

Financial Services
Richard H. Hinds, Chief Financial Officer

SUBJECT: ISSUANCE OF A REQUEST FOR MARKET QUOTATION AND REPLACEMENT BID AND EXECUTION OF \$57,440,000 INTEREST RATE SWAP FOR EXISTING SWAP ASSOCIATED WITH THE COP SERIES 2008C PURSUANT TO RESOLUTION 11-139

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY

Authorization is being requested to seek Market Quotations and replacement swap bids from eligible counterparties for an existing swap (the "Swap") associated with the Board's Certificates of Participation (COP), Series 2008C. The Swap was originally entered into with Merrill Lynch Capital Services, Inc. ("MLCS") and converts the Board's floating rate exposure under the related COP to a fixed rate. An Additional Termination Event has occurred with respect to MLCS, due to its guarantor's ratings having fallen to or below "A-" (from S&P) or "A3" (from Moody's). MLCS's guarantor, Merrill Lynch & Co., was downgraded by Moody's to Baa1 on September 21, 2011.

Under the current swap terms, the District has the optional right to terminate the swap and authorize the replacement of the swap with a new creditworthy counterparty. Cost of Issuance for the replacement swap will be incurred by MLCS. The terms for the proposed replacement swap are substantially the same as for the existing swap. The Treasury Advisory Committee at the November 21, 2011 meeting reviewed the proposed plan of swap replacement and bidders list. It was recommended that the School Board approve Resolution 11-139 to seek the replacement swap and improve the credit quality of the swap counterparty.

RECOMMENDED: That The School Board of Miami-Dade County, Florida approve Resolution 11-139 providing for issuance of a Request for Market Quotation and Replacement Bid and execution of \$57,440,000 Interest Rate Swap for existing swap associated with the COP Series 2008C.

RESOLUTION NO. 11-139

A RESOLUTION OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, AUTHORIZING TERMINATION AND REPLACEMENT OF THE INTEREST RATE EXCHANGE AGREEMENT RELATED TO THE SERIES 2008C CERTIFICATES ISSUED UNDER THE MASTER LEASE PROGRAM; AUTHORIZING THE AWARD OF AN INTEREST RATE EXCHANGE AGREEMENT TO THE SUCCESSFUL BIDDER THEREFOR; AUTHORIZING EXECUTION OF AN INTEREST RATE EXCHANGE AGREEMENT AND RELATED INSTRUMENTS; AUTHORIZING THE INCURRENCE OF OBLIGATIONS AND THE EXPENDITURE OF FUNDS IN CONNECTION WITH THE TERMINATION AND REPLACEMENT OF THE CURRENT INTEREST RATE EXCHANGE AGREEMENT; PROVIDING FOR INCIDENTAL ACTION; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, The School Board of Miami-Dade County, Florida (the "School Board") as the governing body of the School District of Miami-Dade County, Florida (the "District"), has determined to finance and refinance certain of its capital needs through a master lease-purchase agreement pursuant to Sections 1001.42 and 1013.15, Florida Statutes; and

WHEREAS, the School Board has the power under Section 1001.42(2), Florida Statutes, to receive, purchase, acquire, lease, sell, hold, transmit and convey title to real and personal property for educational purposes, and under Section 1001.42(9) and 1013.15(2), Florida Statutes, to enter into leases or lease-purchase arrangements of sites and educational facilities for school purposes; and

WHEREAS, Miami-Dade County School Board Foundation, Inc. (the "Foundation"), a not-for-profit corporation organized and existing under the laws of the State of Florida, has been formed to lease purchase certain real property, educational facilities and equipment to the School Board; and

WHEREAS, the Foundation and the School Board have provided for the lease-purchase financing and refinancing of certain real property, educational facilities and equipment ("Facilities") from time to time by entering into a Master Lease Purchase Agreement dated as of August 1, 1994 (the "Master Lease"), and related leases; and

WHEREAS, the Facilities to be leased from time to time are identified on separate Schedules (each a "Schedule") attached to the Master Lease; and

WHEREAS, the School Board and the Foundation have entered into (i) a Series 1998B Ground Lease dated as of June 1, 1998, as amended as of January 1, 2002 by the First Amendment and as of April 1, 2006, by the Second Amendment, each among the School Board, the Foundation and the Trustee, and (ii) Schedule 1998B-1 to the Master Lease, dated as of June 1, 1998, as amended and restated as of August 1, 2008, and Schedule 1998B-2 to the Master Lease, dated as of June 1, 1998, as amended and restated as of August 1, 2008 (which Schedules together with the Master Lease are herein referred to as the "Series 1998B Lease"), pursuant to which the School Board leased certain real property to the Foundation and subleased from the Foundation such real property and leased the improvements thereon, known respectively as the "Series 1998B-1 Facility Sites" and the "Series 1998B Facilities"; and

WHEREAS, the Foundation has entered into a Master Trust Agreement dated as of August 1, 1994 (the "Trust Agreement"), with The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), as trustee (the "Trustee") providing for the issuance of series of Certificates of Participation from time to time, representing undivided proportionate interests in the principal portion and interest portion of the basic lease payments to be made by the School Board under the Master Lease and the Schedule or Schedules relating to such series of Certificates; and

WHEREAS, to provide funds for the acquisition and/or construction of the Series 1998B Facilities, Certificates of Participation, Series 1998B (the "Series 1998B Certificates") were issued in the aggregate principal amount of \$69,605,000 pursuant to the Trust Agreement, as supplemented by a Series 1998B Supplemental Trust Agreement; and

WHEREAS, the Foundation assigned substantially all of its interest in the Series 1998B Ground Lease and the Series 1998B Lease to the Trustee pursuant to a Series 1998B Assignment Agreement dated as of June 1, 1998; and

WHEREAS, as a result of a decline in interest rates the School Board refinanced its obligations under the Series 1998B Lease and refunded the Series 1998B Certificates through the amendment and restatement of Schedule 1998B-1 and Schedule 1998B-2, and the issuance, pursuant to the Series 2003A Supplemental Trust Agreement dated as of March 1, 2003, as subsequently amended by the First Amendment dated as of April 1, 2006, each between the Foundation and the Trustee (together with the Trust Agreement, the "Series 2003A Trust Agreement") of refunding Certificates of Participation, Series 2003A, in the aggregate principal amount of \$63,633,332.30 (the "Series 2003A Certificates"), representing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Series 1998B Lease; and

WHEREAS, a portion of the Series 2003A Certificates were issued in a Term Rate Mode (the "Term Rate Certificates") subject to mandatory tender on August 1, 2008, on which date the Term Rate Certificates were subject to conversion to a different interest rate mode or a new Term Rate (the "Conversion") and a remarketing in accordance with the Series 2003A Trust Agreement; and

WHEREAS, in order to lower and stabilize the interest rate with respect to the portion of basic lease payments represented by the Term Rate Certificates, the School Board refinanced \$57,440,000 aggregate principal amount of its obligations under the Series 1998B Lease represented by the Term Rate Certificates (the "Refunded Certificates") and simultaneously prepaid \$510,000 aggregate principal amount of its obligations under the Series 1998B Lease represented by the Term Rate Certificates, by amending and restating Schedule 1998B-1 and Schedule 1998B-2; and

WHEREAS, to accomplish such refinancing and to provide funds for the payment of the costs of issuance, the Foundation caused the issuance of Certificates of Participation, Series 2008C, in the aggregate principal amount of \$57,770,000 (the "Series 2008C Certificates"), representing undivided proportionate interests in the principal portion and interest portion of the Basic Lease Payments to be made by the School Board under the Series 1998B Lease on a pro rata basis with the portion of the Series 2003A Certificates which will not be refunded or prepaid; and

WHEREAS, in connection with a portion of the Term Rate Certificates, the School Board entered into an ISDA Master Agreement, together with a schedule, credit support annex, and confirmation thereto, each dated as of April 3, 2006, as amended (collectively, the "Current Series 2008C Interest Rate Exchange Agreement"), with Merrill Lynch Capital Services (the "Swap Provider"); and

WHEREAS, under the Current Series 2008C Interest Rate Exchange Agreement, a termination event will occur if the rating of Merrill Lynch & Co., the guarantor of the Swap Provider's obligations under the Current Series 2008C Interest Rate Exchange Agreement (the "Guarantor") has fallen to or below "A-" from Standard & Poor's Ratings Services or "A3" from Moody's Investors Service. The Guarantor was downgraded by Moody's to Baa1 on September 21, 2011. Based on that event, the District has the right to terminate the Current Series 2008C Interest Rate Exchange Agreement and replace it with a new interest rate exchange agreement with a new swap provider with effectively all costs of such transaction absorbed by the Swap Provider, including reasonable legal and advisory costs. Under current market conditions, the Current Series 2008C Interest Rate Exchange Agreement is off-market and a new swap provider would be required to make an up-front payment to the School Board.

WHEREAS, the School Board has determined that it is in its best interests to solicit bids to enter into an interest rate exchange agreement with respect to the Series 1998B Lease and Series 2008C Certificates (the "Replacement Series 2008C Interest Rate Exchange Agreement") with terms substantially the same as for the existing Current Series 2008C Interest Rate Exchange Agreement, pursuant to *The School Board of Miami-Dade County, Florida Term Sheet for Market Quotations and Replacement Swap* attached hereto as Exhibit A (the "Swap Term Sheet"); and

WHEREAS, because of the volatility of the market and the necessity for the successful bidder to hedge its agreement immediately, it is necessary to delegate the authority to award the

Replacement Series 2008C Interest Rate Exchange Agreement to the successful bidder and authorize the execution and delivery of an ISDA Master Agreement, together with a schedule, credit support annex, and confirmation thereto with the successful bidder to fix certain details of the Replacement Series 2008C Interest Rate Exchange Agreement, subject to certain restrictions;

NOW THEREFORE, BE IT RESOLVED BY THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA THAT:

Section 1. The School Board hereby authorizes the solicitation of bids in accordance with the Swap Term Sheet, the form of which is attached hereto as **Exhibit A**, and subject to the conditions for award set forth in Section 2 hereof. The School Board hereby authorizes and directs the Superintendent to award the Replacement Series 2008C Interest Rate Exchange Agreement to the successful bidder pursuant to the terms of the Swap Term Sheet and subject to the conditions set forth in Section 2 hereof.

Section 2. The Superintendent, upon the advice of the School Board's Derivatives Advisor, Financial Advisor and the School Board's Special Tax Counsel, is hereby directed to negotiate the terms of the Replacement Series 2008C Interest Rate Exchange Agreement, with new arrangements that have substantially similar terms to the Current Series 2008C Interest Rate Exchange Agreement or that place the School Board in a substantially similar or better financial position *vis a vis* such Current Series 2008C Interest Rate Exchange Agreement and which are not inconsistent with the terms of this Resolution, applicable law and other applicable agreements.

Section 3. The Chair, Vice Chair, Superintendent, Chief Financial Officer and Treasurer are each further authorized to identify the details of the Replacement Series 2008C Interest Rate Exchange Agreement for purposes of Treasury Regulation §1.148-4(h)(2)(viii), by executing an Identification of Hedge.

Section 4. The Chair, Vice Chair, Secretary, Superintendent, Chief Financial Officer, Treasurer, and School Board Attorney are each authorized and directed to execute and deliver all additional documents, contracts, instruments and certificates, including, without limitation, amendments, supplements, restatements or other modifications to the Series 1998B Lease, the Series 2008C Supplemental Trust Agreement and any other documents related to the Series 2008C Certificates and to take all actions and steps, which are necessary or desirable in connection with the Replacement Series 2008C Interest Rate Exchange Agreement, and which are not inconsistent with the terms and provisions of this Resolution.

Section 5 It is hereby found and determined that all formal actions of the School Board concerning and relating to the adoption of this Resolution and the consummation of the transactions contemplated by this Resolution were adopted in open meetings of the School Board, and that all deliberations of the School Board that resulted in such formal action were in meetings open to the public, in compliance with all legal requirements.

Section 6 If any section, paragraph, clause or provision of this Resolution shall be held invalid by any court of competent jurisdiction, such holding shall not affect any other section, paragraph, clause or provision of this Resolution.

Section 7 All resolutions or portions thereof previously adopted by the School Board which are inconsistent with the provisions of this Resolution are hereby repealed to the extent of such inconsistency.

Section 8. This Resolution shall take effect immediately upon its adoption.

Adopted this 14th day of December, 2011.

Chair, The School Board of Miami-Dade County,
Florida

Attest:

Secretary, The School Board
of Miami-Dade County, Florida

EXHIBIT A

TERM SHEET FOR MARKET QUOTATIONS AND REPLACEMENT SWAP

182,261,952
008776032300

Swap Financial Group

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November 29, 2011

The School Board of Miami-Dade County, Florida Term Sheet for Market Quotations and Replacement Swaps

OVERVIEW

The School Board of Miami-Dade County, Florida (the "Board") is seeking Market Quotations and replacement swap bids from eligible counterparties (each a "Counterparty") for an existing swap (the "Swap") associated with the Board's Certificates of Participation, Series 2008C (CUSIP: 59333MVN2) (the "Certificates"). The Swap was originally entered into with Merrill Lynch Capital Services, Inc. ("MLCS") and converts the Board's floating rate exposure under the related Certificates to a fixed rate. An Additional Termination Event has occurred with respect to MLCS, due to its guarantor's ratings having fallen to or below "A-" (from S&P) or "A3" (from Moody's). MLCS's guarantor, Merrill Lynch & Co., was downgraded by Moody's to Baa1 on September 21, 2011. Under the Swap, the Board pays a fixed rate and receives a floating rate based on a percentage of one-month LIBOR, as detailed below. Under current market conditions, the Swap is off-market such that a new Counterparty would be required to make an up-front payment to the Board. The existing swap Confirmation, Schedule to the Master Agreement and Credit Support Annex accompany this term sheet. The terms for the replacement swap are substantially the same as for the existing swap, and are summarized below under the caption "Documentation Provisions".

Swap Financial Group has been retained by the Board to obtain Market Quotations and replacement swap bids, both in the form of the dollar amount that a Counterparty would pay to replace MLCS under the Swap. Market Quotations and replacement swap bids should be sent via facsimile using the attached response form, using market levels as of 11 a.m. Eastern Time on Thursday, December 15, 2011. The Market Quotations will be used by the Board to calculate the Settlement Amount due to MLCS upon termination. The replacement swap bids will be used for an award of the replacement swap. Counterparties may submit either Market Quotations or replacement swap bids, but are requested to submit both.

SWAP TRANSACTION SPECIFICS

Fixed Rate Payer: School Board of Miami-Dade County
 Floating Rate Payer: Counterparty
 Bid Date: December 15, 2011
 Assumed Effective Date: December 15, 2011
 Termination Date: July 15, 2027
 Notional Amounts:

Period Start	Period End	Notional Amount
Effective Date	7/15/2014	57,440,000
7/15/2014	7/15/2015	55,280,000
7/15/2015	7/15/2016	53,035,000
7/15/2016	7/15/2017	50,700,000
7/15/2017	7/15/2018	49,030,000
7/15/2018	7/15/2019	47,280,000
7/15/2019	7/15/2020	45,440,000
7/15/2020	7/15/2021	43,535,000
7/15/2021	7/15/2022	41,540,000
7/15/2022	7/15/2023	39,450,000
7/15/2023	7/15/2024	37,280,000
7/15/2024	7/15/2025	35,005,000
7/15/2025	7/15/2026	25,185,000
7/15/2026	7/15/2027	22,215,000

Fixed Rate Provisions:

Fixed Rate: 3.909%
 Day Count Fraction: 30/360
 Period End Dates: Semiannually on each Jan. 15 and July 15, not subject to adjustment

Term Sheet for Market Quotations and Replacement Swaps
The School Board of Miami-Dade County, Florida
November 29, 2011
Page 3 of 8

Payment Dates: Semiannually on each Jan. 15 and July 15, subject to adjustment in accordance with following business day convention

Floating Rate Provisions:

Floating Rate: 70.0% of USD-LIBOR-BBA

Designated Maturity: One month

Reset Dates: Each Floating Rate Period End Date

Day Count Fraction: Actual/360

Period End Dates: Monthly, on the 15th of each calendar month, not subject to adjustment

Payment Dates: Monthly, on the 15th of each calendar month, subject to adjustment in accordance with following business day convention

Business Days: New York

Basis of Award: Counterparties should submit Market Quotations and replacement swap bids in the form of the upfront payment that the Counterparty would pay to the Board. On the replacement swap, the Board reserves the right to make no award or any award and with such terms as may be agreed upon by the Board and the Counterparty in its sole and absolute discretion as is deemed to be in its best business interests.

Upfront Payment: In respect of the replacement swap, to be made from the Counterparty to the Board on December 18, 2011.

DOCUMENTATION PROVISIONS

Schedule to the Master Agreement: (1992 Local Currency, Single Jurisdiction, unless otherwise requested)

Specified Indebtedness: With respect to the Board, only includes obligations secured on parity with the Certificates and payable from the same source of revenues.

Cross Default Threshold: With respect to the Board, limited to defaults under the Covered Indenture under which the Certificates are issued.

Payments on Early Termination: Market Quotation, Second Method

Additional Termination Events: Counterparty's rating (measured in reference to its senior, unsecured debt or other similar obligation) is withdrawn, suspended or falls to or below A3 (Moody's) or A-minus (S&P), (Counterparty as Affected Party).

Board's rating is withdrawn, suspended or falls to or below Baa3 (Moody's) or BBB-minus (S&P), (Board as Affected Party).

Governing Law: Swap agreement to be governed by New York law; Board's powers and sovereign immunity to be governed by Florida law. Generally, Florida law provides that sovereign immunity cannot be waived with respect to tort law except to a very limited degree. There is no

sovereign immunity with respect to contract law.

Jurisdiction: Appropriate federal court in New York or Florida.

Netting of Payments: Section 2(c)(ii) will apply (no netting across transactions)

Compliance with Covered Indenture: Will apply, but "Incorporated Provisions" will be limited solely to those bearing on the creditworthiness of the Board or the Certificates.

Appropriation Requests: The Board shall, in connection with all requests for appropriations for funds to meet its obligations under the Covered Indenture, include an appropriation of funds to meet its obligations, if any, to the Floating Rate Payer hereunder. Additionally, in the event any amount is payable by the Board under Section 6(e) of the Swap Agreement following the designation of an Early Termination Date under the Swap Agreement, the Board shall take any and all steps reasonably necessary to submit a request for appropriation of such amount in accordance with applicable Florida law as soon as possible (and in no event any later than the next meeting of the Board, unless such next meeting is within 15 days of the applicable Early Termination Date, in which case the request for appropriation shall be submitted no later than the date of the second meeting of the Board occurring after the applicable Early Termination Date) after such Early Termination Date.

Security and Source of Payments:

Payments to be made by the Board in respect of any Transaction under the Swap Agreement are payable as Additional Lease Payments under Section 3.1 of the Master Lease Purchase Agreement, as supplemented and amended with respect to a Series of Certificates by the applicable Lease Schedule. Such Additional Lease Payments are subject to and dependent upon appropriation of funds being duly made from time to time by the Board, as described in the Master Lease Purchase Agreement. Pursuant to the Master Lease Purchase Agreement, however, the Board is obligated to budget and appropriate funds for all Leases (including Additional Lease Payments) or none of them and may not budget and appropriate funds to make Lease Payments selectively on a Lease by Lease basis. In the event that funds so appropriated are not sufficient to pay all such Lease Payments when due, the Trustee shall apply any amounts available to it to the payment of the items set forth in Section 504(a) of the Master Trust Agreement in the manner and with the order of priority set forth in such Section 504(a) of the Master Trust Agreement, as so amended, and with the same force and effect as if amounts due under the Swap Agreement were specifically set forth in a Lease Schedule.

Transfer Language:

The Board will have the right to transfer or assign its position in any swap, in whole or in part, to another swap dealer with whom the original Counterparty has trading lines, subject to an enumerated list of criteria for approval by the Counterparty

Optional Early Termination:

The Board will have the right to optionally terminate the Swap Agreement "at market" (second method, market quotation) at any time over the term of the agreement. The counterparty will have no similar right.

Deferral of Termination Payments:

Notwithstanding Section 6(d)(ii) of the Swap Agreement to the contrary, in the event an amount is payable by the Board under Section 6(e) of the Swap Agreement following the designation of an Early Termination Date then the following provision shall apply:

(i.) if such Early Termination Date has been designated pursuant a right of optional termination by the Board, then the amount payable by the Board shall become due and payable by the Board in accordance with the terms of the Swap Agreement;

(ii) if such Early Termination Date has been designated pursuant to anything not covered by clause (i), then the amount payable by the Board shall not become due and payable by the Board until the earlier of: (1) the 7th Business Day following the Board's appropriation of funds to pay such amount; (2) the date on which the Board determines that it shall not appropriate funds to pay such amount; and (3) that certain date which is sixty (60) days following the Early Termination Date.

Credit Support Annex

Mark-to-market frequency:

Daily, for value of both collateral and swap exposure.

Eligible collateral: US Treasury and Agency securities, excluding specialized securities such as interest-only and principal-only securities.

Collateral Thresholds: As shown in the table below. Collateral posting is one-way; the Board cannot legally post collateral under Florida law.

Senior Unsecured Debt or Counterparty Ratings and Threshold Amounts

Moody's	S&P	Counterparty Threshold
Aa3 and above	AA- and above	Infinity (no collateral required)
A1	A+	\$10,000,000
A2	A	\$5,000,000
A3	A-	0
Baa1	BBB+	0
Baa2	BBB	0
Baa3	BBB-	0
Below Baa3	Below BBB-	0

Swap Financial Group has prepared this term sheet from information available to us which we believe to be correct, but this term sheet is not a substitute for your complete review of the appropriate documents relative to this transaction. In the event of a conflict between this term sheet and the documents, the documents will govern, with the following exception: Please note that the Board's obligation to request an appropriation of funds following an Early Termination Event, under the existing agreement, shall take place as soon as possible and in no event any later than the next meeting of the Board unless such meeting is within 10 days, in which case the request shall be submitted no later than the date of the following meeting of the Board. For the new swap agreement being entered into, if the Early Termination Date is within 15 days of the next meeting, the appropriation request shall then be no later than the following meeting.

Your interest in the above transactions is appreciated. Further information regarding the structuring of these transactions will be communicated to you as it develops. Any questions concerning the above should be directed to Peter Shapiro, Nat Singer, Jim Murphy or Lillian Chern of Swap Financial Group (973) 378-5500. We look forward to working with you in this market quotation process.