year showing the general funds, revenues and expenses for such period.

SECTION 5.18. CORPORATION NOT LIABLE. Neither the Corporation nor its members, officers, agents, employees, nor its assignee, shall be liable to the Board or to any other party whomsoever for any death, injury or damage that may result to any Person or property by or from any cause whatsoever in, on or about any Project. To the extent permitted and limited by applicable law and solely from Available Revenues, the Board shall indemnify or cause to be indemnified and hold the Corporation, its members, officers, agents, employees, and its assignee, harmless from, and defend or cause to be defended each of them against, any and all claims, liens and judgments for death of or injury to any Person or damage to property whatsoever occurring in, on or about any Project.

SECTION 5.19. INDEMNIFICATION DUE TO TRUSTEE AND CORPORATION. The Board shall pay, or cause to be paid, to the Trustee, as assignee of the Corporation, fees, compensation and expenses due under the Trust Agreement upon billing therefor by the Trustee, as assignee of the Corporation, provided the payment of such fees, compensation and expenses shall be agreed to in writing by the Board. In addition, to the extent permitted and limited by applicable law and solely from Available Revenues, the Board shall and hereby agrees to indemnify, or cause indemnification of, and hold, or cause to be held, the Corporation and the Trustee, as assignee of the Corporation, harmless from and against all claims, losses and damages, including reasonable legal fees and expenses, arising out of (a) the use, maintenance, condition or management of the Projects by the Board, (b) any breach or default on the part of the Board in the performance of any of its obligations under this Lease Agreement, (c) any act of negligence of the Board, or of any of its agents, contractors, servants, employees or licensees with respect to the Projects, (d) the authorization of payment of Project Costs by the Board, (e) the defense against actions or proceedings in which the validity of this Lease Agreement is or might be questioned and

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otherwise obligate itself for, or become liable for, the payment of, or contingently agree to purchase, any debt of any Person.

SECTION 5.25. CONSENT TO DISMISS. The Board acknowledges that the Corporation is a third party lease purchase financing source for the Projects and the Board hereby agrees to consent to, and to refrain from objection to, a motion made by the Corporation to be dismissed from any lawsuit brought by a third party arising out of or in any way relating to this Lease Agreement with respect to any Project or the ownership, rental, possession, operation, condition, sale or return of any Project. This covenant by the Board to consent to and refrain from objection to such a motion to dismiss shall include the Corporation's assigns and their respective agents, employees, officers and directors. It is understood by and between the Corporation and the Board that this covenant is not intended to be and is not an indemnity.

SECTION 5.26. WAIVER OF LAWS. The 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 Lease Agreement and the benefit and advantage of any such law or laws is hereby expressly waived by the Board to the extent that the Board may legally make such waiver.

SECTION 5.27. LIMITATION OR INDEMNIFICATION. The amount of indemnification provided by the Board to the Corporation in Sections 5.15, 5.18 and 5.19 shall not exceed the liability limits set forth in Section 768.28, Florida Statutes.

SECTION 5.28. [RESERVED].

SECTION 5.29. WAIVER OF DAMAGES. Neither the Corporation or the Trustee, nor their respective agents and employees, shall be liable for, and the Board waives, for each of their benefit, all claims for, damages, including but not limited to consequential damages, to person, property or otherwise, sustained by the Board or any person claiming through the Board resulting from any accident or occurrence in or upon any part of the Projects including, but not limited to, claims for damage resulting from: (a) any equipment or appurtenances becoming out of repair; (b) the Board's failure to keep any part of the Projects in repair; (c) injury done or caused by wind, water or other natural element; (d) any defect in or failure of plumbing, heating or air conditioning equipment, electric wiring or installation thereof, gas, water and steam pipes, stairs, porches, railings or walks; (e) broken glass; (f) the backing up of any sewer pipe or downspout; (g) the bursting, leaking or running of any tank, tub, washstand, water closet, waste pipe, drain or any other pipe or tank upon or about the Projects; (h) the escape of steam or hot water; (i) water, snow or ice upon the Projects; (j) the failing of any fixture, plaster or stucco; (k) damage to or loss by theft or otherwise of property of the Board or others; (l) acts or omissions of persons in the Projects, other tenants in the Projects, occupants of nearby properties, or any other persons; and (m) any act or omission of owners of adjacent or contiguous property, or of the Corporation and the Trustee, and their respective agents or employees. All property of the Board kept in the Projects shall be so kept at the Board's risk only and the Board shall save the Corporation and the Trustee, and their respective

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the payment or compromise of claims or demands asserted in any such actions or proceedings, or (f) the issuance of the Certificates. No indemnification will be made under this Section or elsewhere in this Lease Agreement for willful misconduct, gross negligence, negligence of breach of duty by the Trustee, its officers, agents, employees, successors or assigns.

SECTION 5.20. NO RECOURSE UNDER AGREEMENT. All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Lease 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 payment of Lease Payments pursuant to Section 4.03 hereof or for any claim based thereon under this Lease Agreement against any member, officer, employee or agent of the parties hereto.

SECTION 5.21. RESTRICTION AGAINST PLEDGE. The Corporation shall not pledge Lease Payments or other amounts derived from the Projects or from rights of the Corporation under this Lease Agreement nor shall the Corporation encumber or place any lien upon the Projects, except as otherwise provided in this Lease Agreement, the Trust Agreement, the Assignment of Ground Lease and the Assignment Agreement.

SECTION 5.22. ASSIGNMENT BY CORPORATION. Except pursuant to the Assignment Agreement and except as set forth herein, the Corporation shall not assign this Lease Agreement, its rights to receive Lease Payments or its duties and obligations hereunder.

SECTION 5.23. NO VIOLATION OF OTHER AGREEMENTS. (a) The Board hereby represents that neither the execution and delivery of this Lease Agreement and the Trust Agreement, nor the fulfillment of and compliance with the terms and conditions hereof and thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of terms or violation of any other agreement to which the Board is a party or by which the Board is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Board, or upon the Projects, except Permitted Encumbrances.

(b) The Corporation hereby represents that neither the execution and delivery of this Lease Agreement, the Assignment Agreement and the Trust Agreement, nor the fulfillment of and compliance with the terms and conditions hereof and thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of terms or violation of any other agreement to which the Corporation is a party or by which the Corporation is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Projects, except Permitted Encumbrances.

SECTION 5.24. DEBT NOT ASSUMED BY CORPORATION. The parties hereto expressly acknowledge and agree that the Corporation (and its assigns hereunder), by the entering into of this Lease Agreement and the other Financing Documents, does not assume or guarantee, or

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agents and employees harmless from claims arising out of damage to the same, including subrogation claims by the Board's insurance carrier.

SECTION 5.30. OFFSET STATEMENT. Within ten (10) days after written request by either the Corporation or the Board the other party shall deliver, executed in recordable form, a declaration to any Person designated by the requesting party (a) ratifying this Lease Agreement and all Lease Schedules; (b) stating the commencement and termination dates; and (c) certifying (i) that this Lease Agreement and all Lease Schedules are in full force and effect and have not been assigned, modified, supplemented or amended (except by such writings as shall be stated); (ii) that all conditions under this Lease Agreement and all Lease Schedules to be performed by the other parties have been satisfied (stating exceptions, if any), to the extent known; (iii) that no defenses or offsets against the enforcement of this Lease Agreement and all Lease Schedules by the requesting party exist (or stating those claimed); (iv) as to advance Lease Payments, if any, paid by the Board; and (v) the date to which Supplemental Rent has been paid, and such other information as the requesting party reasonably requires. Persons receiving such statements shall be entitled to rely upon them.

SECTION 5.31. NON-MERGER OF LEASEHOLD. There shall be no merger of this Lease Agreement or of the leasehold estate hereby created with the fee estate in the Premises and the Project or any part thereof by reason of the fact that the same Person may acquire or hold, directly or indirectly, this Lease Agreement or leasehold estate hereby created or any interest in this Lease Agreement or in such leasehold estate and the fee estate in the Premises and the Project or any interest in such fee estate.

SECTION 5.32. ENVIRONMENTAL MATTERS.

(a) Definitions. When used in this Section 5.32, the following terms shall have the following meanings in addition to the meanings specified elsewhere herein.

"Asbestos Containing Materials" shall mean material in friable form containing more than one percent (1%) of the asbestiform varieties of (a) chrysotile (serpentine); (b) crocidolite (riebeckite); (c) amosite (cummington-itegrinerite); (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") and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601, et. seq.)

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(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.

"Hazardous Materials" shall have the meaning given in Section 5.32(b).

"Laws and Regulations" shall have the meaning given in Section 5.32(b).

"Release" shall have the meaning given in Section 5.32(b).

(b) The Board has, after due inquiry, no knowledge and has not given or received any written notice indicating that a Project 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 such Project (collectively, "Laws and Regulations"). Without limiting the generality of the foregoing, neither the Board nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of any Project has, other than as set forth in subsections (b) and (c) of this Section 5.32 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 and Title III, and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the Board, of any Project or the business operations conducted by the Board thereon (collectively, "Hazardous Materials") on, from or beneath a Project, (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 a Project, or (iii) stored any material amount of petroleum products at a Project in underground storage tanks, except as may be set forth as an exhibit to the Lease Schedule relating to such Project.

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

(d) No Project 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 such Project.

(e) The Board has not received any notice from any insurance company which has issued a policy with respect to a Project or from the applicable state or local government agency responsible for insurance standards (or any other body exercising similar functions) requiring the

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limitation, attorneys' fees incurred to enforce this indemnification), consultants' fees, investigation and laboratory fees, liabilities, settlements (five (5) Business Days' prior notice of which the Trustee and the Credit Enhancers, as appropriate, shall have delivered to the 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, (1) the presence, disposal, Release, threat of Release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath a Project, (2) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (3) any lawsuit brought or threatened, settlement reached (five (5) Business Days' prior notice of which the Trustee and the Credit Enhancers, as appropriate, shall have delivered to the Board), or governmental order relating to Hazardous Materials on, from or beneath any of the Property, (4) any violation of Environmental Regulations or subsection (f) or (g) hereof by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (5) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the Board is strictly liable under any Environmental Regulation, its obligation to the Trustee and the Credit Enhancers 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. Its obligations and liabilities under this subsection (h) shall survive any action by the Trustee or the Certificateholders or Credit Enhancers pursuant to the terms hereof or of the Trust Agreement or the Ground Lease(s) relating to the sale, rental or other disposal of a Project or the defeasance and the satisfaction of all Certificates.

(i) The 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 in accordance with Laws and Regulations, including but not limited to Environmental Regulations. Any underground tanks on a Project shall be in good condition and repair and comply with all Laws and Regulations, including Environmental Regulations, except as set forth in this Section 5.32 and the Board shall take all actions to correct any violations of Laws and Regulations relating to any such tanks as set forth in this Section 5.32.

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performance of any repairs, alterations or other work, which repairs, alterations or other work have not been completed at such Project. The 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 a Project which is to be performed or complied with by it.

(f) The Board shall not use or permit a Project or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain such Project 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 a Project excluding, however, those Hazardous Materials in those amounts ordinarily found in or used in the maintenance of such Project, 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 Board shall promptly commence and perform, or cause to be commenced and performed promptly, 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 a Project, 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 (i) hereof and only to the extent necessary to maintain the improvements on a Project.

(g) The 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 each Project free and clear of any liens imposed pursuant thereto (provided, however, that any such liens, if not discharged, may be bonded). The 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 Project; provided, however, that notwithstanding that a portion of this covenant is limited to the Board's use of its best efforts, the Board shall remain solely responsible for ensuring such compliance and such limitation shall not diminish or affect in any way the Board's obligations contained in subsection (h) hereof as provided in said subsection (h). Upon receipt of any notice from any Person with regard to the Release of Hazardous Materials on, from or beneath a Project, the Board shall give prompt written notice thereof to the Trustee and the Credit Enhancer, if any, for such Project, (and, in any event, prior to the expiration of any period in which to respond to such notice under any Environmental Regulation).

(h) Irrespective of whether any representation or warranty contained in this Section 5.32 is not true or correct, the Board shall, to the extent permitted by law and solely from Available Revenues, defend, indemnify and hold harmless the Trustee, the Certificateholders and the Credit Enhancers and each of its and their employees, agents, officers, directors, trustees, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without

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ARTICLE VI

ASSIGNMENT; SUBLEASING; NET LEASE; AMENDMENT

SECTION 6.01. ASSIGNMENT AND SUBLEASING BY THE BOARD. (a)

Except as provided herein, this Lease Agreement may not be assigned by the Board without the written consent of the Corporation, or its assignee and each Credit Enhancer.

(b) Notwithstanding any other provision of this Lease Agreement any Project, or portion thereof, may be subleased by the Board, subject to Permitted Encumbrances and the rights and interests of the Trustee and each Credit Enhancer, in whole or in part, without the consent of the Corporation, subject, however, to each of the following conditions:

(i) no such sublease shall in any way adversely affect or release the Board from any of its duties, obligations and covenants under this Lease Agreement including, without limitation, the obligation of the Board to make Lease Payments hereunder; and

(ii) no such sublease shall, in the opinion of Special Counsel, cause the Interest Component of the Basic Rent Payments received by the Owners of the Certificates (other than Taxable Certificates) to become includable within gross income of the Owners for purposes of federal income taxation.

(c) Nothing herein shall prohibit the Board from permitting temporary use of any Project, or portion thereof, by third parties.

(d) If an Event of Default occurs under this Lease Agreement, all proceeds of any sublease entered into by the Board pursuant to this Section shall be remitted to the Trustee and shall be credited against Basic Rent Payments to be made by the Board. Any sublease agreement must be made terminable by the Trustee in the event this Lease Agreement is terminated for any reason.

SECTION 6.02. TRANSFER OF TAX BENEFITS. Nothing herein shall be deemed to prevent the Board from entering into any agreement or making any disposition for the sole purpose of transferring to one or more corporations, partnerships or individuals federal or state income tax benefits which would be available for any Project, or portion thereof, if owned by a private person, subject, however, to each of the following conditions:

(a) no such sublease shall in any way adversely affect or release the Board from any of its duties, obligations and covenants under this Lease Agreement including, without limitation, the obligation of the Board to make Lease Payments hereunder; and

(b) no such agreement or disposition shall, in the opinion of Special Counsel, cause the Interest Component of the Basic Rent Payments received by the Owners of the Certificates (other

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than Taxable Certificates) to become includable in gross income of such Owners for purposes of federal income taxation.

SECTION 6.03. TAX COVENANTS. (a) The Board and the Corporation hereby covenant that, notwithstanding any other provision of this Lease Agreement, neither of them will make any use nor permit or direct the Trustee to make any use of the proceeds of the Certificates which will cause any of the Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(b) The Board and the Corporation hereby agree that they will make no use nor permit any use to be made of the proceeds of the Certificates, Lease Payments or any Project, or portion thereof, which would cause any of the Certificates or the Lease Agreement to be "private activity bonds" within the meaning of Section 141(a) of the Code.

(c) Except for the exercise by the Board of its right to Non-Appropriate as set forth in Section 7.01 hereof, the Board and the Corporation hereby covenant that they will comply with all provisions of the Code necessary to maintain the exclusion of the Interest Component of the Basic Rent Payments from gross income for purposes of federal income taxation, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

(d) Notwithstanding the foregoing provisions contained in this Section, the Board and the Corporation may agree to enter into a Lease Schedule pursuant to which the Interest Component on the Basic Rent Payments shall not be excluded from gross income for purposes of federal income taxation; provided, however, that fact must be clearly stated on the Certificates. Provisions herein relating to the requirement to maintaining the exclusion of such Interest Component from gross income for federal income taxation purposes shall not apply to such Basic Rent Payments in such event.

SECTION 6.04. NET LEASE. The Board intends the Lease Payments hereunder to be net to the Corporation. The Board shall comply with all liabilities and pay from Available Revenues all required local, state and federal taxes, including without limitation, income, franchise, gross receipts, sales, use, documentary stamp, excise, and personal property taxes, Real Estate Taxes, assessments, licenses, impact fees, registration fees, freight and transportation charges and any other charges imposed or liabilities incurred with respect to the ownership, possession or use of the Projects, payment of Lease Payments or any other payments by the Board hereunder, and any penalties, fines or interest imposed on the Board hereunder, and any penalties, fines or interest imposed on any of the foregoing, during the term of this Lease Agreement; and the Board will pay all reasonable expenses incurred by the Corporation or the Trustee in connection with all filings or recordings of any documents relating to this Lease Agreement or the Corporation's or the Trustee's rights hereunder. The Corporation and the Trustee shall have the right, after reasonable written notice to the Board, to make any of the payments required of the Board under this Section with respect to the Projects, but shall not be obligated to pay the same, and may charge such payment with interest at the Overdue Rate from the date of payment, as Supplemental Rent to be paid by the Board on the next Basic Rent Payment Date.

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ARTICLE VII

EVENT OF NON-APPROPRIATION; EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. EVENT OF NON-APPROPRIATION. (a) As provided herein, this Lease Agreement shall initially terminate at the end of the Initial Lease Term relating to a Project, but shall automatically be renewed for all Renewal Lease Terms relating thereto; provided, that such automatic renewal shall not occur and this Lease Agreement shall terminate as of the end of the current Initial or Renewal Lease Term if the Board does not approve a tentative Budget and a final Budget in accordance with State law which appropriates sufficient funds from Available Revenues for such purpose to continue making Lease Payments in full for the next succeeding Renewal Lease Term for all Projects leased hereunder beyond the end of the Initial Lease Term or the last Renewal Lease Term for which Lease Payments had been budgeted and appropriated (an "Event of Non-Appropriation"); provided, further, that in the event the Board's tentative or final Budget for such ensuing Renewal Lease Term is not enacted prior to the expiration of the then current Initial Lease Term or Renewal Lease Term relating to a Project, the Lease Term relating thereto shall be deemed renewed pending the enactment of such tentative Budget and final Budget and the Board shall be liable for any Lease Payments coming due during such period but only if the tentative Budget and final Budget makes available to the Board moneys which may legally be used to make the Lease Payments coming due during such period. Upon the occurrence of an Event of Non-Appropriation, the Board will not be obligated to pay Lease Payments beyond the then current Fiscal Year but will not be relieved of any obligations arising or accruing prior to such Event of Non-Appropriation including, without limitation, any obligation to deposit rebatable arbitrage in the Rebate Fund which may accrue prior to such Event of Non-Appropriation. The Board must deliver notice of the Event of Non-Appropriation to the Corporation, each Credit Enhancer and the Trustee within at least three Business Days thereof.

(b) If an Event of Non-Appropriation shall occur, the Board shall peaceably return possession of each Project to the Corporation, or its assignee or designee, within thirty (30) Business Days after the date on which such Event of Non-Appropriation occurs. The obligation to return the Projects shall survive the termination of this Lease Agreement. Under no circumstances shall the failure of the Board to appropriate sufficient moneys to pay Lease Payments constitute a Default or Event of Default hereunder or require payment of a penalty, or in any way limit the right of the Board to purchase or utilize, buildings, facilities or equipment similar in function to the property leased hereunder.

SECTION 7.02. EVENTS OF DEFAULT. The following shall be "Events of Default" under this Lease Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in this Lease Agreement any one or more of the following events:

(a) Failure by the Board to pay any Basic Rent Payment required to be paid hereunder on the Basic Rent Payment Date to which such Basic Rent Payment pertains, other than as a result of an Event of Non-Appropriation; or

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SECTION 6.05. AMENDMENT. (a) This Lease Agreement may be amended in writing by the parties hereto or by their assignees on their behalf or in their name, without the consent of the Owners of the Certificates (but with the consent of each Credit Enhancer which is not in payment default under its municipal bond insurance policy or credit facility) thereof, for the purpose of (i) curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein, or (ii) resolving any questions arising under this Lease Agreement which the Board may deem necessary or desirable and not inconsistent with the provisions of this Lease Agreement, (iii) providing for additional security, (iv) providing for Lease Schedules, including adding to or deleting the covenants, representations and agreements contained herein as the same shall effect a particular Project, and (v) any other amendment, which in the judgment of the Board does not materially, adversely affect the interests of the Owners of the Certificates; provided, however, that no such amendment shall, in the opinion of Special Counsel, cause the Interest Component of Basic Rent Payments to become includable in gross income of the recipients thereof for purposes of federal income taxation; and provided, further, that the parties hereto or their assignees may rely in entering into any such amendment pursuant to this Section upon the opinion of Special Counsel stating that the requirements of this sentence have been met with respect to such amendment.

(b) In addition to the amendments authorized to be made pursuant to Section 6.05(a) hereof, this Lease Agreement may also be amended upon approval of a majority of aggregate principal amount of the Owners of Certificates then Outstanding or, upon the approval of the Credit Enhancers of the Certificates for which they have provided a Credit Facility and/or municipal bond insurance policy if such Certificates represent a majority of the Certificates then Outstanding; provided that no such amendment shall impair the right of any Owners to receive his proportionate share of any Basic Rent Payment in accordance with his Certificate unless approved by the Owners of all Certificates then Outstanding.

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(b) Failure by the Board to pay any Supplemental Rent required to be paid hereunder at the time specified herein and the continuation of said failure to the next occurring Basic Rent Payment Date, other than as a result of an Event of Non-Appropriation; or

(c) The Board fails to return possession of all the Projects, other than Designated Equipment, to the Corporation, or its designee or assignee, subsequent to an Event of Non-Appropriation as required by Section 7.01 hereof; or

(d) Failure by the Board to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Section 7.02(a) hereof, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Board and each Credit Enhancer by the Corporation, or its assignee, unless the Corporation, or its assignee, or each Credit Enhancer have agreed in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, or its assignee, or the Credit Enhancers will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Board within the applicable period and diligently pursued until the default is corrected; or

(e) Any representation of the Board hereunder or in a Lease Schedule shall prove to have been false in any materially adverse respect at the time same was made, subject to the right of the Board to cure such misrepresentation in the manner set forth in Section 7.02(d) hereof; or

(f) A court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Board in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator, (or similar official) of the Board or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) days; or

(g) The Board shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or similar official) of the Board or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due or shall take any corporate action in furtherance of any of the foregoing.

SECTION 7.03. REMEDIES ON DEFAULT. Upon the happening of an Event of Default as described in Section 7.02 hereof, the Corporation, or its assignee, may exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement, including, without limitation:

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(i) Except in the case of an Event of Default under Section 7.02(c) hereof, without terminating this Lease Agreement, to re-enter and take possession of the Projects, or any portion thereof, other than Designated Equipment, and exclude the Board from using the same until the Default is cured; or

(ii) Except in the case of an Event of Default under Section 7.02(c) hereof, without terminating this Lease Agreement, to re-enter and take possession of the Projects, or any portion thereof, other than Designated Equipment, and sell, lease or sublease such Projects, or any portion thereof, in accordance with applicable law, for the account of the Board, holding the Board liable for the difference between (i) the purchase price, rent and other amounts paid by the purchaser, lessee or sublessee pursuant to such sale, lease or sublease, and (ii) the Lease Payments and other amounts currently payable by the Board under and pursuant to this Lease Agreement; provided, however, that prior to termination of this Lease Agreement, the Projects, or any portion thereof, may be sold, re-let or otherwise disposed of only to such Person or Persons as shall not adversely affect the exclusion of the Interest Component on the Basic Rent Payments from gross income for purposes of federal income taxation; or

(iii) Except in the case of an Event of Default under Section 7.02(c) hereof, to take whatever action at law or in equity that may appear necessary or desirable to collect the Lease Payments then due and thereafter to become due during the term of this Lease Agreement, or enforce performance and observance of any obligation, agreement or covenant of the Board under this Lease Agreement; or

(iv) To terminate this Lease Agreement, if it has not been previously terminated pursuant to Section 7.01 hereof, and require the Board to surrender and transfer possession of all the Projects to the Corporation or its assignee, in which event the Board shall take all actions necessary to authorize, execute and deliver to the Corporation or its assignee all documents necessary to vest in the Corporation or its assignee all of the Board's interest in and to the Projects, and to discharge any lien created by or pursuant to this Lease Agreement in order that the Corporation or its assignee may sell or re-lease the Projects in accordance with applicable law; and shall upon request by the Corporation or its assignee, remove any Equipment from the Board's property to such location within the State of Florida as is specified by the Corporation or its assignee; or

(v) To terminate this Lease Agreement, if it has not been previously terminated pursuant to Section 7.01 hereof, and, without notice or demand, enter into and upon the property of the Board, or any part thereof, and repossess and retake the Projects and thereby restore the Corporation or its assignee, or its assignee, to its former possessory estate as owner and expel the Board and remove its effects forcefully, if necessary, without being taken or deemed to be guilty of any manner of trespass in order that the Corporation or its assignee may sell or re-lease the Projects in accordance with applicable law, and thereupon this Lease Agreement shall terminate and upon such termination the Board shall have no further possessory right whatsoever in the Projects; and the Board shall be responsible for

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SECTION 7.06. NON-WAIVER. Nothing in this Article VII or in any other provision of this Lease Agreement shall affect or impair the obligation of the Board to pay the Lease Payments, to the extent herein provided. No delay or omission of the Corporation, or its assignee, to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or any acquiescence therein, and every power and remedy given by this Article VII to the Corporation, and its assignee, may be exercised from time to time and as often as shall be deemed expedient by the Corporation, or its assignee.

SECTION 7.07. REMEDIES NOT EXCLUSIVE. No remedy herein or by law conferred upon or reserved to the Corporation, and its assignee, is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy, and every remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise may be exercised without exhausting and without regard to any other remedy conferred or by any law.

SECTION 7.08. STATUS QUO ANTE. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and then discontinued or abandoned, then, and in every such case, the Corporation, and its assignee, and the Board shall be restored to its and their former position and rights and remedies as if no such suit, action or proceedings had been brought or taken.

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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 Board fails to surrender the Projects or for any other loss suffered by the Corporation or its assignee as a result of the Board's failure to surrender the Projects, 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 Board's covenants herein contained.

SECTION 7.04. PROCEEDS OF SALE OR RE-LETTING. Moneys received by the Corporation, or its assignee, from the sale or re-letting of the Projects, or any portion thereof, as a result of an Event of Non-Appropriation or an Event of Default shall be the absolute property of the Corporation, or its assignee, and the Board shall have no right thereto. In the event that moneys received by the Corporation, or its assignee, from the sale or other disposition of a Project, including moneys or damages received pursuant to Section 7.03(b) hereof, exceed the amount necessary to pay the principal of and interest due on the Certificates which financed the acquisition and construction thereof to the date of payment thereof, together with all other amounts owing in regard to such Project, including Trustee fees and expenses (including, without limitation, the reasonable fees and expenses of Trustee's counsel), amounts owing in regard to any Ground Lease relating to such Project and any outstanding fees, expenses and other amounts due the Credit Enhancers, the Corporation, or its assignee, shall pay such surplus to the Board. Neither notice of sale or notice to pay rent or to deliver up possession of the Projects given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation, or its assignee, shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of an Event of Default by the Board shall be or become effective by operation of law, or otherwise, unless and until the Corporation, or its assignee, shall have given written notice to the Board of the election on the part of the Corporation, or its assignee, to terminate this Lease Agreement as a result of such Event of Default.

SECTION 7.05. APPOINTMENT OF CORPORATION AS AGENT. The Board hereby irrevocably appoints the Corporation, and its assignee, as the agent and attorney-in-fact of the Board to enter upon and sell or re-let the Projects in accordance with the terms hereof upon the happening of an Event of Default or an Event of Non-Appropriation. To the greatest extent permitted by applicable law and only from Available Revenues, the Board hereby exempts and agrees to save harmless, the Corporation, and its assignee, from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and the sale or letting of the Projects. The Board hereby waives any and all claims for damages caused, or which may be caused, by the Corporation, or its assignee, in taking possession of the Projects, for all claims for damages that may result from the destruction of or injury to the Projects, and all claims for damages to or loss of any property belonging to the Board that may be in or upon the Projects. The Board agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation, or its assignee, to enter and sell or re-let the Projects in accordance with the terms hereof. Notwithstanding the foregoing, the Board shall not be responsible for any costs incurred by the Corporation, or its assignee, to make the Projects suitable for reletting.

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ARTICLE VIII ADMINISTRATIVE PROVISIONS

SECTION 8.01. PRESERVATION AND INSPECTION OF DOCUMENTS. All documents received by the Corporation, or its assignee, or the Board under the provisions of this Lease Agreement shall be retained in their respective possessions and shall be subject at all reasonable times to the inspection of the other party hereto and its assigns, agents and representatives, any of whom may make copies thereof.

SECTION 8.02. PARTIES OF INTEREST. Nothing in this Lease Agreement, expressed or implied, is to or shall be construed to confer upon or to give to any person or party other than the Corporation, and its assignee, the Credit Enhancers, the Trustee and the Board any rights, remedies or claims under or by reason of this Lease Agreement or any covenants, condition or stipulation hereof; and all covenants, stipulations, promises and agreements in this Lease Agreement contained by or on behalf of the Corporation or the Board shall be for the sole and exclusive benefit of the Corporation, and its assignee, the Board, the Credit Enhancers and the Trustee.

SECTION 8.03. NO RECOURSE UNDER AGREEMENT. All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Lease 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 payment of the Lease Payments or for any claim based thereon under this Lease Agreement against any member, officer, employee or agent of the parties hereto.

SECTION 8.04. NOTICES. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail with postage fully prepaid

If to the Corporation: Duval School Board Leasing Corporation
c/o School Board of Duval County, Florida
1701 Prudential Drive, 6th Floor
Jacksonville, Florida 32207
Attention: Superintendent and Director of Finance and Budget

If to the Board: School Board of Duval County, Florida
1701 Prudential Drive, 6th Floor
Jacksonville, Florida 32207
Attention: Superintendent and Director of Finance and Budget

If to the Trustee: The Bank of New York

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10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department

The parties hereto, by notice given hereunder, may, respectively, designate different addresses to which subsequent notices, certificates or other communications will be sent. A copy of all notices to one party to this Lease Agreement shall be transmitted to the other party to this Lease Agreement, and to the Trustee.

SECTION 8.05. BINDING EFFECT. This Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation and the Board and their respective successors and assigns.

SECTION 8.06. SEVERABILITY. If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this Lease Agreement on the part of the Corporation or the Board to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant, stipulation, promise, agreement or obligation shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this Lease Agreement.

SECTION 8.07. HEADINGS. Any headings preceding the text of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience or reference and shall not constitute a part of this Lease Agreement, nor shall they affect its meaning, construction or effect.

SECTION 8.08. APPLICABLE LAW. This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 8.09. CORPORATION AND BOARD REPRESENTATIVES. Whenever under the provisions of this Lease Agreement the approval of the Corporation or the Board is required or the Corporation or the Board are required to take some action at the request of the other, such approval of such request may be given for the Corporation by an Authorized Officer of the Corporation and for the Board by an Authorized Officer of the Board, and any party hereto shall be authorized to rely upon any such approval or request.

SECTION 8.10. FURTHER ASSURANCES. The Corporation and the Board agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of any Project hereby leased or for carrying out the expressed intention of this Lease Agreement.

SECTION 8.11. CERTIFICATE OF OFFICERS. Every certificate with respect to compliance with a condition or covenant provided for in this Lease Agreement may be based, insofar

as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless the Person providing the certificate knows that the certificate or representations with respect to the matters upon which the certificate may be based are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

SECTION 8.12. BUSINESS DAYS. Any act or thing required to be done or exist on any date set forth herein which does not constitute a Business Day in any year shall be deemed to be done or to exist on such date if such act or thing is done or exists on the next date which constitutes a Business Day.

SECTION 8.13. EFFECT OF DISSOLUTION OF CORPORATION. In the event the Corporation for any reason shall be dissolved or its legal existence shall otherwise be terminated, all of the covenants, stipulations, obligations and agreements contained in this Lease Agreement by or on behalf of or for the benefit of the Corporation shall bind or inure to the benefit of the successor or successors of the Corporation from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law, and the term "Corporation" as used in this Lease Agreement shall include such successor or successors.

SECTION 8.14. MEMORANDUM. Simultaneously with the execution of this Lease Agreement, the Corporation and the Board shall each execute, acknowledge and deliver a Memorandum of Lease Agreement with respect to this Lease Agreement for recording in the Public Records of Duval County, Florida. Said Memorandum of Lease shall be substantially in the form of Exhibit D hereto and shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of this Lease Agreement.

SECTION 8.15. RADON GAS. Section 404.056, Florida Statutes, requires that the following notification be given: "RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit."

SECTION 8.16. COUNTERPARTS. This Lease Agreement may be executed in several counterparts, each of which together with a counterpart executed by each of the other parties hereto shall constitute a single original and shall constitute but one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Agreement to be executed in their respective names by their duly Authorized Officers as of the date first above written.

EXHIBIT A

(SEAL) **DUVAL SCHOOL BOARD LEASING CORPORATION, as Lessor**
By: _____
Vice President
Witness: _____
Name: _____
Witness: _____
Name: _____
Attest:
By: _____
Secretary

DEFINITIONS

(SEAL) **SCHOOL BOARD OF DUVAL COUNTY, FLORIDA, as Lessee**
By: _____
Vice Chairman
Witness: _____
Name: _____
Witness: _____
Name: _____
Attest:
By: _____
Superintendent/Secretary

EXHIBIT B

FORM OF REQUISITION FOR PAYMENT OF PROJECT COSTS

Date:
Requisition Number:
Total Disbursement Requested: \$

Certificates: [State Series of Certificates] (the "Certificates")

Lease Schedule No. (the "Lease Schedule")

Account or Subaccount of Project Account:

To: The Bank of New York, as Trustee (the "Trustee")

The School Board of Duval County, Florida (the "Board"), consistent with the terms of the Trust Agreement, dated as of October 1, 2000 (the "Trust Agreement"), among the Board, the Trustee and the Duval School Board Leasing Corporation (the "Corporation"), requests a disbursement from the above-described account or subaccount of the Project Account in the aggregate amount set forth above, for payment or reimbursement of Project Costs incurred for the acquisition, construction and installation of a portion of the Project described in the Lease Schedule.

Capitalized terms used in this Requisition shall have the same meaning ascribed to them in the Trust Agreement.

The Board does hereby direct and instruct the Trustee to pay such Project Costs to the Vendor, Contractor or Developer pursuant to the attached invoices, bills and statements (or if indicated below, to reimburse the Board for payment of the attached invoices, bills and statements or to transfer moneys to the Board in order for it to pay such invoices, bills and statements) from moneys in the above-described account or subaccount of the Project Account, as follows:

Table with 4 columns: Amount, Payee, Description of Project Cost, Payment Instructions

To induce the Trustee to approve this Requisition and disburse such moneys from the above-described account or subaccount of the Project Account, the undersigned certifies as follows:

- 1. The portions of the Project described in the Lease Schedule which are described in this Requisition have been thoroughly inspected and accepted by the Board in accordance with the terms of the Lease Agreement.
2. Attached hereto is an invoice and bill of sale for each item of Equipment specified on Schedule I attached hereto which constitutes a portion of the Project described in the Lease Schedule to be reimbursed hereby.
3. The Board has previously provided the Trustee with all documents required by Section 6.03(d)(i) of the Trust Agreement prior to submitting any Requisition relating to construction of a Building which is part of the Project described in the Lease Schedule.
4. Attached hereto is a certification required by Section 6.03(d)(iii) of the Trust Agreement for any Architects' or Engineer's progress payments which are the subject of this Requisition, which payments are hereby approved by the Board.
5. There are no liens against any such portion of the Project to be reimbursed hereby, other than Permitted Encumbrances.
6. To date, the Board has timely complied with all its obligations under the Lease Agreement.
7. All funds previously disbursed by the Trustee for Project Costs from the above-described account or subaccount of the Project Account have been applied in accordance with the Requisitions requesting same and the amounts requested herein are to be used to pay for Project Costs which have not been previously paid for with disbursements from the above-described account or subaccount of the Project Account or included in previous Requisitions submitted by the Board to the Trustee.
8. The following constitutes an itemized list of the attachments to this certificate:

(insert itemized list)

SCHEDULE I

DESCRIPTION OF EQUIPMENT

9. The amount remaining in the above-described account or subaccount of the Project Account will, after payment of the amount set forth in this Requisition, be sufficient to pay all remaining applicable Project Costs relating to the Lease Schedule as currently estimated.

10. According to our records, the aggregate dollar amount disbursed for Project Costs relating to the Lease Schedule (including the amount requested in this Requisition) is \$.

11. Execution of this Requisition shall constitute an affirmation of the completeness and accuracy of the representations and warranties contained in Section 5.02 of the Lease Agreement as of the date of execution hereof.

SCHOOL BOARD OF DUVAL COUNTY, FLORIDA

By:
Title:

DESCRIPTION OF DESIGNATED EQUIPMENT

DESCRIPTION OF BUILDINGS

SCHEDULE IV

FORM OF REQUISITION FOR PAYMENT OF COSTS OF ISSUANCE

DESCRIPTION OF LAND

Date:

Requisition Number:

Total Disbursement Requested: \$

Certificates: [State Series of Certificates] (the "Certificates")

Lease Schedule No.

Account or Subaccount of Costs of Issuance Account:

To: The Bank of New York, as Trustee (the "Trustee")

The School Board of Duval County, Florida (the "Board"), consistent with the terms of the Trust Agreement, dated as of October 1, 2000 (the "Trust Agreement"), among the Board, the Trustee and the Duval School Board Leasing Corporation (the "Corporation"), requests a disbursement from the above-described account or subaccount of the Costs of Issuance Account in the aggregate amount set forth above, for payment or reimbursement of Costs of Issuance relating to the Certificates.

Capitalized terms used in this Requisition shall have the same meaning ascribed to them in the Trust Agreement.

The Board does hereby direct and instruct the Trustee to pay the Costs of Issuance to the Person indicated below pursuant to the attached invoices (or if indicated below, to reimburse the Board for payment of the attached invoices or to transfer moneys to the Board in order for it to pay such invoices) from moneys in the above-described account or subaccount of the Costs of Issuance Account, as follows:

| <u>Amount</u> | <u>Payee</u> | <u>Description of Project Cost</u> | <u>Payment Instructions</u> |
|---------------|--------------|------------------------------------|-----------------------------|
|---------------|--------------|------------------------------------|-----------------------------|

To induce the Trustee to approve this Requisition and disburse such moneys from the above-described account or subaccount of the Costs of Issuance Account, the undersigned certifies as follows:

- 1. Attached hereto is an invoice for such Costs of Issuance.
2. To date, the Board has timely complied with all its obligations under the Lease Agreement.
3. All funds previously disbursed by the Trustee for Costs of Issuance relating to the Certificates from the above-described account or subaccount of the Costs of Issuance Account have been applied in accordance with the Requisitions requesting same and the amounts requested herein are to be used to pay for Costs of Issuance relating to the Certificates which have not been previously paid for with disbursements from such account or subaccount of the Costs of Issuance Account or included in previous Requisitions submitted by the Board to the Trustee.
4. The following constitutes an itemized list of the attachments to this certificate: (insert itemized list)
5. The amount remaining in the above-described account or subaccount of the Costs of Issuance Account, will, after payment of the amount set forth in this Requisition, be sufficient to pay all remaining applicable Costs of Issuance as currently estimated.
6. According to our records, the aggregate dollar amount disbursed for Costs of Issuance relating to the Certificates (including the amount requested in this Requisition) is \$ _____.
7. Execution of this Requisition shall constitute an affirmation of the completeness and accuracy of the representations and warranties contained in Section 5.02 of the Lease Agreement as of the date of execution hereof.

SCHOOL BOARD OF DUVAL COUNTY, FLORIDA

By: _____
Title: _____

FORM OF LEASE SCHEDULE

Schedule No. ____
to the
Master Lease-Purchase Agreement,
dated as of October 1, 2000,
between
Duval School Board Leasing Corporation
(the "Corporation")
and
School Board of Duval County, Florida (the "Board")

THIS LEASE SCHEDULE NO. ____ (the "Lease Schedule") is hereby entered into under and pursuant to that certain Master Lease-Purchase Agreement, dated as of October 1, 2000 (the "Lease Agreement"), pursuant to which the Corporation has agreed to lease-purchase to the Board and the Board has agreed to lease-purchase from the Corporation, subject to the terms and conditions of the Lease Agreement, the Series ____ Project as herein described. All defined terms not otherwise defined herein shall have the respective meanings therefor set forth in the Lease Agreement. Reference to "Lease Agreement" herein shall include the terms of this Lease Schedule.

- 1. Series Project. The leased property, which is described in Section 6 of this Lease Schedule (the "Series ____ Project"), and has a Maximum Cost of \$ _____, shall be acquired, constructed and installed, and lease-purchased, by the Board from the Corporation pursuant to the terms of the Lease Agreement.
2. Commencement Date; Lease Term; Other Definitions. For purposes of this Lease Schedule and the Lease Agreement:
(a) The Commencement Date for the Series ____ Project is _____.
(b) The Initial Lease Termination Date of the lease of the Series ____ Project shall be _____. The Maximum Lease Term shall commence on the Commencement Date hereof and terminate on _____.
(c) The Estimated Completion Date is _____.
3. Certificates of Participation.

- (a) The Certificates of Participation issued under the Trust Agreement and related to this Lease Schedule are identified as "Certificates of Participation (School Board of Duval County, Florida Master Lease Program, Series _____) Evidencing an Undivided Proportionate Interest of the Owners thereof in Basic Rent Payments to be made under a Master Lease-Purchase Agreement by the School Board of Duval County, Florida" (the "Series ____ Certificates").
(b) The Credit Enhancer for the Series ____ Certificates shall be _____.
(c) The Reserve Requirement for the Series ____ Subaccount established in the Reserve Account under the Trust Agreement shall be _____.
(d) The Optional Prepayment Date shall be _____.
(e) The Closure Date of the Series ____ Subaccount of the Project Account established for the Series ____ Certificates, for purposes of Section 6.03(g) of the Trust Agreement, shall be _____.
(f) The Prepayment Amount relating to the Series ____ Subaccount of the Project Account established for the Series ____ Certificates, for purposes of Section 6.03(g) of the Trust Agreement, shall be _____.

- 4. Basic Rent. The Basic Rent payable by the Board to the Corporation with respect to the Series ____ Project under the Lease Agreement is described in Schedule A attached hereto.
5. Use of Certificate Proceeds. The proceeds of the Series ____ Certificates shall be disbursed as follows:

Deposit to Series ____ Subaccount of Project Account established for Series ____ Certificates
Deposit to Series ____ Subaccount of Costs of Issuance Account established for Series Certificates
Deposit to Series ____ Subaccount of Capitalized Interest Account established for Series Certificates
Deposit to Series ____ Subaccount of the Interest Account established for Series ____ Certificates
Deposit to Series ____ Subaccount of Reserve Account established for Series Certificates

- 6. The Series Project. The Project Description, Project Budget and Project Schedule for the Series ____ Project are attached hereto as Schedule B.
7. Designated Equipment. The Designated Equipment for the Series ____ Project is attached hereto as part of Schedule B.
8. The Land. A description of the Land, including any Ground Leases, is attached as Schedule C attached hereto.
9. Other Documents. The documents required by Section 3.01(c) of the Lease Agreement to be submitted with this Lease Schedule are attached hereto as Schedule D.
10. Assignment of Lease Agreement. The Corporation hereby acknowledges that all Lease Payments and its rights, title and interest in this Lease Schedule and, with certain exceptions, the Lease Agreement have been simultaneously assigned to the Trustee pursuant to the Assignment of Lease Agreement.
11. Other Permitted Encumbrances.
12. Special Terms and Conditions for Lease Schedule.

IN WITNESS WHEREOF, each of the parties hereto have caused this Lease Schedule No. ____ to be executed by their proper corporate officers, all as of the ____ day of _____.

DUVAL SCHOOL BOARD LEASING CORPORATION
(SEAL)
By: _____
Title: _____
Date: _____
Attest: _____

SCHOOL BOARD OF DUVAL COUNTY, FLORIDA
(SEAL)

By: _____

SCHEDULE A

Title: _____

BASIC RENT SCHEDULE

Date: _____

Attest: _____

Basic Rent
Payment Date

Interest
Component

Principal
Component

Total Basic
Rent Payment

Remaining
Principal
Component

[Provide Basic Rent Schedule for each Group within Project]

SCHEDULE B

SCHEDULE C

**PROJECT DESCRIPTION, PROJECT BUDGET,
PROJECT SCHEDULE AND DESIGNATED EQUIPMENT**

DESCRIPTION OF THE LAND

DOCUMENTS REQUIRED BY SECTION 3.01(C) OF THE LEASE AGREEMENT

MEMORANDUM OF LEASE AND NOTICE OF OPTION

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LEASE SCHEDULE NO. 2007

**Schedule No. 2007
to the
Master Lease-Purchase Agreement,
dated as of October 1, 2000,
between
Duval School Board Leasing Corporation (the "Corporation")
and
School Board of Duval County, Florida (the "Board")**

THIS LEASE SCHEDULE NO. 2007 (the "Lease Schedule") is hereby entered into under and pursuant to that certain Master Lease-Purchase Agreement, dated as of October 1, 2000 (the "Lease Agreement"), pursuant to which the Corporation has agreed to lease-purchase to the Board and the Board has agreed to lease-purchase from the Corporation, subject to the terms and conditions of the Lease Agreement, the Series 2007 Project as herein described. All defined terms not otherwise defined herein shall have the respective meanings therefor set forth in the Lease Agreement. Reference to "Lease Agreement" herein shall include the terms of this Lease Schedule.

1. Series 2007 Project. The leased property, which is described in Section 6 of this Lease Schedule (the "Series 2007 Project"), and has a Maximum Cost of \$146,725,000, shall be acquired, constructed and installed, and lease-purchased, by the Board from the Corporation pursuant to the terms of the Lease Agreement.

2. Commencement Date; Lease Term; Other Definitions. For purposes of this Lease Schedule and the Lease Agreement:

(a) The Commencement Date for the Series 2007 Project is January 9, 2008.

(b) The Initial Lease Termination Date of the lease of the Series 2007 Project shall be June 30, 2008. The Maximum Lease Term shall commence on the Commencement Date hereof and terminate on July 1, 2033.

(c) The Estimated Completion Date is August 31, 2010.

3. Certificates of Participation.

(a) The Certificates of Participation issued under the Trust Agreement and related to this Lease Schedule are identified as "Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2007 Evidencing an Undivided Proportionate Interest of the Owners thereof in Basic

Rent Payments to be made under a Master Lease-Purchase Agreement by the School Board of Duval County, Florida" (the "Series 2007 Certificates").

(b) The Credit Enhancer for the Series 2007 Certificates shall be Financial Security Assurance Inc. ("Financial Security").

(c) The Reserve Requirement for the Series 2007 Subaccount established in the Reserve Account under the Trust Agreement shall be zero (\$0.00).

(d) The Optional Prepayment Date shall be July 1, 2017.

(e) The Prepayment Amount for purposes of 6.03(g) of the Trust Agreement is zero (\$0.00).

(f) The Closure Date of the Series 2007 Subaccount of the Project Account established for the Series 2007 Certificates, for purposes of Section 6.03(g) of the Trust Agreement, is estimated to be October 31, 2010.

4. Basic Rent and Basic Rent Payment Dates. The Basic Rent payable by the Board to the Corporation with respect to the Series 2007 Project under the Lease Agreement is described in Schedule A attached hereto. The Basic Rent Payment Dates with respect to the Series 2007 Certificates shall be on the June 15 and December 15 prior to each January 1 and July 1 payment set forth in said Schedule A.

5. Use of Certificate Proceeds. The proceeds of the Series 2007 Certificates (net of underwriters' discount) shall be disbursed as follows:

| | |
|---|------------------|
| Deposit to Series 2007 Subaccount of Project Account established for the Series 2007 Certificates..... | \$146,725,000.00 |
| Deposit to Series 2007 Subaccount of Costs of Issuance Account established for the Series 2007 Certificates | 832,981.30* |

*\$586,005.54 of which shall be wired directly to Financial Security at closing.

6. The Series 2007 Project. The Project Description, Project Budget and Project Schedule for the Series 2007 Project are attached hereto as Schedule B.

7. Designated Equipment. The Designated Equipment for the Series 2007 Project is attached hereto as part of Schedule B.

8. The Land. A description of the Land, including any Ground Leases, is attached as Schedule C attached hereto.

15. Credit Enhancer Notices. Copies of all notices required to be given to a Credit Enhancer pursuant to the Lease Agreement shall be given to Financial Security at the following address:

Financial Security Assurance Inc.
351 West 52nd Street
New York, New York 10019
Attention: Managing Director - Surveillance
Re: Policy No.: _____
Telephone: (212) 826-0100
Telecopier: (212) 339-3556

16. Special Terms and Conditions Required by Financial Security. For purposes of this Lease Schedule, the following provisions shall apply:

(a) Financial Security shall be deemed to be a third party beneficiary to the Lease Agreement.

(b) The Board and the Corporation agree not to make any amendments to the Lease Agreement described in Sections 6.05(a)(v) and 6.05(b) of the Lease Agreement without obtaining the prior written consent of Financial Security. The Board may not amend the Ground Lease or this Lease Schedule or take any other action to release any of the Projects constituting the Series 2007 Project or any of the Project Sites constituting the Series 2007 Project Sites without the prior written consent of Financial Security.

(c) The Board, to the extent permitted by law, but solely from Available Revenues in accordance with the provisions of the Trust Agreement and the Lease Agreement, hereby agrees to pay or reimburse Financial Security any and all charges, fees, costs and expenses which Financial Security may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in respect of the Lease Agreement, the Trust Agreement, the Ground Lease or the Assignment Agreement (each, a "Related Document"), (ii) the pursuit of any remedies under the Lease Agreement or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to, or related to, the Lease Agreement or any other Related Documents whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Lease Agreement or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of Financial Security to honor its obligations under the Municipal Bond Insurance Policy.

(d) In determining whether any amendment, consent, waiver, or other action to be taken, or any failure to take action, under the Lease Agreement would adversely affect the security for the Series 2007 Certificates or the rights of the Owners of Series 2007

9. Title Insurance. For purposes of Section 6.03(c) of the Trust Agreement, the amount of title insurance applicable to each site on which the Series 2007 Project shall be located shall be the lesser of (i) \$1,000,000 per each Series 2007 Project site, (ii) the fair market or agreed upon value of each site or (iii) the amount agreed upon between the Board and the Credit Enhancer.

10. Other Documents. The documents required by Section 3.01(c) of the Lease Agreement to be submitted with this Lease Schedule are attached hereto as Schedule D.

11. Assignment of Lease Agreement and Assignment of Ground Lease. The Corporation hereby acknowledges that all Lease Payments and its rights, title and interest in this Lease Schedule and, with certain exceptions, the Lease Agreement have been assigned to the Trustee pursuant to the Assignment of Lease Agreement, dated as of October 1, 2000, as supplemented and amended pursuant to Fourth Amendment to Assignment of Lease Agreement between the Corporation and the Trustee, dated as of December 1, 2007, and that all of its right, title and interest in the Ground Lease Agreement, dated as of December 1, 2007, between the Board and the Corporation (the "Ground Lease"), have been assigned to the Trustee pursuant to the Assignment of Ground Lease, dated as of December 1, 2007, from the Corporation to the Trustee.

12. Other Permitted Encumbrances. Those encumbrances set forth in the title policies delivered in connection with any Project component site.

13. Certification Required by Lease Agreement. Pursuant to Section 3.01(c)(ii) of the Lease Agreement, the Board hereby reaffirms the Board's covenants, representations and warranties made under the Lease Agreement, except as modified hereby, and further certifies that no default has occurred and is continuing under the Lease Agreement.

14. Section 5.08(c) and (d) of Lease Agreement Not Applicable. Notwithstanding the provisions set forth in Sections 5.08(c) and (d) of Lease Agreement, the Board may elect not to repair, restore or replace the Series 2007 Project or any portion thereof which has been destroyed, damaged or lost or condemned, with the Net Proceeds of any insurance or condemnation award, by filing a certificate with the Trustee and the Credit Enhancer for the Series 2007 Certificates stating that (i) the Board has made such an election and (ii) it is not in the best interests of the Board to repair, restore or replace such Series 2007 Project or portion thereof. Upon such an election, the Board shall apply the Net Proceeds of such insurance or condemnation award to the acquisition, construction and installation of other Land and/or Buildings to be used for educational purposes that will be subject to the Series 2007 Lease; provided that if the Credit Enhancer consents thereto such proceeds may be used for Equipment, the Costs of the other components of the Series 2007 Project or in connection with Facilities to be used for other than instructional, educational purposes. The provisions of Section 5.08(d) of the Lease Agreement shall not apply to the Series 2007 Project.

Certificates, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Municipal Bond Insurance Policy.

(e) Information to be Provided to Financial Security. The Board agrees to provide the following information to Financial Security:

- (1) the annual audited financial statements of the District within 30 days of completion thereof;
- (2) the final Budget of the Board within 30 days of approval thereof;

(3) upon delivery of the audited financial statements described in clause (e)(1) above, a certificate of the chief financial officer of the Board or his/her designee stating that, to the best of such individual's knowledge following reasonable inquiry, no Event of Default has occurred under the Lease Agreement, or if an Event of Default has occurred, specifying the nature thereof and if the Board has the right to cure such Event of Default pursuant to Section 7.02 of the Lease Agreement, stating in reasonable detail the steps, if any, being taken by the Board to cure such Event of Default;

(4) Notice of the commencement of any proceeding by or against the Board commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(5) 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 Series 2007 Certificates;

(6) All reports, notices and correspondence to be delivered to Owners of the Series 2007 Certificates under the terms of the Related Documents.

(f) There shall be no grace period for failure to pay in full any Supplemental Rent under the Lease Agreement.

(g) (1) Unless otherwise waived in writing by Financial Security, the following provisions shall apply; provided that compliance with paragraphs (g)(2)(v), (vi) and (vii) below shall not be required and such paragraphs shall be of no force or effect so long as the amount generated by (i) 80% of the Board's legally available capital outlay millage assuming a 95% collection rate based on the most current certified taxable assessed valuation available at the time of calculation, plus (ii) 80% of the amount derived from legally available sales tax monies, shall produce an amount sufficient to cover maximum annual debt service on the Board's lease and other Debt Obligations payable from such legally available capital outlay millage and/or legally available sales tax monies. For the purposes of the above test, maximum annual debt service shall be

calculated at the same rates as in the budgeting requirements of (g)(2) below and (unhedged) fixed rate debt shall be calculated at the actual payment requirements thereof. For purposes of the above test, the amount of legally available capital outlay millage shall be the maximum millage rate that the Lessee may levy and use to make lease payments pursuant to law. Legally available sales tax monies shall include voter approved sales tax levies that are legally available to the Board to make lease payments (i) as specifically authorized in the referendum approving such sales tax and as otherwise authorized by law, including any necessary resolutions of the Board or (ii) to the extent Financial Security receives an opinion to such effect in form and substance satisfactory to, and from counsel reasonably acceptable to, Financial Security. The amount of legally available sales tax monies for purposes of such calculation shall be based on a reasonable estimate by the Lessee of such taxes derived from historical collections of such tax in such jurisdiction or from collections of an existing similar sales tax in such jurisdiction. If any portion of the legally available capital outlay millage or legally available sales tax monies shall have a stated expiration date, then the revenues calculated above must be adjusted for such expiring taxes and 80% of the remaining tax revenues may not be less than the maximum annual debt service coming due after such tax expiration. The above test shall be performed annually upon preparation of the following year's budget.

The provisions of paragraph (g)(2)(vi) below shall only apply to swaps entered into after the first date of non-compliance with the above coverage requirement. The provisions of paragraph (g)(2)(vii) below shall apply only to swaps entered into after the first date of non-compliance with such covenant unless such non-compliance was caused by the incurrence of additional debt by or on behalf of the Board.

For purposes of the above test, "Debt Obligations" shall mean all bonds, notes or other instruments, contracts or agreements evidencing indebtedness of the Board or borrowed money and shall include capital-leases and lease-purchase agreements.

(2) For purposes of adopting an annual budget meeting the requirements of Section 4.05(c) of the Lease Agreement to effect the renewal of the Lease Agreement for an additional Renewal Lease Term, the Board agrees that each such budget, if adopted by the Board, shall include the actual amounts of Lease Payments, if known, and to the extent such amounts cannot be determined at the time of preparation of such notice, estimated annual fees and payments and all other Supplemental Rent Payments. In order to make such estimates, the Board agrees that it will utilize the following estimates and methodologies:

(i) while the interest portion of Basic Rent Payments pursuant to any Lease Schedule is calculated at a variable rate (i.e. the corresponding Certificates are variable rate) and a Qualified Swap Agreement (defined in paragraph (viii) below) is in effect, the Board's budget adopted to satisfy the requirements of Section 4.05(c) under the Lease Agreement, will include an amount at least equal

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to satisfy the requirements of Section 4.05(c) of the Lease Agreement will include an amount equal to the greater of (a) the amount specified in paragraph (iii) above and (b) the actual interest rate on the corresponding Certificates.

(v) If the test set forth in (g)(1) above is not satisfied, the Board agrees that not more than 25% of the total principal amount of outstanding obligations of the Board secured by capital leases shall be variable rate obligations. For purposes of this determination the following shall apply: (a) variable rate obligations hedged by a Qualified Swap Agreement shall not be included as variable rate obligations; and (b) an early termination under a Qualified Swap Agreement or a failure of a swap agreement to remain a Qualified Swap Agreement shall not cause the principal amount of variable rate obligations to exceed 25% unless a substitute Qualified Swap Agreement has not been entered into within 60 days from the date of such early termination or failure to remain a Qualified Swap Agreement.

(vi) If the test set forth in (g)(1) above is not satisfied, then any termination payment payable by the Board under a swap agreement relating to a Lease Schedule entered into thereafter shall be insured by an insurance company rated "AAA" or "Aaa" by at least two major rating agencies.

(vii) If the test set forth in (g)(1) above is not satisfied, not more than the greater of (i) \$50,000,000 and (ii) 25% of the total principal amount of outstanding obligations of the Board secured by capital leases shall be subject to swap agreements with any single counterparty (treating each entity that is separately capitalized and has a separate rating as a separate counterparty for such purpose).

(viii) For purposes of this Lease Schedule "Qualified Swap Agreement" means a swap agreement with a swap provider (i) rated at least "AA-" by S&P or "Aa3" by Moody's (or whose obligations are unconditionally guaranteed by an entity so rated), at the time the swap agreement is entered into and (ii) following any downgrade of such provider (or guarantor) is rated at least "BBB" by S&P and "Baa2" by Moody's and has collateralized its Obligations with a zero Threshold as such terms are defined in the Credit Support Annex (the "CSA") to the Schedule to such swap agreement.

(h) The Board agrees to amend its budget, by emergency budget if necessary, subject to and in accordance with requirements of applicable law, if amounts due under the Lease Agreement in any Fiscal Year for which a Renewal Lease Term is in effect exceed the amount budgeted therefor.

(i) No contract shall be entered into or any action taken by which the rights of Financial Security or security for or sources of payment of the Series 2007 Certificates may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of Financial Security.

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to the fixed rate payment payable by the Board under such Qualified Swap Agreement; provided, however, that in the event the payment by the provider of the Qualified Swap Agreement is not computed at the actual interest rate payable on the related Certificates, the Board will also include in such budget adopted to satisfy the requirements of Section 4.05(c) of the Lease Agreement, an additional (i) .25% of the principal amount of the Basic Rent Payments represented by the related Certificates if the payment by the swap provider is calculated based upon a tax-exempt index (the "Tax-Exempt Margin") or (ii) .50% of the principal amount of the Basic Rent Payments represented by the related Certificates if the payment by the swap provider is calculated based upon a taxable index (the "Taxable Margin");

(ii) while the interest portion of Basic Lease Payments for any Lease Schedule is calculated at a variable rate (i.e. the corresponding Certificates are variable rate) and a Qualified Swap Agreement (defined in paragraph (viii) below) is not in effect, the Board's budget adopted to satisfy the requirements of Section 4.05(c) of the Lease Agreement will include the greater of (i) the amount of the swap payment to be made by the Board (or if the swap payment is a floating amount, such amount shall be computed based upon the rate of calculation used in computing the most recent payment to the swap provider), if any, plus (a) the Tax-Exempt Margin if such swap payment is based on a tax-exempt index or (b) the Taxable Margin if such swap payment is based upon a taxable index, (ii) the average rate at which the interest portion of Basic Rent Payments payable under such Lease Schedule had been determined for the prior 12 months, plus 1.00% on the principal amount of the related Certificates if such Certificates bear interest at a variable rate, or (iii) the most recent actual rate of interest on the related Certificates plus 1.00%;

(iii) in the event the Board is obligated to pay the variable rate payment under any swap agreement and a Qualified Swap Agreement (defined in paragraph (viii) below) is in effect, the Board's budget adopted to satisfy the requirements of Section 4.05(c) of the Lease Agreement will include the interest portion of Basic Rent Payments in respect of the related Certificates in an amount equal to the average net interest cost on the related Certificates (i.e. actual interest expense after giving effect to net swap payments) over the preceding 12 month period plus (a) the Tax-Exempt Margin if such swap payment is based upon a tax-exempt index and (b) the Taxable Margin if such swap payment is based upon a taxable index; and

(iv) while the interest portion of Basic Rent Payments is calculated at a fixed rate (i.e. the corresponding Certificates are fixed rate) and the Board is required to make a variable rate payment under a swap that is not a Qualified Swap Agreement (defined in paragraph (viii) below), the Board's budget adopted

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(j) The right to exercise remedies under the Lease Agreement for an Event of Default or an Event of Non-Appropriation shall be limited to (i) a Credit Enhancer that insures, guarantees or supports payment of principal and interest payable on a series of Certificates or (ii) the holders of the Certificates (with the consent of such Credit Enhancer, if any).

(k) Any swap termination payment to be made by the Lessee in connection with any Series of Certificates may only be Supplemental Lease Payments (i.e. they shall not be considered Basic lease Payments).

(l) Liens or Encumbrances. There shall be no liens or encumbrances on the Land, other than Permitted Encumbrances.

IN WITNESS WHEREOF, each of the parties hereto have caused this Lease Schedule No. 2007 to be executed by their proper corporate officers, all as of the 1st day of December, 2007.

DUVAL SCHOOL BOARD LEASING CORPORATION

By: _____
President

(SEAL)

Attest: _____
Secretary

SCHOOL BOARD OF DUVAL COUNTY, FLORIDA

By: _____
Chairman

(SEAL)

Attest: _____
Superintendent/Secretary

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TOTAL BASIC RENT SCHEDULE

(Rent due on June 15 and December 15 next preceding each Certificate Payment Date)

A-1

A-2

SCHEDULE B

SERIES 2007 PROJECT DESCRIPTION, SERIES 2007 PROJECT BUDGET, PROJECT SCHEDULE AND DESIGNATED EQUIPMENT

PROJECT DESCRIPTION AND SCHEDULE

1. High School "AAA" - This high school will be located on an approximately 160 acre site in the southeast area of the District at the intersection of JTB/St. Johns Bluff/Kernan Road. This school will provide approximately 357,567 gross square feet of space with a capacity to house 2,204 students in grades 9-12. The school will consist of 43 senior high classrooms; 1 detention classroom; 10 science labs; 1 ROTC classroom; 7 skills labs; 9 resource rooms; 22 ESE suites; 2 art suites; 5 music suites; 13 vocational spaces and a physical education area. The core facilities for this school will include a media center; food service; administration; and an auditorium with stage. Storage areas will be provided for student, personal, textbook and equipment storage as well as custodial receiving and mechanical spaces. The estimated completion date is June, 2010.

2. 103rd K-8 School - This school will be located on an approximately 46.22 acre site in the west rural area of the District at 103rd Street and Connie Jean Road. This school will provide approximately 190,000 gross square feet of space with a capacity to house 1,507 students in grades K-8. The school will consist of 60 elementary/middle classrooms; 3 science labs; 4 skills labs; 6 resource rooms; 11 ESE suites; 2 art suites; 3 music suites; 2 vocational spaces and a physical education area. The core facilities for this school will include a media center; food service; administration; and an auditorium with stage. Storage areas will be provided for student, personal, textbook and equipment storage as well as custodial receiving and mechanical spaces. The estimated completion date is August, 2009.

3. North Shore K-8 School Completion - This school will be located on an approximately 19.5 acre site in the north-central urban area of the District at 5701 Silver Plaza in Jacksonville. This school will provide approximately 145,901 gross square feet of educational space with a capacity to house 1,198 students in grades K-8. The facilities will consist of 44 elementary/middle classrooms; 2 science labs; 4 skills development labs; 10 ESE suites; 6 resource rooms; 2 art suites; 3 music suites; 2 vocational spaces and a physical education area. The core facilities for this school will include a media center; food service; administration; and an auditorium with stage. Storage areas will be provided for student, personal, textbook and equipment storage as well as custodial receiving and mechanical spaces. The estimated completion date is August, 2008.

B-1

ESTIMATED PROJECT BUDGET*

High School "AAA"

| | |
|-----------------------------------|----------------------|
| Land | \$20,000,000 |
| Building & Site Preparation | 77,934,660 |
| Furniture, Fixtures and Equipment | <u>5,690,340</u> |
| Subtotal | <u>\$103,625,000</u> |

103rd Street K-8 School

| | |
|-----------------------------------|---------------------|
| Building & Site Preparation | \$39,042,000 |
| Furniture, Fixtures and Equipment | <u>3,058,000</u> |
| Subtotal | <u>\$42,100,000</u> |

Northshore K-8 Completion**

| | |
|-----------------------------------|---------------------|
| Building & Site Preparation | \$ -0- |
| Furniture, Fixtures and Equipment | <u>1,000,000</u> |
| Subtotal | <u>\$ 1,000,000</u> |

| | |
|-------|----------------------|
| Total | <u>\$146,725,000</u> |
|-------|----------------------|

* Excludes investment earnings.

** Constitutes Designated Equipment.

B-2

ESTIMATED DRAWDOWN SCHEDULE

Date Amount

B-3

EXHIBIT A TO SCHEDULE B

**EDUCATIONAL PLANT SURVEY EXCERPTS RELATED
TO THE PROJECT COMPONENTS**

B-5

D-24

DESIGNATED EQUIPMENT

That portion of the Series 2007 Project comprised of the completion of Northshore K-8 School and all equipment components not constituting fixtures of the educational facilities described under the heading "PROJECT DESCRIPTION AND SCHEDULE" above.

B-4

SCHEDULE C

DESCRIPTION OF THE LAND

C-1

SCHEDULE D

DOCUMENTS REQUIRED BY SECTION 3.01(C) OF THE LEASE AGREEMENT

1. Resolution of the School Board.
2. Certificate of School Board.
3. Ground Lease Agreement.
4. Series 2007 Supplemental Trust Agreement.
5. Memorandum of Lease with respect to Series 2007 Project.
6. Memorandum of Ground Lease with respect to Series 2007 Project.

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D-1

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MASTER TRUST AGREEMENT

by and among

**THE BANK OF NEW YORK,
as Trustee**

and

**DUVAL SCHOOL BOARD LEASING CORPORATION,
as Lessor**

and

**SCHOOL BOARD OF DUVAL COUNTY, FLORIDA,
as Lessee**

Dated as of October 1, 2000

Securing

Certificates of Participation

(School Board of Duval County, Florida Master Lease Program)

**Evidencing an Undivided Proportionate Interest of the Owners thereof in
Basic Rent Payments to be made under a Master Lease-Purchase Agreement
by the School Board of Duval County, Florida**

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WHEREAS, the Board and the Corporation will enter into a Ground Lease, dated as of October 1, 2000 (the "Ground Lease"); whereby the Board has or will demise the Premises (as defined herein) to the Corporation in accordance with the terms thereof; and

WHEREAS, on the date hereof, the Corporation will assign to the Trustee all of its right, title and interest in and to the estate created and granted under the Ground Lease, pursuant to an Assignment of Ground Lease Agreement, dated as of October 1, 2000, between the Corporation and the Trustee; and

WHEREAS, the proceeds of the sale of each Series of Certificates will be deposited with the Trustee and such funds shall be held and disbursed pursuant to the terms of this Trust Agreement in order to, among other things, fund the acquisition, construction and installation of a Project or to refund other Certificates; and

WHEREAS, the Board may provide that a Credit Enhancer (as defined herein) may issue a letter of credit, insurance policy, guarantee or other instrument to secure the payment of the principal of and interest on a Series of Certificates; and

WHEREAS, each Series of Certificates (other than any Completion Certificates for such Series) shall be secured independently from each other Series of Certificates in accordance with the provisions hereof;

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

MASTER TRUST AGREEMENT

THIS MASTER TRUST AGREEMENT, is made and entered into as of October 1, 2000, by and among THE BANK OF NEW YORK, a New York banking corporation with corporate trust powers qualified to accept trusts of the type herein set forth (the "Trustee"), DUVAL SCHOOL BOARD LEASING CORPORATION, a single-purpose, not-for-profit corporation duly organized and existing under Chapter 617, Florida Statutes (the "Corporation"), and the SCHOOL BOARD OF DUVAL COUNTY, FLORIDA, a school board duly organized and existing under the laws of the State of Florida (the "Board"), acting as the governing body of the Duval County School District (the "District").

WITNESSETH:

WHEREAS, the Board deems it in the best interests of the District to lease-purchase certain real and/or personal property from time to time by entering into a master lease-purchase agreement, dated as of October 1, 2000 (the "Lease Agreement"), between the Corporation, as lessor, and the Board, as lessee; and

WHEREAS, pursuant to the Lease Agreement, the Board may from time to time, by execution of a lease schedule to the Lease Agreement (a "Lease Schedule"), direct the Corporation to acquire and lease purchase to the Board the items of property described in such Lease Schedule (which items of property are collectively referred to herein as the "Projects"); and

WHEREAS, the relationship between the Corporation and the Board under the Lease Agreement is to be a continuing one and Projects may be added to the Lease Agreement from time to time in accordance with the terms thereof and of the Lease Schedules describing such Projects; and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing each Project will be made by the issuance and sale from time to time of Certificates of Participation issued hereunder and under the Supplemental Trust Agreement related to each Series of such Certificates of Participation (the "Certificates"), which shall be secured by and be payable from the right of the Corporation to receive Basic Rent Payments (as defined herein) to be made by the Board pursuant to the Lease Agreement and related Lease Schedule; and

WHEREAS, the Trustee has agreed to deliver a Series of Certificates pursuant to and upon receipt of a Request and Authorization from the Corporation and the Board; and

WHEREAS, as of the date hereof, the Corporation will assign to the Trustee, by outright assignment, all of its right, title and interest in and to the Lease Agreement and the Lease Payments (as defined herein), other than its rights of indemnification, its right to enter into Lease Schedules (as defined herein) from time to time and its obligations provided in Section 6.03 of the Lease Agreement, pursuant to an Assignment of Lease Agreement, dated as of October 1, 2000, between the Corporation and the Trustee; and

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

SECTION 1.01. DEFINITIONS. The capitalized terms used herein shall have the meanings, for the purpose of this Trust Agreement, ascribed to them in Exhibit A attached hereto unless the context clearly requires some other meaning. The term "Agreement" or "Trust Agreement" as used herein shall mean this Trust Agreement unless the context clearly requires some other meaning.

SECTION 1.02. RULES OF CONSTRUCTION. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, 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.

ARTICLE II

RECITALS AND REPRESENTATIONS

SECTION 2.01. LEASE AGREEMENT. The Corporation and the Board have entered into the Lease Agreement, and intend to enter into Lease Schedules from time to time, whereby the Corporation has agreed to lease the Projects from time to time to the Board and the Board has agreed to lease the Projects from time to time from the Corporation and to make Lease Payments therefor in accordance with the terms thereof.

SECTION 2.02. ASSIGNMENT OF LEASE AGREEMENT AND LEASE SCHEDULES. The Corporation has assigned and transferred to the Trustee by outright and absolute assignment all its rights, title and interest under (A) the Lease Agreement, other than (i) its rights of indemnification thereunder, (ii) its right to enter into Lease Schedules from time to time, and (iii) its obligations under Section 6.03 of the Lease Agreement and (B) the Ground Lease(s) pursuant to the terms and provisions hereof and of the Assignment of Ground Lease Agreement, and, in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed herein to authenticate and deliver Series of Certificates from time to time hereunder.

SECTION 2.03. REPRESENTATIONS. In the Lease Agreement, the Corporation has agreed to cause the acquisition, construction and installation of each Project pursuant to the Plans and Specifications relating thereto as provided in the corresponding Lease Schedule, and the Board, as the agent of the Corporation, will be responsible for the letting of contracts and agreements for the acquisition, construction and installation of each such Project and for supervising the acquisition, construction and installation of each such Project.

SECTION 2.04. DESCRIPTION AND ESTIMATED COST OF THE PROJECT. The description of each Project to be acquired, constructed and leased by the Board from the Corporation pursuant to the terms and provisions of the Lease Agreement and the estimated Cost of such Project shall be as set forth in the Lease Schedule relating thereto.

SECTION 2.05. 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.

(c) All right, title and interest of the Trustee under the Assignment of Lease Agreement and Assignment of Ground Lease Agreement(s);

(d) Any moneys received by the Trustee which are derived from the exercise by the Trustee, as assignee of the Corporation, of any of the remedies under this Trust Agreement, the Lease Agreement, the Ground Lease(s) or any mortgage agreement entered into pursuant to the terms hereof; and

(e) All property which by the express provisions of this Trust Agreement, the Lease Agreement or the Ground Lease(s) is required to be subject to the lien hereof, and any additional property that may from time to time hereafter expressly be made subject to the lien hereof by the Trustee, the Corporation or the Board or anyone authorized to act on their behalf;

PROVIDED, HOWEVER, that in each case any portion of the Trust Estate which is derived from the sale, re-letting or other disposition of a Project, moneys and damages received in relation to such Project and any cash, securities and investments in any Pledged Accounts relating to such Project shall be utilized solely for the benefit of the Owners of Certificates which financed or refinanced such Project and for whose benefit such Pledged Accounts were established.

SECTION 3.04. TRUST ESTATE FOR BENEFIT OF CERTIFICATE OWNERS.

(a) Subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, the Corporation and the Board hereby declare, and the Trustee acknowledges, that the Trust Estate shall secure the payment of the principal of, Prepayment Premium, if any, and interest on the Outstanding Certificates, which represent an undivided proportionate interest in the Basic Rent Payments under the Lease Agreement.

(b) The Trustee shall be entitled to and shall, subject to the provisions of Article IX hereof and after being provided with indemnity acceptable to it, take all steps, actions and proceedings reasonably necessary, in its judgment, to enforce all of the rights of the Corporation in and under the Lease Agreement and the Ground Lease(s) for the benefit of the Owners of the Certificates.

(c) If the Certificates shall be paid, or provision for payment shall be made, and all other payments due hereunder shall be made as provided in Article XII hereunder, the Trust Estate shall terminate and the Owners of the Certificates shall have no right thereto, except as otherwise provided herein.

ARTICLE III

APPOINTMENT OF TRUSTEE; DECLARATION OF TRUST

SECTION 3.01. APPOINTMENT OF TRUSTEE. In consideration of the recitals hereinabove set forth and for other valuable consideration, the Corporation and the Board hereby appoint the Trustee to receive, hold, invest and disburse the Trust Estate and to perform certain other functions, all as hereinafter provided and subject to the terms and conditions of this Trust Agreement.

SECTION 3.02. DECLARATIONS OF TRUST. (a) The Corporation, the Board and the Trustee hereby create this trust for the purpose of facilitating the lease purchase financing of the Projects and the Trustee agrees to (i) accept the assignment and transfer of the rights of the Corporation in and to the Lease Agreement (other than the right of the Corporation to be indemnified by the Board upon the occurrence of various events described therein, its right to enter into Lease Schedules from time to time and its obligations under Section 6.03 of the Lease Agreement) pursuant to the terms and provisions hereof and of the Assignment of Lease Agreement, (ii) accept the assignment and transfer of the rights of the Corporation pursuant to the terms and provisions of the Assignment(s) of Ground Lease Agreement, (iii) execute, authenticate and deliver the Certificates from time to time against receipt of the proceeds from the sale thereof, deposit such proceeds hereunder and disburse same, together with earnings thereon, in accordance with the terms and provisions hereof and of the Supplemental Trust Agreement(s) related thereto, and (iv) subject to the provisions of Article IX hereof, do all other things necessary or incidental to the terms hereof.

(b) The Trustee hereby declares that it holds and will hold the Trust Estate upon the trusts and apply the moneys held hereunder as hereinafter set forth for the use and benefit of the Owners of the Certificates as set forth herein.

SECTION 3.03. TRUST ESTATE. The Trust Estate, which shall be held for the benefit of the Owners of the Certificates from time to time Outstanding hereunder, consists of the following:

(a) All right, title and interest in the funds, accounts and subaccounts established under this Trust Agreement and the cash, securities and investments of which they are comprised (other than the Rebate Fund);

(b) All right, title and interest of the Corporation in, to and under the Ground Lease(s) and the Lease Agreement and the right to receive the Lease Payments under the Lease Agreement but excluding any rights of the Corporation to indemnification set forth therein, its right to enter into Lease Schedules from time to time and its obligations provided in Section 6.03 of the Lease Agreement;

ARTICLE IV

ISSUANCE OF CERTIFICATES

SECTION 4.01. 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 related Request and Authorization and Supplemental Trust Agreement and as restricted by the provisions of this Trust Agreement.

(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 a Lease Schedule. Each Series of Certificates shall be designated "Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series _____ Evidencing an Undivided Proportionate Interest of Owners thereof in Basic Rent Payments to be made under a Master Lease-Purchase Agreement by the School Board of Duval County, Florida." 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.

(c) Each Series of Certificates shall be issued for the purposes of (a) funding the Costs of a Project, or completing a Project as provided in Section 4.12 hereof, (b) funding a subaccount established in the Reserve Account in an amount equal to the Reserve Requirement applicable thereto, (c) capitalizing interest on such Series of Certificates, if deemed appropriate, and/or (d) paying the Costs of Issuance applicable thereto. Refunding Certificates may also be issued pursuant to Section 4.13 hereof.

(d) Each Series of Certificates, other than Variable Rate Certificates and Capital Appreciation Certificates, shall be substantially in the form set forth in Exhibit B hereto, with such appropriate variations, omissions and insertions as may be necessary or appropriate to conform to the provisions of this Trust Agreement, including any use of a book-entry only system as described in Section 4.11 hereof. The form of Variable Rate Certificates and Capital Appreciation Certificates shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Certificates. All Certificates may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rules 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.

(e) Each Series of Certificates shall be issued for such authorized purpose or purposes; shall bear such interest rate designations; and shall be payable in lawful money of the United States of America on such dates; all as determined pursuant to the Supplemental Trust Agreement authorizing the issuance thereof.

(f) Each Series of Certificates shall be issued in such denominations; shall be dated such date; shall bear such numbers; shall be payable at such place or places and at such time or times; shall contain such redemption provisions; shall consist of such amounts of Term Certificates, Serial Certificates, Capital Appreciation Certificates and Variable Rate Certificates; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined pursuant to the Supplemental Trust Agreement authorizing the issuance thereof. Each Series of Certificates may be secured by a Credit Facility or municipal bond insurance policy all as shall be determined pursuant to the Supplemental Trust Agreement authorizing the issuance thereof.

(g) The principal of the Certificates shall be payable from the Principal Component of the Basic Rent Payments on August 1 of each year, except as may otherwise be provided by Supplemental Trust Agreement. The interest on the Current Interest Certificates shall be payable semiannually from the Interest Component of Basic Rent Payments on the Payment Dates, except as otherwise provided by Supplemental Trust Agreement. The Interest Component of Capital Appreciation Certificates shall be paid at maturity or upon prior prepayment. Interest on the Certificates shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months, except as otherwise provided by Supplemental Trust Agreement. The Certificates shall be numbered in such manner as the Trustee deems appropriate.

(h) The principal of all Certificates and the Interest Component of any Capital Appreciation Certificates shall be payable at the Principal Office of the Trustee. Payment of the principal of all Certificates shall be made upon the presentation and surrender of such Certificates as the same shall become due and payable. Payment of interest on the Current Interest Certificates shall be by check or draft mailed to the Owner as of the close of business on the Record Date at his address as it appears on the Certificate Register maintained by the Trustee; except that, if and to the extent that there shall be a default in payment of interest due on such Payment Date, such defaulted interest payment shall be paid to the Owners in whose name any such Current Interest Certificates are registered at the close of business on the fifteenth day (whether or not a business day) preceding the date of payment of such defaulted interest payment; provided, however, that at the request and expense of the Owner of \$1,000,000 or more in aggregate principal amount of Outstanding Current Interest Certificates of a Series, interest shall be paid by wire transfer on the interest Payment Date to a domestic bank account designated in writing to the Trustee by said Owner at least five days prior to the Record Date prior to such interest Payment Date.

(i) Subject to the foregoing provisions of this Section, each Certificate delivered under this Trust Agreement upon transfer of or in exchange for or in lieu of any other Certificate of the same Series shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Certificate and each such Certificate shall bear interest from such date, so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

(j) Variable Rate Certificates must have a Maximum Interest Rate relating thereto which shall be established at the time of issuance of such Certificates. Prior to the termination of the Lease Agreement, any accelerated principal payments due to a Credit Bank in regard to Variable Rate Certificates or any interest due on such Variable Rate Certificates in excess of the interest on such

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Assignment of Lease Agreement and Assignment of Ground Lease Agreement, (B) this Trust Agreement, the Supplemental Trust Agreement relating to such Series of Certificates, the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the Project to be financed from such Series of Certificates and the Assignment of Lease Agreement and the Assignment of Ground Lease Agreement have each been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of the Corporation enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity or public policy;

(ix) An opinion of counsel to the Board to the effect that (A) the Board is the duly organized and validly existing governing body of the District and has all necessary power and authority to execute and deliver the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the Project to be financed from such Series of Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Series of Certificates, and (B) the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the Project to be financed from such Series of Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Series of Certificates have each been duly authorized, executed and delivered by the Board and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Board enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity or public policy;

(x) An opinion of Special Counsel to the effect that (A) the Board is the duly organized and validly existing governing body of the District and has all necessary power and authority to execute and deliver the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the Project to be financed from such Series of Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Series of Certificates, and (B) the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the Project to be financed from such Series of Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Series of Certificates have each been duly authorized, executed and delivered by the Board and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Board enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity or public policy, and (C) except for Taxable Certificates, the Interest Component of such Series of Certificates is excluded from the gross income of the Owners thereof for purposes of federal income taxation; and

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Certificates to said Credit Bank shall be subordinate to the payment of Basic Rent Payments represented by the Certificates. PRIOR TO ISSUANCE OF ANY VARIABLE RATE CERTIFICATES NOTICE THEREOF SHALL BE DELIVERED TO ANY RATING AGENCY THEN RATING ANY OUTSTANDING CERTIFICATES.

SECTION 4.02. DELIVERY OF CERTIFICATES. (a) Each Series of Certificates, other than Completion Certificates and Refunding Certificates, shall be executed substantially in the form and in the manner set forth herein, but before such Series of Certificates shall be delivered by the Trustee, there shall be filed or deposited with the Trustee the following:

(i) A copy, certified by the Secretary of the Corporation, or his designee, of the resolution or resolutions of the Board of Directors of the Corporation approving the form of and authorizing the execution and delivery of the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the Project to be financed from such Series of Certificates, the Assignment of Lease Agreement, this Trust Agreement and the Supplemental Trust Agreement relating to such Series of Certificates;

(ii) A copy, certified by the Secretary of the Board, or his designee, of the resolution or resolutions of the Board approving the form of and authorizing the execution and delivery of the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the Project to be financed from such Series of Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Series of Certificates;

(iii) An executed copy of the Request and Authorization relating to such Series of Certificates;

(iv) A fully executed counterpart of this Trust Agreement and the Supplemental Trust Agreement relating to such Series of Certificates;

(v) A fully executed counterpart of the Lease Agreement and the Lease Schedule relating to the Project to be financed from such Series of Certificates;

(vi) A fully executed counterpart of the Assignment of Lease Agreement;

(vii) A fully executed counterpart of each Ground Lease, if any, relating to the Project to be financed from such Series of Certificates and of the Assignment of Ground Lease Agreement related thereto;

(viii) An opinion of counsel for the Corporation to the effect that (A) the Corporation has been duly organized and is validly existing as a not-for-profit corporation in good standing under the laws of the State, and the Corporation has the power and authority to execute and deliver this Trust Agreement, the Supplemental Trust Agreement relating to such Series of Certificates, the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the Project to be financed from such Series of Certificates and the

(xi) An opinion of Counsel to the Trustee to the effect that such Series of Certificates have been duly executed, authenticated and delivered by the Trustee in accordance with the terms hereof.

(b) When the documents described in paragraphs (i) to (xi), inclusive, of Section 4.02(a) hereof shall have been filed with the Trustee and when the Certificates shall have been executed and authenticated as required by this Trust Agreement, the Trustee shall deliver the Certificates at one time to, or upon the order of, the Purchasers of such Series, but only upon payment to the Trustee of the purchase price of such Certificates and the accrued interest thereon. The Trustee shall be entitled to rely upon the resolutions described in paragraphs (i) and (ii) of Section 4.02(a) hereof as to all matters stated therein and as to the Purchasers and purchase price of the Certificates. The Trustee and the Credit Enhancer shall be entitled to rely upon the opinions described in paragraphs (viii), (ix) and (x) of Section 4.02(a) hereof as to all matters stated therein.

SECTION 4.03. EXECUTION OF CERTIFICATES. The Certificates shall be executed with the manual or facsimile signature of an authorized officer or authorized signatory of the Trustee. In case any officer or signatory whose signature or a facsimile of whose signature shall appear on any Certificates shall cease to be such officer or such authorized signatory before the delivery of such Certificates, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Any Certificates may bear the facsimile signature of, or may be signed by, such officer or authorized signatory as at the actual time of the execution of such Certificates shall be the proper officer or signatory to sign such Certificates although at the dated date of such Certificates such officer may not have been such officer.

SECTION 4.04. AUTHENTICATION OF CERTIFICATES. Only such Certificates as shall have endorsed thereon a certificate of authentication substantially in the form set forth in Exhibit B hereto, manually executed by the Trustee, shall be entitled to any benefit or security under this Trust Agreement. No Certificate shall be valid or obligatory for any purpose unless and until such certificate of authentication on the Certificate shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Certificate shall be conclusive evidence that such Certificate has been duly authenticated and delivered under this Trust Agreement. The Trustee's certificate of authentication on any Certificate shall be deemed to have been duly executed if signed by an authorized officer or authorized signatory of the Trustee, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Certificates that may be issued hereunder at any one time.

SECTION 4.05. EXCHANGE OF CERTIFICATES. Certificates, upon surrender thereof at the designated corporate trust office of the Trustee, together with an assignment duly executed by the Owner or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Owner thereof, 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, bearing interest at the same rate, and in the same form as the Certificates surrendered for exchange.

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SECTION 4.06. NEGOTIABILITY, REGISTRATION AND TRANSFER OF CERTIFICATES. (a) The Trustee shall keep or cause to be kept a Certificate Register, which shall at all times be open to inspection by the Board and the Corporation; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on the Certificate Register, of Certificates as provided herein.

(b) The transfer of any Certificate may be registered only upon the Certificate Register upon surrender thereof to the Trustee together with an assignment duly executed by the Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such registration of transfer the Trustee shall authenticate and deliver in exchange for such Certificate a new registered Certificate or Certificates, registered in the name of the transferee, of any denomination or denominations authorized by this Trust Agreement in the aggregate principal amount equal to the principal amount of such Certificate surrendered or exchanged, of the same maturity and Series and bearing interest at the same rate.

(c) In all cases in which Certificates shall be exchanged or the transfer of Certificates shall be registered hereunder, the Trustee shall authenticate and deliver at the earliest practicable time Certificates in accordance with the provisions of this Trust Agreement. All Certificates surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Trustee. Upon the cancellation 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 cancellation certificates shall be filed with the Board and the other executed cancellation certificate shall be retained by the Trustee. No service charge shall be made for any registration, transfer, or exchange of Certificates, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Certificates as a condition precedent to such registration, transfer or exchange. The Trustee shall not be required to transfer or exchange Certificates (i) during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of prepayment and redemption of Certificates and ending at the close of business on the day of such mailing, (ii) so selected for prepayment and redemption in whole or in part, or (iii) during a period beginning at the opening of business on the Record Date next preceding a date set for payment of interest and ending on such interest Payment Date.

SECTION 4.07. OWNERSHIP OF CERTIFICATES. The Trustee shall deem and treat the Person in whose name any Outstanding Certificate shall be registered upon the Certificate Register 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 and interest payments with respect to such Certificate and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the Corporation, the Board nor the Trustee shall be affected by any notice to the contrary.

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appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(i) The fact and date of the execution by any Certificate Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions that the Persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.

(ii) The fact of the ownership of Certificates by any Certificate Owner and the amount, the principal Payment Date and the numbers of such Certificates and the date of his ownership of the same shall be proved by the Certificate Register held by the Trustee pursuant to this Trust Agreement.

(b) Nothing contained in this Article IV shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which may seem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Board or the Trustee in pursuance of such request or consent.

SECTION 4.11. DEPOSITORY TRUST COMPANY AND BOOK ENTRY OBLIGATIONS. The Trustee is hereby authorized if so requested by the Purchasers of a Series of Certificates to take such actions as may be necessary from time to time to qualify such Series for registration in the name of Cede & Co., as nominee for The Depository Trust Company. No such arrangements with The Depository Trust Company may adversely affect the interests of any of the 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. The Trustee is further authorized if so requested by the Board to take such actions as may be necessary to qualify a Series of Certificates as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry only obligations, provided it shall establish a system of registration therefor by Supplemental Trust Agreement. Any expenses incurred by the Trustee pursuant to this Section shall be paid by the Board.

SECTION 4.12. COMPLETION CERTIFICATES. (a) Completion Certificates may be issued to provide necessary funds to complete payment of the Costs of a Project previously financed hereunder or to finance additional property which shall be added to a Project or which shall be substituted for a portion of a Project. Except for the purposes of Section 6.03 of the Lease Agreement, such Completion Certificates, for purposes of this Trust Agreement, the Lease Agreement and any applicable Ground Lease shall constitute a part of the same Series of Certificates

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SECTION 4.08. MUTILATED, DESTROYED, STOLEN OR LOST CERTIFICATES. (a) In case any Certificate secured hereby shall become mutilated or be destroyed, stolen or lost, the Trustee shall cause to be executed, shall authenticate and deliver, a new Certificate of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Certificate or in lieu of and in substitution for such Certificate destroyed, stolen or lost, and the Owner shall pay the reasonable expenses and charges of the Trustee in connection therewith and, in case of a Certificate destroyed, stolen or lost, the Owner shall file with the Trustee evidence satisfactory to it and that such Certificate was destroyed or lost, and of his ownership thereof, and as a condition precedent to delivery of such new Certificate the Trustee may require indemnity satisfactory to it.

(b) Every Certificate issued pursuant to the provisions of this Section in exchange or substitution for any Certificate which is mutilated, destroyed, lost or stolen shall constitute an additional contractual obligation pursuant to the terms hereof, whether or not the destroyed, lost or stolen Certificate shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits hereof equally and proportionately with any and all other Certificates duly issued under this Trust Agreement. All Certificates shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Certificates, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 4.09. TEMPORARY CERTIFICATES. (a) Until definitive Certificates are ready for delivery, there may be executed, and upon request of the Board, the Trustee shall authenticate and deliver, in lieu of definitive Certificates and subject to the same limitations and conditions, typewritten, printed, engraved or lithographed temporary Certificates, in the form of fully registered Certificates in denominations of \$5,000 or any whole multiple thereof, substantially of the tenor of the Certificates set forth in this Trust Agreement and with such appropriate omissions, insertions and variations as may be required.

(b) If temporary Certificates shall be issued, the Trustee, upon preparation of the definitive Certificates and presentation to it at its designated office of any temporary Certificate, shall cancel the same and authenticate and deliver to the Owner, without charge to such Owner, a definitive Certificate or Certificates of an equal aggregate principal amount, of the same maturity and Series and bearing interest at the same rate as the temporary Certificate surrendered. Until so exchanged, the temporary Certificates shall in all respects be entitled to the same benefit and security of this Trust Agreement as the definitive Certificates to be issued and authenticated hereunder.

SECTION 4.10. EVIDENCE OF SIGNATURES OF CERTIFICATE OWNERS AND OWNERSHIP OF CERTIFICATES. (a) Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Certificate Owners in person or by their attorneys or agents

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as the Certificates issued to pay the original Costs of the Project. Such Completion Certificate shall be executed substantially in the form and in the manner set forth herein, but before such Completion Certificates shall be delivered by the Trustee, there shall be filed or deposited with the Trustee the following:

(i) A copy, certified by the Secretary of the Corporation, or his designee, of the resolution or resolutions of the Board of Directors of the Corporation approving the form of and authorizing the execution and delivery of the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, the Assignment of Lease Agreement, any applicable Assignment of Ground Lease, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates;

(ii) A copy, certified by the Secretary of the Board, or his designee, of the resolution or resolutions of the Board approving the form of and authorizing the execution and delivery of the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates;

(iii) An executed copy of the Request and Authorization relating to such Completion Certificates;

(iv) A fully executed counterpart of this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates;

(v) A fully executed counterpart of the Lease Agreement and the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, the change, if any, to such Project and the additional Basic Rent Payments that would have to be made thereunder;

(vi) Fully executed counterparts of the Assignment of Lease Agreement and the Assignment of any applicable Ground Lease Agreement;

(vii) A fully executed counterpart of the Ground Lease;

(viii) An opinion of counsel for the Corporation to the effect that (A) the Corporation has been duly organized and is validly existing as a not-for-profit corporation in good standing under the laws of the State, and the Corporation has the power and authority to execute and deliver this Trust Agreement, the Supplemental Trust Agreement relating to such Completion Certificates, the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, the Assignment of Lease Agreement and the Assignment of Ground Lease Agreement, (B) this Trust Agreement, the Supplemental Trust Agreement relating to such

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Completion Certificates, the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates and the Assignment of Lease Agreement have each been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of the Corporation enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or by general principles of equity or public policy;

(ix) An opinion of counsel to the Board to the effect that (A) the Board is the duly organized and validly existing governing body of the District and has all necessary power and authority to execute and deliver the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates, and (B) the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates have each been duly authorized, executed and delivered by the Board and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Board enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity or public policy;

(x) An opinion of Special Counsel to the effect that (A) the Board is the duly organized and validly existing governing body of the District and has all necessary power and authority to execute and deliver the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the Project to be financed from such Series of Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Series of Certificates, and (B) the Lease Agreement, any applicable Ground Lease, the Lease Schedule relating to the Project to be financed from such Series of Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Series of Certificates have each been duly authorized, executed and delivered by the Board and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Board enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity or public policy, (C) except for Taxable Certificates, the Interest Component of such Series of Certificates is excluded from the gross income of the Owners thereof for purposes of federal income taxation, and (D) the issuance of such Certificates will not, in and of itself, adversely affect the exclusion from gross income of the Interest Component of all other Outstanding Certificates, to the extent then excluded;

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new Basic Rent Payment Schedule to be in effect subsequent to such refunding, any necessary revisions to any applicable Ground Lease, Lease Schedule or Schedules relating to the Certificates to be refunded to take into account the Refunding Certificates, the Assignment of Lease Agreement, any applicable Assignment of Ground Lease Agreement, this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates;

(ii) A copy, certified by the Secretary of the Board, or his designee, of the resolution or resolutions of the Board approving the form of and authorizing the execution and delivery of the revised Lease Agreement, any applicable Ground Lease, Lease Schedule or Schedules relating to the Certificates to be refunded as amended to take into account the Refunding Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates;

(iii) An executed copy of the Request and Authorization relating to such Refunding Certificates;

(iv) A fully executed counterpart of this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates;

(v) A fully executed counterpart of the revised Lease Agreement and revised Lease Schedule or Schedules relating to the Certificates to be refunded as amended to take into account the Refunding Certificates;

(vi) Fully executed counterparts of the Assignment of Lease Agreement and the Assignment of any applicable Ground Lease Agreement;

(vii) A fully executed counterpart of each Ground Lease, if any, relating to the Project or Projects which were financed by the Certificates to be refunded;

(viii) An opinion of counsel for the Corporation to the effect that (A) the Corporation has been duly organized and is validly existing as a not-for-profit corporation in good standing under the laws of the State, and the Corporation has the power and authority to execute and deliver this Trust Agreement, the Supplemental Trust Agreement relating to such Refunding Certificates, the Lease Agreement, any applicable Ground Lease, the Lease Schedule or Schedules relating to the Certificates to be refunded as amended to take into account the Refunding Certificates, any applicable Assignment of Ground Lease Agreement and the Assignment of Lease Agreement and Ground Lease, (B) this Trust Agreement, the Supplemental Trust Agreement relating to such Refunding Certificates, the Lease Agreement, any applicable Ground Lease, the Lease Schedule or Schedules relating to the Certificates to be refunded as amended to take into account the Refunding Certificates, any applicable Assignment of Ground Lease Agreement and the Assignment of Lease Agreement and Ground Lease have each been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the other

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(xi) An opinion of Counsel to the Trustee to the effect that such Completion Certificates have been duly executed, authenticated and delivered by the Trustee in accordance with the terms hereof; and

(xii) The written consent to the issuance of the Completion Certificates by the Credit Enhancer, if any, of the Series of Certificates relating to the original Project, or if there shall not be a Credit Enhancer, written evidence that the rating, if any, from any rating agency then rating such Series of Certificates shall not be downgraded at the time of issuance of the Completion Certificates.

(b) When the documents described in paragraphs (i) to (xii), inclusive, of Section 4.12(a) hereof shall have been filed with the Trustee and when the Completion Certificates shall have been executed and authenticated as required by this Trust Agreement, the Trustee shall deliver the Completion Certificates at one time to, or upon the order of, the Purchasers of such Completion Certificates, but only upon payment to the Trustee of the purchase price of the Completion Certificates and the accrued interest thereon. The Trustee shall be entitled to rely upon the resolutions described in paragraphs (i) and (ii) of Section 4.12(a) hereof as to all matters stated therein and as to the Purchasers and the purchase price of the Completion Certificates. The Trustee and the Credit Enhancer shall be entitled to rely upon the opinions described in paragraphs (viii), (ix) and (x) of Section 4.12(a) hereof as to all matters stated therein.

(c) The proceeds of the Completion Certificates may also be used to fund a Reserve Requirement, capitalize interest on such Completion Certificates and/or pay Costs of Issuance, and shall be deposited in the Pledged Accounts established for the Series of Certificates which financed the original Project in such manner and in such amounts as determined by the Supplemental Trust Agreement relating to authorization of such Completion Certificates. The Completion Certificates shall be secured on parity with such Series of Certificates in accordance with the terms hereof.

SECTION 4.13. REFUNDING CERTIFICATES. (a) Refunding Certificates may be issued under and secured by this Trust Agreement, subject to the conditions hereinafter provided in this section, at any time or times, for the purposes of (i) providing funds for refunding part or all of the Certificates (and the Basic Rent Payments related thereto) at or prior to their maturity or maturities, including the payment of any Prepayment Premium thereon and interest which will accrue on such Certificates to their date of payment, (ii) making a deposit, if necessary, to the subaccount of the Reserve Account which shall secure such Refunding Certificates, and (iii) paying the Costs of Issuance relating to said Refunding Certificates.

(b) Such Refunding Certificates shall be executed substantially in the form and manner set forth herein, but before the Refunding Certificates shall be delivered by the Trustee, there shall be filed or deposited with the Trustee the following:

(i) A copy, certified by the Secretary of the Corporation, or his designee, of the resolution or resolutions of the Board of Directors of the Corporation approving the form of and authorizing the execution and delivery of a revised Lease Agreement setting forth the

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parties thereto, constitute valid and binding agreements of the Corporation enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or by general principles of equity or public policy;

(ix) An opinion of counsel to the Board to the effect that (A) the Board is the duly organized and validly existing governing body of the District and has all necessary power and authority to execute and deliver the Lease Agreement, any applicable Ground Lease, the Lease Schedule or Schedules relating to the Certificates to be refunded as amended to take into account the Refunding Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates, and (B) the Lease Agreement, any applicable Ground Lease, the Lease Schedule or Schedules relating to the Certificates to be refunded as amended to take into account the Refunding Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates have each been duly authorized, executed and delivered by the Board and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Board enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity or public policy;

(x) An opinion of Special Counsel to the effect that (A) the Board is the duly organized and validly existing governing body of the District and has all necessary power and authority to execute and deliver the Lease Agreement, any applicable Ground Lease, the Lease Schedule or Schedules relating to the Certificates to be refunded as amended to take into account the Refunding Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates, (B) the Lease Agreement, any applicable Ground Lease, the Lease Schedule or Schedules relating to the Certificates to be refunded as amended to take into account the Refunding Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates have each been duly authorized, executed and delivered by the Board and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Board enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by general principles of equity or public policy, (C) except in the case of Taxable Certificates, the Interest Component of the Refunding Certificates and the refunded Certificates is or will remain excluded from the gross income of the Owner thereof for purposes of federal income taxation, and (D) in the case of an advance refunding, the refunded Certificates have been defeased in accordance with the terms hereof;

(xi) An opinion of Counsel to the Trustee to the effect that such Refunding Certificates have been duly executed, authenticated and delivered by the Trustee in accordance with the terms hereof; and

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(xii) A report of a certified public accountant or firm of certified public accountants verifying the mathematical accuracy of calculations supplied by the Board, or its designee, that the proceeds of such Refunding Certificates plus any other moneys available for such purpose, including investment earnings, shall be not less than an amount sufficient to pay the principal of and the Prepayment Premium, if any, on the Certificates to be refunded and the Interest Component of Basic Rent represented by the Certificates which will accrue thereon to the prepayment and redemption date or maturity dates applicable thereto.

(c) When the documents described in paragraphs (i) through (xii), inclusive, of Section 4.13(b) hereof shall have been filed with the Trustee and when the Refunding Certificates shall have been executed and authenticated, the Trustee shall deliver such Refunding Certificates to or upon the order of the Purchasers thereof, but only upon payment to the Trustee of the purchase price of such Refunding Certificates, plus accrued interest, if any. The Trustee shall be entitled to rely upon the resolutions described in paragraphs (i) and (ii) of Section 4.13(b) hereof as to all matters stated therein and as to the Purchasers and the purchase price of the Refunding Certificates. The Trustee and the Credit Enhancer shall be entitled to rely upon the opinions described in paragraphs (viii), (ix), (x), (xi) and (xii) of Section 4.13(b) hereof as to all matters stated therein.

(d) Other than for amounts required to pay Costs of Issuance or to make deposits to the Reserve Account or Interest Account, the proceeds of such Refunding Certificates and any other moneys received by the Trustee or other escrow agent acceptable to the Board for such purpose, shall be held by the Trustee or such other escrow agent in a special fund appropriately designated, to be held in trust for the sole and exclusive purpose of paying the principal of, Prepayment Premium, if any, and interest on the Certificates to be refunded, all as provided in Section 12.01 hereof.

(e) The Trustee is hereby authorized, at the direction of the Board, to remove moneys from the appropriate subaccount or subaccounts of the Principal Account, the Interest Account and the Reserve Account pledged to the payment of the Certificates to be refunded and apply the same in the manner required by the Supplemental Trust Agreement authorizing the issuance of the Refunding Certificates.

(f) The Refunding Certificates shall be secured in the same manner and from the same Pledged Accounts as were the Certificates to be refunded in accordance with the terms hereof.

SECTION 4.14. PAYMENTS FROM TRUST ESTATE ONLY; DISTRIBUTION OF TRUST ESTATE. (a) 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 this Trust Agreement 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 Certificate of any other Series issued pursuant to this Trust Agreement and Outstanding other than Completion Certificates relating to such Series, without preference, priority or distinction of any such Certificate over any other such Certificate, except that to the extent that

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ARTICLE V PREPAYMENT

SECTION 5.01. PREPAYMENT. The terms of this Article V shall apply to the prepayment of Certificates of a Series other than Capital Appreciation Certificates and Variable Rate Certificates. The terms and provisions relating to the prepayment of Capital Appreciation Certificates and Variable Rate Certificates shall be provided by the Supplemental Trust Agreement relating to the issuance thereof.

SECTION 5.02. SELECTION OF CERTIFICATES TO BE PREPAID. (a) When Certificates are prepaid by lot, selection of Certificates for prepayment shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in the principal amount of \$5,000 or any whole multiple thereof, and that in selecting portions of Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount with respect to such Certificate by \$5,000.

(b) Upon any prepayment pursuant to this Article V, the Trustee shall provide the Board with, or cause to be provided, a revised schedule of Basic Rent Payments which schedule shall take into account such prepayment and shall be and become for all purposes part of the Lease Agreement.

SECTION 5.03. NOTICE OF PREPAYMENT. (a) When prepayment of Certificates is authorized or required pursuant to the provisions hereof and of any Supplemental Trust Agreement relating to such Certificates, the Trustee shall give to the Owners of Certificates to be prepaid notice, at the expense of the Board, of the prepayment of the Certificates. Such notice shall state: (i) the CUSIP numbers of all Certificates being prepaid, (ii) the original issue date of such Certificates, (iii) the maturity date, Series and rate of interest borne by each Certificate being prepaid, (iv) the prepayment date, (v) the Prepayment Price, (vi) the date on which such notice is mailed, (vii) if less than all Outstanding Certificates are to be prepaid, the certificate number (and, in the case of a partial prepayment of any Certificate, the principal amount) of each Certificate to be prepaid, (viii) that on such prepayment 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 thereon to the prepayment date, and that from and after such date interest thereon shall cease to accrue and be payable, and (ix) that the Certificates to be prepaid, whether as a whole or in part, are to be surrendered for payment of the Prepayment Price at the designated corporate trust office of the Trustee at an address specified.

(b) Notice of such prepayment shall be given by mail, postage prepaid, not more than sixty (60) days or fewer than thirty (30) days prior to said date of prepayment, to the Owners of any Certificates to be prepaid. Such mailing shall not be a condition precedent to such prepayment, and

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Basic Rent Payments available for payment to all Certificateholders 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 Certificateholders 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 this Trust Agreement.

(b) Except as otherwise expressly provided in Section 4.14(a) above, and elsewhere herein, all amounts payable by the Trustee with respect to a Series of Certificates or to any Credit Enhancer who shall have issued a Credit Facility or municipal bond insurance policy securing such Series pursuant to this Trust Agreement shall be paid only from the portion of the Trust Estate derived from Basic Rent Payments made pursuant to the Lease 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 Certificateholder agrees, and each such Credit Enhancer, by its execution and delivery of a Credit Facility or municipal bond insurance policy 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 Enhancer as herein provided and that the Trustee is not personally liable to any Certificateholder or any such Credit Enhancer for any amounts payable under this Trust Agreement or subject to any liability under this Trust Agreement except as a result of negligence or willful misconduct by the Trustee.

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failure to mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the prepayment of the Certificates for which proper notice was given.

(c) In addition to the mailing of the notice described above, each notice of prepayment and payment of the Prepayment Price shall meet the following requirements; provided, however, that failure to provide such further notice of prepayment to comply with the terms of this paragraph shall not in any manner defeat the effectiveness of a call for prepayment if notice thereof is given as prescribed in Sections 5.03(a) and 5.03(b) hereof.

Each further notice of prepayment shall be sent at least two (2) days before the notice of such prepayment and redemption is given to the Owners of Certificates as provided above, by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Certificates and a copy of such notice of Prepayment shall be sent, by certified mail, on the date the notice of Prepayment is mailed pursuant to Section 5.03 hereof to one or more national information services which disseminate notices of prepayment of obligations such as the Certificates.

SECTION 5.04. DEPOSIT OF PREPAYMENT AMOUNT; EFFECT OF CALLING FOR PREPAYMENT. (a) On or before the date on which a notice of prepayment is mailed pursuant to Section 5.03 hereof, the Board shall deposit with the Trustee moneys or Refunding Securities or a combination thereof in an amount sufficient to pay the principal of and the Prepayment Premium, if any, and interest accruing thereon to the prepayment date of the Certificates called for prepayment.

(b) On the date fixed for prepayment, notice having been given in the manner and under the conditions hereinabove provided, the Certificates or portions thereof called for prepayment shall be due and payable at the Prepayment Price provided therefor, plus accrued interest to such date. If money or Refunding Securities, or a combination of both, sufficient to pay the Prepayment Price of the Certificates to be prepaid, plus accrued interest thereon to the date fixed for prepayment, are held by the Trustee in trust for the Owners of Certificates to be prepaid, interest on the Certificates called for redemption shall cease to accrue as of the date set for prepayment; such Certificates shall cease to be entitled to any benefits or security under this Trust Agreement or to be deemed Outstanding; and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the Prepayment Price thereof, plus accrued interest to the date fixed for prepayment from the moneys and/or Refunding Securities held therefor. Certificates and portions of Certificates for which irrevocable instructions to pay on one or more specified dates or to call for prepayment at the earliest prepayment date have been given to the Trustee in form satisfactory to it shall not thereafter be deemed to be Outstanding under this Trust Agreement and shall cease to be entitled to the security of or any rights under this Trust Agreement, other than rights to receive payment of the Prepayment Price thereof and accrued interest thereon to the date fixed for prepayment, to be given notice of prepayment in the manner provided in Section 5.03 hereof, and, to the extent hereinafter provided, to receive Certificates for any unpaid portions of Certificates if money or Refunding Securities, or a combination of both, sufficient to pay the Prepayment Price of such Certificates or portions thereof, together with accrued interest thereon to the date upon which such Certificates are

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to be prepaid, are held in separate accounts by the Trustee in trust for the Owners of such Certificates.

SECTION 5.05. PREPAYMENT OF A PORTION OF CERTIFICATES. If a portion of an Outstanding Certificate shall be selected for prepayment, the Owner thereof or his attorney or legal representative shall present and surrender such Certificate to the Trustee for payment of the principal amount thereof so called for prepayment and the Prepayment Premium, if any, on such principal amount, and the Trustee shall authenticate and deliver to or upon the order of such Owner or his legal representative, without charge therefor, for the unpaid portion of the principal amount of the Certificate so surrendered, a Certificate of the same maturity and Series and bearing interest at the same rate; provided, however, that if the Owner is a securities depository nominee, the securities depository, in its discretion, (a) may surrender such Certificate to the Trustee and request that the Trustee authenticate and deliver a new Certificate for the portion of the principal amount of the Certificate so surrendered which was not prepaid, or (b) shall make an appropriate notation on the Certificate indicating the dates and amounts of such reduction in principal.

SECTION 5.06. CANCELLATION. Certificates so prepaid, presented and surrendered shall be cancelled upon the surrender thereof.

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SECTION 6.03. PROJECT ACCOUNT. (a) The Trustee shall deposit into each subaccount of the Project Account (i) the proceeds from the Series of Certificates for which it was established in accordance with the Request and Authorization relating to such Series, (ii) any additional amounts deposited with the Trustee by the Board for the purpose of paying additional Project Costs in accordance with Section 3.05 of the Lease Agreement, and (iii) any Net Proceeds deposited with the Trustee by the Board pursuant to Section 5.08(b) of the Lease Agreement. Amounts in each subaccount of the Project Account shall be disbursed for Costs of the Project for which it was established and for no other purpose. Disbursements from each subaccount of the Project Account shall be made by the Trustee upon receipt of a completed Requisition requesting disbursement, duly executed by an Authorized Officer of the Board.

(b) The Trustee shall make payment for each item or portion of a Project to the Board or the designee of the Board (which may include the Vendor, Developer or Contractor of any portion of such Project) in the amount thereof by transferring such amount from the appropriate subaccount of the Project Account by wire transfer into an account (including an account of the Vendor, Developer or Contractor) designated in writing in advance by the Board, by check to the designee of the Board or by crediting such amount to a designated account of the Board for such purpose within two Business Days of the receipt of a Requisition from the Board (provided the Requisition is in compliance with the terms hereof) and receipt of any materials or instruments required by the terms hereof and of the Lease Agreement. The parties acknowledge that the Trustee, pursuant to a certificate of an Authorized Officer of the Board, may waive any noncompliance with the requirements for the disbursement of Project Account moneys. The Board agrees to indemnify and hold harmless the Trustee for any cost or expenses suffered by the Trustee as a result of such waiver. The Trustee is also authorized to rely upon the Board's written approval of the Requisition without independently confirming compliance with or satisfaction of such requirements or the requirements set forth in this Trust Agreement. The Trustee may also conclusively rely upon the certification of the Board in the Requisition or in any documents, certificates or instruments submitted in connection therewith as to the factual conditions precedent to any disbursements hereunder and shall have no responsibility or duty to review the attachments to such Requisition (but must determine that all required attachments are present) or investigate the basis for such certifications or representations. The Trustee has no responsibility or duty to review the attachments to any Requisition, provided the Trustee shall determine that all necessary attachments to such Requisition are, in fact, attached.

(c) The Trustee shall make payment for each item of Equipment or interest in Land constituting a portion of a Project in the amount of the purchase price thereof from the appropriate subaccount of the Project Account by transferring such amount in accordance with the procedures described in Section 6.03(b) hereof within two Business Days of the receipt of (i) a Requisition, and (ii) a detailed journal report listing Vendor, check number and invoice number, in the case of Equipment, or a fully executed purchase contract setting forth the purchase price and other pertinent information, in the case of interest in the Land. Any such invoice, bill of sale or purchase contract shall indicate that title to the Equipment, other than Designated Equipment, shall be in the name of the Corporation and that title to Designated Equipment referred to therein shall be in the name of the Board. Before the Trustee is authorized to make any disbursements for the acquisition of Land, or the Construction of a Building on Land which is leased to the Corporation pursuant to a Ground

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ARTICLE VI

ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND ACCOUNTS

SECTION 6.01. APPLICATION OF CERTIFICATE PROCEEDS. On the date of delivery of each Series of Certificates, the Trustee agrees to deposit the proceeds of the Certificates as provided in the Request and Authorization relating to each such Series, which shall be in substantially the form provided in Exhibit C attached hereto.

SECTION 6.02. CREATION OF FUNDS AND ACCOUNTS. (a) There is hereby established with the Trustee the following funds and accounts:

- (i) The "School Board of Duval County, Florida Master Lease Project Fund." The Trustee shall maintain three separate accounts in the Project Fund: the "Project Account," the "Costs of Issuance Account" and the "Capitalized Interest Account."
- (ii) The "School Board of Duval County, Florida Master Lease Lease Payment Fund". The Trustee shall maintain three separate accounts in the Lease Payment Fund: the "Principal Account," the "Interest Account" and the "Reserve Account."
- (iii) The "School Board of Duval County, Florida Master Lease Prepayment Fund."
- (iv) The "School Board of Duval County, Florida Master Lease Rebate Fund."

Moneys in the aforementioned funds and accounts (other than the Rebate Fund), until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Owners of the Certificates and for the further security of such Owners in accordance with the terms hereof. The Trustee shall keep and hold moneys in the funds, accounts and subaccounts established pursuant to this Section separate and apart from all other funds and moneys held by it.

(b) Except as may otherwise be provided by Supplemental Trust Agreement, the Trustee shall establish, upon the issuance of any Series of Certificates, other than Completion Certificates, (i) a separate subaccount in the Project Account, the Capitalized Interest Account (if the proceeds of such Series shall be used to capitalize interest therefor), the Costs of Issuance Account, the Principal Account, the Interest Account and the Reserve Account (if proceeds of such Series shall be required to be deposited therein), and (ii) a separate account in the Prepayment Fund. Such separate account and subaccounts described above (the "Pledged Accounts") shall be established for the sole benefit of the Owners of the Series of Certificates for which they shall be established. The Trustee shall also establish, at the request of the Board, a separate account in the Rebate Fund for a Series of Certificates. Each such account and subaccount shall be designated by the Trustee with the Series of the Certificates to which they shall secure.

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Lease, the Trustee shall have received an ALTA title insurance policy, or a commitment with respect thereto, with a reputable title insurance company, indicating the Trustee as an additional named insured or payee to the extent that its interest is insurable under Florida law, which shall insure the Corporation's title to its interest in such Land in the sum provided therefor in the Lease Schedule related to the Project of which such Land or Building is a part. Such Lease Schedule may be with the consent of the Credit Enhancer with respect to such Lease Schedule also provide for a title opinion in lieu of title insurance. In the case of acquisition of Land, the Trustee shall, at the request of the Board, transfer, pursuant to a Requisition, moneys to an escrow account held by the attorney to the Board which moneys shall be used to purchase the Land within three Business Days of such transfer. The Trustee may rely upon all assertions made by the Board in the Requisition.

(d) (i) Each Requisition submitted by the Board for payment of Project Costs constituting construction costs (except for the payment of Architect's or Engineer's progress payments as described below) must be approved in writing by an Authorized Officer of the Board and must include certificates and/or affidavits from the Architect, Engineer, Contractor or Developer (as is appropriate under the circumstances), certifying with respect to the portion of such Project to which such Requisition relates:

- (A) The estimated percentage of the construction completed at that time based upon the Plans and Specifications of such Project;
- (B) That all claims for labor and materials have been paid;
- (C) That there are no liens other than Permitted Encumbrances outstanding against such portion of the Project;
- (D) That all construction completed to date has been done in accordance with the Plans and Specifications relating thereto;
- (E) That all required surety bonds are in full force and effect; and
- (F) That the Building can be completed in accordance with the Plans and Specifications and the Project Budget relating thereto on or before the Estimated Completion Date.

(ii) Each Requisition submitted by the Board for payment of Project Costs constituting Architect's or Engineer's progress payments must be accompanied by the bill for the amount of such progress payment and be approved in writing by an Authorized Officer of the Board.

(e) Execution by the Board of a Requisition shall constitute approval and acceptance of the items or portions of the Project identified therein for purposes of disbursements hereunder and under the Lease Agreement.

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(f) Upon the receipt by the Trustee of a completed Requisition therefor, the Trustee shall disburse moneys from the appropriate subaccount of the Project Account in the manner required in this Section to reimburse the Board for Project Costs paid by the Board prior to the Commencement Date relating to such Project in anticipation of the issuance of the Series of Certificates which shall finance such Project.

(g) Upon the earlier of (i) receipt of a certificate executed by an Authorized Officer of the Board stating that all the Costs of a Project have been paid and the acquisition, construction and installation of such Project has been completed in accordance with the Plans and Specifications relating thereto and such Project has been approved and accepted by the Board or (ii) on the Closure Date provided in the Lease Schedule relating to such Project for the closure of the related subaccount of the Project Account (the "Completion Date"), the subaccount of the Project Account established in relation to such Project shall be closed and if amounts remaining in such subaccount of the Project Account equal or exceed the Prepayment Amount, if any is so designated, in the Lease Schedule relating to such Project, such amount shall be deposited into the account of the Prepayment Fund established for the Series of Certificates which financed such Project and shall be applied by the Trustee to effect an extraordinary mandatory prepayment of the Series of Certificates which financed such Project in accordance with the provisions hereof; provided, if the excess amount then remaining in such subaccount of the Project Account is less than such Prepayment Amount or if there is no designated Prepayment Amount, such excess amount shall be deposited first, into the subaccount of the Interest Account established in relation to such Project to the extent necessary to fund such Account for the next two Payment Dates, and second, to the Principal Account established in relation to such Project. If a subaccount of the Project Account has not been earlier closed and if, on or before the Closure Date provided in the Lease Schedule for closure of such subaccount, the Board provides a certificate of an Authorized Officer that all or a portion of moneys then on deposit in such subaccount of the Project Account are required to pay Project Costs for items which have been or will be ordered or contracted, or Project Costs constituting sales or use taxes of items installed if such sales or use taxes are or will be payable but have not yet been paid, then such remaining amounts or portions thereof shall not be deemed excess amounts within the meaning of this Section 6.03(g) and shall be retained in such subaccount of the Project Account for the purpose of payment of said Project Costs described in said certificate. Said certificate may direct the deposit of Project Costs constituting said sales and use taxes in a separate subaccount to be used for payment of said sales and use taxes at the time and in the manner as an Authorized Officer of the Board shall direct, but in no event shall the Trustee be responsible or liable for payment from the Project Account of said sales and use taxes except as may be so directed by an Authorized Officer of the Board.

SECTION 6.04. COSTS OF ISSUANCE ACCOUNT. (a) Amounts in each subaccount of the Costs of Issuance Account shall be disbursed for Costs of Issuance relating to the Series of Certificates for which it was established within six months from the date of delivery of such Certificates. Disbursements from the Costs of Issuance Account shall be made by the Trustee upon receipt of a Requisition executed by an Authorized Officer of the Board.

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Reserve Account. Supplemental Rent payments made by the Board pursuant to Section 4.03(g) of the Lease Agreement shall be deposited as received by the Trustee to the Rebate Fund. Any other Supplemental Rent payments received by the Trustee shall be applied to the payment of Persons entitled to such Supplemental Rent, or, if the Trustee determines such Supplemental Rent payment is surplus, it shall be utilized in such manner as shall be directed by the Board.

(c) Whenever there has been a prepayment of Basic Rent Payments, for any reason, the Board shall prepare, or cause to be prepared, and transmit to the Trustee a revised Basic Rent Payment schedule for each affected Lease Schedule reflecting such prepayment.

(d) In the event a Series of Certificates is secured by a Credit Facility, the Trustee, at the request of the Board, may deposit moneys in the subaccounts established in the Interest Account and the Principal Account at such other times and in such other amounts from those provided in this Section as shall be necessary to pay the principal of and interest on such Certificates as the same shall become due, all as provided by the Supplemental Trust Agreement authorizing such Certificates. In the case of Certificates secured by a Credit Facility, amounts on deposit in any subaccounts established for such Certificates shall be applied as provided in the applicable Supplemental Trust Agreement to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of or Prepayment Price, if applicable, and interest on such Certificates or to pay the purchase price of any such Certificates which are tendered by the Owners thereof for payment.

(e) At the time of issuing any Variable Rate Certificates there shall be established the Maximum Interest Rate with respect thereto and a maximum interest rate with respect to amounts owed to the Credit Bank which provides liquidity for such Certificates.

SECTION 6.07. RESERVE ACCOUNT. (a) If on any Payment Date, the amounts in any subaccount of the Interest Account or the Principal Account are less than the interest, principal and Amortization Installment then due in relation to a Series of Certificates for which it was established, the Trustee shall transfer, from the subaccount of the Reserve Account, if any, established in relation to such Series of Certificates, to such subaccount or subaccounts, an amount sufficient to make up any deficiency therein. In the event of any such transfer, the Trustee, except subsequent to an Event of Non-Appropriation, shall, within five (5) days after making such transfer, provide written notice to the Board of the amount and date of such transfer and the Board shall, within thirty (30) days of receipt of such written notice, pay from moneys budgeted and appropriated as Basic Rent during the current Fiscal Year as Supplemental Rent to the Trustee for deposit into the appropriate subaccount of the Reserve Account an amount necessary to cause the moneys in each such subaccount of the Reserve Account to be equal to the Reserve Requirement applicable thereto.

(b) The Trustee is hereby authorized to accept a Reserve Account Letter of Credit/Insurance Policy and any subsequent Reserve Account Letter of Credit/Insurance Policy provided by the Board in satisfaction of the Reserve Requirement for a subaccount of the Reserve Account pursuant to Section 4.03(f) of the Lease Agreement. To the extent necessary to comply with this Section, the Trustee is hereby directed to take any and all actions required to draw on the

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(b) Upon receipt of a certificate executed by an Authorized Officer of the Board stating that all Costs of Issuance relating to the Series of Certificates for which it was established have been paid or provision for payment thereof has been made, the Trustee shall transfer any amounts remaining in such subaccount of the Costs of Issuance Account to the subaccount of the Project Account relating to such Series of Certificates (if one has been provided for) or the Lease Payment Account related to such Certificates and such subaccount of the Costs of Issuance Account shall be closed.

SECTION 6.05. CAPITALIZED INTEREST ACCOUNT. Funds in each subaccount of the Capitalized Interest Account relating to a Series of Certificates shall be transferred to the subaccount of the Interest Account relating to such Series of Certificates in an amount necessary to pay the interest coming due on the Series of Certificates for which such subaccount was established. Such transfer shall be made on each Payment Date for such Series until the amounts in such subaccount have been fully expended.

SECTION 6.06. DISPOSITION OF LEASE PAYMENTS. (a) Basic Rent Payments paid in accordance with each Lease Schedule to the Trustee, as assignee of the Corporation pursuant to the Lease Agreement and to the Assignment of Lease Agreement, shall be deposited as received by the Trustee in the Lease Payment Fund in the following manner and in the following order of priority:

(i) There shall be deposited to the subaccount of the Interest Account established for the payment of a Series of Certificates from the Interest Component of Basic Rent made in relation to such Series of Certificates an amount which shall be sufficient to pay the interest becoming due on such Series of Certificates on the next succeeding Payment Date. Moneys in each subaccount of the Interest Account shall be used to pay the interest on the Series of Certificates for which it was established as and when the same become due, whether by redemption or otherwise, and for no other purpose. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on all Outstanding Certificates on the next succeeding Payment Date.

(ii) There shall be deposited to the subaccount of the Principal Account established for the payment of a Series of Certificates from the Principal Component of Basic Rent made in relation to such Series of Certificates an amount which shall be sufficient to pay the principal and the Amortization Installment becoming due on such Series of Certificates on the next succeeding principal Payment Date. Moneys in each subaccount of the Principal Account shall be used to pay the principal and the Amortization Installment of the Series of Certificates for which it was established as and when the same shall mature or are redeemed, and for no other purpose. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal and the Amortization Installment coming due on all Outstanding Certificates on the next succeeding principal Payment Date.

(b) Supplemental Rent payments made by the Board pursuant to Section 4.03(f) of the Lease Agreement shall be deposited as received by the Trustee to the appropriate subaccount of the

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Reserve Account Letter of Credit/Insurance Policy and any subsequent Reserve Account Letter of Credit/Insurance Policy deposited in the Reserve Account.

(c) Moneys in each subaccount of the Reserve Account shall only be used for the purpose of making up for deficiencies in the subaccount of the Interest Account or Principal Account relating thereto in the event that moneys therein are less than the Interest Component and Principal Component of Basic Rent Payments relating thereto then due on any Payment Date.

(d) If on any Payment Date, the amount of all payments due and payable on a Series of Certificates exceeds the amount on hand in the subaccount of the Interest Account and the Principal Account relating to such Series, taking into account any transfers made from the related subaccount of the Reserve Account which was established for the benefit of such Series pursuant to Sections 6.07(a) and 6.07(b) hereof, the Trustee shall apply the moneys on hand therein first to the payment of all past due interest with respect to such Series of Certificates, and, second, to the payment of that portion of the unpaid principal or Amortization Installment of such Series of Certificate which is then past due, pro rata if necessary.

(e) Whenever the moneys in the Lease Payment Fund for an applicable Series of Certificates, including the corresponding Subaccount of the Reserve Account, if any, shall be sufficient to pay the principal of, Amortization Installments and interest coming due on such Series of Certificates, moneys in the Reserve Account shall be deposited to the appropriate subaccounts of the Interest Account and Principal Account as required to pay such Series of Certificates, and no further Basic Rent Payments shall be required under the Lease Agreement.

(f) If, after the date Certificates are prepaid pursuant to the provisions of Article V and Section 6.08 hereof, the amounts in a subaccount of the Reserve Account established for a Series of Certificates exceed the Reserve Requirement applicable thereto then in effect, adjusted to reflect such redemption, or the Reserve Requirement is decreased for any other reason, the Trustee shall deposit such excess to the subaccount of the Interest Account relating to such Series of Certificates.

SECTION 6.08. PREPAYMENT FUND. The Trustee shall deposit to each account of the Prepayment Fund for prepayment of Certificates secured by each such account in accordance with Article V hereof (a) any amounts deposited by the Board for the purpose of paying the Prepayment Price of all or a portion of such Series of Certificates on an Optional Prepayment Date in accordance with the Supplemental Trust Agreement pursuant to which such Series of Certificates is authorized to be issued, (b) any amounts remaining in the Project Account and required to be transferred to such account of the Prepayment Fund pursuant to Section 6.03(g) hereof, and (c) any Net Proceeds required to be transferred to such account of the Prepayment Fund pursuant to Section 5.08(d) of the Lease Agreement. Said moneys shall be set aside in such account of the Prepayment Fund solely for the purpose of prepaying the Certificates secured by such account in advance of their maturity and shall be applied to the prepayment at the applicable Prepayment Price of such Certificates being redeemed on such prepayment date. Interest on such prepaid Certificates shall be paid from the subaccount of the Interest Account established for payment of such Certificates,

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except to the extent moneys for payment of interest were deposited to such account of the Prepayment Fund, in which case it shall be paid from such account of the Prepayment Fund.

SECTION 6.09. NO UNAUTHORIZED TRANSFERS. No amount shall be withdrawn or transferred from or paid out of any fund or account except as expressly provided in this Trust Agreement.

SECTION 6.10. DEPOSIT AND INVESTMENT OF MONEYS IN ACCOUNTS. (a) All moneys held by the Trustee in any of the funds, accounts or subaccounts established pursuant to this Trust Agreement shall be deposited or invested only in Permitted Investments. Prior to termination of the Lease Agreement, the Board, through an Authorized Officer, shall provide the Trustee written instructions with respect to investment of the moneys held hereunder in Permitted Investments and the Trustee shall make investments in accordance with said instructions. In the event the Board does not provide the Trustee with written instructions with respect to investments, the Trustee shall invest such funds in United States Treasury Obligations or in a money market fund qualifying under clause (7) of the definition of Permitted Investments and the Trustee shall notify the Board thereof. Permitted Investments of moneys in Pledged Accounts may be modified as they relate to such Pledged Accounts pursuant to the Supplemental Trust Agreement authorizing the establishment of such Pledged Accounts.

(b) All interest and other income received by the Trustee from investment of funds on deposit in each subaccount of the Reserve Account and the Capitalized Interest Account established for the benefit of a Series of Certificates shall, prior to the Completion Date, be deposited in the subaccount of the Project Account which was funded by such Series of Certificates and, after said Date, be deposited in the subaccount of the Interest Account established for such Series of Certificates and be applied as set forth in Section 6.06 hereof; provided, however, that all interest and other income received by the Trustee on investment of a subaccount of the Reserve Account shall be retained in such subaccount in the event that amounts on deposit in such subaccount are less than the Reserve Requirement applicable thereto. To the extent available, transfers to the Interest Account of interest and income from investments shall be made by the Trustee prior to the date the Trustee provides its report pursuant to Section 6.11 hereof each Payment Date, and shall be applied as set forth herein. At the time of deposit of said moneys in the Interest Account, the Trustee shall report the amount of said credit to the Board. All interest and other income derived from investments of each subaccount of the Project Account and each subaccount of the Interest Account shall be retained in such respective subaccounts. All interest or other income derived from investments of each subaccount of the Costs of Issuance Account established for the benefit of a Series of Certificates shall be deposited in the subaccount of the Project Account which was funded by such Series of Certificates. All interest and other income derived from investments of each subaccount of the Principal Account and each account of the Prepayment Fund established for a Series of Certificates shall be deposited in the subaccount of the Interest Account established for such Series of Certificates.

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(d) In the event that, prior to the time of any required payment out of the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Board shall deposit with the Trustee for application to the Rebate Fund an amount equal to such deficiency in the Rebate Fund prior to the time such payment is due. Each payment required to be made pursuant to this subsection shall be made in the manner described in the Letter of Instructions.

(e) Any Letter of Instructions shall be amended from time to time as, in the opinion of Special Counsel, shall be necessary to reflect the current status of the Code in regard to the rebate requirement.

(f) Each Supplemental Trust Agreement authorizing the issuance of a Series of Certificates shall have attached thereto a Letter of Instructions relating to the rebate requirement described herein, unless Special Counsel determines such Letter of Instructions is unnecessary.

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(c) For the purpose of determining the amount on deposit in any fund, account or subaccount, Permitted Investments in which money in such fund, account or subaccount is invested shall be valued at one hundred per centum (100%) of the principal or face amount thereof.

SECTION 6.11. CREDIT AGAINST LEASE PAYMENTS. Not earlier than thirty (30) days and not later than fifteen (15) days prior to each Payment Date, the Trustee shall report to the Board the amount of the credit against Basic Rent Payments available to the Board under the Lease Agreement. Such credit shall be an amount equal to the sum of (a) the amount of interest and other income deposited in each subaccount of the Interest Account pursuant to Section 6.10 hereof since the date of the previous report made by the Trustee pursuant to this Section, (b) the amount of moneys, if any, transferred to the Interest Account and Prepayment Fund pursuant to Section 6.03(g) hereof since the date of the previous report made by the Trustee pursuant to this Section, (c) the amount of moneys, if any, transferred to each subaccount of the Interest Account pursuant to Section 6.07(f) hereof since the date of the previous report made by the Trustee pursuant to this Section, plus (d) the amount, if any, on deposit in each subaccount of the Principal Account and the Interest Account on the date of the report made by the Trustee pursuant to this Section which is not derived from the sources described in clauses (a), (b) and (c) above. In addition to the credit referenced in the preceding sentence, the Trustee and the Corporation acknowledge that, there shall be applied as a credit against Basic Rent Payments payable on a Payment Date an amount equal to the amount then on deposit in each subaccount of the Interest Account representing accrued interest and that the amount in the Reserve Account shall be applied as a credit against the last Basic Rent Payments as provided in Section 6.07(e) hereof. In the event that the total amount of the credit exceeds the Basic Rent Payment due on the Payment Date following said report, the amount of said excess shall be applied as a credit against the next subsequent Basic Rent Payments.

SECTION 6.12. APPLICATION OF MONEY IN THE REBATE FUND. (a) The Trustee shall be deemed conclusively to have complied with the provisions of this Section and each Letter of Instructions if it follows the directions of the Board and the Corporation, and the Trustee shall have no liability or responsibility to enforce compliance by the Board and the Corporation with the terms of this Section and each such Letter of Instructions. The Trustee shall have no responsibility for calculating the amount required to be rebated to the United States Treasury Department pursuant to the Code, nor shall the Trustee have any responsibility for determining the accuracy of any such amount calculated by any Person.

(b) Any funds remaining in the Rebate Fund, after redemption and payment of all of the Certificates and any amounts required to be paid to the United States, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees to the Trustee and satisfaction of the rebate requirement described in the Letter of Instructions, shall be withdrawn by the Trustee and remitted to the Board.

(c) Upon the Board's written direction, the Trustee shall pay to the United States, out of amounts in the Rebate Fund, the rebate requirement, in the amounts and at the times described in each Letter of Instructions.

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ARTICLE VII

GENERAL COVENANTS AND REPRESENTATIONS

SECTION 7.01. BOARD TO PERFORM AGREEMENTS. The Board covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement and the Ground Lease(s) to the extent so imposed.

SECTION 7.02. CORPORATION TO PERFORM AGREEMENTS. The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Lease Agreement, the Ground Lease(s), the Assignment(s) of Ground Lease Agreement and the Assignment of Lease Agreement to the extent so imposed.

SECTION 7.03. NO OBLIGATION WITH RESPECT TO PERFORMANCE BY TRUSTEE. The Corporation and the Board shall not have any obligation or liability to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

SECTION 7.04. NO LIABILITY TO OWNERS FOR PAYMENT. Except as provided in this Trust Agreement, neither the Corporation nor the Trustee shall have any obligation or liability to the Owners of the Certificates with respect to the payment of the Lease Payments by the Board when due, or with respect to the performance by the Board of any other covenants made by it in the Lease Agreement.

SECTION 7.05. COVENANT NOT TO IMPAIR TAX STATUS OF CERTIFICATES. Neither the Corporation nor the Board shall take nor permit nor suffer to be taken nor fail to take any action within its control, or direct the Trustee to take or fail to take any action, which action or failure to act would impair the exclusion, if applicable, from gross income for federal income tax purposes of the Interest Component of the Basic Rent Payment, including the calculation and payment of any rebate necessary to preserve the exclusion, if applicable, from gross income for federal income tax purposes of the Interest Component of the Basic Rent Payment received by the Owners. Neither the Corporation nor the Board shall permit or direct the investment of any proceeds of the Certificates or the Lease Payments by the Trustee in such a manner that would result in the Certificates (other than Taxable Certificates) or the Lease Agreement being characterized as "arbitrage bonds" under Section 148 of the Code. The Corporation and the Board will comply with the provisions of the arbitrage certificate and the applicable exhibits thereto executed by the Board which relates to the issuance of a Series of Certificates. This Agreement shall not be construed to constrain in any manner the ability of the Trustee to sublease, sell or dispose of the Project in the Event of a Default or Event of Non-appropriation under the Lease Agreement.

SECTION 7.06. DIRECTORS, MEMBERS, OFFICERS AND EMPLOYEES OF TRUSTEE, CORPORATION AND BOARD EXEMPT FROM PERSONAL LIABILITY. No recourse shall be had for the obligations specified hereunder, under the Certificates or under the

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Lease Agreement or for any claim based hereon or thereon or upon any representation, obligation, covenant or agreement in this Trust Agreement or the Certificates or the Lease Agreement against any past, present or future officer, vendor, employee, director or agent of the Trustee, the Corporation or the Board as such, either directly or through the Trustee, the Corporation or the Board, or any successor thereto under any statute or rule of law or equity, statute or constitution or by the enforcement or any assessment or penalty or otherwise, and all such liability of any such officers, members, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Trust Agreement, the Lease Agreement and the issuance of the Certificates.

SECTION 7.07. CORPORATION OBLIGATIONS FOR PROJECTS. (a) Pursuant to the terms of the Lease Agreement and except as provided in Section 4.07(b) thereof, the Corporation shall have title to the Projects, other than Designated Equipment, subject to the rights of the Board under the Lease Agreement. In consideration of the issuance of the Certificates, the Corporation agrees that if an Event of Default described in Section 8.01(e) hereof occurs and the Lease Agreement shall be terminated, it shall, at the request of the Trustee, take all actions necessary in order to fully transfer title of and to all or a portion of the Projects to the Trustee or its designated entity, except as otherwise provided in Section 4.07(b) of the Lease Agreement with respect to Designated Equipment. The Corporation shall be required to transfer title only to the Projects or portions thereof to which it has title at the time of such request. The Corporation shall provide the Trustee with all instruments necessary to evidence such transfer of title. In accordance with the terms of Section 8.03 hereof and except as provided in Sections 4.07(b) and 7.03(ii) of the Lease Agreement, the Trustee may sell, re-let or otherwise dispose of the Projects if an Event of Default described in Section 8.01(e) hereof occurs and the Lease Agreement shall be terminated as provided in Section 8.03 hereof. The proceeds from the exercise of any such remedies shall be used as provided in Section 8.04 hereof. If the Board relinquishes possession of the Projects pursuant to the Lease Agreement subsequent to an Event of Default described in Section 8.01(e) hereof, the Corporation hereby agrees that the Trustee shall take possession of the Projects and shall have complete authority over the disposition of the Projects in accordance with the terms hereof, of the Lease Agreement, of the Assignment of Ground Lease(s) and of the Ground Lease(s). The Corporation will promptly comply with all directions of the Trustee in regard to such disposition. As a condition to the acceptance by the Trustee or its designated entity of possession of the Project the Trustee shall have the right to receive from the Board such assurances, reports and opinions as to the absence of hazardous substances and such other environmental matters with respect to the Projects as the Trustee may reasonably request.

(b) The Board and Corporation agree that they shall not place any lien or encumbrance on the Projects, except Permitted Encumbrances. In addition, the Corporation shall not join in or consent to the sale or re-letting of the Projects, or any portion thereof, except as may be directed by the Trustee or as shall be required by the terms of the Lease Agreement, the Assignment(s) of Ground Lease(s) or Ground Lease(s).

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not then due and payable) to be due and payable immediately, and upon such declaration the same shall become due and be immediately due and payable, anything contained in the Certificates or in this Trust Agreement to the contrary notwithstanding; provided, however, that any Series of Certificates which are insured as to payment by an Insurer may be accelerated only with the written consent of such Insurer (if such Insurer is not in payment default under its municipal bond insurance policy); provided, further, that if at any time after the principal of a Series of Certificates shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Trust Agreement, moneys shall have accumulated in or shall have been paid into the Lease Payment Fund sufficient to pay the principal of all matured Certificates and all arrears of interest, if any, upon all Certificates then Outstanding (except the principal of any Certificate not then due and payable by its terms and the interest accrued on such since the last interest Payment Date), and the charges, compensations, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Board under the Lease Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Certificates or in this Trust Agreement (other than a default in the payment of the principal of such Certificates then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Certificates not then due and payable by their terms (Certificates then due and payable only because of a declaration under this Section shall not be deemed to be due and payable by their terms) and then Outstanding shall, by written notice to the Board and the Corporation, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent Event of Default hereunder or impair any right consequent thereon.

SECTION 8.03. ENFORCEMENT OF REMEDIES. (a) Upon the happening and continuance of any Event of Default specified in Section 8.01 hereof, then and in every such case the Trustee may proceed, and upon the written request of (i) the Credit Enhancer for such Certificates (if such Credit Enhancer is not in payment default under its Credit Facility) or (ii) the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding and the Credit Enhancer for such Certificates (if such Credit Enhancer is not in payment default under its Credit Facility), shall proceed, subject to the provisions of Sections 9.02 and 8.14 of this Trust Agreement, to protect and enforce its rights and the rights of the Owners under the laws of the State, under this Trust Agreement, the Lease Agreement or the Ground Lease(s) by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid of execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel chosen by the Trustee, shall deem most effectual to protect and enforce such rights. The Trustee may also exercise all remedies it or the Corporation may have under law and under the Trust Agreement, the Lease Agreement, and any Ground Lease(s) and any mortgage or security interest relating to a Project.

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ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. EVENTS OF DEFAULT. Each of the following events is hereby declared an Event of Default under the Trust Agreement:

(a) Payment of any installment of interest on any Certificate shall not be made by the Board when the same shall become due and payable; or

(b) Payment of the principal, Amortization Installment or the redemption premium, if any, of any Certificate shall not be made by the Board when the same shall become due and payable, whether at maturity or by proceedings for mandatory redemption or otherwise; or

(c) Default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in this Trust Agreement or any Supplemental Trust Agreement and such default shall continue for thirty (30) days (or such further time as may be granted in writing by the Trustee with the consent of the Credit Enhancer) after receipt by the Board and the Corporation of a written notice from the Trustee or the Credit Enhancer specifying such default and requiring the same to be remedied; or

(d) Payment of any amounts owing a Credit Enhancer in regard to a reimbursement agreement relating to its Credit Facility shall not be made when the same shall become due and payable; or

(e) An "Event of Default" or "Event of Non-Appropriation" shall have occurred under the Lease Agreement, and, in the case of such "Event of Default," it shall not have been remedied or waived.

In determining whether a default described in Section 8.01(a) or 8.01(b) has occurred, no effect shall be given to payments made by an Insurer under its municipal bond insurance policy.

SECTION 8.02. ACCELERATION OF MATURITIES. Upon the happening and continuance of any Event of Default specified in Section 8.01 hereof and only subsequent to the termination of the Lease Agreement, the Trustee, in regard to each Series of Certificates, may (provided, however, that any Series of Certificates which are insured as to payment by an Insurer may be accelerated only with the written consent of such Insurer if such Insurer is not in payment default under its municipal bond insurance policy), and upon the written request of (i) the Insurer for such Certificates, if such Insurer is not in payment default under its municipal bond insurance policy, or (ii) with the prior consent of the Insurer if the Insurer is not in payment default under its municipal bond insurance policy, the Owners of not less than a majority in aggregate principal amount of a Series of Certificates then Outstanding, by notice in writing to the Trustee, the Board and the Corporation, shall declare the principal of all Certificates of such Series then Outstanding (if

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(b) In the enforcement of any remedy under this Trust Agreement, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any Event of Default hereunder becoming and remaining due from the Board for principal, interest or otherwise under any of the provisions of this Trust Agreement or of the Certificates, together with interest on overdue payments of principal at the Overdue Rate and all reasonable costs and expenses of collection and of all proceedings hereunder, without prejudice to any other right or remedy of the Trustee or of the Owners and to recover and enforce any judgment or decree against the Corporation, but solely as provided herein, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from money available for such purposes), in any manner provided by law, the money adjudged or decreed to be payable.

(c) As provided in Section 7.07 hereof and subject to the limitations thereof relating to Designated Equipment, the Trustee or its designated entity, upon an Event of Default described in Section 8.01(e) hereof and the termination of the Lease Agreement, may take possession of and title to the Projects, or any portion thereof, and it shall, if the Board relinquishes possession of the Projects pursuant to the Lease Agreement subsequent to an Event of Default described in Section 8.01(e) hereof, take possession of the Projects, in accordance with the provisions of Section 7.07 hereof and of the Ground Lease(s). Upon taking possession of the Projects the Trustee or its designated entity is authorized to sell, re-let or otherwise dispose of each Project, or any portion thereof, for the benefit of the Owners of the Series of Certificates which financed or refinanced each such Project.

SECTION 8.04. PRO-RATA APPLICATION OF FUNDS. (a) Anything in this Trust Agreement to the contrary notwithstanding, if at any time the money in the Lease Payment Fund shall not be sufficient to pay the interest on or the principal of the Certificates as the same shall become due and payable (either by their terms or by acceleration of maturities under the provisions of Section 8.02 hereof), the Trustee, subsequent to payment of all costs and expenses relating to collection of such moneys and fees and expenses of the Trustee, including reasonable fees and expenses of Trustee's counsel, shall deposit all moneys derived from the sale, re-letting or other disposition of each Project, including moneys and damages collected in connection therewith, and all moneys in the Pledged Accounts relating thereto (amounts in a subaccount of the Project Account for such Project may, at the discretion of the Trustee, be retained in such subaccount to continue payment of the acquisition and construction of such Project) into a special account established for the sole benefit of the Owners of the Series of Certificates which financed or refinanced such Project and shall apply moneys in such special account as follows:

(i) If the principal of such Series of Certificates shall not have become or shall not have been declared due and payable, all such money in the special account established for such Series shall be applied:

First: to the payment to the Persons entitled thereto of all installments of interest on such Series of Certificates then due and payable in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such

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installment, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Series of Certificates;

Second: to the payment to the Persons entitled thereto of the unpaid principal of any Certificates of such Series that shall have become due and payable, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of Certificates of such Series due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference;

Third: to the payment of the interest on and the principal of such Series of Certificates, to the purchase and retirement of such Series of Certificates, and to the redemption of such Series of Certificates, all in accordance with the provisions hereof;

Fourth: to the payment of any amounts owed and unpaid the Credit Enhancer for such Series or under the reimbursement agreement relating to the Credit Facility for such Series;

Fifth: to the payment of any amounts owing in regard to Ground Leases relating to such Series; and

Sixth: to the payment of any surplus moneys to the Board.

(i) If the principal of such Series of Certificates shall have become or shall have been declared due and payable, all such money in the special account established for such Series shall be applied to the payment of principal and interest then due upon such Series of Certificates (or, in the case of Capital Appreciation Certificates, the Accredited Value thereof) without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest or any such Certificate over any other such Certificate ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto, without any discrimination or preference and then to the payment of any amounts owed and unpaid the Credit Enhancer for such Series or under the reimbursement agreement relating to the Credit Facility for such Series, and then to the payment of any amounts owing in regard to Ground Leases relating to such Series. Any surplus moneys shall be paid to the Board.

(ii) If the principal of such Series of Certificates shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 8.02 hereof, then, subject to the provisions of paragraph (a)(ii) of this Section in the event that the principal of such Series of Certificates shall later become due and payable or be declared due and payable, the money then remaining in and thereafter accruing to the special account established for such Series shall be applied in accordance with the provisions of paragraph (a)(i) of this Section.

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reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Trust Agreement or to any other remedy hereunder. It is understood and intended that, except as otherwise above provided, no one or more Owners shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of this Trust Agreement, or to enforce any right hereunder except in the manner provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Owners and that any individual rights of action or other right given to one or more of such Owners by law are restricted by this Trust Agreement to the rights and remedies herein provided.

SECTION 8.08. APPOINTMENT OF A RECEIVER. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under this Trust Agreement, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers for the Projects with such powers as the court making such appointments shall confer.

SECTION 8.09. ENFORCEMENT OF RIGHTS OF ACTION. All rights of action (including the right to file proof of claim) under this Trust Agreement or under any Certificates may be enforced by the Trustee without the possession of any Certificates or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners hereby secured, and any recovery of judgment shall be for the equal benefit of the Owners.

SECTION 8.10. NO REMEDY EXCLUSIVE. No remedy herein conferred upon or reserved to the Trustee, a Credit Enhancer or to the Owners is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

SECTION 8.11. WAIVERS. No delay or omission by the Trustee or of any Owner in the exercise of any right or power occurring upon any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver of any such Event of Default hereunder or any acquiescence therein; and every power or remedy given by this Trust Agreement to the Trustee and to the Owners may be exercised from time to time and as often as may be deemed expedient. The Trustee may, and upon written request of the Owners of not less than a majority in principal amount of the Certificates then Outstanding, shall waive any Event of Default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Trust Agreement or before the completion of the enforcement of any rights of the Trustee hereunder, but such waiver shall not waive any subsequent Event of Default hereunder or impair any rights or remedies consequent thereon. Anything in this Section 8.11 to the contrary notwithstanding, no waiver of any Event of Default shall be granted without obtaining the prior written consent of each Credit Enhancer so affected thereby.

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(b) Whenever money is to be applied by the Trustee pursuant to the provisions of this Section and, subject to any direction given by a Credit Enhancer pursuant to Section 8.14 hereof, such money 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 money available for such application and the likelihood of additional money becoming available for such application in the future; the setting aside of such money, in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Corporation, the Board, to any Owner or to any other Person for any delay in applying any such money so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such money, it shall fix the date (which shall be a 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 notice by first class mail, postage prepaid, to all Owners of the fixing of any such date, and shall not be required to make payment to the Owner of any Certificates until such Certificates shall be surrendered to the Trustee for cancellation if fully paid.

SECTION 8.05. EFFECT OF DISCONTINUANCE OF PROCEEDINGS. If any proceeding taken by the Trustee or Owners on account of any Event of Default hereunder shall have been discontinued or abandoned for any reason, then and in every such case, the Corporation, the Board, each Credit Enhancer, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no proceeding had been taken.

SECTION 8.06. CONTROL OF PROCEEDINGS BY OWNERS. The Owners of a majority in aggregate principal amount of each Series of Certificates then Outstanding shall have the right, subject to the provisions of Sections 8.14 and 9.02 of this Trust Agreement, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder in regard to such Series, provided that such direction shall be in accordance with law and the provisions of this Trust Agreement and the Lease Agreement.

SECTION 8.07. RESTRICTIONS UPON ACTIONS BY INDIVIDUAL OWNERS. Except as provided in Section 8.13 of this Trust Agreement, no Owner shall have any right to institute any suit, action or proceeding in equity or at law on any Certificate or for the execution of any trust hereunder or for any other remedy hereunder unless such Owner previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding of the Series of which such Owner belongs shall have made a written request of the Trustee after the right to exercise such powers or right of action as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceedings in its or their name, and unless, also, there shall have been offered to the Trustee

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SECTION 8.12. NOTICE OF DEFAULT. (a) The Trustee shall mail to all Owners at their addresses as they appear on the Certificate Register written notice of the occurrence of any Event of Default set forth in Section 8.01 hereof within thirty (30) days after the Trustee shall have notice of the same; provided that, except upon the happening of an Event of Default specified in clauses (a) and (b) of Section 8.01 of this Trust Agreement, the Trustee may withhold such notice to the Owners if in its opinion such withholding is in the interest of the Owners; and provided, further, that the Trustee shall not be subject to any liability to any Owner by reason of its failure to mail any such notice.

(b) The Trustee shall mail to each Credit Enhancer written notice of the occurrence of any Event of Default set forth in Section 8.01 hereof within five (5) Business Days after the Trustee shall have notice of the same.

(c) Upon the occurrence and continuance of an Event of Default or Event of Non-Appropriation, the Trustee shall provide each Credit Enhancer with access to the Certificate Register for the Series of Certificates for which it provides credit enhancement for purposes of inspection and copying the same.

SECTION 8.13. RIGHT TO ENFORCE PAYMENT OF CERTIFICATES UNIMPAIRED. If the Trustee shall fail to take actions required of it pursuant to this Section, nothing in this Article shall affect or impair the right of any Owner to enforce the payment of the principal of and interest on his Certificate or the obligation to pay the principal of and interest on each Certificate to the Owner thereof at the time and place in said Certificate expressed.

SECTION 8.14. CONTROL BY INSURER OR CREDIT BANK. Any provision hereunder or under the Lease Agreement or Ground Lease to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Credit Enhancer for a Series of Certificates, if such Credit Enhancer, shall not be in payment default under its municipal bond insurance policy or Credit Facility, as the case may be, shall be deemed to be the sole owner of such Certificates for purposes of (a) directing and controlling the enforcement of all rights and remedies with respect to such Series of Certificates, including any waiver of an Event of Default and removal of the Trustee, and (b) exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of such Certificates are entitled to take pursuant to Articles VIII or IX hereof. No provision expressly recognizing or granting rights in or to a Credit Enhancer shall be modified without the consent of such Credit Enhancer. A Credit Enhancer's rights under this Section 8.14 shall be suspended during any period in which such Credit Enhancer is in default in its payment obligations under its municipal bond insurance policy or Credit Facility, as applicable (except to the extent of amounts previously paid by such Credit Enhancer and due and owing to such Credit Enhancer) and shall be of no force or effect if its municipal bond insurance policy or other Credit Facility is no longer in effect or if the Credit Enhancer asserts that its municipal bond insurance policy or Credit Facility is not in effect or if the Credit Enhancer waives such rights in writing. The rights granted to a Credit Enhancer under this Section 8.14 are granted in consideration of the Credit Enhancer issuing its municipal bond insurance policy or Credit Facility. Any exercise of such contractual rights by a Credit Enhancer shall not be deemed to be taken for the benefit of any

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Certificate Owners and shall not evidence such Credit Enhancer's position as to whether any Certificate Owner's consent is required.

**ARTICLE IX
CONCERNING THE TRUSTEE**

SECTION 9.01. ACCEPTANCE OF DUTIES. (a) The Trustee by execution hereof accepts and agrees to fulfill the trusts imposed upon it by this Trust Agreement, but only upon the terms and conditions set forth in this Article and subject to the provisions 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 such duties and only such duties of the Trustee as are specifically set forth in this Trust Agreement. During the existence of any such Event of Default that has not been cured the Trustee shall exercise any of the rights and powers vested in it by this Trust Agreement and shall use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) No provision of this Trust Agreement, any Certificate, the Lease Agreement or the Assignment of Lease Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) Unless an Event of Default shall have occurred and be continuing:

(A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Trust Agreement, the Lease Agreement and the Assignment of Lease Agreement, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Agreement, the Lease Agreement and the Assignment of Lease Agreement, and no implied covenants or obligations shall be read into this Trust Agreement, the Lease Agreement or the Assignment of Lease Agreement against the Trustee, and

(B) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the accuracy of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to it by the Board and the Corporation conforming to the requirements of this Trust Agreement, the Lease Agreement or the Assignment of Lease Agreement, but in the case of any such certificate or opinion by which any provision hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Trust Agreement, the Lease Agreement or the Assignment of Lease Agreement, and

(ii) At all times, regardless of whether or not any such Event of Default shall exist:

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(A) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(B) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners as provided in Article VIII hereof, relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any power conferred upon the Trustee under this Trust Agreement and the Lease Agreement; and

(C) the Trustee may consult with counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder and in good faith and reliance thereon.

(c) None of the provisions contained in this Trust Agreement, the Lease Agreement or the Assignment of Lease Agreement shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

(d) Notwithstanding any other provision of this Trust Agreement, in determining whether the rights of the Owners of the Certificates will be adversely affected by any action taken pursuant to the terms and provisions of this Trust Agreement, the Trustee shall consider the effect on the Owners of the Certificates as if there were no municipal bond insurance policy or Credit Facility.

SECTION 9.02. INDEMNIFICATION OF TRUSTEE AS CONDITION FOR REMEDIAL ACTION. The Trustee shall be under no obligation to institute any suit or to take 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, without limitation, its acceptance or possession of a Project or any component thereof, until it shall be indemnified to its satisfaction against any and all reasonable costs, expenses, outlays and reasonable counsel fees and other reasonable disbursements, and against all liability. The Trustee nevertheless may, in its sole discretion, but is not required to, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Trustee shall be entitled to reimbursement from any money in its possession under the provisions of this Trust Agreement and shall be entitled to a preference therefor over any Certificates Outstanding hereunder.

SECTION 9.03. LIMITATIONS ON OBLIGATIONS AND RESPONSIBILITIES OF TRUSTEE. The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Board or the Corporation, or to report, or make or file claims or proof of loss for, any loss or

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damage insured against or that may occur, or to keep itself and any Credit Enhancer(s) informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. Except as to the acceptance of the trusts by its due execution of this Trust Agreement, the Trustee shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment of this Trust Agreement by the other parties hereto, or in respect of the validity of Certificates (other than the due execution and delivery thereof in accordance with the terms hereof). The Trustee shall be under no obligation to see that any duties herein imposed upon the Corporation, the Board, any depository other than a Trustee as depository, or any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

SECTION 9.04. TRUSTEE NOT LIABLE FOR FAILURE OF CORPORATION OR BOARD TO ACT. The Trustee shall not be liable or responsible because of the failure of the Corporation or the 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 Board or because of the loss of any money arising through the insolvency or the act or default or negligent omission of any depository other than a Trustee depository in which such money shall have been deposited under the provisions of this Trust Agreement. 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 exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents and to the Trustee acting as Paying Agent or Certificate Registrar.

SECTION 9.05. COMPENSATION AND INDEMNIFICATION OF TRUSTEE. Subject to the provisions of any contract between the Corporation, the Board and the Trustee relating to the compensation of the Trustee, the Corporation shall pay or cause the Board to pay to the Trustee reasonable compensation for all services performed by it hereunder and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and the performance of its powers and duties hereunder and shall, to the extent permitted by applicable law, indemnify and save the Trustee harmless or cause the Board to indemnify and save the Trustee harmless against any liabilities that it may incur in the proper exercise and performance of its powers and duties hereunder and under the Lease Agreement.

SECTION 9.06. MONTHLY STATEMENTS FROM TRUSTEE. (a) It shall be the duty of the Trustee, by the 25th day of each month, to file with the Board a statement setting forth in respect of the preceding one-month period:

(i) the amount withdrawn or transferred by it and the amount deposited with it on account of each fund, account or subaccount held by it under the provisions of this Trust Agreement,

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- (ii) the amount on deposit with it at the end of such period in each such fund, account or subaccount,
- (iii) a brief description of all obligations held by it as an investment of money in each such fund, account or subaccount,
- (iv) the amount applied to the purchase or redemption of Certificates under the provisions of Article V of this Trust Agreement and a description of the Certificates or portions thereof so purchased or redeemed, and
- (v) any other information that the Board may reasonably request.

(b) In addition, on each anniversary date of the issuance of the Certificates the Trustee shall file with the Board any information requested by the Board as necessary to determine the Rebatable Arbitrage as set forth in the Letter of Instructions.

(c) All records and files pertaining to Certificates, the Corporation and the Board in the custody of the Trustee shall be open at all reasonable times to the inspection of the Board, the Corporation and their agents and representatives.

SECTION 9.07. TRUSTEE MAY RELY ON CERTIFICATES. If at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, and in any case in which this Trust Agreement provides for permitting or taking any action, the Trustee may conclusively rely upon any certificate required or permitted to be filed with it under the provisions of this Trust Agreement, and any such certificate shall be evidence of such fact or protect the Trustee in any action that it may or may not take or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact. Except as otherwise provided in this Trust Agreement, any request, notice, certificate or other instrument from the Corporation or the Board to the Trustee shall be deemed to have been signed by the proper party or parties if signed by any Authorized Officer of the Corporation or the Board, as the case may be, and the Trustee may accept and rely upon a certificate signed by any such representative as to any action taken by the Corporation or the Board.

SECTION 9.08. TRUSTEE MAY PAY TAXES AND ASSESSMENTS. In case the Corporation or the Board shall fail to pay or cause to be paid any tax, assessment or governmental or other charge payable on the part of the Board or the Corporation relating to the Lease Agreement to the extent, if any, that the Board or the Corporation may be deemed by the Trustee liable for same, the Trustee, subject to Section 9.01(c) hereof, may pay such tax, assessment or governmental charge, without prejudice, however, to any rights of the Trustee or the Owners hereunder arising in consequence of such failure; and any amount at any time so paid under this Section shall be repaid upon demand by the Trustee by the Corporation from funds made available by the Board, but the Trustee shall be under no obligation to make any such payment from sources provided in the Trust

(e) Upon the occurrence of an Event of Default as described in Section 8.01 hereof, and such Event of Default is continuing and has not been waived, the Credit Enhancer may remove the Trustee at any time, provided the Credit Enhancer is not in default of its payment obligations under its municipal bond insurance policy or other Credit Facility.

SECTION 9.13. APPOINTMENT OF SUCCESSOR TRUSTEE. (a) If at any time hereafter the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any reason, the Board shall appoint a Trustee to fill such vacancy. A successor Trustee shall not be required if the Trustee shall sell or assign substantially all of its trust business and the vendee or assignee shall continue in the trust business, or if a transfer of the trust department of the Trustee is required by operation of law, provided that such vendee, assignee or transferee is (i) a bank or trust company within the State which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, (ii) of good standing, and (iii) having, or its parent having, a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000) or if otherwise approved by the Board. The Board shall mail notice of any such appointment made by it, postage prepaid, to all Owners and each Credit Enhancer.

(b) At any time within one (1) year after any such vacancy shall have occurred, the Owners of not less than twenty-five percent (25%) in principal amount of Certificates then Outstanding, by an instrument or concurrent instruments in writing, executed by such Owners and filed with the Board, may nominate a successor Trustee, which the Board shall appoint and which shall supersede any Trustee theretofore appointed by the Board. Photostatic copies, duly certified by the Superintendent of the Board as having been received by the Board, of each such instrument shall be delivered promptly by the Board to the predecessor Trustee and to the Trustee so appointed by the Owners.

(c) If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section, any Owner hereunder or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(d) Any successor Trustee hereafter appointed shall be (i) a bank or trust company within the State which is duly authorized to exercise corporate trust powers and subject to examination by federal or State authority, (ii) of good standing, and (iii) having, or its parent having, a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000) or if otherwise approved by the Board.

SECTION 9.14. VESTING OF DUTIES IN SUCCESSOR TRUSTEE. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the Board, an instrument in writing accepting such appointment hereunder, and

Agreement unless it shall have available or be provided with adequate funds for the purpose of such payment.

SECTION 9.09. CERTAIN RIGHTS OF THE TRUSTEE. Subject to the provisions of Section 9.01 hereof, the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

SECTION 9.10. RESIGNATION AND REMOVAL OF TRUSTEE SUBJECT TO APPOINTMENT OF SUCCESSOR. No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 9.14.

SECTION 9.11. RESIGNATION OF TRUSTEE. Subject to the provisions of Section 9.10, the Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing given to the Board and the Corporation, and mailed, postage prepaid, at the Trustee's expense, to each Owner, not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee hereunder if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts hereof. No resignation shall take effect until a successor Trustee has been appointed pursuant to the terms hereof. Each Credit Enhancer shall receive notice of such resignation.

SECTION 9.12. REMOVAL OF TRUSTEE. (a) The Trustee may be removed at any time by the Board for cause (provided an Event of Default described in Section 8.01(e) hereof has not occurred and has not been cured), or by an instrument or concurrent instruments in writing, executed by the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding and filed with the Board, not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments. A photostatic copy of any instrument or instruments filed with the Board under the provisions of this paragraph, duly certified by the Superintendent of the Board as having been received by the Board, shall be delivered promptly to the Trustee.

(b) The Trustee may also be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Certificates then Outstanding.

(c) The removal of a Trustee shall not become effective until a successor Trustee has been appointed pursuant to the terms hereof.

(d) The Trustee may be removed at any time, at the request of a Credit Enhancer of a majority of the Outstanding Certificates hereunder, with the consent of the Board, provided, that the Credit Enhancer is not in default of its payment obligations under its municipal bond insurance policy or Credit Facility.

thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities and powers, and subject to all the duties and obligations, of its predecessor; but such predecessor shall nevertheless, on the written request of its successor or of the Board and upon payment of the expenses, charges and other disbursements of such predecessor that are payable pursuant to the provisions of Section 9.05 hereof, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities and powers of such predecessor hereunder; and every predecessor Trustee shall deliver all property and money held by it hereunder to its successor. Should any instrument in writing from the Board be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the Board.

ARTICLE X

EXECUTION OF INSTRUMENTS BY OWNERS,
PROOF OF OWNERSHIP OF CERTIFICATES,
AND DETERMINATION OF CONCURRENCE OF OWNERS

SECTION 10.01. EXECUTION OF INSTRUMENTS BY OWNERS. (a) Any request, direction, consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by any Owner may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners or their attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement and shall be conclusive in favor of the Trustee, the Board and the Corporation with regard to any action taken by either under such instrument if made in the following manner:

- (i) The fact and date of the execution by any Person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a Person other than an individual, such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.
- (ii) The ownership of Certificates shall be proved by the registration books kept under the provisions of this Trust Agreement.
- (b) Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of any Owner shall bind every future Owner of the same Certificate in respect of anything done by the Trustee in pursuance of such request or consent.
- (c) Notwithstanding any of the foregoing provisions of this Section, the Trustee shall not be required to recognize any Person as an Owner or to take any action at his request unless such Certificates shall be deposited with it.

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- (i) To provide, in regard to a Series of Certificates, for the addition, modification or deletion of any of the provisions in Section 6.03 relating to conditions which shall be necessary in order to draw moneys from a subaccount of the Project Account, or
- (j) To make any other modifications hereto which in the opinion of the Trustee, who may rely upon a written opinion of Special Counsel, shall not materially adversely affect the Owners, or
- (k) To determine how, when and what information concerning the Board, the Corporation, the Credit Enhancer and the Certificates should be disclosed by the Trustee to the Owners and the investment community in accordance with published guidelines.

SECTION 11.02. MODIFICATION OF TRUST AGREEMENT WITH CONSENT OF OWNERS AND CREDIT ENHANCERS. (a) Subject to the terms and provisions contained in this Section, and not otherwise, the Owners of not less than a majority of the aggregate principal amount of Certificates then Outstanding shall have the right, from time to time, anything contained in this Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the Corporation, the Board and the Trustee of such Supplemental Trust Agreement or Supplemental Trust Agreements as shall be deemed necessary or desirable by the Corporation and the Board for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Trust Agreement; provided, however, that nothing herein contained shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Certificates issued hereunder, or (ii) a reduction in the principal amount of any Certificates or the prepayment premium or the rate of interest thereon, or (iii) a preference or priority of any Certificate over any other Certificate, except as provided herein, or (iv) a reduction in the aggregate principal amount of Certificates required for consent to such Supplemental Trust Agreement without the consent of 100% of the Owners of the aggregate principal amount of Certificates then Outstanding. For purposes of making amendments made pursuant to this Section 11.02, Owners of Certificates which will no longer be Outstanding at the time the Supplemental Trust Agreement takes effect or which are not adversely affected by such Supplemental Trust Agreement shall not have any rights of consent hereunder. Each Supplemental Trust Agreement entered into pursuant to this Section must be consented to by each Credit Enhancer which is affected thereby. Nothing contained in this Section 11.02, however, shall be construed as making necessary the approval by the Owners of the adoption and acceptance of any Supplemental Trust Agreement as authorized in Sections 11.01 and 11.03 hereof.

(b) If at any time the Corporation and the Board shall request the Trustee to enter into any Supplemental Trust Agreement for any of the purposes of this Section, the Trustee shall, at the expense of the Board, cause notice of the proposed execution of such Supplemental Trust Agreement to be mailed, postage prepaid, to all affected Owners, to each affected Credit Enhancer and to each rating agency which shall rate the Certificates. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Agreement and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Owners. The Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by this

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ARTICLE XI

SUPPLEMENTAL TRUST AGREEMENTS

SECTION 11.01. SUPPLEMENTAL TRUST AGREEMENTS WITHOUT CONSENT OF OWNERS AND CREDIT ENHANCERS. The Corporation, the Board and the Trustee, from time to time and at any time, may enter into Supplemental Trust Agreements, without the consent of the Owners of the Certificates or any Credit Enhancers, for the following purposes:

- (a) To cure any ambiguity or formal defect or omission, to correct or supplement any provision herein that may be inconsistent with any other provision herein, to make any other provisions with respect to matters or questions arising under this Trust Agreement, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this Trust Agreement; provided, that any such modification, alteration, amendment, addition or replacement does not materially adversely affect the interests of the Owners, or
- (b) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee, including provisions relating to a mortgage and security interest on a Project pursuant to Section 7.07 hereof, or
- (c) To add to the provisions of this Trust Agreement other conditions, limitations and restrictions thereafter to be observed, or
- (d) To add to the covenants and agreements of the Corporation or the Board in this Trust Agreement other covenants and agreements thereafter to be observed by the Corporation or the Board or to surrender any right or power herein reserved to or conferred upon the Corporation or the Board, or
- (e) To permit the qualification of this Trust Agreement under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Corporation and the Board so determine, to add to this Trust Agreement or any supplemental trust agreement such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law, or
- (f) To provide for the issuance of Taxable Certificates in bearer form, or
- (g) To provide for the issuance of Certificates under a book-entry system, or
- (h) To provide for the issuance of Certificates, including Completion Certificates and Refunding Certificates, or

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Section, and any such failure shall not affect the validity of such Supplemental Trust Agreement when approved and consented to as provided in this Section.

(c) Whenever, at any time within three years after the date of the mailing of such notice, the Corporation or the Board shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority of the aggregate principal amount of Certificates then Outstanding as required hereunder and each affected Credit Enhancer, which instrument or instruments shall refer to the proposed Supplemental Trust Agreement described in such notice and shall, specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee may execute such Supplemental Trust Agreement in substantially such form, without liability or responsibility to any Owner, whether or not such Owner shall have consented thereto.

(d) If the Owners of not less than a majority in aggregate principal amount of Certificates Outstanding as required hereunder and each affected Credit Enhancer at the time of the execution of such Supplemental Trust Agreement shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to the adoption of such Supplemental Trust Agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Corporation, the Board and the Trustee from executing the same or from taking any action pursuant to the provisions thereof.

(e) Upon the execution of any Supplemental Trust Agreement pursuant to the provisions of this Section, this Trust Agreement shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Trust Agreement of the Corporation, the Board the Trustee and all Owners shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Trust Agreement as so modified and amended.

SECTION 11.03. MODIFICATION OF TRUST AGREEMENT WITH CONSENT OF CREDIT ENHANCERS ONLY. If each Series of Certificates adversely affected by an amendment or amendments in a Supplemental Trust Agreement is insured or guaranteed by a Credit Enhancer, and such Credit Enhancer has honored all its obligations under its municipal bond insurance policy or Credit Facility, as the case may be, the Board, the Trustee and the Corporation may enter into one or more Supplemental Trust Agreements which amends all or any part of Articles I, II, III, IV, V, VI, VII, VIII, IX, X or XIII hereof with the written consent of such Credit Enhancers. The consent of the Owners shall not be necessary. Notice of all amendments shall be delivered to S&P and Moody's and Fitch prior to the effective date of any such amendment. The foregoing right of amendment does not apply to any amendments to Section 7.05 hereof nor may such amendment permit modifications prohibited in Section 11.02(a) hereof. Upon filing with the parties hereto of the consent of the Credit Enhancers as aforesaid, a Supplemental Trust Agreement may be entered into. Subsequent to execution of such Supplemental Trust Agreement notice thereof shall be mailed to the Owners in the same manner as notice of amendment under Section 11.02 hereof.

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SECTION 11.04. RESPONSIBILITIES OF TRUSTEE, BOARD AND CORPORATION UNDER THIS ARTICLE. The Trustee, the Board and the Corporation shall be entitled to exercise their discretion in determining whether or not any proposed Supplemental Trust Agreement or any term or provision therein contained is desirable, after considering the purposes of such instrument, the needs of the Corporation and the Board, the rights and interests of the Owners, and the rights, obligations and interests of the Trustee, and the Trustee shall not be under any responsibility or liability to the Corporation, the Board or to any Owner or to anyone whomsoever for its refusal in good faith to execute any such Supplemental Trust Agreement if such trust agreement is deemed by it to be contrary to the provisions of this Article or adverse to the interests of the Trustee. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Corporation or the Board or Special Counsel, as conclusive evidence that any such proposed Supplemental Trust Agreement does or does not comply with the provisions of this Trust Agreement, and that it is or is not proper for it, under the provisions of this Article, to accept such Supplemental Trust Agreement.

SECTION 11.05. CONSENT OF BOARD NOT REQUIRED. Anything herein to the contrary notwithstanding, no such Supplemental Trust Agreement need be consented to or executed by the Board if the Board is in default under the Lease Agreement or an Event of Non-Appropriation has occurred.

SECTION 11.06. NOTICE OF SUPPLEMENTAL TRUST AGREEMENT. Copies of any Supplemental Trust Agreement executed pursuant to the provisions of this Article XI shall be sent to S&P, Moody's and Fitch at least 5 days prior to the effective date of such Supplemental Trust Agreement.

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deemed to be Outstanding hereunder and shall no longer be secured by or entitled to the benefits of this Trust Agreement, except for the purposes of any such payment from such moneys or Refunding Securities. Notwithstanding the foregoing, the provisions of this Trust Agreement relating to the maturity of the Certificates, interest payments and interest Payment Dates, redemption provisions, exchange, transfer and registration of Certificates, replacement of mutilated, destroyed, lost or stolen Certificates, the safekeeping and cancellation of Certificates, non-presentation of Certificates, the holding of moneys in trust, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners notwithstanding the release and discharge of the lien of the Trust Agreement. Prepayments received pursuant to Section 4.06(c) of the Lease Agreement shall be applied in accordance with Section 4.06 of the Lease Agreement and shall be held for the benefit of the Certificates described in the notice given by the Board pursuant to such Section.

(d) If Certificates for which Refunding Securities have been set aside are to be called for redemption, irrevocable instructions to call the Certificates for redemption shall be given by the Board to the Trustee.

(e) The Trustee, within thirty (30) days after any Refunding Securities shall have been deposited with it, shall cause a notice, signed by the Trustee, to be mailed, postage prepaid, to all Owners for which Refunding Securities have been set aside, setting forth (i) the date or dates, if any, designated for the redemption of the Certificates, (ii) a description of the Refunding Securities so held by it, and (iii) that such Certificates have been defeased as provided in this Trust Agreement.

(f) For purposes of determining whether Variable Rate Certificates shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Refunding Securities and moneys, if any, in accordance with this Section, the interest to come due on such Variable Rate Certificates on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Certificates having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Refunding Securities on deposit for the payment of interest on such Variable Rate Certificates is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Certificates in order to satisfy this Section, such excess shall be paid to the Board free and clear of any trust, lien, pledge or assignment securing the Certificates or otherwise existing under this Trust Agreement.

(g) Notwithstanding anything to the contrary set forth in this Article XII, the obligations of the Board under Section 6.03 of the Lease Agreement with respect to any Certificates (other than Taxable Certificates) defeased pursuant to this Article XII shall survive any such defeasance.

(h) Amounts paid by a Credit Enhancer under a Credit Facility shall not be deemed paid for purposes of this Section 12.01 and shall remain Outstanding and continue to be due and owing until paid in accordance with this Trust Agreement. This Trust Agreement shall not be discharged unless all amounts due or to become due to the Credit Enhancer have been paid in full.

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ARTICLE XII

DEFEASANCE

SECTION 12.01. DEFEASANCE. (a) If the principal, Prepayment Premium, if any, and interest due or to become due on the Certificates shall be paid at the times and in the manner stipulated therein, and if all other sums of money due or to become due according to the provisions hereof shall be paid or provision for payment shall be made, including any amounts owing to any Credit Enhancer or the issuer of a Reserve Account Letter of Credit/Insurance Policy, then these presents and the Trust Estate and rights hereby granted shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien of this Trust Agreement and execute and deliver to the Corporation and the Board such instruments in writing as shall be requisite to cancel and discharge the lien hereof and all surplus in, and balances remaining in, all funds and accounts, other than moneys held for the redemption or payment of Certificates and money held for the United States Treasury in the Rebate Fund, shall be delivered to the Board.

(b) If the principal, Prepayment Premium, if any, and interest due or to become due on a Series of Certificates shall be paid at the times and in the manner stipulated therein, and if all other sums of money due or to become due according to the provisions hereof shall be paid or provision for payment shall be made, then the balance in the Pledged Accounts relating to such Series shall be delivered to the Board.

(c) Any Certificates shall be deemed to be paid within the meaning of this Article when payment of the principal of and Prepayment Premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption as provided in this Trust Agreement, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (A) moneys sufficient to make such payment and/or (B) Refunding Securities verified by an independent certified public accountant selected by the Board as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees and expenses of the Trustee pertaining to the Certificates with respect to which such deposit is made. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with the Trustee nor any moneys received by the Trustee on account of principal of or Prepayment Price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Prepayment Price, if applicable, of the Certificates for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption; provided, however, new Refunding Securities and moneys may be substituted for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of or Prepayment Price, if applicable, and interest on the refunded Certificates as verified by an independent certified public accounting firm. At such time as a Certificate shall be deemed to be paid hereunder as aforesaid such Certificate shall no longer be

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ARTICLE XIII

MISCELLANEOUS PROVISIONS

SECTION 13.01. EFFECT OF DISSOLUTION OF CORPORATION. In the event the Corporation for any reason shall be dissolved or its legal existence shall otherwise be terminated, all of the covenants, stipulations, obligations and agreements contained in this Trust Agreement by or on behalf of or for the benefit of the Corporation shall bind or inure to the benefit of the successor or successors of the Corporation from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law, and the term "Corporation" as used in this Trust Agreement shall include such successor or successors.

SECTION 13.02. NOTICES. (a) All written notices, certificates, reports or statements to be given under this Trust Agreement shall be given by mail or personal delivery to the party entitled thereto, with a copy to each of the other parties to this Trust Agreement, at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States mail, postage prepaid or, in the case of personal delivery, upon delivery, to the address set forth below.

If to the Board: School Board of Duval County, Florida
1701 Prudential Drive, 6th Floor
Jacksonville, Florida 32207
Attention: Superintendent and Director of Finance and Budget

If to the Corporation: Duval School Board Leasing Corporation
c/o School Board of Duval County, Florida
1701 Prudential Drive, 6th Floor
Jacksonville, Florida 32207
Attention: Superintendent and Director of Finance and Budget

If to the Trustee: The Bank of New York
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department

(b) Any such notice, demand or request may also be transmitted to the appropriate above-mentioned party by telegram, telecopy or telephone and shall be deemed to be properly given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed in writing and sent as specified above.

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(c) Any of such addresses may be changed at any time upon written notice of such change sent by United States registered mail, postage prepaid, to the other parties by the party effecting the change.

(d) All documents received by the Trustee under the provisions of this Trust Agreement, or photostatic copies thereof, shall be retained in its possession until this Trust Agreement shall be released under the provisions of Section 12.01 of this Trust Agreement, subject at all reasonable times to the inspection of the Corporation, the Board and any Owner and the agents and representatives thereof.

SECTION 13.03. CAPITAL APPRECIATION CERTIFICATES. For the purposes of (A) receiving payment of the Prepayment Price if a Capital Appreciation Certificate is prepaid prior to maturity, or (B) receiving payment of a Capital Appreciation Certificate if the principal of all Certificates becomes due and payable under the provisions of this Trust Agreement, or (C) computing the amount of Certificates held by the Owner of a Capital Appreciation Certificate in giving to the Trustee any notice, consent, request or demand pursuant to this Trust Agreement for any purpose whatsoever, the principal amount of a Capital Appreciation Certificate shall be deemed to be its Accreted Value.

SECTION 13.04. SUBSTITUTE MAILING. If, because of the temporary or permanent suspension of postal service, the Corporation, the Board or the Trustee shall be unable to mail any notice required to be given by the provisions of this Trust Agreement, the Corporation, the Board or the Trustee shall give notice in such other manner as in the judgment of the Corporation, the Board or the Trustee shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Trust Agreement be deemed to be in compliance with the requirement for the mailing thereof.

SECTION 13.05. PARTIES AND OWNERS ALONE HAVE RIGHTS UNDER TRUST AGREEMENT. Except as herein otherwise expressly provided, nothing in this Trust Agreement, express or implied, is intended or shall be construed to confer upon any Person, other than the Trustee, the Corporation, the Board, the Credit Enhancers and the Owners, any right, remedy or claim, legal or equitable, under or by reason of this Trust Agreement or any provision being intended to be and being for the sole and exclusive benefit of the Trustee, the Corporation, the Board, the Credit Enhancers and the Owners.

SECTION 13.06. EFFECT OF PARTIAL INVALIDITY. In case any one or more of the provisions of this Trust Agreement or the Certificates shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Trust Agreement or the Certificates, but this Trust Agreement and the Certificates shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Certificates or this Trust Agreement shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Board or the Corporation to the full extent permitted by law.

SECTION 13.07. NO RECOURSE AGAINST MEMBERS, OFFICERS OR EMPLOYEES OF CORPORATION OR THE BOARD. No recourse under, or upon, any statement, obligation, covenant, or agreement contained in this Trust Agreement, or in any Certificate hereby secured, or in any document or certification whatsoever, or under any judgment obtained against the Corporation or the Board or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member, officer or employee, as such, of the Corporation or the Board, either directly or through the Corporation or the Board, respectively, or otherwise, for the payment for or to, the Corporation or the Board or any receiver of either of them, or for, or to, any Owner or otherwise, of any sum that may be due and unpaid upon any such Certificate. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment for, or to, the Corporation or the Board or any receiver of either of them, or for, or to, any Owner or otherwise, of any sum that may remain due and unpaid upon the Certificates hereby secured or any of them, is hereby expressly waived and released as an express condition of, and in consideration for, the execution of this Trust Agreement and the issuance of the Certificates.

SECTION 13.08. EXPENSES PAYABLE UNDER TRUST AGREEMENT. All expenses incurred in carrying out this Trust Agreement shall be payable solely from funds derived from the Board as Supplemental Rent.

SECTION 13.09. DEALING IN CERTIFICATES. The Trustee, its directors, officers, employees or agents, and any officer, employee or agent of the Corporation or the Board, may in good faith, buy, sell, own, hold and deal in any Certificates issued under the provisions of this Trust Agreement and may join in any action which any Owner may be entitled to take with like effects as if such Trustee were not a Trustee under this Trust Agreement or as if such officer, employee or agent of the Corporation or the Board did not serve in such capacity.

SECTION 13.10. MULTIPLE COUNTERPARTS. This Trust Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

SECTION 13.11. 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 Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 13.12. LAWS. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties have executed this Trust Agreement by their officers thereunto duly authorized as of the date and year first written above.

EXHIBIT A

(SEAL) **THE BANK OF NEW YORK**, as Trustee
By: _____
Authorized Signatory

DEFINITIONS

(SEAL) **DUVAL SCHOOL BOARD LEASING CORPORATION**, as Lessor
By: _____
Vice President

ATTEST:
By: _____
Secretary

(SEAL) **SCHOOL BOARD OF DUVAL COUNTY, FLORIDA**, as Lessee
By: _____
Vice Chairman

ATTEST:
By: _____
Superintendent/Secretary

EXHIBIT B

(FORM OF CERTIFICATE OF PARTICIPATION)

Certificates of Participation
(School Board of Duval County, Florida Master Lease Program)
Evidencing an Undivided Proportionate Interest of the Owners thereof in
Basic Rent Payments to be made under a Master Lease-Purchase Agreement
by the School Board of Duval County, Florida

Interest Rate Dated Date Maturity Date CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

This is to certify that the Registered Owner stated above is the registered owner of this Certificate and is entitled to receive on the Maturity Date stated above, the Principal Amount stated above. This Certificate and the "Certificate Principal Amount" and "Certificate Interest Payments" hereunder (as each is defined below) represent a proportionate undivided interest in the right to receive the Principal Component and Interest Component of Basic Rent Payments payable under the Master Lease-Purchase Agreement, dated as of October 1, 2000 (the "Lease Agreement"), between the Duval School Board Leasing Corporation, a single-purpose Florida not-for profit educational corporation, as lessor (the "Corporation") and the School Board of Duval County, Florida, a school board of the State of Florida and the governing body of the School District of Duval County, Florida, as lessee (the "Board"). Pursuant to a Ground Lease Agreement dated as of October 1, 2000 (the "Ground Lease") the Board has or will demise to the Corporation the Premises and the portions of the Projects on or a part thereof to the extent set forth therein (as each such terms are defined in the Lease Agreement). The Corporation's rights under the Lease Agreement (other than certain rights specified in the Lease Agreement) and the Ground Lease have been assigned by absolute and outright assignment, without recourse, to The Bank of New York, New York, New York, as trustee (the "Trustee") under the Master Trust Agreement, dated as of October 1, 2000 (the "Trust Agreement") among the Trustee, the Corporation and the Board and under the Assignment of Lease Agreement and Assignment of Ground Lease Agreement, each dated as of October 1, 2000, between the Corporation and the Trustee.

The aforesaid Principal Amount represents a proportionate undivided interest in the Principal Component of the Basic Rent Payment (the "Certificate Principal Amount") under the Lease

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Trust Agreement.

THE BASIC RENT PAYMENTS AND, CONSEQUENTLY, THE CERTIFICATE PRINCIPAL AMOUNT AND CERTIFICATE INTEREST PAYMENTS ARE PAYABLE SOLELY FROM THE BOARD'S AVAILABLE REVENUES SPECIFICALLY BUDGETED FOR SUCH PURPOSE. THE BASIC RENT PAYMENTS ARE SUBJECT TO ANNUAL APPROPRIATION BY THE BOARD. THE CERTIFICATE PAYMENTS OF PRINCIPAL AND INTEREST AND THE PAYMENTS DUE FROM THE BOARD UNDER THE LEASE AGREEMENT AND THE CONTRACTUAL OBLIGATIONS OF THE BOARD UNDER THE LEASE AGREEMENT DO NOT CONSTITUTE A GENERAL OBLIGATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE BOARD, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

The Trustee has no obligation or liability to the Registered Owner to make payments of the Certificate Principal Amount or Certificate Interest Payments with respect to this Certificate, other than from the Trust Estate. The Trustee's sole obligations are to administer, for the benefit of the Certificate Owners, the various funds and accounts established under the Trust Agreement and to exercise various responsibilities under the Trust Agreement.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be executed by facsimile signature of an authorized officer as of the date stated above.

THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee, under the Master Trust Agreement, dated as of October 1, 2000.

(SEAL)

By: Authorized Signatory

Agreement coming due on the Maturity Date. The Owner is also entitled to receive, on _____, and semiannually thereafter on each _____ and _____ (each such date being referred to herein as a "Payment Date") to and including the Maturity Date or the date of redemption, whichever is earlier, the Owner's proportionate undivided interest in the Interest Component of the Basic Rent Payment (the "Certificate Interest Payments") coming due with respect to such Payment Dates. Interest on the Principal Amount represented by this Certificate shall accrue from the Dated Date at the Interest Rate set forth above. Said amounts are payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. The Principal Amount is payable at the Principal Office of the Trustee (which as of the Dated Date is located in New York, New York) and interest is payable by check or draft of the Trustee mailed on each Payment Date to the Registered Owner of record on the fifteenth (15th) day of the month (whether or not a business day) preceding the Payment Date (the "Record Date"); provided, however, that at the request and expense of the Registered Owner of \$1,000,000 or more in aggregate principal amount of Certificates, interest shall be paid by wire transfer on the Payment Date to a domestic bank account designated in writing to the Trustee by the Registered Owner at least five days prior to the Record Date for said Payment Date.

The Basic Rent Payments under the Lease Agreement are payable solely from moneys specifically appropriated from the Board's Available Revenues (as defined in the Trust Agreement) and certain moneys on deposit with the Trustee under the Trust Agreement. The Lease Agreement is subject to renewal at the end of each fiscal year of the Board which renewal will only occur if the Board approves a budget for such ensuing fiscal year which specifically appropriates funds for such purpose.

This Certificate is one of a series of certificates of participation in the aggregate principal amount of \$ _____ (the "Certificates") issued to finance _____ (the "Series _____ Project") for lease to the Board pursuant to the Lease Agreement. The Board may, from time to time, lease other Projects (as defined in the Trust Agreement) from the Corporation pursuant to the Lease Agreement. The acquisition, construction and installation of each such Project shall be financed by the issuance of a series of certificates of participation pursuant to the Trust Agreement. Each series of certificates of participation issued to finance a Project shall be secured independently of other series of certificates of participation. The Board has agreed in the Lease Agreement to budget and appropriate in each fiscal year from Available Revenues sufficient moneys to make the Lease Payments (as defined in the Trust Agreement) for all Projects, including the Series _____ Project, leased under the Lease Agreement or for none of them. The Board may issue Completion Certificates and Refunding Certificates (as defined in the Trust Agreement) which shall be on parity with the Certificates upon satisfying the conditions described therefor in the Trust Agreement.

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 IN THIS PLACE.

CERTIFICATE OF AUTHENTICATION

This Certificate is one of the Certificates designated as Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series _____ Evidencing an Undivided Proportionate Interest of the Owners thereof in Basic Rent Payments to be made under a Master Lease-Purchase Agreement by the School Board of Duval County, Florida described in the within-mentioned Trust Agreement.

Date of Authentication:

THE BANK OF NEW YORK, not in its individual capacity but solely as Trustee, under the Master Trust Agreement, dated as of October 1, 2000.

(SEAL)

By: Authorized Signatory

This Certificate has been executed by the Trustee pursuant to the terms of the Trust Agreement. Copies of the Lease Agreement, the Ground Lease, the Assignment of Lease Agreement, the Assignment of Ground Lease Agreement and the Trust Agreement are on file at the Principal Office of the Trustee, and reference to the Lease Agreement, the Ground Lease, the Assignment of Lease Agreement, the Assignment of Ground Lease Agreement and the Trust Agreement and any and all amendments to said agreements is made for a description of the covenants of the Board, the nature, extent and manner of enforcement of such covenants, the rights and remedies of the Owners of the Certificates with respect thereto and the terms and conditions upon which the Certificates are delivered thereunder. To the extent and in the manner permitted by the terms thereof, the provisions of the Lease Agreement and the Trust Agreement may be amended by the parties thereto.

This Certificate may be transferred only by recording the transfer on the Certificate Register, which shall be kept for that purpose by the Trustee at the Principal Office of the Trustee. A transfer of this Certificate shall be registered and a new Certificate prepared, authenticated and delivered upon surrender of this Certificate for cancellation accompanied by a written instrument of transfer in a form approved by the Trustee and duly executed by the Registered Owner hereof or his or her duly authorized attorney or legal representative. Upon the registration of the transfer and the surrender of this Certificate, the Trustee shall provide in the name of the transferee, a new fully registered Certificate or Certificates of the same aggregate principal amount, maturity and tenor as the surrendered Certificate. No exchange or transfer of any Certificates shall be required of the Trustee (1) during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Certificates and ending at the close of business on the day of such mailing, (2) for Certificates called for redemption, or (3) during a period beginning at the opening of business on the Record Date next preceding a date set for payment of interest and ending on such date set for payment of interest. Interest on the Certificates shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

The Certificates are delivered in the form of fully registered Certificates in denominations of \$5,000 each or any whole multiple thereof, and upon surrender thereof at the Principal Office of the Trustee with a written request of exchange satisfactory to the Trustee duly executed by the Registered Owner or his duly authorized attorney or legal representative in writing, may, at the option of the Registered Owner thereof, be exchanged for an equal aggregate Principal Amount of Certificates of any other authorized denominations and of the same Interest Rate and Maturity Date.

[INSERT OPTIONAL AND MANDATORY PREPAYMENT PROVISIONS.]

When Certificates are redeemed by lot, selection of Certificates for prepayment and redemption shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be redeemed shall be in the principal amount of \$5,000 or any whole multiple thereof, and that in selecting portions of Certificates for redemption, the Trustee shall treat

ASSIGNMENT

For value received _____, the undersigned do(es) hereby sell, assign and transfer unto _____, whose Social Security or other identifying number is _____, the within registered Certificate and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the Certificate Register of the Trustee with full power of substitution in the premises.

Dated: _____

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within Certificate in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.

each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount of such Certificates by \$5,000.

When redemption is authorized or required, the Trustee shall give to the Registered Owner notice, at the expense of the Board, of the redemption of this Certificate. Such notice shall specify, among other things: (1) that the whole or a designated portion of this Certificate is to be redeemed, (2) the date of redemption, and (3) the place or places where the redemption will be made.

Notice of such redemption shall be mailed, postage prepaid, not more than 60 days or fewer than 30 days prior to said date of redemption, to the Registered Owner of any Certificate to be redeemed. Failure to so mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the redemption of the Certificates for which proper notice has been given.

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 right of survivorship and not as tenants in common
UNIF TRANS MIN ACT -- (Cust.)
Custodian for
under Uniform Transfers to Minors Act of (State)

Additional abbreviations may also be used though not in list above.

EXHIBIT C

(FORM OF REQUEST AND AUTHORIZATION)

1. The undersigned, being the duly qualified and acting _____ of Duval School Board Leasing Corporation, a single-purpose Florida not-for-profit corporation (the "Corporation"), hereby authorizes and requests The Bank of New York, New York, New York, as Trustee under that certain Trust Agreement, dated as of October 1, 2000 (the "Trust Agreement"), among it, the Corporation and the School Board of Duval County, Florida to deliver the _____ aggregate principal amount of Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series _____ Evidencing an Undivided Proportionate Interest of the Owners thereof in Basic Rent Payments to be made under a Master Lease-Purchase Agreement by the School Board of Duval County, Florida (the "Series _____ Certificates"), dated as of _____ 1, 2000, in the respective maturities and at the respective interest rates set forth in Schedule A hereto, as authorized by the Trust Agreement, in fully registered form, to _____ (the "Underwriters"), on the date hereof, upon receipt from the Underwriters of the purchase price for the Series _____ Certificates, which is computed as follows:

Table with 2 columns: Description and Amount. Rows include Principal Amount, Less: Underwriters' Discount, Less: Original Issue Discount, Plus: Accrued interest from, Purchase Price, and Amount received on date hereof.

2. Said sum shall be immediately deposited by you in the Pledged Accounts relating to such Series _____ Certificates as follows in accordance with the provisions of the Trust Agreement.

- TO THE CREDIT OF THE "SERIES _____ SUBACCOUNT OF THE PROJECT ACCOUNT" \$
TO THE CREDIT OF THE "SERIES _____ SUBACCOUNT OF THE COSTS OF ISSUANCE ACCOUNT" \$
TO THE CREDIT OF THE "SERIES _____ SUBACCOUNT OF THE CAPITALIZED INTEREST ACCOUNT" \$
TO THE CREDIT OF THE "SERIES _____"

SUBACCOUNT OF THE RESERVE ACCOUNT" \$

SCHEDULE A

TO THE CREDIT OF THE "SERIES _____
SUBACCOUNT OF THE INTEREST ACCOUNT" \$

TERMS OF SERIES _____ CERTIFICATES

TOTAL DEPOSITS \$

3. The following terms shall have the following meanings with respect to the Series _____ Certificates:

- (a) "Reserve Requirement" shall mean _____.
- (b) "Credit Enhancer" shall mean _____.
- (c) "Commencement Date" shall mean _____.
- (d) "Prepayment Amount" shall mean _____.

4. The redemption provisions relating to the Series _____ Certificates shall be as provided in Schedule A attached hereto.

DATED: _____

DUVAL SCHOOL BOARD LEASING CORPORATION

By: _____
Title:

SCHOOL BOARD OF DUVAL COUNTY, FLORIDA

By: _____
Title:

ACCEPTED:

THE BANK OF NEW YORK, as Trustee

By: _____
Authorized Signatory

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SERIES 2007 SUPPLEMENTAL TRUST AGREEMENT

by and among

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

and

**DUVAL SCHOOL BOARD LEASING CORPORATION,
as Lessor**

and

**SCHOOL BOARD OF DUVAL COUNTY, FLORIDA,
as Lessee**

Dated as of December 1, 2007

Relating to

Certificates of Participation

**(School Board of Duval County, Florida Master Lease Program),
Series 2007**

**Evidencing An Undivided Proportionate Interest of Owners
thereof in Basic Rent Payments to be made under a Master Lease-Purchase
Agreement by the School Board of Duval County, Florida**

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SERIES 2007 SUPPLEMENTAL TRUST AGREEMENT

THIS SERIES 2007 SUPPLEMENTAL TRUST AGREEMENT, dated as of December 1, 2007 (the "Series 2007 Supplemental Trust Agreement"), supplementing the Master Trust Agreement, dated as of October 1, 2000, as amended and supplemented (the "Trust Agreement"), by and among **THE BANK OF NEW YORK TRUST COMPANY, N.A.**, a national banking association with corporate trust powers qualified to accept trusts of the type set forth in the Trust Agreement (the "Trustee"), the **DUVAL SCHOOL BOARD LEASING CORPORATION**, a not-for-profit educational corporation duly organized and existing under the laws of the State of Florida (the "Corporation"), and the **SCHOOL BOARD OF DUVAL COUNTY, FLORIDA**, acting as the governing body of the School District of Duval County, Florida (the "Board").

WITNESSETH:

WHEREAS, the Board has heretofore deemed it in its best interests to lease-purchase certain real and/or personal property from time to time and has heretofore entered into a Master Lease-Purchase Agreement, dated as of October 1, 2000, as amended and supplemented (the "Lease Agreement"), between the Corporation, as lessor, and the Board, as lessee; and

WHEREAS, pursuant to the Lease Agreement, the Board may from time to time, by execution of a Lease Schedule to the Lease Agreement (a "Lease Schedule"), direct the Corporation to acquire, construct and lease-purchase to the Board the items of property described in such Lease Schedule (which items of property are collectively referred to herein as the "Projects"); and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing each Project will be made by the issuance and sale from time to time of a 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 the right of the Corporation to receive Basic Rent Payments (as defined in the Trust Agreement) to be made by the Board pursuant to the Lease Agreement and related Lease Schedule; and

WHEREAS, the Trustee has agreed to deliver a Series of Certificates pursuant to and upon receipt of a Request and Authorization (as defined in the Trust Agreement) from the Corporation and the Board and the terms of this Series 2007 Supplemental Trust Agreement; and

WHEREAS, the Corporation has assigned by absolute outright assignment to the Trustee all of its right, title and interest in and to the Lease Agreement and the Lease Payments (as defined in the Trust Agreement), other than its rights of indemnification, its obligations pursuant to Section 6.03 of the Lease Agreement and its right to enter into

Lease Schedules from time to time, pursuant to the Assignment of Lease Agreement, dated as of October 1, 2000, as amended and supplemented (the "Assignment of Lease Agreement"), between the Corporation and the Trustee; and

WHEREAS, the Board has heretofore caused the Trustee to execute, authenticate and deliver, under the Trust Agreement, \$53,000,000 aggregate principal amount of Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2000 (the "Series 2000 Certificates"), \$5,667,000 aggregate principal amount of Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2003-QZAB (the "Series 2003-QZAB Certificates"), \$35,355,000 aggregate principal amount of Refunding Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2005 (the "Series 2005 Certificates"), \$38,290,000 aggregate principal amount of Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2005A (the "Series 2005A Certificates") and \$1,015,000 Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2005-QZAB (the "Series 2005-QZAB Certificates"), each Evidencing An Undivided Proportionate Interest of Owners thereof in certain Basic Rent Payments to be Made under a Master Lease-Purchase Agreement by the School Board of Duval County, Florida, which Series 2000 Certificates, Series 2003-QZAB, Series 2005 Certificates, Series 2005A Certificates and Series 2005-QZAB Certificates are currently outstanding in the aggregate amount of \$40,210,000, \$5,667,000, \$35,355,000, \$37,735,000 and \$1,015,000, respectively; and

WHEREAS, the proceeds of the Series 2000 Certificates were principally used to finance the costs of acquisition, construction and installation of various educational facilities (the "Series 2000 Project") as more particularly described in Lease Schedule No. 2000, dated as of October 1, 2000, as amended and supplemented; and

WHEREAS, the proceeds of the Series 2003-QZAB Certificates were principally used to finance the costs of acquisition, construction, installation and equipping of certain capital projects constituting educational facilities and Qualified Zone Academies (the "Series 2003-QZAB Project"), as more particularly described in Lease Schedule No. 2003-QZAB, dated December 23, 2003; and

WHEREAS, the proceeds of the Series 2005 Certificates were principally used to fund a deposit to an escrow deposit fund established pursuant to the terms of the Trust Agreement and an Escrow Deposit Agreement in order to (i) pay interest on the Series 2005 Bonds through and including July 1, 2009 and (ii) prepay that portion of the outstanding Series 2000 Certificates maturing on July 1 in the years 2010 through 2020, inclusive, as more particularly described in First Amended and Restated Lease Schedule No. 2000, dated as of January 1, 2005, as amended and supplemented; and

WHEREAS, the proceeds of the Series 2005A Certificates were principally used to finance the costs of acquisition, construction and installation of various educational

facilities (the "Series 2005A Project") as more particularly described in Lease Schedule No. 2005, dated as of March 1, 2005, as amended and supplemented; and

WHEREAS, the proceeds of the Series 2005-QZAB Certificates were principally used to finance the costs of acquisition, construction, installation and equipping of certain capital projects constituting educational facilities and Qualified Zone Academies (the "Series 2005-QZAB Project"), as more particularly described in Lease Schedule No. 2005-QZAB, dated October 20, 2005; and

WHEREAS, each Series of Certificates shall be secured independently from each other Series of Certificates; and

WHEREAS, the Board and the Corporation shall enter into Lease Schedule No. 2007, dated as of the date hereof, for the lease-purchase of various educational facilities more particularly described in said Lease Schedule No. 2007; and

WHEREAS, the Trustee has received a Request and Authorization from the Corporation and the Board relating to the issuance of \$145,575,000 aggregate principal amount of "Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2007 Evidencing an Undivided Proportionate Interest of the Owners thereof in Basic Rent Payments to be made under a Master Lease-Purchase Agreement by the School Board of Duval County, Florida" (the Series 2007 Certificates"); and

WHEREAS, the Series 2007 Certificates shall be secured in the manner provided in the Trust Agreement and shall have the terms and provisions contained in this Series 2007 Supplemental Trust Agreement; and

WHEREAS, all things necessary to make the Series 2007 Certificates, when authenticated 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 2007 Supplemental Trust Agreement, and the creation, execution and issuance of the Series 2007 Certificates subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS SERIES 2007 SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:

"Series 2007 Pledged Accounts" means the Series 2007 Subaccount of the Project Account, the Series 2007 Subaccount of the Costs of Issuance Account, the Series 2007 Subaccount of the Principal Account, the Series 2007 Subaccount of the Interest Account and the Series 2007 Account of the Prepayment Fund.

"Series 2007 Project" means the property and improvements described as the "Series 2007 Project" in Lease Schedule No. 2007, as the same may be amended or modified from time to time.

"Series 2007 Subaccount of the Costs of Issuance Account" means the subaccount established in the Costs of Issuance Account pursuant to Section 6.02 and 6.04 of the Trust Agreement and Section 401 hereof.

"Series 2007 Subaccount of the Interest Account" means the subaccount established in the Interest Account pursuant to Section 6.02 and 6.06 of the Trust Agreement and Section 401 hereof.

"Series 2007 Subaccount of the Principal Account" means the subaccount established in the principal account pursuant to Section 6.02 and 6.06 of the Trust Agreement and Section 4.01 hereof.

"Series 2007 Subaccount of the Project Account" means the subaccount established in the Project Account pursuant to Section 6.02 and 6.03 of the Trust Agreement and Section 401 hereof.

"Series 2007 Supplemental Trust Agreement" means this instrument, as amended and supplemented.

"Trustee" means The Bank of New York Trust Company, N.A. and any successor thereto.

**ARTICLE I
DEFINITIONS**

SECTION 101. DEFINITIONS. Words and terms which are defined in the Trust Agreement, shall have the same meanings ascribed to them when used herein, unless the context or use indicates a different meaning or intent. In addition to the words and terms elsewhere defined in this Series 2007 Supplemental Trust Agreement, the following words and terms as used in this Series 2007 Supplemental Trust Agreement shall have the following meanings unless the context or use indicates another or different meaning or intent:

"Available Revenues" means the moneys and revenues of the Board legally available under the Act to make the Lease Payments.

"Financial Security" means Financial Security Assurance Inc., a New York Stock Exchange insurance company and the issuer of the Municipal Bond Insurance Policy.

"Insurer" or "Credit Enhancer" means, with respect to the Series 2007 Certificates, Financial Security, or any successor thereto.

"Lease Schedule No. 2007" means Lease Schedule No. 2007 relating to the Series 2007 Project dated as of December 1, 2007 which shall be part of the Lease Agreement.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by Financial Security guaranteeing the scheduled payment when due of the principal and interest in respect of the Series 2007 Certificates as provided therein.

"Related Documents" means the Trust Agreement, the Lease Agreement, the Ground Lease, the Assignment of Lease Agreement and the Assignment of Ground Lease as supplemented and amended.

"Reserve Requirement" means, with respect to the Series 2007 Certificates, zero dollars (\$0.00).

"Series 2007 Account of the Prepayment Fund" means the account established in the Prepayment Fund established pursuant to Section 6.02 of the Trust Agreement and Section 401 hereof.

"Series 2007 Certificates" means the \$145,575,000 aggregate principal amount of Certificates of Participation authorized to be issued under Section 4.01 of the Trust Agreement and Section 201 hereof.

**ARTICLE II
THE SERIES 2007 CERTIFICATES**

SECTION 201. AUTHORIZATION OF SERIES 2007 CERTIFICATES.

(a) There is hereby created a Series of Certificates to be issued under the Trust Agreement to be known as "Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2007 Evidencing an Undivided Proportionate Interest of Owners thereof in Basic Rent Payments to be made under a Master Lease-Purchase Agreement by the School Board of Duval County, Florida." The aggregate principal amount of Series 2007 Certificates which may be issued is hereby expressly limited to \$145,575,000; provided, however, Completion Certificates may be issued in the manner provided in Section 4.12 of the Trust Agreement. The Series 2007 Certificates shall be issued for the purposes of (a) financing the acquisition, construction and installation of the Series 2007 Project, and (b) paying Costs of Issuance of the Series 2007 Certificates. The Series 2007 Certificates shall bear interest from their dated date and shall be issuable as fully registered Certificates without coupons in denominations of \$5,000 and integral multiples thereof. The Series 2007 Certificates shall be lettered and numbered R-1 and upward.

(b) Except as otherwise provided in the Trust Agreement, each Series 2007 Certificate shall be dated as of their date of delivery. Interest on the Series 2007 Certificates shall be payable on each Payment Date, commencing July 1, 2008. The Series 2007 Certificates shall be payable in the manner provided in the Trust Agreement.

(c) The Series 2007 Certificates shall bear interest at the respective rates and shall mature on July 1 of each of the years in the respective principal amounts set opposite each year in the following schedule:

| Maturity (July 1) | Principal Amount | Interest Rate |
|----------------------|---------------------|------------------|
| 2009 | \$1,840,000 | 4.000% |
| 2010 | 1,915,000 | 4.000 |
| 2011 | 1,985,000 | 4.000 |
| 2012 | 2,065,000 | 4.000 |
| 2013 | 1,095,000 | 3.500 |
| 2013 | 1,050,000 | 4.000 |
| 2014 | 2,230,000 | 4.000 |
| 2015 | 2,315,000 | 5.000 |
| 2016 | 2,435,000 | 5.000 |
| 2017 | 2,560,000 | 5.000 |
| 2018 | 2,685,000 | 4.000 |
| 2019 | 2,500,000 | 4.000 |
| 2020 | 2,890,000 | 4.000 |

| | | |
|------|------------|-------|
| 2021 | 3,005,000 | 5,000 |
| 2022 | 3,210,000 | 5,000 |
| 2023 | 3,170,000 | 4,375 |
| 2023 | 200,000 | 5,000 |
| 2024 | 3,515,000 | 4,500 |
| 2025 | 3,675,000 | 4,500 |
| 2026 | 10,600,000 | 5,000 |
| 2027 | 11,130,000 | 5,000 |
| 2033 | 79,505,000 | 5,000 |

(d) The Series 2007 Certificates maturing on July 1 in the years 2009 through 2027, inclusive shall be Serial Certificates. The Series 2007 Certificates maturing on July 1, 2033 shall be Term Certificates. The Series 2007 Certificates shall be substantially in the form set forth in Exhibit B to the Trust Agreement.

SECTION 202. ISSUANCE OF SERIES 2007 CERTIFICATES. The Series 2007 Certificates shall be issued upon delivery to the Trustee of the documents referred to in Section 4.02(a) of the Trust Agreement and the payment of the purchase price therefor.

SECTION 203. THE SERIES 2007 PROJECT. The Series 2007 Project shall be acquired, constructed and installed as provided in the Trust Agreement, the Lease Agreement and Lease Schedule No. 2007.

SECTION 204. LETTER OF INSTRUCTIONS. Attached hereto as Schedule 1 is the Letter of Instructions relating to the Series 2007 Certificates as required by Section 6.12 of the Trust Agreement. The Trustee, the Corporation and the Board agree to abide by the provisions of such Letter of Instructions in accordance with and to the extent of the terms of the Trust Agreement.

SECTION 205. SECTION 5.08(C) AND (D) OF LEASE AGREEMENT NOT APPLICABLE. Notwithstanding the provisions set forth in Sections 5.08(c) and (d) of Lease Agreement, the Board may elect not to repair, restore or replace the Series 2007 Project or any portion thereof which has been destroyed, damaged or lost or condemned, with the Net Proceeds of any insurance or condemnation award, by filing a certificate with the Trustee and the Credit Enhancer for the Series 2007 Certificates stating that (i) the Board has made such an election and (ii) it is not in the best interests of the Board to repair, restore or replace such Series 2007 Project or portion thereof. Upon such an election, the Board shall apply the Net Proceeds of such insurance or condemnation award to the acquisition, construction and installation of other Land, and/or Buildings to be used for educational purposes that will be subject to the Series 2007 Lease; provided that if the Credit Enhancer consents thereto such proceeds may be used for Equipment, the Costs of the other components of the Series 2007 Project or in connection with Facilities to be used for other than instructional, educational purposes.

The provisions of Section 5.08(d) of the Lease Agreement shall not apply to the Series 2007 Project.

SECTION 206. BOOK-ENTRY. Notwithstanding the provisions set forth in Section 201 hereof or Section 4.06 of the Trust Agreement, the Series 2007 Certificates shall be initially issued in the form of a separate single certificated fully registered Series 2007 Certificate for each of the maturities of the Series 2007 Certificates. Upon initial issuance, the ownership of each such Series 2007 Certificate shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Except as provided in this Section, all of the Series 2007 Certificates shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC. As long as the Series 2007 Certificates shall be registered in the name of Cede & Co., all payments of interest on the Series 2007 Certificates shall be made by the Trustee by check or draft or by wire transfer to Cede & Co., as Holder of the Series 2007 Certificates.

With respect to Series 2007 Certificates registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the Board, the Foundation and the Trustee shall have no responsibility or obligation to any participant in the DTC book-entry program or to any indirect participant (collectively, a "Participant"). Without limiting the immediately preceding sentence, the Board, the Foundation and the Trustee shall have no responsibility or obligation with respect to (A) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest on the Series 2007 Certificates, (B) the delivery to any Participant or any other Person other than a Certificateholder, as shown in the registration books kept by the Trustee, of any notice with respect to the Series 2007 Certificates, including any notice of redemption, or (C) the payment to any Participant or any other Person, other than a Certificateholder, as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest on the Series 2007 Certificates. The Board, the Foundation and the Trustee may treat and consider the Person in whose name each Series 2007 Certificate is registered in the registration books kept by the Trustee as the Holder and absolute owner of such Series 2007 Certificate for the purpose of payment of principal of, premium, if any, and interest with respect to such Series 2007 Certificate, for providing notices with respect to such Series 2007 Certificate, for the purpose of registering transfers with respect to such Series 2007 Certificate, for the purpose of providing notices of prepayment, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Series 2007 Certificates only to or upon the order of the respective holders, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Board's obligations with respect to payment of principal of, premium, if any, and interest on the Series 2007 Certificates to the extent of the sum or sums so paid. No Person other than a holder, as shown in the registration books kept by the Trustee, shall receive a

certificated Series 2007 Certificate evidencing the obligation of the Board to make payments of principal of, premium, if any, and interest pursuant to the provisions hereof. Upon delivery by DTC to the Board of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Trust Agreement with respect to transfers during certain time periods, the words "Cede & Co." herein shall refer to such new nominee of DTC; and upon receipt of such notice, the Board shall promptly deliver a copy of the same to the Trustee.

Upon (A) receipt by the Board of written notice from DTC (i) to the effect that a continuation of the requirement that all of the outstanding Series 2007 Certificates be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Series 2007 Certificates or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, or (B) determination by the Board, in its sole discretion, that such book-entry only system is burdensome to the Board and upon compliance with applicable DTC policies and procedures, the Series 2007 Certificates shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names holders shall designate, in accordance with the provisions hereof. In such event, the Board shall issue and the Trustee shall authenticate, transfer and exchange Series 2007 Certificates of like principal amount and maturity, in denominations of \$5,000 or any integral multiple thereof to the holders thereof in accordance with the provisions of the Trust Agreement. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the Blanket Issuer Letter of Representations to be executed by the Board and delivered to DTC shall apply to the payment of principal of and interest on the Series 2007 Certificates.

**ARTICLE III
APPLICATION OF SERIES 2007 CERTIFICATE PROCEEDS**

SECTION 301. APPLICATION OF SERIES 2007 CERTIFICATE PROCEEDS. The proceeds of the Series 2007 Certificates (not including any underwriting discount) shall be applied by the Trustee as follows:

- (1) Deposit to the credit of the Series 2007 Subaccount of the Costs of Issuance Account an amount equal to the Costs of Issuance of the Series 2007 Certificates (\$832,981.30) (\$586,005.54 of which shall be wired directly to Financial Security by the Underwriters upon delivery in order to pay the Municipal Bond Insurance Policy premium);
- (2) Deposit to the credit of the Series 2007 Subaccount of the Project Account of the Project Fund the balance of the proceeds from the sale of the Series 2007 Certificates (\$146,725,000.00).

All moneys on deposit in the Subaccounts described in this Section shall be applied in accordance with Section 401 hereof and shall be disbursed by the Trustee in the manner and for the purposes described in the Trust Agreement.

**ARTICLE IV
ESTABLISHMENT OF SERIES 2007 PLEDGED ACCOUNTS**

SECTION 401. ESTABLISHMENT OF SERIES 2007 PLEDGED ACCOUNTS. In accordance with Section 6.02(b) of the Trust Agreement, there is hereby established with the Trustee, solely for the benefit of the Owners of the Series 2007 Certificates, the following accounts and subaccounts:

- (a) The "School Board of Duval County, Florida Master Lease Series 2007 Subaccount of the Project Account."
- (b) The "School Board of Duval County, Florida Master Lease Series 2007 Subaccount of the Costs of Issuance Account."
- (c) The "School Board of Duval County, Florida Master Lease Series 2007 Subaccount of the Interest Account."
- (d) The "School Board of Duval County, Florida Master Lease Series 2007 Subaccount of the Principal Account."
- (e) The "School Board of Duval County, Florida Master Lease Series 2007 Account of the Prepayment Fund."

The moneys on deposit in the Accounts and Subaccounts described in this Section shall be disbursed by the Trustee in the manner and for the purposes described in the Trust Agreement. The moneys in the Series 2007 Pledged Accounts shall be invested solely in Permitted Investments.

SECTION 402. SECURITY FOR SERIES 2007 CERTIFICATES. The Series 2007 Certificates shall be secured in the manner provided in the Trust Agreement and shall receive all the benefits of the Trust Estate created thereunder; provided, such portion of the Trust Estate which is derived from the sale, re-letting or other disposition of the Series 2007 Project and any cash, securities and investments in the Series 2007 Pledged Accounts shall be utilized solely for the benefit of the Owners of the Series 2007 Certificates. The Owners of the Series 2007 Certificates shall have no claim against, nor receive any benefits from, any portion of the Trust Estate derived from the sale, re-letting or other disposition of Projects, other than the Series 2007 Project, or any cash, securities and investments in the Pledged Accounts, other than the Series 2007 Pledged Accounts.

SECTION 403. CREDIT ENHANCEMENT. The Series 2007 Certificates shall be further secured by the Municipal Bond Insurance Policy issued by Financial Security, which shall be the Credit Enhancer and Insurer for the Series 2007 Certificates. Financial Security shall have all the rights provided for such Credit Enhancer under the terms of the Trust Agreement and under the terms hereof and the Related Documents.

**ARTICLE VI
PROVISIONS RELATING TO SERIES 2007 CERTIFICATES**

SECTION 601. PROVISIONS REGARDING MUNICIPAL BOND INSURANCE POLICY; ADDITIONAL OBLIGATIONS OF THE BOARD. The following provisions relating to the Series 2007 Certificates shall apply so long as the Municipal Bond Insurance Policy is in full force and effect:

- (a) Financial Security shall be deemed to be the sole holder of the Series 2007 Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Series 2007 Certificates are entitled to take pursuant to Article VIII (pertaining to defaults and remedies) and Article IX (pertaining to the Trustee) of the Trust Agreement.
- (b) Upon the occurrence of an optional or mandatory prepayment in part, the selection of the Series 2007 Certificates to be prepaid shall be subject to the approval of Financial Security. The exercise of any provision of the Trust Agreement which permits the purchase of the Series 2007 Certificates in lieu of prepayment shall require the approval of Financial Security if any Series 2007 Certificate so purchased is not canceled upon purchase.
- (c) Any amendment, supplement, modification to, or waiver of, the Trust Agreement, the Supplemental Trust, the Lease Agreement, the Assignment Agreement or the Ground Lease (each a "Related Document"), that requires the consent of the Owners of the Series 2007 Certificates or adversely affects the rights and interests of Financial Security shall be subject to the prior written consent of Financial Security.
- (d) Unless Financial Security otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Series 2007 Subaccount of the Project Account shall not be disbursed, but shall instead be applied to the payment of debt service or prepayment price of the Series 2007 Certificates.
- (e) The rights granted under the Related Documents to Series 2007 Certificates Owners and any Credit Enhancer to request, consent to or direct any action are rights granted to Financial Security in consideration of its issuance of the Municipal Bond Insurance Policy. Any exercise by Financial Security of such rights is merely an exercise of Financial Security's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf of, the Series 2007 Certificate Owners nor does such action evidence any position of Financial Security, affirmative or negative, as to whether Series 2007 Certificate Owner consent or any other person is required in addition to consent of Financial Security.

**ARTICLE V
PREPAYMENT OF SERIES 2007 CERTIFICATES**

SECTION 501. PREPAYMENT DATES AND PRICES OF SERIES 2007 CERTIFICATES. (a) The Series 2007 Certificates are subject to prepayment only as provided in this Section. The Series 2007 Certificates are not subject to extraordinary prepayment prior to maturity.

(b) The Series 2007 Certificates maturing on or before July 1, 2017 shall not be subject to prepayment at the option of the Board. The Series 2007 Certificates maturing on or after July 1, 2018 may be prepaid from prepayments of Basic Rent made by the Board pursuant to the Lease Agreement, in whole or in part on July 1, 2017 or any date thereafter, and if in part, in such order of maturities as may be designated by the Board, or if not so designated, in the inverse order of maturities, and by lot within a maturity in such manner as may be designated by the Trustee, at the Prepayment Price equal to 100% of the principal amount of the Series 2007 Certificates or portion thereof to be prepaid, plus accrued and unpaid interest thereon to the optional prepayment date.

Notwithstanding any provisions of Section 4.06 of the Lease Agreement, any optional prepayments relating to a Group within the Series 2007 Project shall not result in a termination or release of the Lessor's leasehold estate in such Group pursuant to Section 4.07 of the Lease Agreement unless the Board has delivered to the Trustee the prior written consent of Financial Security which consent shall not be unreasonably withheld.

(c) The Series 2007 Certificates maturing on July 1, 2033 are subject to mandatory prepayment prior to maturity in part, from payments of the principal portion of Basic Rent Payments on each July 1 in the years and in the amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date:

| July 1 of the Year | Principal Amount |
|--------------------|------------------|
| 2028 | \$11,690,000 |
| 2029 | 12,275,000 |
| 2030 | 12,885,000 |
| 2031 | 13,530,000 |
| 2032 | 14,205,000 |
| 2033* | 14,920,000 |

*Final Maturity

(d) The Series 2007 Certificates shall be called for prepayment upon the notice and in the manner provided in Article V of the Trust Agreement.

(f) For purposes of Section 12.01 of the Trust Agreement, "Refunding Securities," as it relates to defeasance of the Series 2007 Certificates, shall mean (i) direct non-callable obligations of the United States ("Treasury's"), (ii) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (iii) subject to the prior written consent of Financial Security, pre-refunded municipal obligations rated "AAA" and "Aaa" by Standard & Poor's Ratings Group and Moody's Investors Service, respectively or (iv) subject to the prior written consent of Financial Security, securities eligible for "AAA" defeasance under the then existing criteria of S&P or any combination thereof shall be authorized to be used to effect defeasance of the Series 2007 Certificates, unless Financial Security otherwise approves. To accomplish defeasance, the Board shall cause to be delivered (A) a report of an independent firm of nationally recognized certified public accountants or such other account as shall be acceptable to Financial Security ("Accountant") verifying the sufficiency of the escrow established to pay the Series 2007 Certificates in full on the maturity or prepayment date, (B) an escrow agreement (which shall be acceptable in form and substance to Financial Security), (C) an opinion of nationally recognized bond counsel to the effect that the Series 2007 Certificates are no longer "Outstanding" under the Trust Agreement and (iv) a certificate of discharge of the Trustee with respect to the Series 2007 Certificates; each verification and defeasance opinion shall be acceptable in form and addressed to the Board, the Trustee and Financial Security. Financial Security shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow. Series 2007 Certificates shall be deemed "Outstanding" under the Trust Agreement unless and until they are paid and retired or the above criteria are met.

(g) Amounts paid by Financial Security under the Municipal Bond Insurance Policy shall not be deemed paid for purposes of the Trust Agreement and the Series 2007 Certificates to which such amounts relate shall remain Outstanding and continue to be due and owing until paid by the Board in accordance with the Trust Agreement. The Trust Agreement shall not be discharged unless all amounts due or to become due to Financial Security have been paid in full. Notwithstanding the foregoing, the Board shall not be obligated to pay any such amounts subsequent to an Event of Nonappropriation.

(h) Each of the Board and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as necessary from time to time to preserve the priority of the pledge of the Trust Estate under applicable law.

(i) Financial Security shall be provided by the Trustee or the Board, as the case may be, with the following information:

(i) Notice of any default known to the Trustee or the Board within five Business Days after knowledge thereof;

(ii) Notice of the advance refunding or prepayment, other than mandatory sinking fund prepayment, of any of the Series 2007 Certificates, including the principal amount, maturities and CUSIP numbers thereof;

(iii) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;

(iv) Notice of the commencement of any proceeding by or against the Board commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(v) 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 Series 2007 Certificates;

(vi) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents; and

(vi) All reports, notices and correspondence to be delivered to Owners of the Series 2007 Certificates under the terms of the Related Documents.

(j) Claims Upon the Municipal Bond Insurance Policy:

(i) If, on the third Business Day prior to the related Payment Date there is not on deposit with the Trustee, after making all transfers and deposits required under the Trust Agreement, the Series 2007 Supplemental Trust Agreement and the Lease Agreement, moneys sufficient to pay the principal of and interest in respect of the Series 2007 Certificates due on such Payment Date, the Trustee shall give notice to Financial Security and to its designated agent (if any) (the "Insurer'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 principal of and interest in respect of the Series 2007 Certificates due on such Payment Date, the Trustee shall make a claim under the Municipal Bond Insurance Policy and give notice to Financial Security and the Insurer'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 interest in respect of the Series 2007 Certificates and the amount required to pay principal of the Series 2007 Certificates, confirmed in writing to Financial Security and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second

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Security under the Related Documents shall survive discharge or termination of such Related Documents.

(v) Financial Security shall be entitled to pay principal or interest on the Series 2007 Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy) and any amounts due on the Series 2007 Certificates as a result of acceleration of the maturity thereof in accordance with the Trust Agreement, whether or not Financial Security has received a Notice of Nonpayment (as such terms are defined in the Municipal Bond Insurance Policy) or a claim upon the Municipal Bond Insurance Policy.

(vi) The Trustee shall keep a complete and accurate record of all funds deposited by Financial Security into the Policy Payments Account and the allocation of such funds to payment of interest on and principal paid in respect of any Series 2007 Certificate. Financial Security shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Trustee.

(k) The Board agrees to pay to Financial Security, but solely from Available Revenues in accordance with the provisions of the Trust Agreement and the Lease Agreement, all amounts as are paid under the Municipal Bond Insurance Policy ("Insurer Advances") and to the extent permitted by law, interest on such Insurer Advances from the date paid by Financial Security until payment thereof in full at the Late Payment Rate. "Late Payment Rate" shall mean a per annum rate equal to the lower of (i) the greater of (a) three percent above the interest rate that JPMorgan Chase Bank, N.A. in New York City ("JP Morgan") publicly announces from time to time as its prime lending rate ("Prime Rate"), such interest rate to change on the effective date of each change in the announced Prime Rate and (b) the then highest rate of interest on the Series 2007 Certificates and (ii) the maximum interest rate permitted to be paid by the Board under applicable law; provided that with respect to payments paid to and received by Financial Security pursuant to its subrogation rights under the Trust Agreement the amount of the Series 2007 Certificates interest rate shall be subtracted from the Late Payment Rate. The Late Payment Rate shall be computed on the actual number of days elapsed over a year of 360 days. In the event JP Morgan ceases to announce its Prime Rate, the Prime Rate shall be the prime rate of such national bank as Financial Security shall designate.

(l) The Board, to the extent permitted by law, but solely from Available Revenues in accordance with the provisions of the Trust Agreement and the Lease Agreement, hereby agrees to pay or reimburse Financial Security any and all charges, fees, costs and expenses which Financial Security may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in respect of the Related Documents, (ii) the pursuit of any remedies under the Trust Agreement or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to, or related to, the Trust

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Business Day by filing in the form of Notice of Claim and Certificate delivered with the Municipal Bond Insurance Policy.

(ii) The Trustee shall designate any portion of payment of principal on Series 2007 Certificates paid by Financial Security, whether by virtue of mandatory sinking fund prepayment, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2007 Certificates registered to the then current Series 2007 Certificate Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Series 2007 Certificate to Financial Security, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Series 2007 Certificate shall have no effect on the amount of principal or interest payable by the Board on any Series 2007 Certificate or the subrogation rights of Financial Security.

(iii) At the time of the execution and delivery of the Series 2007 Supplemental Trust Agreement, and for all purposes of the Trust Agreement, the Trustee shall establish a separate special purpose trust account for the benefit of Owners of the Series 2007 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 Municipal Bond Insurance Policy in trust on behalf of the Series 2007 Certificate Owners and shall deposit any amount paid under the Municipal Bond Insurance Policy in 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 Owners in the same manner as principal and interest payments are to be made with respect to the Series 2007 Certificates under the sections hereof regarding payment of Series 2007 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 debt service with other funds available to make such payments. However, the amount of any payment of principal or of interest in respect of the Series 2007 Certificates to be paid from the Policy Payments Account shall be noted as provided in (v) below. 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 Payment Date shall promptly be remitted to Financial Security.

(iv) Financial Security shall, to the extent it makes any payment of principal of or interest on the Series 2007 Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy. Each obligation of the Board to Financial

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Agreement or any other Related Documents whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Trust Agreement or any other Related Documents or the transaction contemplated thereby, other than costs resulting from the failure of Financial Security to honor its obligations under the Municipal Bond Insurance Policy. Financial Security reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of any of the Related Documents.

(m) After payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to the payment of expenses of the Board or rebate only after payment of past due and current debt service on the Series 2007 Certificates;

(n) In determining whether any amendment, consent, waiver, or other action to be taken, or any failure to take action, under the Trust Agreement would adversely affect the security for the Series 2007 Certificates or the rights of the Owners of Series 2007 Certificates, the Trustee shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Municipal Bond Insurance Policy.

(o) No contract shall be entered into or any action taken by which the rights of Financial Security or security or sources of payment of the Series 2007 Certificates may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of Financial Security.

(p) Any notices sent to Financial Security shall, until otherwise notified in writing by Financial Security, be sent to the following address:

Financial Security Assurance Inc.
31 West 52nd Street
New York, New York 10019
Attention: Managing Director - Surveillance
Re: Policy No. _____
Telephone: (212) 826-0100
Telecopier: (212) 339-3556

In each case in which notice or other communication refers to an Event of Default or Event of Non-Appropriation, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(q) At the time of issuance of any Additional Certificates, no Event of Default shall have occurred and be continuing unless such default shall be cured as a result of the issuance of such Additional Certificates.

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(r) Anything to the contrary notwithstanding, the Board shall have no further obligation to appropriate funds for any obligations arising under the Trust Agreement or the Lease Agreement, upon and following the termination of the Lease Agreement as a result of an Event of Non-Appropriation.

**ARTICLE VII
MISCELLANEOUS**

SECTION 701. PROVISIONS OF TRUST AGREEMENT NOT OTHERWISE MODIFIED. Except as expressly modified or amended hereby, the Trust Agreement shall remain in full force and effect. To the extent of any conflict between the terms of the Trust Agreement and this Series 2007 Supplemental Trust Agreement, the terms hereof shall control.

SECTION 702. THIRD PARTY BENEFICIARIES. Nothing in this Series 2007 Supplemental Trust Agreement, express or implied, is to or shall be construed to confer upon or to give to any person or party other than the Corporation, and its assignee, the Trustee, the Credit Enhancer and the Board any rights, remedies or claims under or by reason of this Series 2007 Supplemental Trust Agreement or any covenants, condition or stipulation hereof; and all covenants, stipulations, promises and agreements in this Series 2007 Supplemental Trust Agreement contained by or on behalf of the Corporation or the Board shall be for the sole and exclusive benefit of the Corporation, and its assignee, the Trustee, the Credit Enhancer and the Board. Financial Security shall be deemed a third party beneficiary of this Series 2007 Supplemental Trust Agreement.

SECTION 703. COUNTERPARTS. This Series 2007 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 704. 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 2007 Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 705. LAWS. This Series 2007 Supplemental Trust Agreement shall be construed and governed in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties have executed this Series 2007 Supplemental Trust Agreement by their officers thereunto duly authorized as of the date and year first written above.

SCHEDULE 1

LETTER OF INSTRUCTIONS

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

(SEAL)

By: _____
Vice President

DUVAL SCHOOL BOARD LEASING CORPORATION, as Lessor

(SEAL)

By: _____
President

ATTEST:

By: _____
Secretary

SCHOOL BOARD OF DUVAL COUNTY, FLORIDA, as Lessee

(SEAL)

By: _____
Chairman

ATTEST:

By: _____
Superintendent/Secretary

School Board of Duval County, Florida
Jacksonville, Florida

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

Duval School Board Leasing Corporation
Jacksonville, Florida

Re: \$145,575,000 Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2007 Evidencing An Undivided Proportionate Interest of Owners thereof in Basic Rent Payments to be made under a Master Lease-Purchase Agreement by the School Board of Duval County, Florida

Ladies and Gentlemen:

This letter of instructions is intended to set forth certain duties and requirements regarding the payment of rebatable arbitrage to the United States Treasury in compliance with Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code") to the extent necessary to preserve the tax-exempt treatment of interest on the above-referenced Certificates of Participation (the "Series 2007 Certificates"). The instructions contained in this letter are based upon said Section 148(f) of the Code and, by analogy, to the Regulations. However, it is not intended to be exhaustive.

The Series 2007 Certificates have been issued pursuant to a Master Trust Agreement, dated as of October 1, 2000, as amended and supplemented, including, in particular, by the Series 2007 Supplemental Trust Agreement, dated as of December 1, 2007 (collectively, the "Trust Agreement"), among The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), the Duval School Board Leasing Corporation, a Florida not-for-profit corporation, as lessor (the "Corporation"), and the School Board of Duval County, Florida, a school board of the State of Florida, as lessee (the "Board"). The Series 2007 Certificates represent undivided proportionate interests of the Owners of

the Series 2007 Certificates in the Basic Rent Payments to be made under a Master Lease-Purchase Agreement, dated as of October 1, 2000, as amended and supplemented, in particular as amended and supplemented by Lease Schedule No. 2007, dated as of December 1, 2007 (collectively, the "Lease Agreement"), between the Corporation and the Board. Pursuant to an Assignment of Lease Agreement, dated as of October 1, 2000, between the Corporation and the Trustee, the Corporation has assigned all of its rights, title and interest in and to the Lease Agreement (other than certain rights and obligations specifically excepted therein), including, without limitation, the right to receive the Basic Rent Payments, when due, to the Trustee for the benefit of the Owners of the Series 2007 Certificates.

Since the requirements of said Section 148(f) are subject to amplification and clarification, it may be necessary to supplement or modify the instructions contained in this letter from time to time to reflect any additional or different requirements of said Section and the Regulations or to specify that actions set forth in this letter are no longer required or that some further or different action is required to maintain or assure the exemption from federal income tax of the interest on the Series 2007 Certificates.

For purposes of this letter, any instructions relating to a fund, account or subaccount established under the Trust Agreement shall be deemed to apply only to that portion of such fund, account or subaccount allocable to the Series 2007 Certificates.

1. Tax Covenants. Pursuant to the Trust Agreement, the Corporation and the Board have made certain covenants designed to assure that the Interest Component of the Basic Rent Payments is and shall remain excludable from gross income for purposes of federal income taxation. In order to preserve this exemption neither the Corporation nor the Board should, directly or indirectly, use or permit the use of any proceeds of the Series 2007 Certificates or the Lease Payments or any other funds or take or omit to take any action that would cause the Series 2007 Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code or that would cause the Interest Component of the Basic Rent Payments to be subject to be included in gross income for federal income tax purposes under the provisions of the Code. The Board must comply with all other requirements as shall be determined by Special Counsel to be necessary or appropriate to assure that the Interest Component of the Basic Rent Payments will be excludable from gross income for purposes of federal income taxation. To that end, the Corporation and the Board shall comply with all requirements of Section 148 of the Code to the extent applicable to the Series 2007 Certificates.

2. Definitions. Capitalized terms used in this letter, but not otherwise defined herein, shall have the same meanings set forth in Exhibit A to the Trust Agreement and in the Board's Certificate as to Arbitrage and Certain Other Tax Matters relating to the Series 2007 Certificates.

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"Investment Property" means any security, obligation or other property held principally as a passive vehicle for the production of income, within the meaning of Section 1.148-1(b) of the Regulations.

"Issue Date" means January 9, 2007.

"Net Proceeds" means Sale Proceeds, less the portion of such Proceeds invested in a reasonably required reserve or replacement fund under the Code.

"Nonpurpose Investment" shall have the meaning ascribed to such term in Section 148 of the Code and shall include any Investment Property in which Gross Proceeds are invested which is not acquired to carry out the governmental purpose of the Series 2007 Certificates, e.g., obligations acquired with Gross Proceeds that are invested temporarily until needed for the governmental purpose of the Series 2007 Certificates, that are used to discharge a prior issue, or that are invested in a reasonably required reserve or replacement fund.

"Nonpurpose Payments" shall include the payments with respect to Nonpurpose Investments specified in Section 1.148-3(d)(1)(i)-(v) of the Regulations.

"Nonpurpose Receipts" shall include the receipts with respect to Nonpurpose Investments specified in Section 1.148-3(d)(2)(i)-(iii) of the Regulations.

"Pledged Moneys" means moneys that are reasonably expected to be used directly or indirectly to pay debt service on the Series 2007 Certificates (or to reimburse a municipal bond insurer) or as to which there is a reasonable assurance that such moneys or the earnings thereon will be available directly or indirectly to pay debt service on the Series 2007 Certificates (or to reimburse a municipal bond insurer) if the Board encounters financial difficulties.

"Pre-Issuance Accrued Interest" means amounts representing interest that has accrued on an obligation for a period of not greater than one year before its issue date but only if those amounts are paid within one year after the Issue Date.

"Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Certificates.

"Qualified Administrative Costs" means reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage and selling commissions that are comparable to those charged nongovernmental entities in transactions not involving tax-exempt bond proceeds, but not legal and accounting fees, recordkeeping, custody or similar costs. In addition, with respect to a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow, such costs will be considered reasonable if (1) the amount of the fee the Board treats as a Qualified Administrative Cost does not exceed the lesser of (a) \$33,000, or (b) the greater of (x)

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"Certificate Year" means any one-year period (or shorter period from the Issue Date) ending on the close of business on the day preceding the anniversary of the Issue Date; provided, however, that the Board may select any other day as the end of a Certificate Year if such selection is made prior to the earlier of the final maturity date of the Series 2007 Certificates or the fifth anniversary of the Issue Date.

"Computation Date" means (i) any date selected by the Board which is not more than 5 years later than the latter of (x) the date of issue or (y) the most recent Computation Date and (ii) the date all Series 2007 Certificates are finally paid or discharged; provided, however, that for purposes of paying any penalty due as a result of an election of the Board pursuant to Section 3(e) hereof, the Computation Date shall be the last day of each six-month period described in said Section 3(e).

"Code" means the Internal Revenue Code of 1986, as amended.

"Computation Date" means each date selected by the Board as a computation date pursuant to Section 1.148-3(e) of the Regulations and the Final Computation Date.

"Fair Market Value" means, when applied to a Nonpurpose Investment, the Fair Market Value of such Investment as determined in accordance with Section 4 hereof.

"Final Computation Date" means the date the Series 2007 Certificates are discharged.

"Gross Proceeds" means, with respect to the Series 2007 Certificates:

- (1) Amounts constituting Sale Proceeds of the Series 2007 Certificates.
- (2) Amounts constituting Investment Proceeds of the Series 2007 Certificates.
- (3) Amounts constituting Transferred Proceeds of the Series 2007 Certificates.
- (4) Other amounts constituting Replacement Proceeds of the Series 2007 Certificates.
- (5) Amounts that constitute Pledged Moneys (as defined below) and that are derived directly or indirectly from the Board (or a governmental unit of which the Board is a part) or any other person who substantially benefits from the issuance of the Series 2007 Certificates.

"Investment Proceeds" means any amounts actually or constructively received from investing proceeds of the Series 2007 Certificates.

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.2% of the "computational base", or (y) \$3,000; and (2) the Board does not treat as Qualified Administrative Costs more than \$93,000 in brokers' commissions or similar fees with respect to all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with Gross Proceeds of the issue. For purposes of this definition only, "computational base" shall mean, with respect to guaranteed investment contracts, the amount of Gross Proceeds the Board reasonably expects, as of the date the contract is acquired, to be deposited in the guaranteed investment contract over the term of the contract and for investments other than guaranteed investment contracts, "computational base" shall mean the amount of Gross Proceeds initially invested in such investments. The above-described safe harbor dollar amounts shall be increased each calendar year after 2004 for cost-of-living adjustments pursuant to Section 1.148-5(e) of the Regulations.

"Rebatable Arbitrage" means, as of any Computation Date, the excess of the future value of all Nonpurpose Receipts over the future value of all Nonpurpose Payments.

"Rebate Fund" means the Rebate Fund established pursuant to the Trust Agreement and described in Section 3 hereof.

"Regulations" means Treasury Regulations Sections 1.148-0 through 1.148-11, 1.149(b)-1 and (d)-1, and 1.150-0 through 1.150-2, as amended, and any regulations amendatory, supplementary or additional thereto.

"Replacement Proceeds" means amounts that have a sufficiently direct nexus to the Series 2007 Certificates or to the governmental purpose of the Series 2007 Certificates to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Series 2007 Certificates were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the expected use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus to cause those amounts to be Replacement Proceeds. Replacement Proceeds include, but are not limited to, amounts held in a sinking fund or a pledged fund. For these purposes, an amount is pledged to pay principal or interest on the Series 2007 Certificates if there is reasonable assurance that the amount will be available for such purposes in the event that the issuer encounters financial difficulties.

"Sale Proceeds" means any amounts actually or constructively received by the Board from the sale of the Series 2007 Certificates, including amounts used to pay underwriters' discount or compensation and interest other than Pre-Issuance Accrued Interest. Sale Proceeds shall also include, but are not limited to, amounts derived from the sale of a right that is associated with a Series 2007 Certificate and that is described in Section 1.148-4(b)(4) of the Regulations.

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"**Special Counsel**" means Nabors, Giblin & Nickerson, P.A., Tampa, Florida or such other firm of nationally recognized bond counsel as may be selected by the Board.

"**Tax-Exempt Investment**" means (i) an obligation the interest on which is excluded from gross income pursuant to Section 103 of the Code, (ii) United States Treasury-State and Local Government Series, Demand Deposit Securities, and (iii) stock in a tax-exempt mutual fund as described in Section 1.150-1(b) of the Regulations. Tax-Exempt Investment shall not include a specified private activity bond as defined in Section 57(a)(5)(C) of the Code. For purposes of these Rebate Instructions, a tax-exempt mutual fund includes any regulated investment company within the meaning of Section 851(a) of the Code meeting the requirements of Section 852(a) of the Code for the applicable taxable year; having only one class of stock authorized and outstanding; investing all of its assets in tax-exempt obligations to the extent practicable; and having at least 98 percent of (1) its gross income derived from interest on, or gain from the sale of or other disposition of, tax-exempt obligations or (2) the weighted average value of its assets represented by investments in tax-exempt obligations.

"**Transferred Proceeds**" shall have the meaning provided therefor in Section 1.148-9 of the Regulations.

"**Universal Cap**" means the value of all then outstanding Series 2007 Certificates.

"**Value**" (of a Series 2007 Certificate) means with respect to a Series 2007 Certificate issued with not more than two percent original issue discount or original issue premium, the outstanding principal amount, plus accrued unpaid interest; for any other Series 2007 Certificate, its present value.

"**Value**" (of an Investment) shall have the following meaning in the following circumstances:

(1) **General Rules.** Subject to the special rules in the following paragraph, an issuer may determine the value of an investment on a date using one of the following valuation methods consistently applied for all purposes relating to arbitrage and rebate with respect to that investment on that date:

(a) an investment with not more than two percent original issue discount or original issue premium may be valued at its outstanding stated principal amount, plus accrued unpaid interest on such date;

(b) a fixed rate investment may be valued at its present value on such date; and

(c) an investment may be valued at its Fair Market Value on such date.

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Arbitrage to the United States Government at the times and in the amounts determined herein from amounts on deposit in the Rebate Fund. For purposes of determining the Rebateable Arbitrage, the Board should cause the calculations to be made by competent tax counsel or other financial or accounting advisors or persons to ensure correct application of the rules contained in the Code and the Regulations relating to arbitrage rebate and, if the Board fails to retain such advisors for such purpose, the Trustee should retain such advisors for such purpose, but only at the expense of the Board.

(b) Within 30 days after any Computation Date, the Board must calculate or cause to be calculated the Rebateable Arbitrage or any penalty due pursuant to Section 3(d) below. The Board agrees to pay the Trustee the amount of the Rebateable Arbitrage for deposit to the Rebate Fund on or before the same must be remitted by the Trustee. Upon receipt of such Rebateable Arbitrage from the Board, but in no event later than 60 days following the Computation Date, the Trustee must remit (but only from amounts received from the Board) an amount which when added to the future value of previous rebate payments is not less than 90 percent (100 percent with respect to the Computation Date on the final repayment or retirement of the Series 2007 Certificates plus the income, if any, from the investment of the Rebateable Arbitrage due the United States Government after the final Computation Date) of the Rebateable Arbitrage.

Each payment must be accompanied by Internal Revenue Service Form 8038-T.

(c) The obligation to pay Rebateable Arbitrage to the United States, as described in this letter, shall be treated as satisfied with respect to the Series 2007 Certificates if (i) Gross Proceeds are expended for the governmental purpose of the Series 2007 Certificates by no later than the date which is six months after the Issue Date and if it is not anticipated that any other Gross Proceeds will arise during the remainder of the term of the Series 2007 Certificates and (ii) the requirement to pay Rebateable Arbitrage, if any, to the United States with respect to the portion of the Reserve Account allocable to the Series 2007 Certificates, if any, is met. For purposes described above, Gross Proceeds do not include (i) amounts deposited in a bona fide debt service fund, so long as the funds therein constitute bona fide debt service funds, or a reasonably required reserve or replacement fund (as defined in Section 1.148-1 of the Regulations and meeting the requirements of Section 1.148-2(f) of the Regulations), (ii) amounts that, as of the Issue Date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the date which is six months after the Issue Date, (iii) amounts representing Sale or Investment Proceeds derived from any Purpose Investment (as defined in Section 1.148-1 of the Regulations) and earnings on those payments, and (iv) amounts representing any repayments of grants (as defined in Section 1.148-6(d)(4) of the Regulations). If Gross Proceeds are in fact expended by such date, then, except as to amounts, if any, on deposit in the Reserve Account, Rebateable Arbitrage with respect to such Gross Proceeds need not be calculated and no payment thereof to the United States Department of Treasury

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(2) **Special Rules.** Yield restricted investments are to be valued at present value provided that (except for purposes of allocating Transferred Proceeds to an issue, for purposes of the Universal Cap and for investments in a commingled fund other than a bona fide debt service fund unless it is a certain commingled fund):

(a) an investment must be valued at its Fair Market Value when it is first allocated to an issue, when it is disposed of and when it is deemed acquired or deemed disposed of, and provided further that;

(b) in the case of Transferred Proceeds, the Value of a Nonpurpose Investment that is allocated to Transferred Proceeds of a refunding issue on a transfer date may not exceed the Value of that investment on the transfer date used for purposes of applying the arbitrage restrictions to the refunded issue.

"**Yield on the Series 2007 Certificates**" means, for all Computation Dates, the Yield expected as of the date hereof on the Series 2007 Certificates over the term of such Series 2007 Certificates computed by:

(1) using as the purchase price of the Series 2007 Certificates, the amount at which such Series 2007 Certificates were sold to the public within the meaning of Sections 1273 and 1274 of the Code; and

(2) assuming that all of the Series 2007 Certificates will be paid at their scheduled maturity dates or in accordance with any mandatory redemption requirements.

"**Yield**" means, generally, the discount rate which, when used in computing the present value of all the unconditionally payable payments of principal and interest on an obligation and all the payments for qualified guarantees paid and to be paid with respect to such obligation, produces an amount equal to the present value of the issue price of such obligation. Present value is computed as of the date of issue of the obligation. There are, however, many additional specific rules contained in the Regulations which apply to the calculation and recalculation of yield for particular obligations and such rules should be consulted prior to calculating the yield for the Series 2007 Certificates on any Computation Date. Yield shall be calculated on a 360-day year basis with interest compounded semi-annually. For this purpose the purchase price of a Nonpurpose Investment or Tax-Exempt Investment is its Fair Market Value, as determined pursuant to Section 4 of this letter, as of the date that it becomes allocated to Gross Proceeds of the Series 2007 Certificates.

3. Payment of Rebateable Arbitrage.

(a) In order to maintain the exemption from federal income tax of the Interest Component of the Basic Rent Payments, the Trustee, upon the written direction of the Board in accordance with Section 6.12 of the Trust Agreement, shall pay the Rebateable

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need be made. Use of Gross Proceeds to redeem Series 2007 Certificates shall not be treated as an expenditure of such Gross Proceeds.

Notwithstanding the foregoing, if Gross Proceeds which were reasonably expected to be Gross Proceeds on the Issue Date actually become available after the date which is six months after the Issue Date, as determined by the Board, then the requirements described herein relating to the calculation of Rebateable Arbitrage and the payment thereof to the United States must be satisfied, except that no such calculation or payment need be made with respect to the initial six-month period. Any other amounts not described in this Section which constitute Gross Proceeds, other than a bona fide debt service fund, will be subject to rebate.

(d) As an alternative to Section 3(c) above, the obligation of the Board to pay Rebateable Arbitrage to the United States, as described herein, shall be treated as satisfied with respect to the Series 2007 Certificates if the Gross Proceeds are expended for the governmental purposes of the issue within the periods set forth below:

(i) at least 15% of such Gross Proceeds are spent within the six-month period beginning on the Issue Date;

(ii) at least 60% of such Gross Proceeds are spent within the 1-year period beginning on the Issue Date; and

(iii) at least 100% of such Gross Proceeds are spent within the 18-month period beginning on the Issue Date.

As set forth in Section 1.148-7(d)(2) of the Regulations, for purposes of the expenditure requirements set forth in this paragraph (d), 100% of the Gross Proceeds of the Series 2007 Certificates shall be treated as expended for the governmental purposes of the issue within the 18-month period beginning on the Issue Date if such requirement is met within the 30-month period beginning on the Issue Date and such requirement would have been met within such 18-month period but for a reasonable retainage (not exceeding 5% of the Net Proceeds of the Series 2007 Certificates). If Gross Proceeds are in fact expended by such dates, then Rebateable Arbitrage need not be calculated and no payment thereof to the United States Department of Treasury need be made. Any failure to satisfy the final spending requirement shall be disregarded if the Board exercises due diligence to complete the project financed by the Series 2007 Certificates and the amount of the failure does not exceed the lesser of (i) 3% of the issue price of the Series 2007 Certificates or (ii) \$250,000. Use of Gross Proceeds to redeem the Series 2007 Certificates shall not be treated as an expenditure of such Gross Proceeds. For purposes of this paragraph (d), "Gross Proceeds" shall be modified as described in paragraph (c) above.

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(e) As an alternative to subsection (d) above, the obligation to pay Rebatale Arbitrage to the United States, as described in this letter, is treated as satisfied with respect to the Series 2007 Certificates if the "Available Construction Proceeds" (as defined in Section 148(f)(4)(c)(vi) of the Code) are expended for the governmental purposes of the issue within the periods set forth below:

- (i) at least 10% of such Available Construction Proceeds are spent within the six-month period beginning on the Issue Date;
- (ii) at least 45% of such Available Construction Proceeds are spent within the 1-year period beginning on the Issue Date;
- (iii) at least 75% of such Available Construction Proceeds are spent within the eighteen-month period beginning on the Issue Date; and
- (iv) at least 100% of such Available Construction Proceeds are spent within the 2-year period beginning on the Issue Date.

For purposes of this Section 3(e), the term Available Construction Proceeds means the Net Proceeds of the construction issue, increased by earnings on the Net Proceeds, earnings on amounts in the Reserve Account to the extent that such amounts were not funded from proceeds of the Series 2007 Certificates, and earnings on all of the foregoing earnings, and reduced by the amount, if any, of the Net Proceeds deposited to the Reserve Account and amounts used to pay issuance costs (including bond insurance premium).

As set forth in Section 148(f)(4)(B)(iv)(III) of the Code, for purposes of the expenditure requirements set forth in this paragraph (e), 100% of the Available Construction Proceeds of the Series 2007 Certificates is treated as expended for the governmental purposes of the issue within the 2-year period beginning on the Issue Date if such requirement is met within the 3-year period beginning on the Issue Date and such requirement would have been met within such 2-year period but for a reasonable retainage (not exceeding 5% of the Available Construction Proceeds of the Series 2007 Certificates). Any failure to satisfy the final spending requirement shall be disregarded if the Board exercises due diligence to complete the project financed by the Series 2007 Certificates and the amount of the failure does not exceed the lesser of (i) 3% of the issue price of the Series 2007 Certificates or (ii) \$250,000.

For purposes of Section 148(f)(4)(C)(vii) of the Code, in the event the Board fails to meet the expenditure requirements referred to above, the Board does not elect to pay, in lieu of the Rebatale Arbitrage otherwise required to be paid with respect to such Gross Proceeds, a penalty with respect to the close of each 6-month period after the Issue Date equal to 1.5% of the amount of the Available Construction Proceeds of the Series 2007 Certificates which, as of the close of such period, are not spent as required by the expenditure provisions set forth above. The penalty referred to above shall cease to apply

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obligations shall not be treated as an established market and shall be rebuttably presumed to be acquired or disposed of for a price that is not its Fair Market Value.

(b) Arm's-length price. Any transaction in which a Nonpurpose Investment is directly purchased with Gross Proceeds, or in which a Nonpurpose Investment allocable to Gross Proceeds is disposed of, shall be undertaken in a bona fide arm's-length manner, and no amount shall be paid to reduce the yield on the Nonpurpose Investment.

(c) Safe harbor for establishing Fair Market Value for guaranteed investment contracts and Nonpurpose Investments purchased for a yield restricted defeasance escrow. In the case of a guaranteed investment contract or Nonpurpose Investments purchased for a yield restricted defeasance escrow, the purchase price shall not be considered to be an arm's-length price unless all the following conditions are met:

- (i) The Board makes a bona fide solicitation ("Bona Fide Solicitation") for the purchase of the investment that satisfies all of the following requirements:
 - (1) The bid specifications are in writing and are timely forwarded to potential providers;
 - (2) The bid specifications include all terms of the bid that may directly or indirectly affect the yield or the cost of the investment;
 - (3) The bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Board or any other person (whether or not in connection with the bond issue), and that the bid is not being submitted solely as a courtesy to the Board or any other person for purposes of satisfying these requirements;
 - (4) The terms of the bid specifications are such that there is a legitimate business purpose for each term other than to increase the purchase price or reduce the yield of the investment (e.g., for solicitations of Nonpurpose Investments for a yield restricted defeasance escrow, the hold firm period must be no longer than the Board reasonably requires);
 - (5) For purchases of guaranteed investment contracts only, the terms of the solicitation take into account the Board's reasonably expected deposit and draw down schedule for the amounts to be invested;
 - (6) All potential providers have an equal opportunity to bid (e.g., no potential provider is given the opportunity to review other bids before providing a bid); and

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only after the Series 2007 Certificates (including any refunding obligations issued with respect thereto) are no longer outstanding. The Board makes no election with respect to the above-described penalty.

In order to qualify for the exemption from the obligation to pay Rebatale Arbitrage to the United States pursuant to this paragraph (e), at least 75% of the Available Construction Proceeds of the Series 2007 Certificates must be used for construction expenditures with respect to property which is owned by a governmental unit or an organization described in Section 501(c)(3) of the Code (subject in all respects to the provisions of Section 142(b)(1)(B) of the Code). The term "construction" includes reconstruction and rehabilitation of existing property. If only a portion of an issue is to be used for construction expenditures, such portion and such other portion of such issue may, at the election of the Board, be treated as a separate issue for purposes of this subsection (e) (although the remaining portion may not be entitled to the benefits of paragraph 3(d) hereof). The Board hereby elects not to treat any portion of the Series 2007 Certificates as a separate issue.

(f) The Board and the Trustee should keep or cause to be kept proper books of records and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Series 2007 Certificates, including moneys derived from, pledged to, or to be used to make payments on the Series 2007 Certificates. Such records shall, at a minimum, be sufficient to enable the Board to calculate the Rebatale Arbitrage and, if necessary, shall specify the account or fund to which each investment (or portion thereof) is to be allocated and shall set forth, in the case of each investment security, (i) its purchase price, (ii) identifying information, including par amount, coupon rate, and payment dates, (iii) the amount received at maturity or its sale price, as the case may be, including accrued interest, (iv) the amounts and dates of any payments made with respect thereto, and (v) the dates of acquisition and disposition or maturity.

4. Market Price Rules. Except as provided below, the Board agrees to comply with the requirements relating to the "Fair Market Value" of acquired Nonpurpose Investments, as defined in Section 1.148-5(d) of the Regulations ("Fair Market Value"). All investments required to be made pursuant to this letter shall be made to the extent permitted by law. In this regard, the Board agrees, among other things, that it will not acquire or cause to be acquired a Nonpurpose Investment (or any other investment acquired with Gross Proceeds or on deposit in the Rebate Fund), for a price in excess of its Fair Market Value or sell any such investment at a price (determined without any reduction for transaction costs) less than its Fair Market Value, except as provided below. For this purpose, the following rules shall apply:

(a) Established securities markets. Except as otherwise provided below, any market especially established to provide a security or obligation to an issuer of municipal

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(7) At least three providers are solicited for bids that have an established industry reputation as a competitive provider of the type of investments being purchased.

(ii) The bids received by the Board must meet all of the following requirements:

(1) The Board receives at least three bids from providers that the Board solicited under a Bona Fide Solicitation and that do not have a material financial interest in the issue. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the issue date of the issue. In addition, any entity acting as a financial advisor with respect to the purchase of the investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue. A provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue.

(2) At least one of the three bids described in paragraph (c) (ii)(1) above is from a provider that has an established industry reputation as a competitive provider of the type of investments being purchased; and

(3) If the Board uses an agent to conduct the bidding process, the agent did not bid to provide the investment.

(iii) The winning bid must meet the following requirements:

(1) Guaranteed investment contracts. If the investment is a guaranteed investment contract, the winning bid is the highest yielding bona fide bid (determined net of any broker's fees).

(2) Other Nonpurpose Investments. If the investment is not a guaranteed investment contract, the following requirements are met:

(A) The winning bid is the lowest cost bona fide bid (including any broker's fees). The lowest bid is either the lowest cost bid for the portfolio or, if the Board compares the bids on an investment-by-investment basis, the aggregate cost of a portfolio comprised of the lowest cost bid for each investment. Any payment received by the Board from a provider at the time a guaranteed investment contract is purchased (e.g., an escrow float contract) for a yield restricted defeasance escrow under a bidding procedure meeting these requirements is taken into account in determining the lowest cost bid.

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(B) The lowest cost bona fide bid (including any broker's fees) is not greater than the cost of the most efficient portfolio comprised exclusively of State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt. The cost of the most efficient portfolio of State and Local Government Series Securities is to be determined at the time that bids are required to be submitted pursuant to the terms of the bid specifications. If such State and Local Government Series Securities are not available for purchase on the day that bids are required to be submitted because sales of those securities have been suspended, the cost comparison described in this paragraph is not required.

(iv) The provider of the investments or the obligor on the guaranteed investment contract certifies the administrative costs that it pays (or expects to pay) to third parties in connection with supplying the investment.

(d) The Board shall retain certificates and records documenting compliance with the above requirements until three years after the last outstanding Series 2007 Certificate is redeemed including, but not limited to, the following:

(i) For purchases of guaranteed investment contracts, a copy of the contract, and for purchases of Nonpurpose Investments other than guaranteed investment contracts, the purchase agreement or confirmation;

(ii) The receipt or other record of the amount actually paid by the Board for the investments, including a record of any administrative costs paid by the Board and the certification required in paragraph (c)(iv) above;

(iii) For each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results;

(iv) The bid solicitation form and, if the terms of the purchase agreement or the guaranteed investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation; and

(v) For purchase of Nonpurpose Investments other than guaranteed investment contracts, the cost of the most efficient portfolio of State and Local Government Series Securities, determined at the time that the bids were required to be submitted.

Certificates in substantially the forms of subparagraphs (v) and (vi) above must be obtained to evidence the foregoing.

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9. Board Obligations. Except for any Rebutable Arbitrage which accrues prior to the date of termination of the Lease, the Board shall have no further obligations hereunder subsequent to the termination of the Lease Agreement.

10. Trustee Obligations. Except for matters set forth in Sections 3(a), (b) and (f) hereof and Section 6.12 of the Trust Agreement, the parties hereto agree that the Trustee shall have no further obligations hereunder or under the Trust Agreement relating to the matters set forth in this letter.

Respectfully submitted,

NABORS, GIBLIN & NICKERSON, P.A.

Acknowledged:

SCHOOL BOARD OF DUVAL COUNTY, FLORIDA

By: _____
Chairman

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

By: _____
Vice President

DUVAL SCHOOL BOARD LEASING CORPORATION

By: _____
President

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5. Records. The Board and the Trustee should retain all records with respect to the calculations required by this letter for at least six years after the date on which the last of the principal of and interest on the Series 2007 Certificates has been paid, whether upon maturity, redemption, or acceleration thereof.

6. Modification Upon Receipt of Special Counsel Opinion. Notwithstanding any provision of this letter, if the Board and the Trustee shall receive an opinion of Special Counsel that any specified instructions set forth in this letter are no longer required or that some further or different action is required to maintain or assure the exclusion from federal gross income of the Interest Component of the Basic Rent Payments, the Board and the Trustee may conclusively rely on such opinion in complying with the requirements of this letter and the instructions contained in this letter shall be deemed to be modified to that extent. The provisions of this and the instructions contained in this letter may be amended or modified in any manner which is necessary to comply with such regulations as may be promulgated by the United States Treasury Department from time to time.

7. Accounting for Gross Proceeds. In order to perform the calculations required by the Code and the Regulations, it is necessary to track the investment and expenditure of all Gross Proceeds. To that end, the Board must adopt reasonable and consistently applied methods of accounting for all Gross Proceeds. Appendix I hereto sets forth a description of the required allocation and accounting rules with which the Board agrees to comply.

8. Administrative Costs of Investments. Except as otherwise provided in this Section 8, an allocation of Gross Proceeds to a payment or receipt on a Nonpurpose Investment is not adjusted to take into account any costs or expenses paid, directly or indirectly, to purchase, carry, sell or retire the Nonpurpose Investment (administrative costs). Thus, administrative costs generally do not increase the payments for, or reduce the receipts from, Nonpurpose Investments.

In determining payments and receipts on Nonpurpose Investments, Qualified Administrative Costs are taken into account by increasing payments for, or reducing the receipts from, the Nonpurpose Investments. Qualified Administrative Costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody and similar costs. General overhead costs and similar indirect costs of the Board such as employee salaries and office expenses and costs associated with computing Rebutable Arbitrage are not Qualified Administrative Costs.

Allocation and accounting rules are provided in Appendix I attached hereto.

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APPENDIX I

ALLOCATION AND ACCOUNTING RULES

(a) **General Rule.** Any issuer may use any reasonable, consistently applied accounting method to account for Gross Proceeds, investments and expenditures of an issue. An accounting method is "consistently applied" if it is applied uniformly within a Fiscal Period (as hereinafter defined) and between Fiscal Periods to account for Gross Proceeds of an issue and any amounts that are in a commingled fund.

(b) **Allocation of Gross Proceeds to an Issue.** Amounts are allocable to one issue at a time as Gross Proceeds. Amounts cease to be allocated to an issue as Proceeds only when those amounts (i) are allocated to an expenditure for a governmental purpose; (ii) are allocated to Transferred Proceeds of another issue of obligations; or (iii) cease to be allocated to that issue at retirement of the issue or under the Universal Cap.

(c) **Allocation of Gross Proceeds to Investments.** Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the Fair Market Value of the Nonpurpose Investment as of the purchase or sale date. The Fair Market Value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment.

(d) **Allocation of Gross Proceeds to Expenditures.** Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a ratable allocation method, so long as the method used is consistently applied. An allocation of Gross Proceeds of an issue to an expenditure must involve a current outlay of cash for a governmental purpose of the issue. A current outlay of cash means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made.

(e) **Commingled Funds.** Any fund or account that contains both Gross Proceeds of an issue and amounts in excess of \$25,000 that are not Gross Proceeds of that issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of the funds deposited therein, constitutes a "commingled fund." All payments and receipts (including deemed payments and receipts) on investments held by a commingled fund must be allocated (but not necessarily distributed) among each different source of funds invested in the commingled fund in accordance with a consistently applied, reasonable ratable allocation method. Reasonable

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ratable allocation methods include, without limitation, methods that allocate payments and receipts in proportion to either (i) the average daily balances of the amounts in the commingled fund from each different source of funds during any consistent time period within its fiscal year, but at least quarterly (the "Fiscal Period"); or (ii) the average of the beginning and ending balances of the amounts in the commingled fund from each different source of funds for a Fiscal Period that does not exceed one month.

Funds invested in the commingled fund may be allocated directly to expenditures for governmental purposes pursuant to a reasonable consistently applied accounting method. If a ratable allocation method is used to allocate expenditures from the commingled fund, the same ratable allocation method must be used to allocate payments and receipts on investments in the commingled fund.

Generally a commingled fund must treat all its investments as if sold at Fair Market Value either on the last day of the fiscal year or on the last day of each Fiscal Period. The net gains or losses from these deemed sales of investments must be allocated to each different source of funds invested in the commingled fund during the period since the last allocation. This mark-to-market requirement does not apply if (i) the remaining weighted average maturity of all investments held by a commingled fund during a particular fiscal year does not exceed 18 months, and the investments held by the commingled fund during that fiscal year consist exclusively of obligations; or (ii) the commingled fund operated exclusively as a reserve fund, sinking fund or replacement fund for two or more issues of the same issuer. Subject to the Universal Cap limitation, and the principle that amounts are allocable to only one issue at a time as Gross Proceeds, investments held by a commingled fund must be allocated ratably among the issues served by the commingled fund in proportion to either (i) the relative values of the bonds of those issues; (ii) the relative amounts of the remaining maximum annual debt service requirements on the outstanding principal amounts of those issues; or (iii) the relative original stated principal amounts of the outstanding issues.

(f) Universal Cap. Amounts that would otherwise be Gross Proceeds allocable to an issue are allocated (and remain allocated) to the issue only to the extent that the Value of the Nonpurpose Investments allocable to those Gross Proceeds does not exceed the Value of all outstanding bonds of the issue. Nonpurpose Investments allocated to Gross Proceeds in a bona fide debt service fund for an issue are not taken into account in determining the Value of the Nonpurpose Investments, and those Nonpurpose Investments remain allocated to the issue. To the extent that the Value of the Nonpurpose Investments allocable to the Gross Proceeds of an issue exceed the Value of all outstanding bonds of that issue, an issuer should seek the advice of Bond Counsel for the procedures necessary to comply with the Universal Cap.

(g) Expenditure for Working Capital Purposes. Subject to certain exceptions, the Proceeds of an issue may only be allocated to "working capital expenditures" as of

any date to the extent that those expenditures exceed "available amounts" as of that date (i.e., "proceeds-spent-last").

For purposes of this section, "working capital expenditures" include all expenditures other than "capital expenditures." "Capital expenditures" are costs of a type properly chargeable (or chargeable upon proper election) to a capital account under general federal income tax principles. Such costs include, for example, costs incurred to acquire, construct or improve land, buildings and equipment having a reasonably expected useful life in excess of one year. Thus, working capital expenditures include, among other things, expenditures for current operating expenses and debt service.

For purposes of this section, "available amount" means any amount that is available to an issuer for working capital expenditure purposes of the type financed by the issue. Available amount excludes Proceeds of the issue but includes cash, investments and other amounts held in accounts or otherwise by an issuer for working capital expenditures of the type being financed by the issue without legislative or judicial action and without a legislative, judicial or contractual requirement that those amounts be reimbursed. Notwithstanding the preceding sentence, a "reasonable working capital reserve" is treated as unavailable. A working capital reserve is reasonable if it does not exceed five percent of the actual working capital expenditures of an issuer in the fiscal year before the year in which the determination of available amounts is made. For purpose of the preceding sentence only, in determining the working capital expenditures of an issuer for a prior fiscal year, any expenditures (whether capital or working capital expenditures) that are paid out of current revenues may be treated as working capital expenditures.

The proceeds-spent-last requirement does not apply to expenditures to pay (i) any Qualified Administrative Costs; (ii) fees for qualified guarantees of the issue or payments for a qualified hedge for the issue; (iii) interest on the issue for a period commencing on the Issue Date and ending on the date that is the later of three years from the Issue Date or one year after the date on which the financed project is placed in service; (iv) the United States for yield reduction payments (including rebate payments) or penalties for the failure to meet the spend down requirements associated with certain spending exceptions to the rebate requirement; (v) costs, other than those described in (i) through (iv) above, that do not exceed five percent of the Sale Proceeds of an issue and that are directly related to capital expenditures financed by the issue (e.g., initial operating expenses for a new capital project); (vi) principal or interest on an issue paid from unexpected excess sale or Investment Proceeds; (vii) principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a bona fide debt service fund; and (viii) principal, interest or redemption premium on a prior issue and, for a crossover refunding issue, interest on that issue. Notwithstanding the preceding paragraph, the exceptions described above do not apply if the allocation merely

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substitutes Gross Proceeds for other amounts that would have been used to make those expenditures in a manner that gives rise to Replacement Proceeds.

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This document prepared by:

John R. Stokes, Esq.
Nabors, Giblin & Nickerson, P.A.
2502 Rocky Point Drive, Suite 1060
Tampa, Florida 33607

ASSIGNMENT OF LEASE AGREEMENT

by and between

**DUVAL SCHOOL BOARD LEASING CORPORATION,
as Lessor**

and

**THE BANK OF NEW YORK,
as Trustee**

Dated as of October 1, 2000

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remedies as are conferred on the Corporation by the Lease Agreement. All rights of the Corporation in each Lease Schedule shall be assigned to the Trustee upon execution and delivery thereof by absolute and outright assignment. The Lease Payments shall be applied, and the rights so assigned shall be exercised, by the Trustee as provided in the Trust Agreement. Except for any Lease Schedules which are hereafter attached to the Lease Agreement and hereafter assigned by the Corporation to the Trustee pursuant to an amendment to this Assignment of Lease Agreement, the sale, assignment and conveyance of the rights, title and interest of the Corporation under and to the Lease Agreement are immediately complete and effective for all purposes.

SECTION 3. ACCEPTANCE. The Trustee hereby accepts such assignment in trust for the purpose of securing payment of the Certificates and securing the rights of the Owners of the Certificates issued pursuant to the Trust Agreement.

SECTION 4. CONDITIONS. This Assignment Agreement shall confer no rights and impose no duties upon the Trustee beyond those expressly provided in the Trust Agreement. The obligations of the Corporation under the Lease Agreement are expressly not assigned to nor accepted by the Trustee.

SECTION 5. REPRESENTATIONS AND AGREEMENTS. (a) With respect to the sale, assignment and conveyance of the rights, title and interest of the Corporation under the Lease Agreement, the Corporation represents, warrants and covenants to and with the Trustee, for the benefit of the Owners of the Certificates, that:

- (i) The Corporation is a single-purpose, 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.
- (ii) The Corporation is duly qualified to transact business and hold property and is in good standing in the State of Florida and wherever necessary to perform its obligations under the Lease Agreement, the Trust Agreement and this Assignment Agreement.
- (iii) The Corporation has full power, authority and legal right to enter into and perform its obligations under the Lease Agreement, the Trust Agreement and this Assignment Agreement; and the execution, delivery and performance of the Lease Agreement, the Trust Agreement and this Assignment Agreement by the Corporation have been duly authorized by all necessary corporate actions on the part of the Corporation, do not require any stockholder approval or the approval or consent of any trustee or holder of any indebtedness or obligations of the Corporation or any other Person or such required approvals and consents have heretofore been duly obtained.
- (iv) The execution, delivery and performance of the Lease Agreement, the Trust Agreement and this Assignment Agreement do not contravene any provision of any 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 indenture, mortgage, contract,

ASSIGNMENT OF LEASE AGREEMENT

THIS ASSIGNMENT OF LEASE AGREEMENT, is made and entered into as of October 1, 2000, by and between **DUVAL SCHOOL BOARD LEASING CORPORATION**, a single purpose, not-for-profit corporation duly organized and validly existing under the laws of the State of Florida (the "Corporation") and **THE BANK OF NEW YORK**, a New York banking corporation with corporate trust powers duly qualified to enter into this Assignment of Lease Agreement, not in its individual capacity but solely as trustee (the "Trustee");

WITNESSETH:

In the joint and initial exercise of their powers, in consideration of the mutual covenants herein contained, and for other valuable consideration, the parties hereto recite and agree as follows:

SECTION 1. RECITALS. (a) The Corporation and the Board have entered into the Master Lease-Purchase Agreement, dated as of October 1, 2000 (which, together with all amendments and Lease Schedules thereto, including, without limitation, Lease Schedule No. 2000, dated as of October 1, 2000, shall be referred to herein as the "Lease Agreement"), between the Corporation and the Board, whereby the Corporation has agreed to lease to the Board, and the Board has agreed to lease from the Corporation, the Projects, as described in the Lease Agreement.

(b) The Certificates shall be issued from time to time in order to finance the acquisition, construction and installation of the Projects and the proceeds of the Certificates shall be deposited with the Trustee and shall be held and applied in accordance with the Trust Agreement.

(c) Pursuant to the Lease Agreement, the Board is obligated to make certain Lease Payments to the Corporation, or its assignee. In order to secure the Certificates, the Corporation is willing to assign and transfer its rights and interests under the Lease Agreement to the Trustee for the benefit of the Owners of the Certificates.

(d) Each of the parties hereto has authority to enter into this Assignment of Lease Agreement, and has taken all actions necessary to authorize its officer to enter into it.

(e) The capitalized words and terms used in this Assignment of Lease Agreement, but not otherwise defined herein, shall have the meanings assigned to such words and terms in Exhibit A to the Lease Agreement.

SECTION 2. ASSIGNMENT. The Corporation, for good and valuable consideration received, does hereby irrevocably sell, assign and transfer to the Trustee, by absolute and outright assignment, for the benefit of the Owners of the Certificates, all of its right, title and interest in the Lease Agreement (other than the right to receive indemnification pursuant to the Lease Agreement, the right to enter into Lease Schedules from time to time and its obligations provided in Section 6.03 of the Lease Agreement), including its right to receive Lease Payments from the Board under the Lease Agreement and its right to use, sell and re-let the Projects (under the circumstances contemplated by the Lease Agreement), and the right to exercise such rights and

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.

(v) To the Corporation's knowledge, the Lease Agreement and the Trust Agreement are in full force and effect and the Corporation is not in default thereunder; and, the Lease Agreement, the Trust Agreement and this Assignment 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, reorganizations, moratoriums and creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity.

(vi) The Corporation has complied, and will at all times hereafter comply, with and duly perform its obligations under the Lease Agreement, the Trust Agreement and this Assignment Agreement.

(vii) 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 Lease Agreement, the Trust Agreement or this Assignment Agreement.

(viii) The Lease Agreement and the lease rights thereunder being herein assigned are free and clear of all claims, liens, mortgages, security interests and encumbrances arising through any act or omissions of the Corporation or any Person claiming by, through or under it, except the rights of the Board under the Lease Agreement and encumbrances permitted thereunder, including the Permitted Encumbrances.

(b) From and after the date of delivery to the Trustee of this Assignment Agreement, the Corporation shall have no further rights or interest under the Lease Agreement with respect to same or in any Lease Payments (except any rights of indemnification of the Corporation under the Lease Agreement, the Corporation's right to enter into Lease Schedules from time to time and the Corporation's obligations under Section 6.03 of the Lease), the Projects or other moneys due with respect thereto or to become due under the Lease Agreement.

(c) The Corporation agrees to execute and deliver to the Trustee, upon request by the Trustee or the Owners of a majority in principal amount of the Certificates or any Credit Enhancer, any documents deemed necessary by the Trustee or such Owners or any Credit Enhancer to evidence further the assignment and conveyance herein made with respect to the Lease Agreement including, without limitation, any amendments hereto necessary or desirable to assign to the Trustee any Lease Schedules executed and delivered after the date hereof.

(d) The Corporation hereby irrevocably constitutes and appoints the Trustee, or its successors or 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 Lease Payments or other amounts due under the Lease Agreement, or any part thereof, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Lease Agreement or pertaining to the Projects 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 Lease Payments or other amounts due under the Lease Agreement.

(e) The Corporation has authorized and directed the Board to pay to the Trustee, its successors and assigns, all Lease Payments and all other amounts due and payable under the Lease Agreement.

(f) In order to secure payment of the Certificates, the Corporation hereby authorizes the Trustee to take possession of the Projects, and title thereto in accordance with the provisions of the Trust Agreement and Lease Agreement, and sell or relet such Projects, or any portion thereof, in the circumstances described in the Trust Agreement.

SECTION 6. NON-RECOURSE. The parties hereto agree that the assignment contained in this Assignment Agreement shall be non-recourse with respect to the Corporation, and the Corporation shall have no liability hereunder to the Trustee or the Owners of any Certificates, with respect to the occurrence of an Event of Default or Event of Non-Appropriation by the Board under the Lease Agreement.

SECTION 7. NO INDIVIDUAL LIABILITY. All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Assignment 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 Assignment Agreement against any member, officer, employee or agent of the parties hereto.

SECTION 8. AMENDMENTS UPON DELIVERY OF ADDITIONAL LEASE SCHEDULES. The Corporation hereby agrees to deliver to the Trustee upon the execution and delivery of any Lease Schedules after the date hereof an amendment to this Assignment of Lease Agreement which provides for the assignment of the rights of the Corporation in and to said Lease Schedule in accordance with the terms hereof and confirms the representations and agreements of the Corporation set forth in Section 5 hereto as of the date thereof.

SECTION 9. COUNTERPARTS. This Assignment Agreement may be executed in counterparts, and each of said counterparts shall be deemed an original for all purposes of this Assignment Agreement. All of such counterparts taken together shall be deemed to be one and the same instrument.

SECTION 10. LAW. This Assignment Agreement shall be construed under the laws of the State of Florida.

IN WITNESS WHEREOF, the parties have executed this Assignment Agreement by their officers thereunto duly authorized as of the day and year first written above.

DUVAL SCHOOL BOARD LEASING CORPORATION, as Lessor

(SEAL)

By: _____
Name: Jimmie A. Johnson
Title: Vice President
Address: 1701 Prudential Drive, 6th Floor
Jacksonville, Florida 32207

Attest:

Name: John C. Fryer
Title: Secretary
Address: 1701 Prudential Drive, 6th Floor
Jacksonville, Florida 32207

THE BANK OF NEW YORK, as Trustee

(SEAL)

By: _____
Name: Patrick Teague
Title: Authorized Signatory
Address: 10161 Centurion Parkway
Jacksonville, Florida 32256

STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

The foregoing Assignment of Lease Agreement was acknowledged before me this 19th day of October, 2000, by Jimmie A. Johnson and John C. Fryer, the Vice President and Secretary, respectively, of the DUVAL SCHOOL BOARD LEASING CORPORATION. Such person(s) did not take an oath and:

- is/are personally known to me.
- produced a current Florida driver's license as identification.
- produced _____ as identification.

(SEAL)

Name:
Notary Public, State of Florida
My Commission Expires:

STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

The foregoing Assignment of Lease Agreement was acknowledged before me this 19th day of October, 2000, by Patrick Teague an authorized signatory of THE BANK OF NEW YORK. Such person(s) did not take an oath and:

- is/are personally known to me.
- produced a current Florida driver's license as identification.
- produced _____ as identification.

(SEAL)

Name:
Notary Public, State of Florida
My Commission Expires:

This document prepared by:

John R. Stokes, Esq.
Nabors, Giblin & Nickerson, P.A.
2502 Rocky Point Drive
Suite 1060
Tampa, Florida 33607

**FOURTH AMENDMENT TO
ASSIGNMENT OF LEASE AGREEMENT**

by and between

**DUVAL SCHOOL BOARD LEASING CORPORATION
as Lessor**

and

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

Dated as of December 1, 2007

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**FOURTH AMENDMENT TO
ASSIGNMENT OF LEASE AGREEMENT**

THIS FOURTH AMENDMENT TO ASSIGNMENT OF LEASE AGREEMENT, is made and entered into as of December 1, 2007, by and between the **DUVAL SCHOOL BOARD LEASING CORPORATION**, a not-for-profit corporation duly organized and validly existing under the laws of the State of Florida (the "Corporation") and **THE BANK OF NEW YORK TRUST COMPANY, N.A.**, a national banking association with corporate trust powers duly qualified to enter into this Fourth Amendment to Assignment of Lease Agreement, not in its individual capacity but solely as trustee (the "Trustee");

WITNESSETH:

In the joint and initial exercise of their powers, in consideration of the mutual covenants herein contained, and for other valuable consideration, the parties hereto recite and agree as follows:

SECTION 1. RECITALS. (a) The Corporation and the Board have entered into the Master Lease-Purchase Agreement, dated as of October 1, 2000 (which, together with all amendments and Lease Schedules thereto, shall be referred to herein as the "Lease Agreement"), between the Corporation and the Board, whereby the Corporation has agreed to lease to the Board, and the Board has agreed to lease from the Corporation, the Projects, as described in the Lease Agreement.

(b) The Corporation and Trustee have entered into the Assignment of Lease Agreement, dated as of October 1, 2000, as amended and supplemented as hereinafter described (the "Assignment Agreement"), which Assignment Agreement has been recorded at Official Records Book 10029, page 1777, of the Public Records of Duval County, Florida.

(c) The Corporation and Trustee amended the Assignment Agreement to acknowledge Lease Schedule No 2003-QZAB by entering into the First Amendment to the Assignment of Lease Agreement, dated as of December 23, 2003 (the "First Amendment to Assignment Agreement"), which the First Amendment to the Assignment Agreement has been recorded at Official Records Book 11704, page 523, of the Public Records of Duval County, Florida.

(d) The Corporation and Trustee amended the Assignment Agreement to acknowledge the First Amended and Restated Lease Schedule No. 2000 by entering into the Second Amendment to Assignment of Lease Agreement, dated as of March 1, 2005 (the "Second Amendment to Assignment Agreement"), which Second Amendment to

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Assignment Agreement has been recorded at Official Records Book 12401, page 2446, of the Public Records of Duval County, Florida.

(e) The Corporation and Trustees amended the Assignment Agreement to acknowledge Lease Schedule No 2005-QZAB by entering into the Third Amendment to Assignment of Lease Agreement, dated as of October 20, 2005 (the "Third Amendment to Assignment Agreement"), which Third Amendment to Assignment Agreement has been recorded at Official Records Book 12861, page 996, of the Public Records of Duval County, Florida

(f) The Corporation and Trustee deem it necessary to further amend the Assignment Agreement to acknowledge Lease Schedule No. 2007 by entering into this Fourth Amendment to Assignment of Lease Agreement (the "Fourth Amendment to Assignment Agreement").

(g) The Certificates shall be issued from time to time in order to finance the acquisition, construction and installation of the Projects and the proceeds of the Certificates shall be deposited with the Trustee and shall be held and applied in accordance with the Trust Agreement.

(h) Pursuant to the Lease Agreement, the Board is obligated to make certain Lease Payments to the Corporation, or its assignee. In order to secure the Certificates, the Corporation is willing to assign and transfer its rights and interests under the Lease Agreement to the Trustee for the benefit of the Owners of the Certificates.

(i) Each of the parties hereto has authority to enter into this Fourth Amendment to Assignment Agreement, and has taken all actions necessary to authorize its officer to enter into it.

(j) The capitalized words and terms used in this Fourth Amendment to Assignment Agreement, but not otherwise defined herein, shall have the meanings assigned to such words and terms in Exhibit A to the Lease Agreement.

SECTION 2. ASSIGNMENT. The Corporation, for good and valuable consideration received, does hereby irrevocably sell, assign and transfer to the Trustee, for the benefit of the Owners of the Certificates, all of its right, title and interest in the Lease Agreement, as amended and supplemented, in particular as supplemented by Lease Schedule No. 2007 (other than the right to receive indemnification pursuant to the Lease Agreement, the right to enter into Lease Schedules from time to time and its obligations provided in Section 6.03 of the Lease Agreement), including its right to receive Lease Payments from the Board under the Lease Agreement and its right to use, sell and re-let the Projects (under the circumstances contemplated by the Lease Agreement), and the right to exercise such rights and remedies as are conferred on the Corporation by the

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Lease Agreement. All rights of the Corporation in each Lease Schedule shall be assigned to the Trustee upon execution and delivery thereof. The Lease Payments shall be applied, and the rights so assigned shall be exercised, by the Trustee as provided in the Trust Agreement. Except for any Lease Schedules which are hereafter attached to the Lease Agreement and hereafter assigned by the Corporation to the Trustee pursuant to an amendment to the Assignment Agreement, the sale, assignment and conveyance of the rights, title and interest of the Corporation under and to the Lease Agreement are immediately complete and effective for all purposes.

SECTION 3. ACCEPTANCE. The Trustee hereby accepts such assignment in trust for the purpose of securing payment of the Certificates and securing the rights of the Owners of the Certificates issued pursuant to the Trust Agreement.

SECTION 4. CONFLICTS; ASSIGNMENT AGREEMENT TO CONTINUE IN FORCE. Except as herein expressly amended and supplemented, the Assignment Agreement and all the terms and provisions thereof are and shall remain in full force and effect; provided, however, that in the event of a conflict between the terms of this Fourth Amendment to Assignment Agreement and the Assignment Agreement, the terms of this Fourth Amendment to Assignment Agreement shall govern.

SECTION 5. COUNTERPARTS. This Fourth Amendment to Assignment Agreement may be executed in counterparts, and each of said counterparts shall be deemed an original for all purposes of this Fourth Amendment to Assignment Agreement. All of such counterparts taken together shall be deemed to be one and the same instrument.

SECTION 6. LAW. This Fourth Amendment to Assignment Agreement shall be construed under the laws of the State of Florida.

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IN WITNESS WHEREOF, the parties have executed this Fourth Amendment to Assignment Agreement by their officers thereunto duly authorized as of the day and year first written above.

DUVAL SCHOOL BOARD LEASING CORPORATION, as Lessor

(SEAL)

By: _____
Name: _____
Title: President
Address: 1701 Prudential Drive,
6th Floor
Jacksonville, Florida 32207

ATTEST:

By: _____
Name: W.E. Pratt-Dannals
Title: Secretary
Address: 1701 Prudential Drive
6th Floor
Jacksonville, Florida 32207

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

(SEAL)

Name: Barbara B. Buck
Title: Vice President
Address: Corporate Trust Division
10161 Centurion Parkway
Jacksonville, Florida 32256

STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

The foregoing instrument was acknowledged before me this ____ day of December, 2007, by _____ and W.E. Pratt-Dannals, the President and Secretary, respectively, of the DUVAL SCHOOL BOARD LEASING CORPORATION. Such person(s) did not take an oath and:

- is/are personally known to me.
- produced a current Florida driver's license as identification.
- produced _____ as identification.

(SEAL)

Name:
Notary Public, State of Florida
My Commission Expires:

STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

The foregoing instrument was acknowledged before me this ____ of December, 2007, by Barbara Buck, Vice President, of The Bank of New York Trust Company, N.A. Such person(s) did not take an oath and:

- is/are personally known to me.
- produced a current Florida driver's license as identification.
- produced _____ as identification.

(SEAL)

Name:
Notary Public, State of Florida
My Commission Expires:

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GROUND LEASE AGREEMENT

by and between

**SCHOOL BOARD OF DUVAL COUNTY, FLORIDA,
as Lessor**

and

**DUVAL SCHOOL BOARD LEASING CORPORATION,
as Lessee**

Dated as of December 1, 2007

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WHEREAS, the Corporation desires to acquire from the Board, pursuant to this Ground Lease, and the Board is willing to grant to the Corporation, the right to utilize the Servient Property to the extent reasonably necessary for Access and for the Services and the Corporation and the Board desire to provide for the structural attachment of certain of the components of the Series 2007 Project to the Servient Buildings;

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

SECTION 1. LEASED PREMISES. (a) Pursuant to the terms and provisions hereof, the Board hereby leases, grants, demises and transfers the Premises and the Series 2007 A Project, other than the Designated Equipment, to the Corporation. The Board hereby agrees to make all parcels of real property on which the Series 2007 Project is sited part of the Premises and subject to this Ground Lease. The Board shall execute, deliver and record one or more supplements to the Ground Lease upon acquisition of each such parcel.

(b) The aforesaid leasing, granting, demising and transfer of the Premises also includes the following rights ("Premises Rights") which such Premises Rights shall be deemed to be a part of the premises:

(i) The right to utilize the Servient Property for Access and for the Services reasonably necessary to the full use and enjoyment of the Premises; provided that the locations on the Servient Property utilized for such purposes shall be reasonably agreed upon by the Corporation and the Board; and provided, further, that the Servient Property Rights shall include, but not necessarily be limited to, the right to utilize for such purposes any portion of the Servient Property (e.g., the Servient Property 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 Servient Property, together with the right to "tie-in" or "connect" thereto). If the Lease Agreement terminates prior to the termination of this Ground Lease, the Corporation and the Board 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 Premises.

(ii) The Servient Buildings and the Series 2007 Project may contain certain elements, features or parts which are structural elements of both the Servient Buildings and the Series 2007 Project (hereinafter referred to as "Common Structural Elements"). Such Common 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

THIS GROUND LEASE AGREEMENT (hereinafter referred to as this "Ground Lease") is made and entered into as of December 1, 2007, by and between the **SCHOOL BOARD OF DUVAL COUNTY, FLORIDA**, a school board duly organized and existing under the laws of the State of Florida (the "Board"), as lessor, acting as the governing body of the School District of Duval County, Florida, and the **DUVAL SCHOOL BOARD LEASING CORPORATION**, a single-purpose, not-for-profit corporation organized and existing under the laws of the State of Florida, having an office in Jacksonville, Florida (the "Corporation"), as lessee.

Capitalized terms not otherwise defined herein shall have the meanings set forth in Exhibit A to the Trust Agreement referred to herein.

WHEREAS, the Board is the owner of certain parcels of real property located in Duval County, Florida and described in Exhibit A hereto (which, together with 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 together with all parcels of real property hereunder made subject to the Ground Lease, is hereinafter referred to as the "Premises"); and

WHEREAS, the Corporation desires to acquire a leasehold interest in the Premises and construct thereon certain educational facilities (together with the acquisition of certain Equipment, the "Series 2007 Project") and to lease the Series 2007 Project, including a sublease of the Premises, to the Board, all in accordance with the terms and provisions of the Lease Agreement; and

WHEREAS, the Corporation desires to locate each such educational facility on the real property comprising the Premises;

WHEREAS, the Board owns that certain real property more particularly described on Exhibit B attached hereto and made a part hereof ("Servient Property") which such Servient Property now has or will hereafter have certain buildings, structures and improvements erected and situated thereon (collectively, the "Servient Buildings"); and

WHEREAS, it is anticipated that the Series 2007 Project may be attached to the Servient Property for pedestrian and vehicular ingress, egress and access to and from and between the Premises and the public roads adjoining the Servient Property (hereinafter referred to as "Access"); and may further be dependent upon the Servient Property for utility and other enjoyment of the Premises which such services include, but are not necessarily limited to, drainage, sewer and water service, electric and telephone service, gas service and parking of vehicles (collectively, the "Services"); and

Premises or the Series 2007 Project on the one hand or the Servient Property or Servient Buildings 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 2007 Project and the Servient Buildings upon the common line between the Premises and the Servient Property (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 the 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 2007 Project and the Servient Buildings. Should the Roofing of any building constituting a portion of the Project extend beyond the Lot Line, the right therefor is hereby granted and should the Roofing of the Servient Building extend beyond the Lot Line onto the premises, 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 2007 Project and the Servient Buildings (collectively referred to as "Flooring"). Should the Flooring of the Series 2007 Project extend beyond the Lot Line onto the Premises, the right therefor is hereby reserved.

(iii) The Premises Rights further include that right of the Series 2007 Project to encroach upon the Servient Property as a result of minor inaccuracies in survey, construction or reconstruction or due to settlement or movement. The encroaching Series 2007 Project shall remain undisturbed for as long as same exist and, for so long as such encroachment exists, that portion of the Servient Property on which same exists shall be deemed to be a part of the Premises. In addition, the Premises Rights include the right to utilize that portion of the Servient Property as may be reasonably necessary in order to maintain and repair the Series 2007 Project. The Premises Rights further include cross rights of support and use over, upon, across, under, through and into Common Structural Elements in favor of the Corporation (and like rights are hereby reserved unto the Board) for the continued use, benefit and enjoyment and continued support, service, maintenance and repair of all such Common Structural Elements.

(c) Subject to the Permitted Encumbrances, the Board hereby warrants that (i) the Board owns the Premises in fee simple title, has full and insurable title to the fee

estate in the Premises and owns unencumbered all such right, title and interest; (ii) all consents to or approvals of this Ground Lease required by law or any agreements or indentures binding upon the Board have been obtained; (iii) the Board has the right to lease the Premises to the Corporation pursuant to the terms and provisions hereof and to grant to the Board the Premises Rights; and (iv) this Ground Lease complies with all the requirements and restrictions of record applicable to the Premises and the Servient Property. The Board represents and warrants that none of the Permitted Encumbrances has an adverse effect on the use of the Premises or the enjoyment of the leasehold estate therein created under this Ground Lease.

SECTION 2. TERM. The initial term of this Ground Lease (the "Initial Ground Lease Term") shall be for the period commencing on the Commencement Date, and ending on the earlier of (a) the date on which the Series 2007 Certificates and any Completion Certificates related to the Series 2007 Project and any Certificates issued to refund the foregoing, have been paid or provision for payment of such Certificates has been made pursuant to Section 12.01 of the Trust Agreement and any Supplemental Rent arising under the Lease Agreement shall have been paid or provided for, or (b) July 1, 20__ (both dates inclusive). As used herein, the expression "term hereof," "Ground Lease Term" or any similar expression refers collectively to the Initial Ground Lease Term and to any renewals of the Initial Ground Lease Term exercised by the Corporation or its assignee as provided in Section 22 hereof.

SECTION 3. USE OF PREMISES. (a) It is the express intent of the parties hereto that, for as long as no Event of Default or Event of Non-Appropriation under the Lease Agreement has occurred:

(i) the Premises shall be used by the Corporation as the site for acquisition, construction and installation of the Buildings comprising a portion of the Series 2007 Project;

(ii) the Buildings and Equipment comprising a portion of the Series 2007 Project shall be acquired, constructed and installed by the Board as agent for the Corporation as provided in Section 3.08 of the Lease Agreement; and

(iii) title to the Premises shall be in the Board upon commencement of the Ground Lease Term and title to all components of the Series 2007 Project, other than Designated Equipment, shall be in name of Corporation pursuant to the Lease Agreement, and title to the Buildings comprising a portion of the Series 2007 Project constructed on the Premises shall remain severed from title to the Premises until the earlier of (A) the date on which the Series 2007 Certificates, any Completion Certificates related to the Series 2007 Project and any Certificates issued to refund the foregoing issued under the Trust Agreement shall no longer be Outstanding, and (B) the end of the Ground Lease Term.

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amounts payable under the Lease 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 years to the extent that moneys received in such year from the exercise of the remedies permitted by the Lease Agreement exceed the Principal and Interest Requirements and the fair market rental due in such years; and

(iv) the failure to pay any portion of the fair market rental in any year due to insufficiencies of moneys realized from the exercise of the remedies permitted under the Lease Agreement (A) shall not give rise to any obligation to pay interest on such unpaid fair market rental, and (B) shall not constitute a default under this Ground Lease by the Corporation or the Trustee as the assignee of the Corporation.

SECTION 5. OWNERSHIP OF IMPROVEMENTS AND SURRENDER OF PREMISES. (a) The Corporation or its assignee shall at all times during the Ground Lease Term have a leasehold estate in the Premises with full right to vest the use, enjoyment and possession of such leasehold estate therein in a Permitted Transferee.

(b) Possession and use of the Premises, together with all improvements thereon, shall, upon the last day of the Ground Lease Term or earlier termination of this Ground Lease, automatically revert to the 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 Ground Lease, the Corporation or its assignee shall peaceably and quietly surrender to the Board the Premises together with any improvements located in or upon the Premises. Upon such surrender of the Premises, the Corporation or any Permitted Transferee, at the reasonable request of the Board, shall execute an instrument in recordable form evidencing such surrender and shall deliver to the Board all books, records, construction plans, surveys, permits and other documents relating to, and necessary or convenient for, the operation of the Premises and the improvements thereon in the possession of the Corporation or any Permitted Transferee.

(c) Any personal property of the Corporation, any Permitted Transferee or any Person which shall remain on the Premises after expiration or earlier termination of the Ground Lease Term and for sixty (60) days after request by the Board for removal, shall, at the option of the Board, be deemed to have been abandoned and may be retained by the Board and the same may be disposed of, without accountability, in such manner as the Board may see fit.

(d) If the Corporation or any Permitted Transferee holds over or refuses to surrender possession of the Premises after expiration or earlier termination of this Ground

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(b) If the Lease Agreement has been terminated, the Corporation and each Permitted Transferee (as defined in Section 9(b) hereof) may use the Premises for any lawful purpose, in its sole discretion, and may alter, modify, add to or delete from the portions of the Series 2007 Project existing from time to time on the Premises.

(c) Neither the Corporation nor any Permitted Transferee shall use or permit the Premises 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.

(d) The Board may at any time place portable educational facilities on the Premises. Such portables shall be owned by the Board.

SECTION 4. RENTAL. (a) So long as the Lease Agreement has not been terminated, the Corporation or its assignee shall pay to the Board as and for rental for the Premises the sum of ten dollars (\$10.00) 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.

(b) From and after the date on which the Lease Agreement has been terminated, the Corporation or its assignee shall pay as and for rental for the Premises an amount determined by an M.A.I. appraisal to be the fair market rental for the Premises (the "Appraisal"), which Appraisal shall be prepared by an appraiser selected by the Corporation (with the consent of the Trustee as assignee of the Corporation); provided, however, that such fair market rental and the payment thereof shall be subject to the following adjustments and conditions:

(i) if the Lease Agreement has 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 terminated and the next succeeding June 30;

(ii) for each twelve-month period beginning on the July 1 next succeeding the date on which terminated 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 Lease Agreement during the preceding twelve months prior to such July 1 exceeded the Principal and Interest Requirements for such preceding twelve months and other

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Lease, the Corporation or any Permitted Transferee shall be a tenant at sufferance and shall pay a rental rate equal to the fair market rental of the Premises determined in the manner provided in Section 4(b) hereof.

(e) The provisions of Sections 5(a), 5(b) and 5(c) hereof shall not apply to vending machines or other commercial equipment or trade fixtures located in or about the Premises to the extent that such equipment is readily removable from the Premises without causing material harm or damage thereto and that such equipment is not owned by the Corporation or any Permitted Transferee.

SECTION 6. BOARD'S INTEREST NOT SUBJECT TO CERTAIN LIENS. It is mutually intended, stipulated and agreed that neither the fee simple title (to the extent applicable) to nor any interest of the Board in the Premises or the Series 2007 Project may be subject to liens of any nature arising by reason of any act or omission of the Corporation or its assignee or any Person claiming under, by or through the Corporation, including, but not limited to, mechanics' and materialmen's liens.

SECTION 7. INSURANCE. The Corporation covenants and agrees with the Board that the Corporation will cooperate with the Board in providing any information necessary for the Board to obtain and maintain in full force and effect insurance coverages desired by the Board or required by the Lease Agreement.

SECTION 8. CONDITION OF PREMISES, UTILITIES, CONCEALED CONDITIONS. (a) Except with regard to any environmental conditions and subject to the provisions of this Section 8, the Corporation agrees to accept the Premises in their presently existing condition, "as is."

(b) It is understood and agreed that the Board has determined that the Premises will safely or adequately support the Series 2007 Project, and hereby certifies same to the Corporation.

(c) The Board, at its sole expense, shall bring or cause to be brought to the Premises adequate connections for water, electrical power, storm sewerage and sewerage, and shall arrange with the appropriate utility companies for furnishing such services and shall provide to the Premises water service and capacity sufficient for operation, heating, ventilation and air conditioning equipment, and to the extent necessary to permit the Board to use the Series 2007 Project for the purposes intended or to permit such Series 2007 Project to comply with all requirements of law, the Corporation will provide and construct (but only to the extent of the proceeds of the Series 2007 Certificates available therefor) such roads, streets, sidewalks and other methods of ingress and egress necessary therefor. Nothing herein shall prohibit the Board from dedicating any such utilities or roads, streets and sidewalks to the appropriate governmental authority or duly constituted investor-owned utility as required or permitted by law, and the Corporation or the Trustee

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as assignee of the Corporation shall cooperate in such dedication by executing any deeds or other instruments required to effect such dedication.

SECTION 9. LIMITATION ON LEASEHOLD MORTGAGES, ASSIGNMENT AND SUBLETTING. (a) If the Lease Agreement has been terminated and subject to the terms and conditions herein provided, the Corporation may enter into a mortgage or mortgages of its leasehold interest created hereby in the Premises as security for the performance of its obligations under any financing obtained by the Corporation; provided, however, the fee title to the Premises shall not be subject to, or otherwise encumbered by, any such mortgage; provided, however, that each such leasehold mortgage shall be subject to the provisions of Section 9(d) hereof. Any such mortgage executed by the Corporation or its assignee pursuant to the provisions of the preceding sentence shall be hereinafter called a "Leasehold Mortgage" and the holder of any such mortgage shall be hereinafter called the "Leasehold Mortgagee."

(b) Except as expressly provided in this Section 9(b), the Corporation or its assignee shall not assign this Ground Lease, or any portion hereof, or sublease all or any portion of the Premises and the Series 2007 Project at any time. Except as expressly permitted in this Section 9(b), any purported assignment, partial assignment or sublease without the Board's prior written consent in violation of this Section 9(b) shall be null and void. So long as the Lease Agreement has not been terminated, (i) the Corporation may assign this Ground Lease to the Trustee for the benefit of the Owners of the Series 2007 Certificates, any Completion Certificates related to the Series 2007 Project and any Certificates issued to refund the foregoing, and (ii) the Corporation or its assignee shall sublet all of the Premises to the Board (the "Initial Sublessee") under the Lease Agreement. If the Lease Agreement shall have been terminated, the Corporation or its assignee may sublet the Premises or assign its interest in this Ground Lease (a "Permitted Sublease") to any Person for any lawful purpose without the prior consent of the Board; provided, however, that no Permitted Sublease shall relieve the Corporation of any of its duties or obligations hereunder without the prior written consent of the Board; provided, however, that each Permitted Sublease shall be subject to the provisions of Section 9(d) hereof. "Permitted Transferee" shall mean a sublessee or assignee permitted by this Section 9(b).

(c) If the Lease Agreement shall have been terminated and the Corporation or its assignee proposes to create a Permitted Sublease of any portion of its interest in this Ground Lease, the Corporation or its assignee shall provide written notice thereof to the Board containing the names and addresses of the proposed assignee(s), sublessee(s) or transferee(s); provided, however, that failure to provide such notice shall not affect the validity or effectiveness of any Permitted Sublease to a Permitted Transferee.

(d) If the Lease Agreement shall have been terminated, nothing herein shall prevent the Corporation or its assignee from entering into a Leasehold Mortgage or a Permitted Sublease for individual parcels of land constituting the Premises. It shall not

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(c) In the event that the Board shall fail to pay any of the items required under this Section 12, the Corporation or its assignee may, at its sole option, pay the same and any amounts so advanced therefor by it shall become an additional obligation of the Board and Supplemental Rent under the Lease Agreement.

SECTION 13. DEFAULT BY THE CORPORATION. (a) Each of the following events shall be deemed a default by the Corporation hereunder and a breach of this Ground Lease:

(i) If the Corporation or its assignee shall fail to pay, when due, any rent or portion thereof, or any other sum, if any, which the Corporation or its assignee is obligated to pay under the terms and provisions of this Ground Lease, and such rent or other sums, if any, remain unpaid for a period of thirty (30) days after receipt of written notice to the Corporation from the Board;

(ii) If the Corporation or its assignee shall attempt to mortgage the leasehold estate hereby created in violation of Section 9(a) hereof or to assign this Ground Lease, or any portion thereof, or to sublease any portion of the Premises or the Series 2007 Project in violation of Section 9(b) hereof; or

(iii) If the Corporation or its assignee shall use the Premises for any purposes not permitted by this Ground Lease, and such use shall continue for a period of thirty (30) days after the Board shall have given written notice to the Corporation or its assignee to desist from such use.

(b) In the event that the item of default set forth in Section 13(a)(iii) above is of such a nature that it cannot be remedied within the time limits therein set forth, then the Corporation shall have such additional time as is reasonably necessary to cure such default provided that such Corporation diligently commences the curing of such default within such time and proceeds to completely cure the same in a timely and diligent manner.

(c) In the event that any Permitted Transferee or Leasehold Mortgagee exists of record at the time that a default occurs hereunder, the Board shall give notice thereof to each such Permitted Transferee and Leasehold Mortgagee and each such party shall have thirty (30) additional days from receipt of such notice to cure such default; provided, however, that if the default is of such a nature that the same cannot be cured in such time, then such party shall have such additional time as is reasonably necessary to cure such default provided that such party diligently commences the curing of such default within such time and proceeds completely to cure same within a timely and diligent manner.

SECTION 14. REMEDIES OF BOARD. Upon the occurrence of any event of default as set forth in Section 13 hereof which has not been cured (and is not in the process of being cured) under Section 13(b) or 13(c) hereof, but not otherwise, the

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be necessary for a Leasehold Mortgage or a Permitted Sublease to cover all of the Premises.

SECTION 10. UTILITY EASEMENTS. So long as the Lease Agreement has not been terminated, the Board reserves the right to grant nonexclusive utility easements, licenses, rights-of-way and other rights or privileges in the nature of easements to others over, under, through, across or on the Premises but only to the extent reasonably necessary to provide services to the Premises or any other real property adjacent to the Premises; provided, however, that such grant and any use permitted thereby is not detrimental to the use or operation of the Premises or to any other uses permitted hereunder after the Ground Lease Term, will not impose any cost upon the Corporation or its assignee, will not weaken, diminish or impair lateral or subjacent support to the improvements to the Premises, including, without limitation the Series 2007 Project, will not impair or diminish the security of any Leasehold Mortgagee or Permitted Transferee hereunder and the Board agrees to indemnify and save harmless, but only from Available Revenues, the Corporation or its assignee and any Leasehold Mortgagee and Permitted Transferee (whether the interest of such party in the Premises arises prior or subsequent to such grants) against any loss, claim, liability or damages, including legal costs and defense arising or accruing from the use or exercise of such easement.

SECTION 11. DUTIES DEEMED PERFORMED. All obligations of the Corporation hereunder which are assumed by the Initial Sublessee shall be deemed, as between the Board and the Corporation hereunder, fully performed whether or not such Initial Sublessee actually performs same.

SECTION 12. TAXES AND FEES. (a) The Board represents and warrants that this Ground Lease is and will be exempt from ad valorem and intangible taxation. However, for as long as the Lease Agreement is in effect, should the Premises thereon or any interest therein ever become subject to any such taxes, the Board agrees to pay any and all such lawful taxes, assessments or charges which at any time may be levied by any federal, state, county, city, or any tax or assessment levying body upon the Premises or the Series 2007 Project, or any interest in this Ground Lease, or any possessory right which the Corporation or its assignee may have in or to the Premises thereon by reason of its use or occupancy thereof or otherwise.

(b) Notwithstanding the foregoing provision, either the Board or the Corporation shall, after notifying the other party hereto of its intention to do so, have the right in its own name or behalf, or in the name and behalf of the other party hereto, to contest in good faith by all appropriate proceedings the amount, applicability or validity of any such tax or assessment, and in connection with such contest, the Board may refrain from paying such tax or assessment. Each party shall, upon request by the other party hereto, assist and cooperate with the other party hereto in any such proceedings.

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Board may take whatever action at law or in equity may appear necessary or desirable to enforce its rights hereunder; provided, the Board shall not have the right to terminate this Ground Lease until such time as the Series 2007 Certificates, any Completion Certificates related to the Series 2007 Project and any Certificates issued to refund the foregoing have been paid or provision for payment has been made pursuant to the terms and provisions of the Trust Agreement. The Board shall have recourse solely against the leasehold estate of the Corporation or its assignee in the Premises, and any proceeds thereof, for the payment of any liabilities of the Corporation or its assignee hereunder.

SECTION 15. NO WAIVERS. No waiver by either party hereto at any time of any of the terms, conditions, covenants or agreements of this Ground Lease, or noncompliance therewith, shall be deemed or taken as a waiver at any time thereafter of the same, nor of any other term, condition, covenant or agreement herein contained, nor of the strict and prompt performance thereof by the other party hereto. No delay, failure or omission of the Board to re-enter the Premises, nor by either party hereto to exercise any right, power, privilege or option arising from any default shall impair any right, power, privilege or option, or be construed to be a waiver of any such default, relinquishment thereof or acquiescence therein, and no notice by either party hereto shall be required to restore or revive time as being of the essence hereof after waiver by the Board of default in one or more instances. No option, right, power, remedy or privilege of the Board shall be construed as being exhausted or discharged by the exercise thereof in one or more instances. It is agreed that each and all of the rights, powers, options or remedies given to each party by this Ground Lease are cumulative, and no one of them shall be exclusive of the other or exclusive of any remedies provided by law.

SECTION 16. QUIET ENJOYMENT. The Board agrees that the Corporation and any Permitted Transferee, upon the payment of the rent and all other payments and charges, if any, to be paid by the Corporation or its assignee under the terms of this Ground Lease, and observing and keeping the agreements and covenants of this Ground Lease on its part to be observed and kept, shall lawfully and quietly hold, occupy and enjoy the Premises during the term of this Ground Lease, without hindrance or molestation from the Board or anyone claiming by, through or under the Board.

SECTION 17. TERMS BINDING UPON SUCCESSORS. All the terms, conditions and covenants of this Ground Lease shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

SECTION 18. 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 term of this Ground Lease acquire title to the Premises:

(a) For as long as the Lease Agreement has not been terminated, the Net Proceeds resulting therefrom shall be applied pursuant to the Lease Agreement.

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(b) If the Lease Agreement shall have been terminated, (i) if such Person acquires title to such substantial portion thereof that the Corporation determines that it cannot economically make use of the residue for the lawful purposes intended by this Ground Lease, such acquisition of title shall terminate this Ground Lease, effective as of the date on which the condemning party takes possession thereof, and the Net Proceeds resulting therefrom shall be applied first to payment of the amount secured by any Leasehold Mortgage then outstanding hereunder, second, to payment of any outstanding Series 2007 Certificates, on a proportionate basis with any Completion Certificates related to the Series 2007 Project and any Certificates issued to refund the foregoing, and, third, the balance, if any shall be paid to the Board and the Corporation, as their respective interests may appear; and (ii) if such Person acquires title to a portion of the Premises only, and the Corporation determines that it can economically make beneficial use of the residue thereof for the lawful purposes intended by this Ground Lease, then this Ground Lease shall continue in full force and effect and the Net Proceeds resulting therefrom shall be paid to the Board and the Corporation, as their respective interests appear.

(c) It is understood that the foregoing provisions of this Section 18 shall not in any way restrict the right of the Board or the Corporation to appeal the award made by any court or other public agency in any condemnation proceeding.

SECTION 19. NON-MERGER OF LEASEHOLD. There shall be no merger of this Ground Lease or of the leasehold estate hereby created with the fee estate in the Premises or any part thereof by reason of the fact that the same Person may acquire or hold, directly or indirectly, this Ground Lease or leasehold estate hereby created or any interest in this Ground Lease or in such leasehold estate and the fee estate in the Premises or any interest in such fee estate. There shall be no merger of this Ground Lease with the Lease Agreement by reason of the fact that the Board is the owner of the fee title to the Premises and the leasehold estate in all or a portion of the Series 2007 Project created under the Lease Agreement or by reason of the fact that the Corporation is the owner of the leasehold estate in the Premises created hereby and is the owner of the fee title in the Series 2007 Project as provided in the Lease Agreement.

SECTION 20. MEMORANDUM OF GROUND LEASE. Unless mutually agreed to the contrary, simultaneously with the execution of this Ground Lease, the Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Ground Lease with respect to this Ground Lease. Said Memorandum of Ground Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of this Ground Lease.

SECTION 21. CHANGES TO PROPERTY DESCRIPTION. The Board reserves the right to substitute other land for, or add land to all or any portion of the premises described in Exhibit A hereto, as same may be supplemented by supplements to this Ground Lease from time to time. The Board will do so only after notice and public

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under this Ground Lease Agreement against any member, officer, employee or agent of the parties hereto.

SECTION 26. RADON GAS. Section 404.056, Florida Statutes, requires that the following notification be given: "RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit."

SECTION 27. MISCELLANEOUS. (a) This Ground Lease shall be governed by, and be construed in accordance with, the laws of the State of Florida.

(b) Any notice required or desired to be given hereunder, or any items required or desired to be delivered hereunder, may be served or delivered personally or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Board: School Board of Duval County, Florida
1701 Prudential Drive, 6th Floor
Jacksonville, Florida 32207
Attention: Superintendent and Treasurer

If to the Corporation: Duval School Board Leasing Corporation
c/o School Board of Duval County, Florida
1701 Prudential Drive, 6th Floor
Jacksonville, Florida 32207
Attention: Superintendent and Treasurer

If to the Trustee: The Bank of New York Trust Company, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department

or such other address or party as the party to be served may direct by written notice to the other party. If such notice is sent or delivery is made by registered or certified mail, such notice or delivery shall be deemed served, made and effective seventy-two (72) hours after posting.

(c) It is mutually acknowledged and agreed by the parties hereto that this Ground Lease contains the entire agreement between the Board and the Corporation with respect to the subject matter of this Ground Lease; that there are no verbal agreements, representations, warranties or other understandings affecting the same.

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hearing and subsequent adoption of a resolution in accordance with the Act. Upon such substitution the Memorandum of Ground Lease will be supplemented to reflect the change in legal description. Any such supplement shall be substantially in the form of Exhibit C attached hereto. Each substitution of a parcel of land subject to the provisions of this Ground Lease shall require the consent of the Credit Enhancer. Such consent by the Credit Enhancer shall only be required if the Credit Enhancer is not in default of its payment obligations under its Credit Facility or municipal Bond insurance policy.

SECTION 22. OPTION TO RENEW. In the event that the Lease Agreement shall have been terminated, and the Corporation, or the Trustee as the assignee of the Corporation, excludes the Board from possession of the Series 2007 Project, the Board grants to the Corporation and the Trustee the right and option to renew this Ground Lease for a period not to exceed ten years at a fair market rental to be determined, adjusted and paid in the manner and under the conditions set forth in Section 4(b) of this Ground Lease.

SECTION 23. ESTOPPEL CERTIFICATES. The Board, at any time and from time to time, upon not fewer than thirty (30) days prior written notice from the Corporation or the Trustee as assignee of the Corporation, will execute, acknowledge and deliver to the Corporation, the Trustee as assignee of the Corporation or any Permitted Transferee, a certificate of the Board certifying that this Ground Lease is unmodified (or, if there have been any modifications, identifying the same), that this Ground Lease is in full force and effect, if it is; 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 the Corporation or the Trustee as assignee of the Corporation or any Permitted Transferee.

SECTION 24. NONRECOURSE OBLIGATION OF THE CORPORATION. Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Ground Lease or any of the transactions contemplated hereby, the parties hereto hereby acknowledge and agree that upon the assignment by the Corporation of its rights hereunder to the Trustee pursuant to the Assignment of Lease Agreement and Assignment of Ground Lease Agreement, the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto nor their 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 25. NO RECOURSE UNDER AGREEMENT. All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Ground Lease 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 payment of rent pursuant to Section 4 hereof or for any claim based thereon

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(d) Nothing herein contained shall be deemed to create a partnership or joint venture, nor shall the relationship between the parties be construed as principal and agent, or other than as landlord and tenant.

(e) The table of contents, headings and captions of this Ground Lease are inserted solely for convenience of reference, and under no circumstances shall they be treated or construed as part of, or as affecting, this Ground Lease.

(f) For purposes of computing any period of a number of days hereunder for notices or performance (but not for actual days of interest) of ten (10) days or fewer, Saturdays, Sundays and holidays shall be excluded.

(g) Any provision of this instrument in violation of the laws of the State of Florida shall be ineffective to the extent of such violation, without invalidating the remaining provisions of this instrument. In no event shall the Corporation or its assigns have any cause of actions against the officers or employees of the Board, or against any elected official of the Board based upon or materially related to any finding by any court that any or all provisions of this instrument violate Florida law.

(h) Nothing in this Ground Lease, expressed or implied, is to or shall be construed to confer upon or to give to any person or party other than the Corporation, and its assignee, the Trustee, the Credit Enhancer and the Board any rights, remedies or claims under or by reason of this Ground Lease or any covenants, condition or stipulation hereof; and all covenants, stipulations, promises and agreements in this Ground Lease contained by or on behalf of the Corporation or the Board shall be for the sole and exclusive benefit of the Corporation, and its assignee, the Credit Enhancer and the Board.

(i) This Ground Lease Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

(j) This Ground Lease may not be amended or modified without the prior written consent of the Credit Enhancer. Any action taken hereunder which requires or permits the consent, notice, direction or request of the Lessor or the Trustee, shall also require or permit the consent, notice, direction or request of the Credit Enhancer, which consent, direction or request shall not be unreasonably withheld.

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IN WITNESS WHEREOF, the Board and the Corporation have caused this Ground Lease to be executed in duplicate, either of which may be considered an original, the day and year first above written.

SCHOOL BOARD OF DUVAL COUNTY, FLORIDA, as Lessor

(SEAL)

By: _____
Chairman

ATTEST:

By: _____
Superintendent/Secretary

(SEAL)

DUVAL SCHOOL BOARD LEASING CORPORATION, as Lessee

By: _____
President

ATTEST:

By: _____
Secretary

STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

The foregoing instrument was acknowledged before me this ____ day of December, 2007, by _____ and W.E. Pratt-Dannals, the Chairman and Superintendent/Secretary, respectively, of the DUVAL COUNTY SCHOOL BOARD. Such person(s) did not take an oath and:

- is/are personally known to me.
- produced a current Florida driver's license as identification.
- produced _____ as identification.

(SEAL)

Name:
Notary Public, State of Florida
My Commission Expires:

STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

EXHIBIT A

PREMISES DESCRIPTION

The foregoing instrument was acknowledged before me this ____ day of December, 2007, by _____ and W.E. Pratt-Dannals, the President and Secretary, respectively, of the DUVAL SCHOOL BOARD LEASING CORPORATION. Such person(s) did not take an oath and:

- is/are personally known to me.
- produced a current Florida driver's license as identification.
- produced _____ as identification.

(SEAL)

Name:
Notary Public, State of Florida
My Commission Expires:

DESCRIPTION OF SERVIENT PROPERTY

[NONE]

[FIRST, SECOND, THIRD, ETC.]
GROUND LEASE SUPPLEMENT

This [First, Second, Third, etc.] Ground Lease Supplement ("Subject Supplement") is made and entered into as of ____ by the **SCHOOL BOARD OF DUVAL COUNTY, FLORIDA** (the "Board") acting as the governing body of the School District of Duval County, Florida (the "District") and **DUVAL SCHOOL BOARD LEASING CORPORATION** a Florida not-for-profit corporation (the "Corporation"). All capitalized terms used herein and not otherwise defined shall have the meaning set forth therefor in the "Ground Lease" as hereinafter set forth.

WITNESSETH:

WHEREAS, the Board and the Corporation entered into a certain Ground Lease Agreement (the "Ground Lease") a memorandum of which was recorded in Official Records Book ____ at Page ____ of the Public Records of Duval County, Florida; and

WHEREAS, the Board owns that certain real property more particularly described in Exhibit A attached hereto and made a part hereof ("Subject Parcel"); and

WHEREAS, the Subject Parcel is a portion of the Project and, as such, is to be subject to the Ground Lease as contemplated thereby; and

NOW, THEREFORE, in consideration of the premises and for Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency whereof is hereby acknowledged by each party hereto by the other party hereto, the parties hereto do hereby acknowledge and agree as follows:

1. The foregoing recitations are true and correct and are incorporated herein by reference.

2. The Subject Parcel is hereby declared to be a part of the Premises (as defined in the Ground Lease) which constitutes a portion of the Project and, therefore, is a part of the Premises as set forth in the Ground Lease with the leasehold estate, operation and effect of the Ground Lease applying to the Subject Parcel as fully and to the same extent as if the Subject Parcel were described in the Ground Lease and therein set forth to be a part of the Premises.

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3. The Ground Lease, as modified by previous Ground Lease Supplements and as modified hereby remains in full force and effect in accordance with the terms and provisions thereof.

IN WITNESS WHEREOF, each of the parties hereto have caused this Subject Supplement to be executed by their duly authorized officers or agents, all as of the day and year first above written.

**SCHOOL BOARD OF DUVAL COUNTY,
FLORIDA**

ATTEST:

Its:

(SEAL)

By: _____
Its:

**DUVAL SCHOOL BOARD LEASING
CORPORATION**

ATTEST:

Title:

(SEAL)

By: _____
Title:

SIMULTANEOUS ASSIGNMENT

All of the rights of Duval School Board Leasing Corporation hereunder are hereby assigned without recourse or warranty to The Bank of New York Trust Company, N.A., as Trustee, as successor in interest to and assignee of Duval School Board Leasing Corporation under the Assignment.

**FINANCING CORPORATION FOR THE
SCHOOL BOARD OF DUVAL COUNTY,
FLORIDA**

By: _____
Title:

Dated: _____

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STATE OF FLORIDA)
) SS:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by _____ and _____, the _____ and _____, respectively, of the _____. Such person(s) did not take an oath and:

- is/are personally known to me.
- produced a current Florida driver's license as identification.
- produced _____ as identification.

(SEAL)

Name:
Notary Public, State of Florida
My Commission Expires:

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STATE OF FLORIDA)
) SS:
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, by _____ and _____, the _____ and _____, respectively, of the _____. Such person(s) did not take an oath and:

- is/are personally known to me.
- produced a current Florida driver's license as identification.
- produced _____ as identification.

(SEAL)

Name:
Notary Public, State of Florida
My Commission Expires:

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This document prepared by:

John R. Stokes, Esq.
Nabors, Giblin & Nickerson, P.A.
2502 Rocky Point Drive, Suite 1060
Tampa, Florida 33607

ASSIGNMENT OF GROUND LEASE

by the

DUVAL SCHOOL BOARD LEASING CORPORATION

ASSIGNMENT OF GROUND LEASE

KNOW ALL MEN BY THESE PRESENTS, that the **DUVAL SCHOOL BOARD LEASING CORPORATION**, a Florida single-purpose, not-for-profit corporation (the "Corporation"), for and in consideration of good and valuable considerations to it in hand paid by **THE BANK OF NEW YORK TRUST COMPANY, N.A.**, not in its individual capacity, but solely as trustee (the "Trustee"), the receipt of which is hereby acknowledged, has sold, assigned, transferred and set over, and by these presents does sell, assign, transfer and set over unto the Trustee the following:

(a) The instrument of ground lease and the leasehold estate created by said instrument of ground lease, being that certain Ground Lease Agreement, dated as of December 1, 2007, as the same may be supplemented, modified or amended from time to time, a Memorandum of Ground Lease Agreement describing such Ground Lease Agreement has been duly recorded in the public records of Duval County, Florida, granted by the School Board of Duval County, Florida, (the "Board"), acting as the governing body of the School District of Duval County, Florida to the Corporation in and to the Premises described therein; and

TO HAVE AND TO HOLD THE said instrument of ground lease, the leasehold estate created thereby, and any buildings and improvements thereon, unto Trustee, its successors and assigns forever; and

The Corporation does hereby covenant with the Trustee as grantee and assignee, its successors and assigns, that the Corporation (i) is the true and lawful owner of the leasehold estate created thereby, (ii) has good right to bargain, sell and transfer the same hereby, (iii) such leasehold estate of the Corporation is free and clear of any lien or encumbrance created by the Corporation, except for the "Lease Agreement" (as defined in the Ground Lease), (iv) that as of the date hereof there is no default under the terms of said Ground Lease, and (v) from and after this Assignment, the Corporation will have no further interest in such Ground Lease or the leasehold estate thereby created.

IN WITNESS WHEREOF, Duval School Board Leasing Corporation, by its officer thereunto duly authorized, has affixed its corporate name and seal as of the 1st day of December, 2007.

DUVAL SCHOOL BOARD LEASING CORPORATION

ATTEST:

Witness: _____
 Print Name: _____
 Witness: _____
 Print Name: _____

By: _____
 Name: _____
 Title: President
 Address: 1701 Prudential Drive, 6th Floor
 Jacksonville, Florida 32207

ATTEST:

Witness: _____
 Print Name: _____
 Witness: _____
 Print Name: _____

By: _____
 Name: W.E. Pratt-Dannals
 Title: Secretary
 Address: 1701 Prudential Drive, 6th Floor
 Jacksonville, Florida 32207

STATE OF FLORIDA)
) SS:
 COUNTY OF DUVAL)

The foregoing instrument was acknowledged before me this ____ day of December, 2007, by _____ and W.E. Pratt-Dannals, the President and Secretary, respectively, of the DUVAL SCHOOL BOARD LEASING CORPORATION. Such person(s) did not take an oath and:

- is/are personally known to me.
- produced a current Florida driver's license as identification.
- produced _____ as identification.

(SEAL)

 Name:
 Notary Public, State of Florida
 My Commission Expires:

EXHIBIT A

The Premises subject to the Ground Lease Agreement are the real property (together with all buildings, structures and improvements now or hereafter erected or situated thereon, including, without limitation, the "Series 2007 Project" (as defined in the Ground Lease Agreement), all fixtures, additions, alterations or replacements thereto, now or hereafter located in, or used in connection with or attached or made to such land, to the extent title thereto may rest in the Board, 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) described as follows:

APPENDIX E

FORM OF TAX OPINION OF CO-SPECIAL COUNSEL

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APPENDIX E

**FORM OF OPINION OF NABORS, GIBLIN & NICKERSON, P.A. AND
LAWRENCE & PARKER, P.A.
WITH RESPECT TO THE CERTIFICATES**

Upon delivery of the Series 2007 Certificates in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, and Lawrence & Parker, P.A., Jacksonville, Florida, Co-Special Counsel, propose to render their opinion with respect to such Series 2007 Certificates in substantially the following form:

(Date of Delivery)

School Board of Duval County, Florida
Jacksonville, Florida

School Board Members:

We have acted as Co-Special Counsel in connection with the execution and delivery of (i) \$145,575,000 initial aggregate principal amount of Certificates of Participation (School Board of Duval County, Florida Master Lease Program), Series 2007 Evidencing An Undivided Proportionate Interest of Owners thereof in Basic Rent Payments to be made under a Master Lease-Purchase Agreement by the School Board of Duval County, Florida (the "Certificates") and (ii) the Series 2007 Lease described below.

In that capacity, we have examined various documents including (i) the Master Lease-Purchase Agreement, dated as of October 1, 2000, as amended and supplemented (the "Lease Agreement"), between the Duval School Board Leasing Corporation, a single-purpose Florida not-for-profit educational corporation, as lessor (the "Corporation") and the School Board of Duval County, Florida, as lessee (the "Board"); (ii) Lease Schedule No. 2007, dated as of December 1, 2007 ("Lease Schedule No. 2007" and, together with the Lease Agreement, the "Series 2007 Lease"), between the Corporation and the Board; (iii) the Master Trust Agreement, dated as of October 1, 2000, as amended and supplemented (the "Trust Agreement"), among The Bank of New York Trust Company, N.A. (successor to The Bank of New York), Jacksonville, Florida, as trustee (the "Trustee"), the Board and the Corporation, pursuant to which the Certificates are issued; (iv) the Series 2007 Supplemental Trust Agreement, dated as of December 1, 2007 (the "Series 2007 Supplemental Trust Agreement"), among the Trustee, the Board and the Corporation; (v) the Assignment of Lease Agreement, dated as of October 1, 2000, as amended and supplemented, and particularly as amended by a

Fourth Amendment to Assignment of Lease Agreement, dated as of December 1, 2007 (collectively, the "Lease Assignment"), between the Corporation and the Trustee, pursuant to which the Corporation has assigned by outright and absolute assignment its rights, title and interest in the Series 2007 Lease (other than to its rights of indemnification, its right to enter into Lease Schedules from time to time and certain obligations provided in Section 6.03 of the Lease Agreement) to the Trustee; (vi) the Ground Lease Agreement, dated as of December 1, 2007 (the "Ground Lease Agreement"), between the Board, as lessor, and the Corporation, as lessee, pursuant to which the Board will grant to the Corporation a leasehold interest in certain real property owned or to be owned by the Board; and (vii) the Assignment of Ground Lease, dated as of December 1, 2007, between the Corporation and the Trustee. We have also examined a record of proceedings of the Board and the Corporation relating to the Series 2007 Lease, the Trust Agreement, the Series 2007 Supplemental Trust Agreement, the Lease Assignment and the Ground Lease Agreement.

Pursuant to the Series 2007 Lease, the Corporation will lease certain educational and related facilities (the "2007 Project") to the Board and the Board will make lease payments to the Trustee, as assignee of the Corporation pursuant to the Lease Assignment, which will include Basic Rent Payments (as defined in the Trust Agreement). The proceeds of the Series 2007 Certificates shall be used principally to finance the acquisition, construction and installation of the Series 2007 Project as provided in the Series 2007 Lease.

The Certificates evidence an undivided proportionate interest in the Basic Rent Payments under the Series 2007 Lease. The Basic Rent Payments are payable solely from the Board's Available Revenues (as defined in the Trust Agreement) specifically appropriated for such purpose. The Board is not legally required to budget and appropriate Available Revenues for this purpose and the Basic Rent Payments are subject to annual appropriation by the Board. Neither the Board, the State of Florida, nor any political subdivision or agency thereof shall be obligated to pay any sums due under the Lease Agreement from any source other than Available Revenues appropriated for such purpose, and the faith and credit of the Board are not pledged for payment of such sums due thereunder and such sums do not constitute debt of the Board within the meaning of any constitutional or statutory provision or limitation.

The Board has previously and may, from time to time in the future, lease other Projects (as defined in the Trust Agreement) from the Corporation pursuant to the Lease Agreement. The acquisition, construction and installation of each such Project is financed by the issuance of a series of certificates of participation pursuant to the Trust

Agreement. Each series of certificates of participation issued to finance a Project is secured independently of other series of certificates of participation. The Board has agreed in the Lease Agreement to budget and appropriate in each fiscal year from Available Revenues sufficient moneys to make the Lease Payments (as defined in the Trust Agreement) for all Projects, including the Series 2007 Project, leased under the Lease Agreement or for none of them. The Board may also issue Completion Certificates or Refunding Certificates (as defined in the Trust Agreement) which shall be on parity with the Certificates upon satisfying the conditions described therefore in the Trust Agreement.

The Certificates are dated and shall bear interest from their date of delivery, except as otherwise provided in the Trust Agreement. The Certificates will mature on the dates, in the principal amounts, and will bear interest at the respective rates per annum, as provided in the Trust Agreement. Interest shall be payable on each July 1 and January 1, commencing July 1, 2008. The Certificates are subject to prepayment prior to maturity in accordance with the terms of the Trust Agreement.

As to questions of fact material to our opinion, we have relied upon the representations of the Board contained in the Lease Agreement and in the certified proceedings and other certifications of officials furnished to us without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

Based upon the foregoing, we are of the opinion that:

1. The Series 2007 Lease, the Ground Lease Agreement, the Trust Agreement and the Series 2007 Supplemental Trust Agreement have each been duly authorized, executed and delivered by the Board and each constitutes a valid and legally binding obligation of the Board, enforceable in accordance with its respective terms.

2. The Certificates, upon proper execution and authentication by the Trustee, shall evidence an undivided proportionate interest in the Basic Rent Payments made by the Board under the Series 2007 Lease, and shall be entitled to the benefits and security of the Trust Agreement as supplemented by the Series 2007 Supplemental Trust Agreement.

3. Under existing statutes, regulations, rulings and court decisions, prior to the termination of the Series 2007 Lease resulting from an Event of Non-Appropriation or Event of Default thereunder, the Interest Component (as defined in the Trust Agreement) of the Basic Rent Payments received by the owners of the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax and environmental tax imposed on individuals and corporations; however, it should be noted that with respect to certain corporations, such Interest Component is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth above is subject to the condition that all requirements of the Internal Revenue Code of 1986, as amended, must be satisfied subsequent to the issuance of the Certificates in order that the Interest Component be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the Interest Component to be so included in gross income retroactive to the date of issuance of the Certificates. The Board and the Corporation have covenanted in the Series 2007 Lease to comply with all such requirements. Ownership of the Certificates may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding such federal tax consequences arising with respect to the Certificates.

We express no opinion regarding the federal income tax or Florida tax consequences resulting from the ownership of the Certificates or the receipt by the owners thereof of payments on the Certificates following the termination of the Series 2007 Lease resulting from an Event of Non-Appropriation or Event of Default thereunder.

The opinions expressed in paragraphs 1 and 2 hereof are qualified to the extent that (i) the enforceability of the Series 2007 Lease, the Trust Agreement, the Ground Lease Agreement and the Series 2007 Supplemental Trust Agreement, and the rights of the owners of the Certificates may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity, and (ii) we have assumed the due authorization, execution and delivery of the Trust Agreement and the Series 2007 Supplemental Trust Agreement by the Trustee.

It should be noted that (a) except as may expressly be set forth in an opinion delivered by us to the underwriters of the Certificates on the date hereof (upon which only they may rely), we have not been engaged or undertaken to review the accuracy, sufficiency or completeness of the Offering Statement or other offering material relating

to the Certificates and we express no opinion relating thereto, and (b) we have not been engaged or undertaken to review the compliance with any federal or state law with regard to the sale or distribution of the Certificates and we express no opinion relating thereto.

We have examined the form of the Certificates and, in our opinion, the form of the Certificates is regular and proper.

Respectfully submitted,

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APPENDIX F

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 G

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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\$145,575,000
CERTIFICATES OF PARTICIPATION
(School Board of Duval County, Florida Master Lease Program), Series 2007
Evidencing An Undivided Proportionate Interest of the Owners thereof in
Basic Rent Payments to be made under a Master Lease-Purchase Agreement by the
School Board of Duval County, Florida

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of January 9, 2008, is executed and delivered by the School Board of Duval County, Florida (the “Board”) and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Certificates (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Certificates in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set forth in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the Repositories.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Board for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Certificates” means the certificates as listed on the attached Exhibit A, with the initial 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements (except as otherwise provided this Disclosure Agreement, and specifically in Sections 2(d) and 3(b) hereof), Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements (if any), Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Board and include the full name of the Certificates and the 9-digit CUSIP numbers for all Certificates to which the document applies.

“Disclosure Representative” means the Chief Business Officer of the School District or his or her designee, or such other person as the Board shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Board pursuant to Section 9 hereof.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) or (b) treated as the owner of any Certificates for federal income tax purposes.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any), the Notice Event notices, and the Voluntary Reports.

“Notice Event” means an event listed in Sections 4(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“National Repository” means any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The list of National Repositories maintained by the United States Securities and Exchange Commission shall be conclusive for purposes of determining National Repositories. Currently, the following are National Repositories:

1. DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
<http://www.MuniFILINGS.com>
Email: nrmsir@dpcdata.com
2. Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: 212-771-6999; 800-689-8466
Fax: 212-771-7390
<http://www.interactivedata-prd.com>
Email: NRMSIR@interactivedata.com
3. Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
<http://www.bloomberg.com/markets/rates/municontacts.html>
Email: Munis@Bloomberg.com

4. Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
<http://www.disclosuredirectory.standardandpoors.com>
Email: nrmsir_repository@sandp.com

“Official Statement” means that Offering Statement prepared by the Board in connection with the Certificates, as listed on Appendix A.

“Repository” means the MSRB, each National Repository and the State Depository (if any).

“School District” means the School District of Duval County, Florida.

“State Depository” means any public or private depository or entity designated by the State of Florida as a state information depository (if any) for the purpose of the Rule. The list of state information depositories maintained by the United States Securities and Exchange Commission shall be conclusive as to the existence of a State Depository. Currently, the following depositories are listed by the Securities and Exchange Commission as available State Depositories:

1. Municipal Advisory Council of Michigan
1445 First National Building
Detroit, Michigan 48226-3517
(313) 963-0420 (phone)
(313) 963-0943 (fax)
2. Municipal Advisory Council of Texas
600 W. Eighth Street
PO Box 2177
Austin, TX 78701
(512) 476-6947 (phone)
(512) 476-6403 (fax)
3. Ohio Municipal Advisory Council
9321 Ravenna Road, Unit K
Twinsburg, OH 44087-2445
(330) 963-7444 (phone)
(800) 969-OMAC (6622) (phone)
(330) 963-7553 (fax)

“Trustee” means the institution identified as such in the document under which the Certificates were issued.

“Voluntary Report” means the information provided to the Disclosure Dissemination Agent by the Board pursuant to Section 7.

SECTION 2. Provision of Annual Reports.

(a) The Board shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than 15 days prior to the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to each

National Repository and the State Depository (if any) not later than 195 days after the end of each fiscal year of the Board, commencing with the fiscal year ending June 30, 2007. Such date and each anniversary thereof is the Annual Filing Date. 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 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Board of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Board will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Board irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to each National Repository or the MSRB and the State Depository (if any) in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the Board are prepared but not available prior to the Annual Filing Date, the Board shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with each National Repository and the State Depository (if any).

(e) The Disclosure Dissemination Agent shall:

- (i) determine the name and address of each Repository each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with each National Repository, and the State Depository, (if any);
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with each National Repository, and the State Depository (if any);
- (iv) upon receipt, promptly file the text of each disclosure to be made with each National Repository or the MSRB and the State Depository (if any) together with a completed copy of the MSRB Material Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:
 1. “Principal and interest payment delinquencies,” pursuant to Sections 4(c) and 4(a)(1);
 2. “Non-Payment related defaults,” pursuant to Sections 4(c) and 4(a)(2);

3. “Unscheduled draws on debt service reserves reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(3);
4. “Unscheduled draws on credit enhancements reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(4);
5. “Substitution of credit or liquidity providers, or their failure to perform,” pursuant to Sections 4(c) and 4(a)(5);
6. “Adverse tax opinions or events affecting the tax-exempt status of the security,” pursuant to Sections 4(c) and 4(a)(6);
7. “Modifications to rights of securities holders,” pursuant to Sections 4(c) and 4(a)(7);
8. “Certificate calls,” pursuant to Sections 4(c) and 4(a)(8);
9. “Defeasances,” pursuant to Sections 4(c) and 4(a)(9);
10. “Release, substitution, or sale of property securing repayment of the securities,” pursuant to Sections 4(c) and 4(a)(10);
11. “Ratings changes,” pursuant to Sections 4(c) and 4(a)(11);
12. “Failure to provide annual financial information as required,” pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement; and
13. “Other material event notice (specify),” pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.

- (v) provide the Board evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Board may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the Repositories, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Board, including, to the extent not set forth in the CAFR (as hereinafter defined):

1. Updates of information in the Offering Statement relating to:
 - a. Number of schools, number of classroom instructors, number of full-time equivalent students and average expenditures per student;
 - b. District’s payroll and required contributions to the Florida Retirement System;
 - c. Debt statement of the Board;

- d. Summary of revenue and expenses for general fund and capital projects fund;
 - e. Public Education Outlay Funds;
 - f. County-wide ad valorem millage rates;
 - g. Capital Outlay and Debt Service Funds;
 - h. Anticipated capital outlay millage required to cover debt service;
 - i. Tax levies and levies collected;
 - j. Board millage rates; and
 - k. Total assessed values and taxable values.
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 Certificates.

(b) If available at the time of such filing, the Audited Financial Statements of the Board for the prior fiscal year, prepared in accordance with generally accepted accounting principles, and Government Auditing Standards issued by the Comptroller General of the United States. If the Board's Audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(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 within thirty (30) days of the Board's receipt of its Audited Financial Statements from the State of Florida Auditor General or the external, independent auditor conducting the financial audit of the District for the prior fiscal year. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

(c) The Board's Comprehensive Annual Financial Report ("CAFR") for the immediately preceding Fiscal Year.

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Board is an "obligated person" (as defined by the Rule), which have been previously filed with each of the National Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Board will clearly identify each such document so incorporated by reference.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Certificates constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Certificates reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Certificates;
7. Modifications to rights of Certificate holders;
8. Certificate calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates;
11. Rating changes on the Certificates;
12. Failure to provide annual financial information as required; and
13. Other material event notice (specify) _____.

The Board shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Board desires to make, the written authorization of the Board for the Disclosure Dissemination Agent to disseminate such information, and the date the Board desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Board or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Board desires to make, the written authorization of the Board for the Disclosure Dissemination Agent to disseminate such information, and the date the Board desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Board as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the State Depository (if any) and (i) each National Repository, or (ii) the MSRB.

SECTION 5. [RESERVED]

SECTION 6. Additional Disclosure Obligations. The Board acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Board, and that the failure of the Disclosure Dissemination Agent to so advise the Board shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Board acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Board may instruct the Disclosure Dissemination Agent to file information with the Repositories, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a “Voluntary Report”).

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Board from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Board chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Board shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

(c) Notwithstanding the foregoing provisions of this Section 7, the Board is under no obligation to provide any Voluntary Report.

SECTION 8. Termination of Reporting Obligation. The obligations of the Board and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Certificates upon the legal defeasance, prior redemption or payment in full of all of the Certificates, when the Board is no longer an obligated person with respect to the Certificates, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized special tax counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Board has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Board may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC’s services as Disclosure Dissemination Agent, whether by notice of the Board or DAC, the Board agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Certificates. Notwithstanding any replacement or appointment of a successor, the Board shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days’ prior written notice to the Board.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Board or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders’ rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties’ obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Certificates or under any other document relating to the Certificates, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Board has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Board and shall not be deemed to be acting in any fiduciary capacity for the Board, the Holders of the Certificates or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Board's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Board has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Board at all times.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and neither of them shall incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. If the Board has given its consent to the use of external counsel, the reasonable fees and expenses of such external counsel shall be payable by the Board.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Board and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Board and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Certificates and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Board or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Board. No such amendment shall become effective if the Board shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Board, the Trustee of the Certificates, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement 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.

The Disclosure Dissemination Agent and the Board have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name:
Title:

THE SCHOOL BOARD OF DUVAL COUNTY,
FLORIDA

By: _____
Betty Burney
Chair

EXHIBIT A

NAME AND INITIAL CUSIP NUMBERS OF CERTIFICATES

| | |
|-----------------------------|--|
| Name of Issuer: | School Board of Duval County, Florida |
| Name of Certificate Issue: | Certificates of Participation, Series 2007 |
| Date of Issuance: | January 9, 2008 |
| Date of Official Statement: | December 13, 2007 |
| Initial CUSIP Numbers: | 267169 CX6 |
| | 267169 CY4 |
| | 267169 CZ1 |
| | 267169 DA5 |
| | 267169 DC1 |
| | 267169 DB3 |
| | 267169 DD9 |
| | 267169 DE7 |
| | 267169 DF4 |
| | 267169 DG2 |
| | 267169 DH0 |
| | 267169 DJ6 |
| | 267169 DK3 |
| | 267169 DL1 |
| | 267169 DM9 |
| | 267169 DP2 |
| | 267169 DN7 |
| | 267169 DQ0 |
| | 267169 DR8 |
| | 267169 DS6 |
| | 267169 DT4 |
| | 267169 DU1 |

EXHIBIT B

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: School Board of Duval County, Florida
Name of Certificate Issue: Certificates of Participation, Series 2007
Date of Issuance: January 9, 2008
Date of Official Statement: December 13, 2007

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Certificates as required by the Disclosure Agreement, dated January 9, 2008, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the Issuer

cc: Issuer
Obligated Person

**EXHIBIT C
MATERIAL EVENT NOTICE COVER SHEET**

This cover sheet and material event notice should be sent to the Municipal Securities Rulemaking Board or to all Nationally Recognized Municipal Securities Information Repositories, and the State Information Depository, if applicable, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Board's and/or Other Obligated Person's Name:

[C1] School Board of Duval County, Florida

Board's Six-Digit CUSIP Number:

[C2] 267169

or Nine-Digit CUSIP Number(s) of the certificates to which this material event notice relates:

[C3] _____

Number of pages of attached material event notice: [C4] _____

Description of Material Events Notice (Check One): [C5]

1. Principal and interest payment delinquencies
2. Non-Payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to rights of securities holders
8. Certificate calls
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities
11. Rating changes
12. Failure to provide annual financial information as required
13. Other material event notice (specify) _____

I hereby represent that I am authorized by the Board or its agent to distribute this information publicly:

Signature:

Name: [C6] _____ Title: [C7] _____

Employer: Digital Assurance Certification, L.L.C.

Address: [C8] _____

City, State, Zip Code: _____

Voice Telephone Number: [C9] _____

Please print the material event notice attached to this cover sheet in 10-point type or larger, The cover sheet and notice may be faxed to the MSRB at (703) 683-1930 or sent to CDINet, Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314. Contact the MSRB at (703) 797-6600 with questions regarding this form or the dissemination of this notice.

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**SCHOOL BOARD OF DUVAL COUNTY, FLORIDA
CERTIFICATES OF PARTICIPATION (SCHOOL BOARD OF DUVAL COUNTY, FLORIDA MASTER LEASE PROGRAM), SERIES 2007**

