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

Dated: August 1, as shown on the inside cover

The School Board and the Corporation have authorized certain amendments to the Master Lease and the Transaction Lease Schedules that will only become effective upon the receipt by the School Board of certain consents to such amendments, as described herein. By purchasing the Series 2017B Certificates, the initial Beneficial Owners of the Series 2017B Certificates shall be deemed to have consented to such amendments. See "CERTAIN AMENDMENTS TO THE MASTER LEASE AND TRANSACTION LEASE SCHEDULES" and "APPENDIX C - CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement," "Form of Schedule 2002D-1," "Form of Schedule 2002D-2," and "Form of Schedule 2002D-2 B" herein.

The Series 2017B Certificates are not subject to optional prepayment, but are subject to extraordinary prepayment prior to maturity, as described herein. See "THE SERIES 2017B CERTIFICATES - Prepayment" herein.


SEE THE INSIDE COVER FOR CERTAIN ADDITIONAL INFORMATION RELATING TO THE TRANSACTION LEASES AND THE SERIES 2017B CERTIFICATES.

This cover page and the inside cover page contain certain information for reference only. They are not, and are not intended to be, a summary of the transaction. Investors must read the entire Offering Statement, including the appendices, to obtain information essential to the making of an informed investment decision.

The Series 2017B Certificates are offered when, and as if delivered and received by the Underwriter, subject to the approving legal opinion of Greenberg Trlurig, P.A., Miami, Florida and Edwards & Feanny, P.A., Miami, Florida, Co-Special Tax Counsel, and certain other conditions. Nabors, Glibkin & Nickerson, P.A., Tampa, Florida, and Janet C. Moreira, Esquire, Miami, Florida, are serving as Co-Disclosure Counsel to the School Board. Certain legal matters will be passed upon by the School Board and the Corporation by the District's Office of General Counsel. Raymond Miller Olive P.A., Tallahassee, Florida is serving as Counsel to the Underwriter. PFM Financial Advisors LLC, Orlando, Florida, is acting as Financial Advisor to the School Board. It is expected that the Series 2017B Certificates will be available for delivery in New York, New York through the offices of DTC on or about December 26, 2017.

Citigroup
ADDITIONAL INFORMATION

The Series 2017B Certificates are being issued to provide funds for the purposes of (i) refunding, on an advanced basis, a portion of the School Board's outstanding Certificates of Participation, Series 2011A (the "Refunded Series 2011A Certificates"), (ii) refunding, on an advanced basis, a portion of the School Board's outstanding Certificates of Participation, Series 2012A (the "Refunded Series 2012A Certificates," and together with the Refunded Series 2011A Certificates, the "Refunded Certificates") and (iii) paying certain costs of issuance with respect to the Series 2017B Certificates.

The initial terms of the Series 2002D Leases commenced on December 1, 2002 and continued through and including June 30, 2003, have been automatically renewed annually to date and are automatically renewable annually through August 1, 2028, unless sooner terminated as described herein. The initial term of the Series 2007B Lease commenced on March 22, 2007 and continued through and including June 30, 2007, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2032, unless sooner terminated as described herein.

In addition to the Transaction Leases, the School Board (i) has heretofore entered into the Current Leases (as described herein) under the Master Lease, and (ii) expects to enter into other Leases under the Master Lease in the future. Failure to appropriate funds to pay Lease Payments under any such Lease, or an event of default under any such Lease, will result in the termination of all Leases, including the Transaction Leases. Upon any such termination, any proceeds of the disposition of leased Facilities that are subject to surrender will be applied solely to the payment of the related Series of Certificates in accordance with the Master Trust Agreement as supplemented by the related Supplemental Trust Agreement and as further described herein. Co-Special Tax Counsel will express no opinion as to tax exemption or the effect of securities laws with respect to the Series 2017B Certificates following non-appropriation of funds or an event of default under the Master Lease which results in termination of the Lease Term of the Transaction Leases. Transfers of the Series 2017B Certificates may be subject to compliance with the registration provisions of state and federal securities laws following non-appropriation of funds or an event of default under the Master Lease which results in termination of the Lease Terms of all Leases. See "TAX TREATMENT" and "RISK FACTORS" herein.

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

$41,945,000 Serial Series 2017B Certificates

<table>
<thead>
<tr>
<th>Maturity (August 1)</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Yield</th>
<th>Price</th>
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(1) CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services operated by S&P Global Market Intelligence, a division of S&P Global Inc. CUSIP data herein is provided for convenience of reference only. The School Board, the Financial Advisor and the Underwriter and its agents take no responsibility for the accuracy of such data.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BOARD MEMBERS
District 2 - Chuck Shaw, Chairman
District 7 - Debra L. Robinson, M.D., Vice Chairwoman
District 1 - Barbara McQuinn
District 3 - Karen M. Brill
District 4 - Erica Whitfield
District 5 - Frank A. Barbieri, Jr., Esq.
District 6 - Marcia Andrews

SUPERINTENDENT OF SCHOOLS
Robert Avossa, Ed.D.

CHIEF FINANCIAL OFFICER
Michael J. Burke

TREASURER
Leanne Evans, CTP

COUNSEL TO THE SCHOOL BOARD
Office of General Counsel
The School District of Palm Beach County, Florida

CO-SPECIAL TAX COUNSEL
Greenberg Traurig, P.A. Edwards & Feanny, P.A.
Miami, Florida Miami, Florida

CO-DISCLOSURE COUNSEL
Nabors, Giblin & Nickerson, P.A. Janet C. Moreira, Esquire
Tampa, Florida Miami, Florida

FINANCIAL ADVISOR
PFM Financial Advisors LLC
Orlando, Florida

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

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

UPON ISSUANCE, THE SERIES 2017B 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 2017B CERTIFICATES FOR SALE. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFERING STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE SCHOOL BOARD OR THE DISTRICT AND ANY ONE OR MORE OF THE OWNERS OF THE SERIES 2017B 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 2017B Certificates are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

THIS OFFERING STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT ("ORIGINAL BOUND FORMAT"), OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITES: WWW.MUNIOS.COM AND WWW.EMMA.MSRB.ORG. THIS OFFERING STATEMENT MAY BE RELIED ON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT, OR IF IT IS PRINTED OR SAVED IN FULL DIRECTLY FROM THE AFOREMENTIONED WEBSITES.
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OFFERING STATEMENT

$41,945,000
CERTIFICATES OF PARTICIPATION, SERIES 2017B
Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to be Made by THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

INTRODUCTION

This Offering Statement, including the cover page, the inside cover page and appendices hereto, is provided to furnish information in connection with the sale and delivery of $41,945,000 aggregate principal amount of Certificates of Participation, Series 2017B (the "Series 2017B Certificates"). The Series 2017B Certificates evidence undivided proportionate interests of the owners thereof in a portion of the Basic Lease Payments to be made by The School Board of Palm Beach County, Florida (the "School Board") under the Transaction Leases (as such term is defined below). The Series 2017B Certificates are being executed and delivered pursuant to a Master Trust Agreement dated as of November 1, 1994 (the "Master Trust Agreement"), as amended and supplemented by a Series 2017B Supplemental Trust Agreement dated as of December 1, 2017 (the "Series 2017B Supplemental Trust Agreement," and together with the Master Trust Agreement, the "Trust Agreement"), each between the Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee").

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

The School Board and the Corporation have authorized certain amendments to the Master Lease and the Transaction Lease Schedules (as defined herein) that will only become effective upon the receipt by the School Board of certain consents to such amendments, as described herein. By purchasing the Series 2017B Certificates, the initial Beneficial Owners (as defined herein) of the Series 2017B Certificates shall be deemed to have consented to such amendments. See "CERTAIN AMENDMENTS TO THE MASTER LEASE AND TRANSACTION LEASE
SCHEDULES" and "APPENDIX C - CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement," "- Form of Schedule 2002D-1," "- Form of Schedule 2002D-2" and "- Form of Schedule 2007B" herein.

[Remainder of page intentionally left blank]
The following table provides a summary of the Leases expected to be in effect following delivery of the Series 2017B Certificates, the designation of the Facilities being lease-purchased by the School Board under each Lease, the final term of each Lease, the related Series of Certificates and the outstanding principal amount of each such related Series of Certificates.

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<th>Related Series of Certificates</th>
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<td>Series 2001A-2</td>
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<td>Series 2002A-2</td>
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<td>Series 2011C</td>
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<td>Series 2002D(3)</td>
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<td>Series 2015A</td>
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<td>Series 2011D</td>
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<td>Series 2017B</td>
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(2) Includes the Series 2002A-1 Lease and the Series 2002A-2 Lease.
(3) Includes the Series 2002D-1 Lease and the Series 2002D-2 Lease.
(5) The School Board designated the Series 2010A Lease as a "qualified school construction bond" pursuant to Section 54F of the Internal Revenue Code of 1986, as amended (the "Code"). Pursuant to Section 6431 of the Code, the School Board made an election to qualify to receive federal subsidy payments from the United States Treasury pursuant to Section 6431(f) of the Code (the "Interest Subsidy") on each interest payment date for the Series 2010A Certificates. The expected Interest Subsidy will be in an amount equal to the lesser of the amount of interest payable with respect to the Series 2010A Certificates on such date or the amount of interest which would have been payable with respect to the Series 2010A Certificates if the interest were determined at the applicable tax credit rate for the Series 2010A Certificates pursuant to Section 54A(b)(3) of the Code. See "RISK FACTORS - Effect of Sequestration on Lease Payments" herein.
(7) The listed principal amounts represent the approximate principal portion of the Series 2017A Certificates allocated to each of the Series 2001A Leases and Series 2002C Lease.
(8) The listed principal amounts represent the approximate principal portion of the Series 2015D Certificates allocated to each of the Series 2007A-1 Lease and the Series 2007E Leases.
(9) Reflects the refunding of the Refunded Certificates (as defined herein) with a portion of the proceeds of the Series 2017B Certificates. See "PURPOSE OF THE SERIES 2017B CERTIFICATES" and "PLAN OF REFUNDING" herein.
(10) The listed principal amounts represent the approximate principal portion of the Series 2017B Certificates allocated to each of the Series 2002D Leases and Series 2007B Lease.
The Series 2003B Certificates, the Series 2004-QZAB Certificates, the Series 2005-QZAB Certificates, the Series 2010A Certificates, the Unrefunded Series 2011A Certificates (as defined herein), the Series 2011C Certificates, the Series 2011D Certificates, the Unrefunded Series 2012A Certificates (as defined herein), the Series 2012B Certificates, the Series 2012C Certificates, the Series 2014A Certificates, the Series 2014B Certificates, the Series 2014C Certificates, the Series 2015A Certificates, the Series 2015B Certificates, the Series 2015C Certificates, the Series 2015D Certificates and the Series 2017A Certificates are collectively referred to herein as the "Outstanding Certificates." The Series 2000A Lease, the Series 2001A Leases, the Series 2002A Leases, the Series 2002B Lease, the Series 2002C Lease, the Series 2003A Lease, the Series 2003B Lease, the Series 2004A-1 Lease, the Series 2004-QZAB Lease, the Series 2005-QZAB Lease, the Series 2006A Lease, the Series 2007A-1 Lease, the Series 2007E Leases and the Series 2010A Lease are collectively referred to herein as the "Current Leases." In addition to the Current Leases and the Transaction Leases, the School Board may authorize other Leases in the future. See "THE MASTER LEASE FACILITIES," "THE PRIOR FACILITIES" and "THE MASTER LEASE PROGRAM."

The School Board has authorized the refunding of all of its variable rate Certificates and in connection therewith, the financing of the termination payment, if any, related to the applicable Interest Rate Exchange Agreement related thereto. See "EXPECTED ISSUANCE OF OTHER CERTIFICATES" and "SECURITY FOR THE SERIES 2017B CERTIFICATES - Interest Rate Exchange Agreements" herein.

The Facilities currently leased by the School Board under the Master Lease constitute approximately 39% of all student stations in the District and approximately 37% of all gross square feet of educational facilities space in the District. See "THE MASTER LEASE FACILITIES," "THE SERIES 2002D FACILITIES" and "THE PRIOR FACILITIES."

Pursuant to the applicable provisions of Florida law, including particularly Chapters 1001-1013, Florida Statutes, the School Board has, by Resolution duly adopted by the School Board on September 6, 2017, authorized the execution and delivery of (i) Schedule 2002D-1, as amended and restated as of December 1, 2017 ("Schedule 2002D-1," and together with the Master Lease, the "Series 2002D-1 Lease"), (ii) Schedule 2002D-2, as amended and restated as of December 1, 2017 ("Schedule 2002D-2," and together with the Master Lease, the "Series 2002D-2 Lease," and collectively with the Series 2002D-1 Lease, the "Series 2002D Leases") and (iii) Schedule 2007B, as amended and restated as of December 1, 2017 ("Schedule 2007B," and together with the Master Lease, the "Series 2007B Lease"), each providing for the lease purchase financing and refinancing of certain educational facilities by the School Board, as described herein. Schedule 2002D-1, Schedule 2002D-2 and Schedule 2007B are collectively referred to herein as the "Transaction Lease Schedules." The Series 2002D Leases and the Series 2007B Lease are collectively referred to herein as the "Transaction Leases."

The initial term of the Series 2002D-1 Lease commenced on December 1, 2002 and continued through and including June 30, 2003, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2028, unless sooner terminated as described herein. Subject to the Board's right to substitute facilities, the Facilities being lease purchased under the Series 2002D-1 Lease includes three middle schools, modernization of a middle school and modernization of four elementary schools (the "Series 2002D-1 Facilities"). See "THE TRANSACTION LEASES" and "THE REFINANCED FACILITIES AND THE
The initial term of the Series 2002D-2 Lease commenced on December 1, 2002 and continued through and including June 30, 2003, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2028, unless sooner terminated as described herein. Subject to the Board's right to substitute facilities, the Facilities being lease purchased under the Series 2002D-2 Lease includes land acquisition, a portable classroom replacement program and the buildout of a high school (the "Series 2002D-2 Facilities," and together with the Series 2002D-1 Facilities, the "Series 2002D Facilities"). See "THE TRANSACTION LEASES" and "THE REFINANCED FACILITIES AND THE SERIES 2007B GLADEVIEW ELEMENTARY MODERNIZATION FACILITY - The Series 2002D-2 Facilities."

The initial term of the Series 2007B Lease commenced on March 22, 2007 and continued through and including June 30, 2007, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2032, unless sooner terminated as described herein. Subject to the Board's right to substitute facilities, the Facilities being lease purchased under the Series 2007B Lease includes additions at two middle schools, an auditorium addition at a high school, an elementary school and the modernization/replacement of two elementary schools (the "Series 2007B Facilities"). Additionally, on January 28, 2015, the School Board authorized an amendment to the Series 2007B Lease in order to add the modernization/replacement of an elementary school (the "Series 2007B Gladeview Elementary Modernization Facility"), a portion of the costs of which are being financed from amounts on deposit in the Series 2007B Acquisition Account (the portion of the Facility financed under the Series 2007B Lease is referred to herein as the "Series 2007B Gladeview Elementary Modernization Facility") as an additional Facility subject to the Series 2007B Lease; provided, however, that the Series 2007B Gladeview Elementary Modernization Facility will not be subject to surrender or disposition by the Trustee upon an event of default or non-appropriation under the Series 2007B Lease. The Series 2007B Gladeview Elementary Modernization Facility is also being financed from amounts on deposit in the Series 2007A-1 Acquisition Fund and the Facility will be subject to surrender and disposition by the Trustee under the Series 2007A-1 Lease. The Series 2002D-1 Facilities, Series 2002D-2 Facilities and Series 2007B Facilities are collectively referred to herein as the "Refinanced Facilities." See "THE TRANSACTION LEASES" and "THE REFINANCED FACILITIES AND THE SERIES 2007B GLADEVIEW ELEMENTARY MODERNIZATION FACILITY - The Series 2007B Facilities."

The School Board currently holds title to all of the sites on which the Series 2002D-1 Facilities are located (the "Series 2002D-1 Facility Sites"). Pursuant to the Series 2002D-1 Ground Lease dated as of December 1, 2002, as amended (the "Series 2002D-1 Ground Lease"), the School Board is leasing the Series 2002D-1 Facility Sites to the Corporation for an initial term which commenced on December 1, 2002 and ends on August 1, 2033, subject to Permitted Encumbrances (as defined in the Series 2002D-1 Ground Lease), and subject to earlier termination or extension as set forth therein. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Series 2002D-1 Ground Lease."

The School Board currently holds title to all of the sites on which the Series 2007B Facilities are located (the "Series 2007B Facility Sites"). Pursuant to the Series 2007B Ground
Lease dated as of March 1, 2007, as amended (the "Series 2007B Ground Lease," and together with the Series 2002D-1 Ground Lease, the "Transaction Ground Leases"), the School Board is leasing the Series 2007B Facility Sites to the Corporation for an initial term which commenced on March 22, 2007 and ends on August 1, 2037, subject to Permitted Encumbrances (as defined in the Series 2007B Ground Lease), and subject to earlier termination or extension as set forth therein. The site on which the Series 2007B Gladeview Elementary Modernization Facility will be located is not a Series 2007B Facility Site and is not subject to the Series 2007B Ground Lease. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Series 2007B Ground Lease."

Pursuant to the Series 2002D Assignment Agreement dated as of December 1, 2002 (the "Series 2002D Assignment"), between the Corporation and the Trustee, the Corporation has irrevocably assigned to the Trustee for the benefit of the owners of the Series 2017B Certificates allocable to the Series 2002D Leases, the Unrefunded Series 2012A Certificates, the Certificates of Participation, Series 2012B (the "Series 2012B Certificates"), the Certificates of Participation, Series 2015A (the "Series 2015A Certificates") allocable to the Series 2002D Leases and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2002D Leases (e.g., a Series of Certificates issued to refund the Series 2017B Certificates or the Series 2015C Certificates) substantially all of its right, title and interest in and to the Series 2002D-1 Ground Lease and the Series 2002D Leases including the right to receive the Basic Lease Payments and all other amounts due under the Series 2002D Leases, as herein described. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Series 2002D Assignment."

Pursuant to the Series 2007B Assignment Agreement, dated as of March 1, 2007 (the "Series 2007B Assignment," and together with the Series 2002D Assignment, the "Transaction Assignments"), between the Corporation and the Trustee, the Corporation has irrevocably assigned to the Trustee for the benefit of the owners of the Series 2017B Certificates allocable to the Series 2007B Lease, the Unrefunded Series 2011A Certificates and the Certificates of Participation, Series 2015C (the "Series 2015C Certificates") allocable to the Series 2007B Lease and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2007B Leases (e.g., a Series of Certificates issued to refund the Series the Series 2017B Certificates or the Series 2015C Certificates allocable to the Series 2007B Leases) substantially all of its right, title and interest in and to the Series 2007B Ground Lease and the Series 2007B Lease including the right to receive the Basic Lease Payments and all other amounts due under the Transaction Leases, as herein described. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Series 2007B Assignment."

Brief descriptions of the District, the School Board, the Corporation, the Refinanced Facilities and the Series 2007B Gladeview Elementary Modernization Facility are included in this Offering Statement together with summaries of certain provisions of the Series 2017B Certificates, the Master Lease, the Transaction Leases, the Transaction Ground Leases, the Trust Agreement and the Transaction Assignments. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Transaction Leases, the Trust Agreement, the Transaction Ground Leases and the Transaction Assignments are qualified in their entirety by reference to the respective complete documents. Copies of the documents may be obtained upon written request and payment of the costs of duplication to the Trustee at 10161
PURPOSE OF THE SERIES 2017B CERTIFICATES

The Series 2017B Certificates are being issued for the principal purposes of (i) providing funds, together with other legally available funds, sufficient to prepay that portion of the outstanding Series 2011A Certificates maturing on August 1 in the years 2022 through 2025, inclusive (the "Refunded Series 2011A Certificates") and thereby refinance a portion of the costs of the Series 2007B Facilities, (ii) providing funds, together with other legally available funds, sufficient to prepay that portion of the outstanding Series 2012A Certificates maturing on August 1, 2028 (the "Refunded Series 2012A Certificates") and thereby refinance a portion of the costs of the Series 2002D Facilities and (iii) paying costs associated with the issuance of the Series 2017B Certificates. The Series 2011A Certificates maturing on August 1 in the years 2019 through 2021, inclusive, will not be refunded with proceeds of the Series 2017B Certificates and are referred to herein as the "Unrefunded Series 2011A Certificates." The Series 2012A Certificates maturing on August 1, 2022 will not be refunded with proceeds of the Series 2017B Certificates and are referred to herein as the "Unrefunded Series 2012A Certificates." See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

PLAN OF REFUNDING

The Refunded Series 2011A Certificates are subject to optional prepayment on August 1, 2021, at a price equal to the par amount of the Refunded Certificates, plus accrued interest to the prepayment date. The Refunded Series 2012A Certificates are subject to optional prepayment on August 1, 2022, at a price equal to the par amount of the Refunded Certificates, plus accrued interest to the prepayment date. Upon the issuance of the Series 2017B Certificates, a portion of the proceeds of the Series 2017B Certificates, together with other legally available funds of the Schools Board, will be deposited into an escrow deposit trust fund created pursuant to an Escrow Deposit Agreement by and between the School Board and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, as Escrow Agent (the "Escrow Deposit Agreement"), and applied to the purchase of certain United States Treasury Obligations (the "Escrow Securities"), which together with interest earnings thereon and a cash deposit therein, will be sufficient to pay the Basic Lease Payments represented by the Refunded Certificates to their dates of prepayment. Co-Special Tax Counsel will render their opinion to the effect that, assuming the deposit and application of such proceeds and other funds in accordance with the terms of the Escrow Deposit Agreement provision having been made for the payment of the Basic Lease Payments represented by the Refunded Certificates, the Refunded Certificates will be deemed to be paid and the obligations under the Transaction Leases to pay Basic Lease Payments represented by the Refunded Certificates will have been released and discharged with respect to the Refunded Certificates. Such opinions will be rendered in reliance upon the verification report of Precision Analytics Inc., New York, New York, independent certified public accountants described herein under the heading "VERIFICATION OF MATHEMATICAL COMPUTATIONS."
VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetic computations showing the adequacy of the proceeds of the Series 2017B Certificates and other funds to be deposited with the Escrow Agent pursuant to the Escrow Deposit Agreement to pay the principal portion and interest portion of the Basic Lease Payments represented by the Refunded Certificates, as described under "PLAN OF REFUNDING," and the yield on the Series 2017B Certificates and the Escrow Securities have been verified by Precision Analytics Inc., New York, New York.

EXPECTED ISSUANCE OF OTHER CERTIFICATES

The School Board has also authorized the refunding of all of its variable rate Certificates and, in connection therewith, the financing of the termination payment, if any, with respect to the applicable Interest Rate Exchange Agreement related thereto. See "SECURITY FOR THE SERIES 2017B CERTIFICATES - Interest Rate Exchange Agreements" herein.

THE SERIES 2017B CERTIFICATES

General

The Series 2017B Certificates will be dated the date of delivery, will mature in the years and principal amounts and accrue interest at the fixed interest rates set forth on the inside cover page of this Offering Statement. The Series 2017B Certificates will initially be issued exclusively in "book-entry" form and ownership of one fully registered Series 2017B Certificate for each maturity as set forth on the inside cover page, each in the aggregate principal amount of such maturity, will be initially registered in the name of "Cede & Co." as nominee of The Depository Trust Company, New York, New York ("DTC"). The principal portion and interest portion of Basic Lease Payments represented by the Series 2017B Certificates are payable in the manner set forth under "THE SERIES 2017B CERTIFICATES - Book-Entry Only System" herein. Individual purchases of the Series 2017B Certificates will be made in increments of $5,000 or integral multiples thereof.

The principal portion of Basic Lease Payments represented by the Series 2017B Certificates payable at maturity or earlier prepayment thereof represents undivided proportionate interests in the principal portion of the Basic Lease Payments due on each of the dates set forth in (i) the Series 2002D Leases, equally and ratably with the Unrefunded Series 2012A Certificates, the Series 2012B Certificates and the Series 2015A Certificates allocable to the Series 2002D Leases and (ii) the Series 2007B Lease, equally and ratably with the Unrefunded Series 2011A Certificates and the Series 2015C Certificates. The interest component of Basic Lease Payments represented by the Series 2017B Certificates is payable on August 1 and February 1 of each year, commencing on August 1, 2018, to and including the date of maturity or earlier prepayment (each a "Payment Date"), and represents undivided proportionate interests in the interest portion of Basic Lease Payments due on the December 30 and June 30 prior to each Payment Date to and including the maturity or earlier prepayment of the Series 2017B Certificates under (i) the Series 2002D Leases, equally and ratably with the Unrefunded Series 2012A Certificates, the Series 2012B Certificates and the Series 2015A Certificates allocable to the Series 2002D Leases and
(ii) the Series 2007B Lease, equally and ratably with the Unrefunded Series 2011A Certificates and the Series 2015C. The interest portion of the Basic Lease Payments represented by the Series 2017B Certificates will be computed on the basis of a 360-day year based on twelve 30-day months. The principal portion or Prepayment Price of the Series 2017B Certificates is payable to the registered owner upon presentation at the designated corporate trust office of the Trustee. Except as otherwise provided in connection with the maintenance of a book-entry only system of registration of the Series 2017B Certificates, the interest portion of the Basic Lease Payments represented by the Series 2017B Certificates is payable to the registered owner at the address shown on the registration books maintained by the Trustee as of the 15th day of the month (whether or not a business day) preceding the Payment Date or at the prior written request and expense of any registered owner of at least $1,000,000 in aggregate principal amount of Series 2017B Certificates by bank wire transfer to a bank account in the United States designated in writing prior to the fifteenth day of the month next preceding each Payment Date. Notwithstanding the above, reference is made to the book-entry system of registration described under "BOOK-ENTRY ONLY SYSTEM" below.

Prepayment

No Optional Prepayment. The Series 2017B Certificates are not subject to optional prepayment prior to maturity.

Extraordinary Prepayment. The principal portion of Basic Lease Payments due under the Transaction Leases represented by the Series 2017B Certificates shall be subject to prepayment in the event any or all of the Transaction Leases terminate prior to payment in full of all of the Basic Lease Payments due thereunder to the extent the Trustee has moneys available for such purpose pursuant to the Series 2017B Trust Agreement and the Transaction Leases, as applicable, to the extent and subject to the limitations provided in the Master Lease.

No Extraordinary Prepayment in the Event of Damage, Destruction or Condemnation of the Refinanced Facilities. The Series 2017B Certificates are not subject to extraordinary prepayment prior to maturity in the event of damage, destruction or condemnation of the Refinanced Facilities. See "THE TRANSACTION LEASES - Lease Payments" for information regarding the required use of any insurance or condemnation proceeds related to the Refinanced Facilities in the event of damage, destruction or condemnation of such Facilities.

Selection of Series 2017B Certificates for Prepayment. If less than all of the Series 2017B Certificates are called for prepayment, the particular Series 2017B Certificates, or portions thereof to be prepaid will be in multiples of $5,000 and, except as otherwise provided in the Trust Agreement, the maturity of the Series 2017B Certificates to be prepaid will be determined by the Trustee. If less than all of the Series 2017B Certificates of like maturity are called for prepayment, the particular Series 2017B Certificates or portions thereof to be prepaid will be selected by lot by the Trustee in such manner as the Trustee deems fair and appropriate. The portion of any Series 2017B Certificate of a denomination of more than $5,000 to be prepaid will be in the principal amount of $5,000 or an integral multiple thereof, and, in selecting portions of such Series 2017B Certificates for prepayment, the Trustee will treat each such Series 2017B Certificate as representing that number of Series 2017B Certificates in $5,000 denominations which is obtained by dividing the principal amount of such Series 2017B Certificate to be prepaid in part by $5,000.
**DTC Procedures.** Investors should note that while DTC is the registered owner of the Series 2017B Certificates, partial prepayments of the Series 2017B Certificates will be determined in accordance with DTC’s procedures. The School Board intends that prepayment allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the School Board and the Beneficial Owners of the Series 2017B Certificates be made in accordance with the method of selection of Series 2017B Certificates for a partial prepayment described above. However, the selection of the Series 2017B Certificates for prepayment in DTC’s book-entry only system is subject to DTC’s practices and procedures as in effect at the time of any such partial prepayment. The School Board can provide no assurance that DTC or the DTC Participants or any other intermediaries will allocate prepayments among Beneficial Owners in accordance with the method of selection of Series 2017B Certificates for a partial prepayment described above.

**Notice of Prepayment.** So long as the Series 2017B Certificates are issued in book-entry-only form, notice of prepayment will be mailed, postage prepaid, not less than five days nor more than ten days before the Prepayment Date in the case of prepayment for termination of the Lease Term in certain events of non-appropriation or default under any Lease, unless a different notice period is required by DTC, to Cede & Co., as nominee for DTC, and the Trustee will not mail any prepayment notice directly to the Beneficial Owners of the Series 2017B Certificates. See "THE SERIES 2017B CERTIFICATES – Book-Entry Only System" herein.

**Effect of Prepayment.** If, on the Prepayment Date, moneys for the payment of the Prepayment Price of the Series 2017B Certificates or portions thereof to be prepaid are held by the Trustee and available therefor on the Prepayment Date and if notice of prepayment has been given as required, then from and after the Prepayment Date, the interest represented by the Series 2017B Certificates or the portion thereof called for prepayment will cease to accrue. If such moneys are not available on the Prepayment Date, the principal represented by such Series 2017B Certificates or portions thereof will continue to bear interest until paid at the same rate as would have accrued had it not been called for prepayment.

**BOOK-ENTRY ONLY SYSTEM**

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

The Depository Trust Company ("DTC") will act as securities depository for the Series 2017B Certificates. The Series 2017B Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Series 2017B Certificates, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of
the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard and Poor's rating of "AA+.". 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.

Purchases of the Series 2017B Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2017B Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2017B Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017B Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2017B Certificates, except in the event that use of the book-entry system for the Series 2017B Certificates is discontinued.

To facilitate subsequent transfers, all Series 2017B Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017B 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 2017B Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017B Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping an account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to
Beneficial Owners will be governed by arrangements made among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017B Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017B Certificates, such as prepayments, defaults, and proposed amendments to the Series 2017B financing documents. For example, Beneficial Owners of Series 2017B Certificates may wish to ascertain that the nominee holding the Series 2017B Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Series 2017B Certificates are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Certificates to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017B Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the School Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017B Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds and other payments on the Series 2017B Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the School Board or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the School Board, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School Board and/or the Trustee for the Series 2017B Certificates. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

None of the Corporation, the School Board or the Trustee can give any assurances that DTC, Direct Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2017B Certificates paid to DTC or its nominee, or any prepayment or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve or act in a manner described in this Offering Statement.

For every transfer and exchange of beneficial interests in the Series 2017B Certificates, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.
DTC may discontinue providing its services as securities depository with respect to the Series 2017B Certificates at any time by giving reasonable notice to the School Board. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2017B Certificates are required to be printed and delivered.

The School Board may decide to discontinue use of the book-entry transfers through DTC (or a successor securities depository). In that event, Series 2017B Certificates will be printed and delivered to Beneficial Owners.

**SECURITY FOR THE SERIES 2017B CERTIFICATES**

**General**

The Series 2017B Certificates evidence undivided proportionate interests in the principal portion and interest portion of Basic Lease Payments made by the School Board under (i) the Series 2002D Leases, equally and ratably with the Unrefunded Series 2012A Certificates, the Series 2012B Certificates and the Series 2015A Certificates allocable to the Series 2002D Leases and (ii) the Series 2007B Lease, equally and ratably with the Unrefunded Series 2011A Certificates and the Series 2015C Certificates. The Series 2017B Certificates are secured by and payable from the Trust Estate established for the Series 2017B Certificates (the "Trust Estate") pursuant to the Trust Agreement. The Trust Estate consists of all estate, right, title and interest of the Trustee in and to the portion of Basic Lease Payments under the Transaction Leases allocable to the Series 2017B Certificates and all amounts held in the funds and accounts under the Trust Agreement in accordance with the provisions of the Transaction Leases and the Trust Agreement, including investment earnings thereon, and any and all monies allocable to the Series 2017B Certificates received by the Trustee pursuant to the Transaction Leases and the Trust Agreement which are not required to be remitted to the School Board or the Corporation pursuant to the Transaction Leases or the Trust Agreement.

Neither the Corporation nor the School Board will mortgage or grant a security interest in the Refinanced Facilities to the Trustee. Upon termination of the Transaction Leases upon the occurrence of an event of non-appropriation or in the case of certain events of default, however, the Transaction Leases provide that the School Board must surrender possession of the Series 2002D-1 Facilities (but not the Series 2002D-2 Facilities) and the Series 2007B Facilities to the Trustee as assignee of the Corporation for disposition by sale or re-letting of its interest in such Facilities as provided in the Trust Agreement. Any proceeds of any such disposition of the Series 2002D-1 Facilities will be applied to the payment of the Series 2017B Certificates allocable to the Series 2002D-1 Lease, equally and ratably with the Unrefunded Series 2012A Certificates allocable to the Series 2002D-1 Lease, the Series 2012B Certificates allocable to the Series 2002D-1 Lease and the Series 2015A Certificates allocable to the Series 2002D-1 Lease, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2002D-1 Lease. Any proceeds of any such disposition of the Series 2007B Facilities will be applied to the payment of the Series 2017B Certificates allocable to the Series 2007B Lease, equally and ratably with the Unrefunded Series 2011A Certificates and the Series 2015C Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2007B Lease.

**The School Board may not be dispossessed of the Series 2002D-2 Facilities, the Series 2007B Gladeview Elementary Modernization Facility or any personal property financed or**
refinanced, in whole or in part, with proceeds of Certificates. The Series 2007B Gladeview Elementary Modernization Facility is, however, subject to surrender and disposition by the Trustee under the Series 2007A-1 Lease for the benefit of the holders of Certificates representing an interest in the Series 2007A-1 Lease. See "THE REFINANCED FACILITIES AND THE SERIES 2007B GLADEVIEW ELEMENTARY MODERNIZATION FACILITY " herein for a description of the Refinanced Facilities against which the Trustee may exercise rights on behalf of the Owners of the Series 2017B Certificates. See also "THE TRANSACTION LEASES - Effect of Termination for Non-Appropriation or Default."

**Lease Payments**

All Lease Payments and all other amounts required to be paid by the School Board under the Transaction Leases and the Current Leases and all other Leases will be made from funds authorized by law and regulations of the State of Florida Department of Education to be used for such purpose and budgeted and appropriated for such purpose by the School Board. Revenues available to the District for operational purposes and capital projects such as the Refinanced Facilities are described under "REVENUE, FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT." Such revenues are also used to pay other outstanding obligations of the District.

The Master Trust Agreement, as supplemented by the Series 2002D Supplemental Trust Agreement, dated as of December 1, 2002 and the Series 2007B Supplemental Trust Agreement, dated as of March 1, 2007, provides for the establishment and maintenance of a Series 2002D Lease Payment Account and Series 2007B Lease Payment Account for deposit of Basic Lease Payments appropriated and paid under the Series 2002D Leases and Series 2007B Lease, respectively. Separate Lease Payment Accounts are established for each new group of Facilities to be financed by a Series of Certificates issued under the Trust Agreement. Lease Payments due under the schedules to the Master Lease are subject to annual appropriation by the School Board on an all-or-none basis and are payable solely from legally available funds appropriated by the School Board for such purposes; provided that Lease Payments with respect to a particular schedule and Series of Certificates may be additionally and separately secured by a Credit Facility. Such additional Facilities may be financed through the sale of additional Series of Certificates under the Trust Agreement. THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE LEASE PAYMENTS DUE FOR A PORTION OF THE FACILITIES LEASED UNDER THE MASTER LEASE; IT MUST BUDGET AND APPROPRIATE LEASE PAYMENTS 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 DUE UNDER THE MASTER LEASE.

**Limited Obligation of the School Board**

THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS TO MAKE LEASE PAYMENTS. LEASE PAYMENTS ARE PAYABLE FROM FUNDS APPROPRIATED BY THE SCHOOL BOARD FOR SUCH PURPOSE FROM CURRENT OR OTHER FUNDS AUTHORIZED BY LAW AND REGULATIONS OF THE STATE OF FLORIDA DEPARTMENT OF EDUCATION. NONE OF THE DISTRICT, THE SCHOOL BOARD, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR

Additional Leases

As noted above, the School Board has entered into the Current Leases and may enter into other Leases under the Master Lease in addition to the Transaction Leases and the Current Leases. See "THE MASTER LEASE PROGRAM." Failure to appropriate funds to make Lease Payments under any Lease will, and certain events of default under a Lease may, result in the termination of the Lease Term of all Leases, including the Transaction Leases. Upon any such termination of the Lease Term of all Leases, the School Board must surrender all Facilities (except for certain designated Facilities such as the Series 2002D-2 Facilities), but including the Series 2002D-1 Facilities and the Series 2007B Facilities to the Trustee for sale or re-letting of the Trustee's interest. The proceeds of any such disposition of the Series 2002D-1 Facilities will be applied to the payment of the Series 2017B Certificates allocable to the Series 2002D-1 Lease, equally and ratably with the Unrefunded Series 2012A Certificates allocable to the Series 2002D-1 Lease, the Series 2012B Certificates allocable to the Series 2002D-1 Lease and the Series 2015A Certificates allocable to the Series 2002D-1 Lease, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2002D-1 Lease. The proceeds of any such disposition of the Series 2007B Facilities will be applied to the payment of Series 2017B Certificates allocable to the Series 2007B Lease, equally and ratably with the Unrefunded Series 2011A Certificates and the Series 2015C Certificates allocable to the Series 2007B Lease, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2007B Lease. The School Board may not be dispossessed of the Series 2002D-2 Facilities, the Series 2007B Gladeview Elementary Modernization Facility or any personal property financed or refinanced, in whole or in part, with proceeds of Certificates. The Series 2007B Gladeview Elementary Modernization Facility is, however, subject to surrender and disposition by the Trustee under the Series 2007A-1 Lease for the benefit of the holders of Certificates representing an interest in the Series 2007A-1 Lease. Except as herein provided, in no event will owners of the Series 2017B Certificates have any interest in or right to the proceeds of the disposition of Facilities financed or refinanced with the proceeds of another Series of Certificates. There can be no assurance that the remedies available to the Trustee upon any such termination of the Lease Term of all Leases and the disposition of the Refinanced Facilities against which the Trustee has rights will produce sufficient amounts to pay the outstanding Series 2017B Certificates.
For a discussion of remedies available to the Trustee upon the occurrence of an event of the non-appropriation of funds to pay Lease Payments or upon the occurrence of an event of default, see "THE TRANSACTION LEASES - Termination of Lease Term" and "- Effect of Termination for Non-Appropriation or Default" and "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Master Lease."

**Additional Certificates; Outstanding Certificates**

With respect to any Additional Lease, one or more series of Additional Certificates may be authorized by the Corporation at the request of the School Board and executed and delivered by the Trustee for the purpose of: (a) financing the cost of acquisition, construction, installation and equipping of any Facilities; (b) financing the cost of completing the acquisition, construction, installation and equipping of any Facilities; (c) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities; (d) paying or providing for the payment of the principal portion and interest portion of the Basic Lease Payments with respect to, or the Purchase Option Price (as described under "SECURITY FOR THE SERIES 2017B CERTIFICATES - Optional Prepayment Price" below) of, all or a portion of the Facilities financed from the proceeds of any series of Certificates previously executed and delivered; (e) funding a Reserve Account in an amount equal to the applicable Reserve Account Requirement, if any; (f) capitalizing the interest portion of Basic Lease Payments during construction; or (g) paying the applicable Costs of Issuance. The aggregate principal amount of Additional Certificates which may be executed and delivered under the provisions of the Master Trust Agreement is not limited, except as may be provided with respect to a particular series of Additional Certificates in any Supplemental Trust Agreement creating such series.

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

**Optional Prepayment Price**

The School Board has the right to prepay all or a portion of the Basic Lease Payments represented by the Series 2017B Certificates and in connection therewith remove all or a portion of the Refinanced Facilities and/or Series 2007B Gladeview Elementary Modernization Facility from the related Transaction Lease and from the lien of the related Transaction Ground Lease by paying the Purchase Option Price for the specific Refinanced Facilities and/or Series 2007B Gladeview Elementary Modernization Facility being purchased or, to the extent permitted by law, by substituting other Facilities for the Refinanced Facilities and/or Series 2007B Gladeview Elementary Modernization Facility to be released. In such event, Series 2017B Certificates representing an interest in the prepaid Basic Lease Payments would be paid on the next available
date for paying the Series 2017B Certificates. No such partial payment of the Series 2017B Certificates which is accomplished by the deposit in escrow of the prepayment price and the removal of Facilities from the applicable Transaction Lease and from the lien of the applicable Transaction Ground Lease may be made without the prior consent of the Credit Facility Issuer, if any. The Purchase Option Price, as of each Lease Payment Date, is: (i) the Basic Lease Payment then due plus the amount designated in the applicable Transaction Lease; (ii) minus any credits pursuant to the provisions of the applicable Transaction Lease; (iii) plus an amount equal to the interest to accrue with respect to the Series 2017B Certificates and any other Certificates representing an interest in the applicable Transaction Lease to be prepaid from such Lease Payment Date to the next available date for paying the Series 2017B Certificates; (iv) plus an amount equal to any other amounts then due and owing under the applicable Transaction Lease. See also "CERTAIN AMENDMENTS TO THE MASTER LEASE AND THE TRANSACTION LEASE SCHEDULES" for information regarding an amendment to Schedule 2002D-1 and Schedule 2007B allowing for the release of Series 2002D-1 Facilities and/or Series 2007B Facilities, as applicable, under certain other circumstances.

**Non-Appropriation Risk**

THE SCHOOL BOARD IS NOT LEGALLY REQUIRED TO APPROPRIATE MONEYS FOR THE PURPOSE OF MAKING LEASE PAYMENTS. UNDER THE MASTER LEASE THE SCHOOL BOARD MAY NOT BUDGET AND APPROPRIATE AVAILABLE REVENUES TO MAKE LEASE PAYMENTS SELECTIVELY ON A LEASE BY LEASE BASIS, BUT MUST APPROPRIATE SUCH REVENUES FOR ALL LEASES OR NONE OF THEM. FOR A DISCUSSION OF REMEDIES AVAILABLE TO THE TRUSTEE IN THE EVENT OF THE NON-APPROPRIATION OF FUNDS TO PAY LEASE PAYMENTS, SEE "THE TRANSACTION LEASES - TERMINATION OF LEASE TERM" AND "- EFFECT OF TERMINATION FOR NON-APPROPRIATION OR DEFAULT." THERE CAN BE NO ASSURANCE THAT THE REMEDIES AVAILABLE TO THE TRUSTEE IN THE EVENT OF NON-APPROPRIATION WILL PRODUCE SUFFICIENT AMOUNTS TO FULLY PAY THE OUTSTANDING CERTIFICATES FOR PAYING SUCH CLAIMS.

**No Reserve Account for Series 2017B Certificates**

There is no Reserve Account for the Series 2017B Certificates. However, pursuant to a Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established and maintained a separate Reserve Account to secure the payment of the principal and/or interest portion of the Basic Lease Payments related to such Series of Certificates. Each such Reserve Account shall secure only the Series of Certificates for which it has been established. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Master Trust Agreement."

**Interest Rate Exchange Agreements**

2002A Interest Rate Exchange Agreement/2014A Interest Rate Exchange Agreement. In connection with the Certificates of Participation, Series 2002A (the "Series 2002A Certificates"), the School Board entered into an International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement with Citigroup Financial Products Inc. ("CFPI"), formerly Salomon Brothers Holding Company Inc. (together with all schedules and confirmations thereto, the "2002A
Interest Rate Exchange Agreement). In general, the 2002A Interest Rate Exchange Agreement provides, subject to the terms and conditions thereof, for payment by the School Board to CFPI of a fixed rate of interest of 4.22% and for payment by CFPI to the School Board of interest at a variable rate based on the Securities Industry and Financial Markets Association (formerly BMA) Municipal Swap Index (the "SIFMA Index"), or subsequent to an Alternate Floating Rate Date (as defined in the 2002A Interest Rate Exchange Agreement), at a variable rate based on 67% of "USD LIBOR-BBA," in each case based on an initial notional amount of $115,350,000 which declines simultaneously with the scheduled amortization of the related Series 2002A Certificates. The scheduled payments of the School Board when due pursuant to the 2002A Interest Rate Exchange Agreement were guaranteed by a financial guaranty insurance policy (the "2002A Swap Policy") issued by Financial Security Assurance Inc., now known as Assured Guaranty Municipal Corp. ("AGM"). On January 31, 2014, the Series 2002A Certificates were refunded with a portion of the proceeds of the Series 2014A Certificates and the 2002A Interest Rate Exchange Agreement was amended to relate to the Series 2014A Certificates (the "2014A Interest Rate Exchange Agreement"). The scheduled termination date of the 2014A Interest Rate Exchange Agreement was August 1, 2027. Pursuant to a Swap Management Agreement between the School Board and AGM, AGM agreed to continue to insure the School Board's scheduled payments under the 2014A Interest Rate Exchange Agreement pursuant to the existing Swap Policy (the "2014A Swap Policy"). In consideration therefor, the School Board agreed to, among other things, terminate the 2014A Swap Policy within six months of the date the termination amount under the 2014A Interest Rate Exchange Agreement would result in a payment to the School Board of $200,000 or more. Upon such termination, the School Board has agreed to replace the 2014A Swap Policy with another insurance policy or deliver collateral acceptable to CFPI. The 2002A Swap Policy does not guarantee termination payments under the 2014A Interest Rate Exchange Agreement unless the termination is at the direction of AGM. The School Board has authorized the refunding of the Series 2014A Certificates and the termination of the Series 2014A Interest Rate Exchange Agreement. In connection therewith, the School Board expects to finance the termination payment, if any, from proceeds of the refunding Certificates related thereto. For additional information on the 2014A Interest Rate Exchange Agreement, see Notes 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2017 attached as Appendix B hereto.

2002D Interest Rate Exchange Agreement (2005). In connection with the Certificates of Participation, Series 2002D (the "Series 2002D Certificates"), the School Board entered into an ISDA Master Agreement with Citibank, N.A. ("Citibank") dated January 10, 2003 (together with all schedules thereto and the confirmation dated August 10, 2005, the "2002D Interest Rate Exchange Agreement (2005)""). Pursuant to the 2002D Interest Rate Exchange Agreement (2005), in exchange for an upfront payment from Citibank to the School Board, the School Board granted Citibank the option to put the District into a synthetic fixed payer swap, which option was exercised by Citibank for a swap which commenced on August 1, 2012. Accordingly, the District issued the Certificates of Participation, Series 2012B (the "Series 2012B Certificates") on June 29, 2012 in an aggregate principal amount equal to the notional amount of the swap in order to refund a portion of the Series 2002D Certificates. The 2002D Interest Rate Exchange Agreement (2005) provides, subject to the terms and conditions thereof, for payment by the School Board to Citibank of a fixed rate of interest of 4.71% and for payment by Citibank to the School Board of interest at a variable rate based on the SIFMA Index, in each case based on a declining notional amount of $116,555,000. The scheduled termination date of
the 2002D Interest Rate Exchange Agreement (2005) is August 1, 2028. The scheduled payments of the School Board when due pursuant to the 2002D Interest Rate Exchange Agreement (2005) are guaranteed by a financial guaranty insurance policy (the "2005 Swap Policy") issued by AGM. The 2005 Swap Policy does not guarantee termination payments under the 2002D Interest Rate Exchange Agreement (2005) unless the termination is at the direction of AGM. The School Board has authorized the refunding of the Series 2012B Certificates and the termination of the 2002D Interest Rate Exchange Agreement (2005). In connection therewith, the School Board expects to finance the termination payment, if any, from proceeds of the refunding Certificates related thereto. For additional information on the 2002D Interest Rate Exchange Agreement (2005), see Notes 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2017 attached as Appendix B hereto.

2003B Interest Rate Exchange Agreement. In connection with the Certificates of Participation, Series 2003B (the "Series 2003B Certificates"), the School Board entered into an ISDA Master Agreement with UBS AG (together with all schedules and confirmations thereto, the "2003B Interest Rate Exchange Agreement"). In general, the 2003B Interest Rate Exchange Agreement provides, subject to the terms and conditions thereof, for payment by the School Board to UBS of a fixed rate of interest of 3.91% and for payment by UBS to the School Board of interest at a variable rate based on the SIFMA Index, in each case based on an initial notional amount of $124,295,000 which declines simultaneously with the scheduled amortization of the Series 2003B Certificates. UBS will have the option to cancel the 2003B Interest Rate Exchange Agreement on or prior to August 1, 2018 if the 180 day average of the SIFMA Index exceeds 7.0%. The scheduled termination date of the 2003B Interest Rate Exchange Agreement is August 1, 2029. The 2003B Interest Rate Exchange Agreement has a Swap Policy issued by Ambac Assurance Corporation ("Ambac"). Pursuant to actions taken by the Commissioner of Insurance for the State of Wisconsin, such Swap Policy has been deposited to a 'segregated account.' Pursuant to a Plan of Rehabilitation in connection with any Swap Policy in the segregated account, 25% of the permitted claim will be paid in cash and 75% in surplus notes bearing interest at the rate of 5.1% per year with a scheduled maturity on June 7, 2020. The School Board has authorized the refunding of the Series 2003B Certificates and the termination of the 2003B Interest Rate Exchange Agreement (2003). In connection therewith, the School Board expects to finance the termination payment, if any, from proceeds of the refunding Certificates related thereto. For additional information on the 2003B Interest Rate Exchange Agreement, see Notes 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2017 attached as Appendix B hereto.

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

Pursuant to separate Resolutions, adopted by each of the School Board and the Corporation, respectively, on September 6, 2017, the School Board and the Corporation have authorized an Amendment to Master Lease Agreement (the "Amendment to Master Lease"), among the School Board, the Corporation and the Trustee. The Amendment to Master Lease generally provides for certain amendments to the Master Lease which (i) revise the property insurance requirements for the Facilities in order to reflect the current insurance market in Florida (see "RISK FACTORS - Property Insurance" herein) and (ii) provides that except in certain enumerated circumstances, the terms of the Master Lease or any Schedule thereto shall not be waived, altered, modified, supplemented or amended except upon receipt of the consent of the holders of a majority of the principal amount of Certificates Outstanding who are affected thereby (or in the case of insured Certificates, the related Credit Facility Issuer in lieu of the holders of the Certificates it insures provided such Credit Facility Issuer has not been downgraded below the rating of the District). See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement" for the specific amendments to the Master Lease. Upon receipt of consents to such amendments from holders of not less than a majority in principal amount of Certificates then Outstanding under the Trust Agreement, together with required consents, if any, of municipal bond insurers, such amendments will become effective. At the time of issuance of the Series 2017B Certificates, the initial Beneficial Owners of the Series 2017B Certificates, through their purchase of the Series 2017B Certificates, shall be deemed to have consented to the amendments set forth in the Amendment to the Master Lease. Upon their issuance, the Series 2017B Certificates will represent approximately 3.1% of the Certificates Outstanding for purposes of the consent to the Amendment to the Master Lease. Additionally, the School Board has received the consent from Beneficial Owners of approximately 10.9% of certain of the Outstanding Certificates for purposes of the Amendment to the Master Lease. The School Board is also seeking consent to the amendment set forth in the Amendment to Master Lease from a certain Credit Facility Issuer that represents approximately 16.7% of all Certificates Outstanding for purposes of the Amendment to Master Lease. However, at this time, the School Board cannot predict, if or when, the amendments contained in the Amendment to Master Lease will become effective.

In addition, Schedule 2002D-1 and Schedule 2007B each contains certain amendments intended to (i) allow for the substitution of Facilities upon meeting certain conditions (see "THE REFINANCED FACILITIES - Substitution of the Refinanced Facilities" for the requirements for such substitution as contemplated in the amendment provision), (ii) govern the use of Net Proceeds of insurance or condemnation related to the Series 2002D-1 Facilities and/or Series 2007B Facilities, as applicable, in the event of damage, destruction and condemnation of such Facilities (see "THE TRANSACTION LEASES - Lease Payments" for required use of such Net Proceeds as contemplated in the amendment provision) and (iii) allow for the release of one or more Facilities at such time as the total construction cost of the remaining Facilities exceeds the principal portion of the Basic Lease Payments payable under the applicable Transaction Lease. Upon receipt of consent to such amendments to each Transaction Lease Schedule from holders of not less than a majority in principal amount of Certificates then Outstanding under such Transaction Lease Schedules, such amendments will become effective. See "APPENDIX C -
CERTAIN LEGAL DOCUMENTS - Form of Schedule 2002D-1" and "- Form of Schedule 2007B" for the specific amendments.

All of the Transaction Lease Schedules contain amendments intended to allow for the amendment of such Schedules without consent of the holders of the affected Certificates for the purpose of (a) adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Schedule, (b) adding additional Facilities to be financed under such Schedule, (c) substituting Facilities in accordance with Section 6.4 of the Master Lease, or (d) releasing a Facility and/or Facility Site or portion thereof if such Facility and/or Facility Site or portion thereof has been released from the lien of the Master Lease in accordance with the provisions thereof. Upon receipt of consent to such amendments to the applicable Transaction Lease Schedule from holders of not less than a majority in principal amount of Certificates then Outstanding under such Transaction Lease Schedule, such amendments will become effective. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - Form of Amended and Restated Schedule 2002D-1," "- Form of Amended and Restated Schedule 2002D-2" and "- Form of Schedule 2007B" for the specific amendments.

At the time of issuance of the Series 2017B Certificates, the initial Beneficial Owners of the Series 2017B Certificates, through their purchase of the Series 2017B Certificates, shall be deemed to have consented to the amendments set forth in the Transaction Lease Schedules. The Series 2017B Certificates will represent approximately 12.8% of the Certificates Outstanding under the Schedule 2002D-1 and approximately 12.8% of the Certificates Outstanding under the Schedule 2002D-2. At this time, the School Board cannot predict, if or when, the amendments set forth in Schedule 2002D-1 and Schedule 2002D-2 will become effective. The Series 2017B Certificates will represent approximately 23.6% of the Certificates Outstanding under the Schedule 2007B. At this time, the School Board cannot predict, if or when, the amendments set forth in Schedule 2007B will become effective.

Purchasers of the Series 2017B Certificates should carefully review the proposed amendments. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement," "- Form of Schedule 2002D-1," "-Form of Schedule 2002D-2" and "- Form of Schedule 2007B." Notwithstanding the foregoing, the consent of a majority of Certificate holders evidencing an interest in a Lease will not be required for the release of any Facilities not subject to the exercise of remedies upon an event of default or event of non-appropriation by the School Board.

The Underwriter is not providing consent to or approval of the herein described amendments and the School Board will not deem such amendments to have been consented to or approved by the Underwriter as a result of the Underwriter's purchase of the Series 2017B Certificates in its capacity as underwriter as defined in Section 2(a)(11) of the Securities Act of 1933, as amended.

THE MASTER LEASE FACILITIES

The Refinanced Facilities are being financed and refinanced under the School Board's existing Master Lease as part of the School Board's master lease purchase program (the "Master
Lease Program") with the Corporation. The Facilities financed or refinanced by the School Board under the Master Lease Program are subject to annual appropriation on an all or none basis. Currently, approximately 39% of all student stations in the District and approximately 37% of all gross square feet of educational facilities space in the District is subject to the Master Lease. For a complete description of the Facilities under the Master Lease Program see "THE REFINANCED FACILITIES AND THE SERIES 2007B GLADEVIEW ELEMENTARY MODERNIZATION FACILITY" and "THE PRIOR FACILITIES" herein.

Pursuant to the Master Lease, the School Board does not have the ability to appropriate funds to make Lease Payments on one Facility or some combination of Facilities only. The School Board's annual appropriation for Basic Lease Payments must be for all Facilities under the Master Lease Program or none of them. In the event the School Board does not appropriate funds in its annual budget for all of such financed Facilities, the School Board would, at the Trustee's option, be required to surrender such Facilities, including the Series 2002D-1 Facilities and Series 2007B Facilities (other than certain designated Facilities such as the Series 2002D-2 Facilities and with respect to the Series 2007B Lease, the Series 2007B Gladeview Elementary Modernization Facility), to the Trustee for the benefit of the Owners of the Certificates which financed or refinanced such Facilities.

**THE REFINANCED FACILITIES AND THE SERIES 2007B GLADEVIEW ELEMENTARY MODERNIZATION FACILITY**

The Series 2002D-1 Facilities

The Series 2002D-1 Project consists of the lease purchase financing and refinancing of the acquisition and construction of the Series 2002D-1 Facilities, the lease of the Series 2002D-1 Facility Sites by the School Board to the Corporation pursuant to the Series 2002D-1 Ground Lease and the sublease of the Series 2002D-1 Facility Sites back to the School Board. All of the Facilities under the Series 2002D-1 Lease are located within the District. The School Board holds title to all of the Series 2002D-1 Facility Sites. See also, "-Substitution of Refinanced Facilities" below.

Osceola Creek Middle School (99-HH). This school, located in the western part of Palm Beach County, contains approximately 169,332 gross square feet and has a student capacity of 1,186. The scope of this project included five language arts classrooms, five math classrooms, five science classrooms, five social studies classrooms, six ESE classrooms, one pre-vocational and vocational laboratory, three ESE supplemental instruction rooms, three ESE resource rooms, three regular resource rooms, three skills development labs, physical education, six pre-vocational education classrooms, administrative media, multi-purpose stage/support space, teacher planning and custodial space. This project opened in 2004.

Don Estridge High Tech Middle School (98-GG). This school, located in the southern part of Palm Beach County, contains approximately 177,892 gross square feet and has a student capacity of 1,347. The scope of this project included five language arts classrooms, five math classrooms, five science classrooms, five social studies classrooms, three ESE classrooms, three skills development labs, music, physical education, pre-vocational space, administrative, media,
multi-purpose, stage/support, teacher planning and custodial space. This project was constructed in two phases. This project opened in 2004.

**H.L. Watkins Middle School Modernization.** This school, located in northern Palm Beach County in the Town of Palm Beach Gardens, contains approximately 188,548 gross square feet and has a recommended student capacity of 1,304. The modernized school has seven English classrooms, seven math classrooms, seven social studies classrooms, seven science classrooms, three skills development labs, five resource rooms, 12 ESE classrooms, art, music, physical education, vocational and agricultural education, business education and home economics, technology, health occupations, media center, administration, student personnel services, food service, teaching personnel, stage, multipurpose, textbook storage and custodial space. The modernized school opened in 2004.

**Lantana Elementary School Modernization.** This school, located in southern Palm Beach County in the Town of Lantana, contains approximately 95,200 gross square feet and has a recommended student capacity of 1,000. The modernized school has four kindergarten classrooms, four primary classrooms, three intermediate classrooms, six ESE classrooms, five resource rooms, art, music, skills development lab, food service, physical education, multipurpose, stage, teacher planning, administrative, student services and custodial space. The modernized school opened in 2004.

**Palm Beach Public Elementary School Modernization.** This school, located in central Palm Beach County in the Town of Palm Beach, contains approximately 68,565 gross square feet and has a recommended student capacity of 563. The modernized school has four kindergarten classrooms, eight primary classrooms, four intermediate classrooms, one ESE classroom, three resource rooms, art, music, skills development lab, food service, physical education, multipurpose, stage, teacher planning, administrative/student personnel services and custodial space. The modernized school opened in 2004.

**Palm Springs Elementary School Modernization.** This school, located in central Palm Beach County in the Village of Palm Springs, contains approximately 28,129 square feet of new construction, 24,990 square feet of remodeled space, and 1,045 square feet of renovated space and has a recommended student capacity of 970. The modernized school has four kindergarten classrooms, 18 primary classrooms, 10 intermediate classrooms, two ESE classrooms, eight resource rooms, art, music, skills development lab, food service, physical education, multipurpose, stage, teacher planning, administrative/student personnel services and custodial space. This modernized school opened in 2004.

**Roosevelt Elementary School Modernization.** This school, located in central Palm Beach County in the City of West Palm Beach, contains approximately 49,351 square feet of new construction, 34,332 square feet of remodeled space and 975 square feet of renovated space and has a recommended student capacity of 970. The modernized school has four kindergarten classrooms, 18 primary classrooms, 10 intermediate classrooms, two ESE classrooms, eight resource rooms, art, music, skills development lab, food service, physical education, multipurpose, stage, teacher planning, administrative/student personnel services and custodial space. This modernized school opened in 2004.
Tradewinds Middle School (98-II). This school, located in the western part of Palm Beach County, contains approximately 192,610 gross square feet and has a student capacity of 1,356. The scope of this project included seven English classrooms, seven math classrooms, seven science classrooms, seven social studies classrooms, 12 ESE classrooms, three skills development labs, five resource rooms, art, music, physical education, vocational and agricultural education, business education and home economics, technology, health occupations, media center administration, student personnel services, food service, teacher planning and custodial space. This project opened in 2004.

The Series 2002D-2 Facilities

Set forth below is a brief, general description of the Series 2002D-2 Facilities. The Series 2002D-2 Facilities are not subject to surrender or disposition by the Trustee.

Portable/Modular Replacement Project. This project is for the purchase of approximately 100 portable or modular classroom units that meet the new State code requirements.

Site acquisition. This project is for the acquisition of land that will be used for the construction of schools.

West Boca Raton Community High School Buildout. The buildout at this school, located in unincorporated Palm Beach County, Florida, has approximately 67,836 gross square feet with 732 student stations. The buildout includes 19 senior high classrooms, 9 ESE instructional spaces, 1 resource room and 21,000 NSF of Career Education instructional spaces. The project opened in 2004.

The Series 2007B Facilities

The Series 2007B Project consists of the lease purchase financing and refinancing of the acquisition and construction of the Series 2007B Facilities and Series 2007B Gladeview Elementary Modernization Facility, the lease of the Series 2007B Facility Sites by the School Board to the Corporation pursuant to the Series 2007B Ground Lease and the sublease of the Series 2007B Facility Sites back to the School Board. All of the Facilities under the Series 2007B Lease are located within the District. The School Board holds title to all of the Series 2007B Facility Sites. The site on which the Series 2007B Gladeview Elementary Modernization Project is located is not a Series 2007B Facility Site and is not subject to the Series 2007B Ground Lease. Set forth below is a brief, general description of the Series 2007B Facilities and Series 2007B Gladeview Elementary Modernization Facility. See also, "Substitution of Series 2007B Facilities" below.

The Series 2007B Facilities

Carver Middle School Addition. The addition at this school, located in the City of Delray Beach, has 28,761 net square feet with 352 student stations. The addition has 12 intermediate classrooms, three science classrooms, two resource rooms, two ESE classrooms, one skills/computer lab, satellite administration, teacher planning, restrooms and custodial space. This project opened in 2011.
Hagen Road Elementary School Modernization. This school, located in unincorporated Palm Beach County, has 123,115 net square feet with a student capacity of 849. The school has eight ESE Pre-K classroom, 24 primary classrooms, 16 intermediate classrooms, two skills/computer labs, one resource room, four ESE classrooms, art, music, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This project opened in 2008.

Lake Worth Middle School Addition. The addition at this school, located in the City of Lake Worth, has 34,353 net square feet with 366 student stations. The addition has 11 intermediate classrooms, three science classrooms, one skills/computer lab, two technology/industry exploration lab, two resource rooms, satellite administration, teacher planning and custodial space. This project opened in 2011.

Palm Beach Gardens Elementary School Modernization. This school, located in Palm Beach Gardens, has 111,459 net gross square feet with a student capacity of 739. The school has two ESE Pre-K classrooms, 22 primary classrooms, 12 intermediate classrooms, two skills/computer labs, four resource rooms, four ESE classrooms, art, music, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This project opened in 2008.

Wellington High School Auditorium. This addition, located in the Village of Wellington, has 29,635 net square feet and no student stations. This project opened in 2008.

Sunset Palms Elementary School (03-Z). This school, located in unincorporated Palm Beach County, has 127,106 net square feet with a student capacity of 978. The school has 32 primary classrooms, 16 intermediate classrooms, three skills/computer labs, five resource rooms, four ESE classrooms, art, music, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This school opened in 2008.

Series 2007B Gladeview Elementary Modernization Facility

Series 2007B Gladeview Elementary Modernization. This school, located in the City of Belle Glade, has approximately 50,883 gross square feet with a student capacity of 360. The school has 13 primary classrooms, three intermediate classrooms, two ESE Pre-K classrooms, two ESE classrooms, two skills/computer labs, two resources rooms, art, music, covered play area, library media center, administration/student services, food service/multipurpose, teacher planning, stage, restrooms and custodial space. This school opened in August 2015. For purposes of the Series 2007B Lease, this school is not subject to surrender or disposition by the Trustee, however, it is subject to surrender and disposition by the Trustee under the Series 2007A-1 Lease.

Substitution of Refinanced Facilities

The following reflects the amendments to Section 6.4 of the Master Lease set forth in Schedule 2002D-1 and Schedule 2007B. See "CERTAIN LEGAL DOCUMENTS – Master Lease" for the current provision and "CERTAIN LEGAL DOCUMENTS - Form of Schedule 2002D-1" and "- Form of Schedule 2007B" for the amended provision.
To the extent permitted by law, on or after the Completion Date, the School Board may substitute for any of the Refinanced Facilities other facilities owned by the School Board, provided such substituted facilities: (a) have the same or greater remaining useful life; (b) have a fair market value equal to or greater than the portion of the Refinanced Facilities for which they are substituted (based on an assessment prepared by the District); (c) are of substantially equal usefulness as the Refinanced Facilities to be replaced and provide essential governmental services; (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved by the State Department of Education. In order to effect such substitution, the Refinanced Facilities to be replaced will be released from the encumbrance of the applicable Transaction Leases and the related Transaction Ground Lease by appropriate instrument executed by the School Board and the Corporation (or Trustee as assignee of the Corporation) in form sufficient to lease good and marketable fee simple title to such Facilities in the School Board subject only to Permitted Encumbrances and the facilities to be substituted shall likewise be incorporated into the applicable Transaction Leases and related Transaction Ground Lease. The applicable Transaction Lease Schedule will be appropriately amended and the related Transaction Ground Lease will be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel as described in the Master Lease with respect to the substitute Facility Site. The foregoing conditions with respect to substitution only apply to Facilities against which the Trustee has rights such as the Series 2002D-1 Facilities and the Series 2007B Facilities (except for the Series 2007B Gladeview Elementary Modernization Facility).

Additionally, from time to time, the School Board may have remaining funds on deposit in an Acquisition Fund under a particular Lease. This sometimes occurs as a result of a Facility or combination of Facilities being constructed for less than anticipated, a Facility is no longer needed or there are unresolved issues concerning the site on which the Facility is to be built. In such case, the School Board may finance other Facilities under such Lease, in which case such additional Facilities shall be subject to the provisions of the related Lease. In certain cases, such newly added Facilities may be Facilities which are not subject to surrender and disposition by the Trustee.

THE PRIOR FACILITIES

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

**Series 2000A Facilities**
Beacon Cove Elementary School (96-A)
Independence Middle School (98-FF)
Jupiter High School modernization
Lake Park Elementary School modernization
Pahokee Elementary School, classroom building
Palmetto Elementary School modernization
Village Academy (98-P)
Palm Beach Central High School (96-JJJ)
Series 2001A-1 Facilities
Benoist Farms Elementary School (96-D)
Boca Raton Elementary School modernization
Crosspointe Elementary School (98-I)
Discovery Key Elementary School (96-L)
Forest Hill Elementary modernization
Freedom Shores Elementary School (97-M)
Frontier Elementary School (96-B)
Lake Worth High School, classroom addition
Pleasant City Elementary School (98-N)
Royal Palm Beach Elementary School (96-J)
Sunrise Park Elementary School (96-H)

Series 2001A-2 Facilities*
Portable replacement program
Site Acquisition

Series 2002A-1 Facilities
Central Bus Compound
Dreyfoos School of Arts, new cafeteria and gymnasium remodeling
Park Vista Community High School (91-EEE)

Series 2002A-2 Facilities*
Site Acquisition
Portable replacement program
Furnishings/equipment for six schools

Series 2002B Facilities
Belvedere Elementary School modernization
Greenacres Elementary School modernization
Jupiter Elementary School modernization
Lantana Middle School modernization
Site Acquisition
South Olive Elementary School modernization
Jaega Middle School (98-EE)

Series 2002C Facilities
Equestrian Trails Elementary School (02-S)
Diamond View Elementary School (01-R)
Forest Hill High School modernization
Panther Run Elementary School addition and HVAC replacement
U.B. Kinsey/Palmview Elementary School modernization
Village Academy addition
West Boca Raton Community High School (01-LLL)
Series 2003A Facilities
William T. Dwyer addition
Seminole Ride High School (02-NNN)

Series 2003B Facilities
Atlantic High School replacement
Bak Middle School of the Arts modernization
L.C. Swain Middle School (03-KK)
Portable/Modular Replacement Program

Series 2004A-1 Facilities
Coral Sunset Elementary School addition
Hammock Pointe Elementary School addition
JC Mitchell Elementary School modernization
Meadow Park Elementary School modernization
SD Spady Elementary School modernization

Series 2004-QZAB Facilities*
Equipment for designated Qualified Zone Academies

Series 2005-QZAB Facilities*
Technology upgrades for designated Qualified Zone Academies

Series 2006A-1 Facilities
Barton Elementary School modernization
DD Eisenhower Elementary School
Marsh Pointe Elementary School (03-X)
Rolling Green Elementary School modernization
Palm Beach Gardens High School modernization

Series 2006A-2 Facilities*
Portable/Modular Replacement Program
Voice/Data Equipment

Series 2007A-1 Facilities
C.O. Taylor Elementary School modernization
Suncoast High School modernization
Royal Palm School modernization
Series 2007B Gladeview Elementary School modernization
Rosenwald Elementary School modernization
Westward Elementary School modernization

Series 2007E-1 Facilities
Hope-Centennial Elementary (06-D)
Banyan Creek Elementary addition
Wellington Elementary addition
Whispering Pines Elementary addition
Allamanda Elementary modernization

**Series 2007E-2 Facilities***
New sports stadium for Pahokee School
Benoist Farms Elementary School Pre-K addition
Crestwood Middle addition
Portables/Modular replacement program
Seminole Trails Elementary addition
Site Acquisition

**Series 2010A Facilities**
Galaxy Elementary modernization
Gove Elementary modernization
Belle Glade Elementary roof replacement
Pioneer Park Elementary roof replacement

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

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### ESTIMATED SOURCES AND USES OF FUNDS

It is estimated that proceeds received from the sale and delivery of the Series 2017B Certificates, together with other legally available funds, are expected to be used as follows:

**Estimated Sources:**

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**Estimated Uses:**

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<td><strong>Total Uses of Funds</strong></td>
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(1) Represents funds on deposit in certain accounts for the benefit of the Refunded Certificates.

(2) To be applied to refund the Refunded Certificates. See "PLAN OF REFUNDING" herein.

(3) Includes counsel fees, financial advisor fees and other costs of issuance.
CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES


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<td><strong>$2,612,000</strong></td>
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(1) In March 2008, the School Board elected to convert the Series 2003B Certificates, which were originally issued as variable rate demand obligations, into a private placement floating rate note with Dexia. Commencing May 1, 2008, the interest rates were set monthly as one month LIBOR plus a spread of 30 bps. Commencing August 1, 2008, the Series 2003B Certificates interest rate are set based on SIFMA plus a spread of 65 bps. See "SECURITY FOR THE SERIES 2017B CERTIFICATES – Interest Rate Exchange Agreements – 2003B Interest Rate Exchange Agreement" herein.

(2) Includes the Series 2004 QZAB Certificates and the Series 2005 QZAB Certificates. Pursuant to Section 1397E of the Code, the holders of such QZAB Certificates receive a tax credit equal to the applicable tax credit rate on the date such QZAB Certificates were issued multiplied by the face amount of the QZAB Certificates held by the holder thereof on the applicable credit allowance date.

(3) Based on a principal amount of $67,665,000 which will be due on the maturity date; includes sinking fund payments and assumes investments earnings thereon at a rate of 4.262% based on a Forward Delivery Agreement entered into by the School Board on March 31, 2011, which together are expected to equal the Principal Component due on the Series 2010A Certificates at maturity. The School Board will receive a credit against sinking fund payments for interest income on amounts on deposit in the Series 2010A Sinking Fund Account. Interest on the Series 2010A Certificates is calculated at 0.21% (the stated interest rate on the Series 2010A Certificates of 5.40%, less the Interest Subsidy of 5.19%).

(4) Reflects the refunding of the Refunded Certificates with proceeds of the Series 2017B Certificates. See "PURPOSE OF THE SERIES 2017B CERTIFICATES" AND "PLAN OF REFUNDING" herein.

(5) Payment requirements assume an interest rate of 4.71% (based on the 2002D Interest Rate Exchange Agreement (2005)) and reflect an estimated 0.49% interest rate spread from privately placed floating rate Series 2012B Certificates. See "SECURITY FOR THE SERIES 2017B CERTIFICATES - Interest Rate Exchange Agreements - 2002D Interest Rate Exchange Agreement (2005)" herein.

(6) Totals may not add due to rounding.
## CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES


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<td></td>
<td>31,248,000</td>
<td>10,442,250</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong>&lt;sup&gt;(2)&lt;/sup&gt;</td>
<td><strong>$80,874,300</strong></td>
<td><strong>$148,283,920</strong></td>
<td><strong>$171,869,750</strong></td>
<td><strong>$54,129,000</strong></td>
<td><strong>$65,515,558</strong></td>
<td><strong>$196,298,250</strong></td>
<td><strong>$326,813,500</strong></td>
<td><strong>$204,747,319</strong></td>
<td></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> Payment requirements assume an interest rate of 4.22% (based on the 2014A Interest Rate Exchange Agreement) and reflect an estimated 0.42% interest rate spread from privately placed floating rate Series 2014A Certificates. See "SECURITY FOR THE SERIES 2015D CERTIFICATES - Interest Rate Exchange Agreements - 2002B Interest Rate Exchange Agreement/2014A Interest Rate Exchange Agreement" herein.

<sup>(2)</sup> Totals may not add due to rounding.
COMBINED CERTIFICATE PAYMENT SCHEDULE

The estimated combined payment requirements on the Series 2017B Certificates and the Outstanding Certificates are as follows:

<table>
<thead>
<tr>
<th>Certificate Year Ending August 1</th>
<th>Series 2017B Certificates</th>
<th>Outstanding Certificates&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Total&lt;sup&gt;(2)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Principal Component</td>
<td>Interest Component</td>
<td>Subtotal</td>
</tr>
<tr>
<td>2018</td>
<td>$1,252,524</td>
<td>$1,252,524</td>
<td>$136,814,612</td>
</tr>
<tr>
<td>2019</td>
<td>2,097,250</td>
<td>2,097,250</td>
<td>134,092,314</td>
</tr>
<tr>
<td>2021</td>
<td>2,097,250</td>
<td>2,097,250</td>
<td>136,013,685</td>
</tr>
<tr>
<td>2022</td>
<td>$6,335,000</td>
<td>2,097,250</td>
<td>8,432,250</td>
</tr>
<tr>
<td>2023</td>
<td>6,365,000</td>
<td>1,780,500</td>
<td>8,145,500</td>
</tr>
<tr>
<td>2024</td>
<td>6,690,000</td>
<td>1,462,250</td>
<td>8,152,250</td>
</tr>
<tr>
<td>2025</td>
<td>5,625,000</td>
<td>1,127,750</td>
<td>6,752,750</td>
</tr>
<tr>
<td>2026</td>
<td>846,500</td>
<td>846,500</td>
<td>139,945,556</td>
</tr>
<tr>
<td>2027</td>
<td>846,500</td>
<td>846,500</td>
<td>140,147,020</td>
</tr>
<tr>
<td>2028</td>
<td>16,930,000</td>
<td>846,500</td>
<td>17,776,500</td>
</tr>
<tr>
<td>2029</td>
<td></td>
<td></td>
<td>144,478,628</td>
</tr>
<tr>
<td>2030</td>
<td></td>
<td></td>
<td>79,075,500</td>
</tr>
<tr>
<td>2031</td>
<td></td>
<td></td>
<td>60,071,250</td>
</tr>
<tr>
<td>2032</td>
<td></td>
<td></td>
<td>41,690,250</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$41,945,000</strong></td>
<td><strong>$16,551,524</strong></td>
<td><strong>$58,496,524</strong></td>
</tr>
</tbody>
</table>

<sup>(1)</sup> See "CERTIFICATE PAYMENT SCHEDULES I & II FOR OUTSTANDING CERTIFICATES."

<sup>(2)</sup> Totals may not add due to rounding.

[Remainder of page intentionally left blank]
THE MASTER LEASE PROGRAM

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

The Transaction Leases are three of the Leases entered into under the Master Lease and provide for the leasing of the Refinanced Facilities by the Corporation to the School Board. See "THE TRANSACTION LEASES" and "THE REFINANCED FACILITIES AND THE SERIES 2007B GLADEVIEW ELEMENTARY MODERNIZATION FACILITY." As noted above, the School Board has previously leased certain Facilities pursuant to the Current Leases which were funded from the proceeds of the Outstanding Certificates. The School Board may arrange for one or more lease purchase financings of additional educational facilities under the Master Lease in future Fiscal Years. See "SECURITY FOR THE SERIES 2017B CERTIFICATES - Additional Leases" and "- Additional Certificates."

In addition, the School Board may, in the future, also enter into lease purchase arrangements upon terms and conditions other than those in the Master Lease. Failure to make payments under any such lease agreement, or an event of default under any such lease agreement, will not affect the Lease Term or cause the termination of the Transaction Leases or any other Leases.

THE TRANSACTION LEASES

The following is a brief summary of certain provisions of the Transaction Leases, which is not intended to be definitive. Reference is made in "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Master Lease" and " - Form of Schedule 2002D-1," " - Form of Schedule 2002D-2" and " - Form of Schedule 2007B."

Authority

The Transaction Leases are being entered into pursuant to the authority granted under Chapters 1001-1013, Florida Statutes, for the purpose of providing for the acquisition, construction and lease purchase financing and refinancing of the Refinanced Facilities.

Lease Term

Under the Transaction Leases, the Corporation is leasing to the School Board, and the School Board is leasing from the Corporation, the Refinanced Facilities. The initial terms of the Series 2002D Leases commenced on December 1, 2002 and continued through and including June 30, 2003, have been automatically renewed annually to date and are automatically renewable annually through August 1, 2028, unless sooner terminated as described herein. The initial term of the Series 2007B Lease commenced on March 22, 2007 and continued through and including June 30, 2007, has been automatically renewed annually to date and is
automatically renewable annually through August 1, 2032, unless sooner terminated as described herein. See "THE TRANSACTION LEASES - Termination of Lease Term."

**Lease Payments**

Subject to the conditions stated in the Transaction Leases, the School Board has expressed its current intent to make all Lease Payments due under the Transaction Leases; PROVIDED, HOWEVER, THAT NONE OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, IS OBLIGATED TO PAY, EXCEPT FROM APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE TRANSACTION LEASES FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE UNDER THE TRANSACTION LEASES, AND THE SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. All Lease Payments due under the Transaction Leases will be made from current or other funds authorized by law and regulations of the State of Florida Department of Education and appropriated for such purpose by the School Board.

On June 30, 2018, and thereafter on December 30 and June 30 of each year, the Lease Payment Dates preceding each Series 2017B Certificate Payment Date, the School Board is required to pay to the Trustee the Basic Lease Payment allocable to the Series 2017B Certificates due on such date, which amount corresponds to the amount due to Series 2017B Certificate holders on the next succeeding Series 2017B Certificate Payment Date. The School Board is also required to pay, when due, Additional Lease Payments, consisting of, among other things, payments under its Interest Rate Exchange Agreements (see "SECURITY FOR THE SERIES 2017B CERTIFICATES - Interest Rate Exchange Agreements") and Supplemental Payments, consisting of, among other things, the fees and expenses of the Trustee and the Corporation. Lease Payments due under the Transaction Leases may be reduced, when applicable, by amounts credited as follows:

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

(b) Upon termination of the Lease Terms of the Transaction Leases, with respect to the amounts, if any, remaining on deposit in the applicable Acquisition Account thereunder shall be transferred to the related Lease Payment Account to be applied to Basic Lease Payments next coming due under the related Transaction Leases.

The following reflects the amendments to Section 5.4(b) of the Master Lease as set forth in Schedule 2002D-1 and Schedule 2007B. See "CERTAIN LEGAL DOCUMENTS - Master Lease" for the current provision.
(c) The Trustee will deposit in the related Lease Payment Account or Acquisition Account, Net Proceeds realized in the event of damage, destruction or condemnation of the Refinanced Facilities to be applied to the prompt repair, restoration or replacement of such Refinanced Facilities; provided, however, if the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Refinanced Facilities damaged, destroyed or condemned, then the School Board shall not be required to comply with the provisions of the preceding clause. In such case, if the Net Proceeds are (a) less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Refinanced Facilities and (b) equal or less than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Transaction Lease, then such Net Proceeds may, at the option of the School Board, (i) be deposited into the Lease Payment Account for the Certificates relating to such Refinanced Facilities to be credited against Basic Lease Payments next coming due in accordance with the Master Lease or (ii) deposited in the Acquisition Account for the Series of Certificates relating to such Referenced Facilities and applied to pay costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the related Transaction Lease as fully as if they were originally leased Facilities. If the Net Proceeds are (1) equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Refinanced Facilities or (2) greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under Such Transaction Lease, then the pro rata portion of such Net Proceeds allocable to the Series 2017B Certificates shall be deposited to the applicable Acquisition Account and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the related Transaction Lease as fully as if they were the originally leased Facilities; provided, however, at the direction of the School Board, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the related Lease Payment Account to be credited against Basic Lease Payments next coming due under the related Transaction Lease.

Assignment of Lease to Trustee

Pursuant to the Transaction Assignments, substantially all right, title and interest of the Corporation in and to the Transaction Ground Leases and in and to the Transaction Leases, including the right to receive Basic Lease Payments thereunder, has been absolutely and unconditionally assigned by the Corporation to the Trustee for the benefit of the owners of the Series 2017B Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Transaction Leases. The School Board has consented to such assignment.

Lease Covenants

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

**Budget and Appropriation**

The cost and expense of the performance by the School Board of its obligations under the Transaction Leases, under the Current Leases and any Additional Leases and the incurrence of any liabilities of the School Board under the Transaction Leases, the Current Leases and any Additional Leases including without limitation, the payment of all Lease Payments and all other amounts required to be paid by the School Board under all Leases, are subject to and dependent on appropriations being duly made from time to time by the School Board for such purposes. The School Board may not budget and appropriate available revenues to make Lease Payments selectively on a Lease by Lease basis, but must appropriate such revenues for all Leases or none of them. Under no circumstances will the failure of the School Board to appropriate sufficient funds in any Fiscal Year constitute a default or require payment of a penalty, or in any way limit the right of the School Board to purchase or utilize educational facilities similar in function to those leased under any Lease including the Transaction Leases.

Unless the School Board, at a public meeting held prior to the end of the then current Fiscal Year, gives notice of its intent not to appropriate the funds necessary to make the Lease Payments coming due in the following Fiscal Year under all Leases, the Superintendent will include in the Superintendent's tentative budget proposal, in a separate line item, the funds necessary to make such Lease Payments, and all Leases will be automatically renewed on June 30 of the current Fiscal Year, for the following Fiscal Year, subject to appropriation being made by the School Board in the final adopted budget. If Lease Payments are due during the period prior to the adoption of the School Board's final official budget for an ensuing Fiscal Year, the Lease Term of all Leases shall be deemed extended only if the tentative budget or extension of the prior budget (whether by School Board action or operation of law) makes available to the School Board monies which may be legally used to make the Lease Payments due under all Leases during such period. If no such appropriation is made in the budget as finally adopted or if no official budget is adopted as of the last day on which a final budget is required to have been adopted under applicable law and regulations, all Leases will terminate as of the date of adoption of the final official budget or the last date on which a final budget is required to have been adopted, whichever is earlier, and under which no appropriation has been made.

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

**Termination of Lease Term**

The Lease Term of each Lease, including the Transaction Leases, will terminate upon the earliest of any of the following events:
(a) Each Lease will terminate on the latest Lease Payment Date set forth in any Lease;

(b) All Leases will terminate in the event of non-appropriation of funds for the payment of Lease Payments;

(c) All Leases will terminate upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to the Master Lease; and

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

Effect of Termination for Non-Appropriation or Default

Upon termination of the Lease Term for the reasons referred to in (b) or (c) under "THE TRANSACTION LEASES - Termination of Lease Term" above, the School Board is required to immediately surrender and deliver possession of all the Facilities financed under all Leases (except for certain designated Facilities such as the Series 2002D-2 Facilities) to the Trustee in the condition, state of repair and appearance required under the Leases and in accordance with the Trustee's instructions. Upon such surrender, the Trustee (or other transferee) will attempt to sell or re-let its interest in such Facilities in such manner and to such person or persons for any lawful purpose or purposes as it, in its sole discretion, determines to be appropriate. The Trustee will pursue such rights and remedies as directed by the Holders of a majority in aggregate principal amount of the Series 2017B Certificates and any other Certificates evidencing an interest in the Transaction Leases. The proceeds derived from any such sale or reletting of the School Board's leasehold interest in such Facilities, if any, will be applied first to the payment of the fees and expenses of the Trustee, second to payment in full of the Series of Certificates relating to such Facilities and then to the payment of other outstanding amounts as described in said Lease(s). The proceeds of any such disposition of the Series 2002D-1 Facilities will be applied to the payment of the Series 2017B Certificates allocable to the Series 2002D-1 Lease, equally and ratably with the Unrefunded Series 2012A Certificates allocable to the Series 2002D-1 Lease, the Series 2012B Certificates allocable to the Series 2002D-1 Lease and the Series 2015A Certificates allocable to the Series 2002D-1 Lease, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2002D-1 Lease. The proceeds of any such disposition of the Series 2007B Facilities will be applied to the payment of Series 2017B Certificates allocable to the Series 2007B Lease, equally and ratably with the Unrefunded Series 2011A Certificates and the Series 2015C Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2007B Lease. With respect to the Transaction Leases and Series 2017B Certificates, the School Board may not be dispossessed of the Series 2002D-2 Facilities, the Series 2007B Gladeview Elementary Modernization Facility or any personal property financed or refinanced, in whole or in part, with the proceeds of the Series 2017B Certificates. The Gladeview Elementary Modernization Facility is, however, subject to surrender and disposition by the Trustee under the Series 2007A-1 Lease for the benefit of the holders of Certificates representing an interest in the Series 2007A-1 Lease. See "RISK FACTORS - Limitation Upon Disposition; Ability to Sell or Relet." IN NO EVENT WILL OWNERS OF THE SERIES 2017B CERTIFICATES HAVE ANY INTEREST IN OR RIGHT
TO ANY PROCEEDS OF THE DISPOSITION OF FACILITIES FINANCED OR REFINANCED WITH THE PROCEEDS OF ANOTHER SERIES OF CERTIFICATES EXCEPT FOR ANY CERTIFICATES ISSUED TO REFUND SERIES 2017B CERTIFICATES.

For a discussion of the remedies available to the Trustee if the School Board refuses or fails to voluntarily deliver possession of the Facilities to the Trustee, see "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Master Lease."

There can be no assurance that the remedies available to the Trustee upon any termination of the Lease Term of all Leases for non-appropriation or default and the disposition of the Refinanced Facilities against which the Trustee has rights (which does not include the Series 2007B Gladeview Elementary Modernization Facility) will produce sufficient amounts to pay the Series 2017B Certificates. Federal income tax status of payments made to Series 2017B 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 2017B 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 2017B Certificates will not be impaired following termination of the Lease Term of the Leases. See "RISK FACTORS."

THE CORPORATION

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

There is no litigation pending against the Corporation.

Pursuant to the Transaction Assignments, the Corporation has made an absolute and unconditional assignment of substantially all of its right, title and interest under the Transaction Leases to the Trustee, retaining its rights to indemnification, its right to hold title to certain of the Refinanced Facilities, and to receive notices under the Master Lease. In accordance therewith, the Trustee collects directly all of the Basic Lease Payments which are the primary source of and security for payment of the Series 2017B Certificates. The credit of the Corporation is not material to any of the transactions contemplated in this Offering Statement. No financial information concerning the Corporation has been included herein, nor is it contemplated that any such financial information will be included in any future Offering Statement relating to the sale of any Additional Certificates or other obligations of the School Board or the Corporation.

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THE DISTRICT

General

The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Florida Statutes. The District is the tenth largest school district in the United States and the fifth largest in Florida as measured by student enrollment. The geographic boundaries of the District are coterminous with those of Palm Beach County, Florida (the "County"). The County, established in 1909, had a 2016 population of 1,443,810. It is the third largest county in Florida in terms of population and encompasses a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 38 incorporated municipalities within the boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Jupiter, Delray Beach and Boca Raton.

As of June 30, 2017, the District included 183 schools and had approximately 189,324 unweighted full time equivalent students and approximately 22,058 full-time equivalent employees, including approximately 15,528 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The Tax Collector collects ad valorem taxes for the District, but the County exercises no control over expenditures by the District. Additional information concerning the County is contained in "APPENDIX A – INFORMATION REGARDING PALM BEACH COUNTY, FLORIDA."

Certain Statistical Information

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

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

<table>
<thead>
<tr>
<th>School Year</th>
<th>Number of Schools</th>
<th>Number of Instructional Personnel at Fiscal Year End</th>
<th>Average FTE Enrollment(^{(1)})</th>
<th>Expenditures per FTE Student(^{(2)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>183</td>
<td>15,528</td>
<td>189,324</td>
<td>$7,537</td>
</tr>
<tr>
<td>2015-16</td>
<td>183</td>
<td>15,329</td>
<td>186,291</td>
<td>7,387</td>
</tr>
<tr>
<td>2014-15</td>
<td>182</td>
<td>15,333</td>
<td>183,489</td>
<td>7,160</td>
</tr>
<tr>
<td>2013-14</td>
<td>182</td>
<td>15,355</td>
<td>180,285</td>
<td>7,016</td>
</tr>
<tr>
<td>2012-13</td>
<td>182</td>
<td>15,013</td>
<td>177,797</td>
<td>6,605</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Unweighted, includes adults.
\(^{(2)}\) Excludes outgoing transfers. Includes adults.

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

[Remainder of page intentionally left blank]
FTE Growth

The Full-Time Equivalent (FTE) Enrollment for School Years 2012-13 through 2016-17 was as follows:

School District of Palm Beach, Florida
Profile of Enrollments – Unweighted Full-Time Equivalent Students\(^{(1)}\)
2012-13 – 2016-17

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Grades K-3(^{(2)})</td>
<td>46,724</td>
<td>49,192</td>
<td>49,923</td>
<td>49,956</td>
<td>48,722</td>
</tr>
<tr>
<td>Grades 4-8(^{(2)})</td>
<td>62,330</td>
<td>63,254</td>
<td>64,407</td>
<td>65,617</td>
<td>66,997</td>
</tr>
<tr>
<td>Grades 9-12(^{(2)})</td>
<td>49,702</td>
<td>47,369</td>
<td>48,451</td>
<td>48,944</td>
<td>50,067</td>
</tr>
<tr>
<td>Exceptional Education</td>
<td>1,490</td>
<td>1,356</td>
<td>1,301</td>
<td>1,280</td>
<td>1,297</td>
</tr>
<tr>
<td>Vocational Education</td>
<td>1,726</td>
<td>4,208</td>
<td>4,205</td>
<td>4,226</td>
<td>4,158</td>
</tr>
<tr>
<td>At Risk Programs(^{(3)})</td>
<td>15,824</td>
<td>14,906</td>
<td>15,202</td>
<td>16,268</td>
<td>18,083</td>
</tr>
<tr>
<td>Total</td>
<td>177,797</td>
<td>180,285</td>
<td>183,489</td>
<td>186,291</td>
<td>189,324</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>1.55%</td>
<td>1.40%</td>
<td>1.78%</td>
<td>1.53%</td>
<td>1.63%</td>
</tr>
</tbody>
</table>

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

\(^{(2)}\) Includes ESE students Level I-III

\(^{(3)}\) ESOL/Intensive English

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

The School Board

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

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

The Board also has broad financial responsibilities, including the approval of the annual budget, adoption of the school tax levy and the establishment of a system of accounting and budgetary controls. The annual budget and accounting reports must be filed with the State of Florida Department of Education.
The Chairman of the Board is elected by the members of the Board annually. The Superintendent of Schools is the ex-officio Secretary of the Board. The present members of the Board, their respective offices and the expiration of their respective terms are as follows:

<table>
<thead>
<tr>
<th>Name/Office</th>
<th>District</th>
<th>Term Expires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chuck Shaw, Chairman</td>
<td>2</td>
<td>November 2020</td>
</tr>
<tr>
<td>Debra L. Robinson, M.D., Vice Chairwoman</td>
<td>7</td>
<td>November 2018</td>
</tr>
<tr>
<td>Barbara McQuinn, Member</td>
<td>1</td>
<td>November 2020</td>
</tr>
<tr>
<td>Karen M. Brill, Member</td>
<td>3</td>
<td>November 2018</td>
</tr>
<tr>
<td>Erica Whitfield, Member</td>
<td>4</td>
<td>November 2018</td>
</tr>
<tr>
<td>Frank A. Barbieri, Jr., Esq., Member</td>
<td>5</td>
<td>November 2020</td>
</tr>
<tr>
<td>Marcia Andrews, Member</td>
<td>6</td>
<td>November 2018</td>
</tr>
</tbody>
</table>

**The Superintendent of Schools**

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

**Biographical Information for Certain Administrators**

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

Robert Avossa, Ed.D., Superintendent, was named as Superintendent in June 2015. Dr. Avossa holds a Bachelor's Degree in Exceptional Education and Behavior Disorders as well as a Master's Degree in Special Education, both from the University of South Florida, and a Doctorate from Wingate University. He also is a graduate of the Broad Superintendents Academy, an advanced executive development program that identifies and prepares experienced leaders to successfully run large urban public education systems.

He served as Superintendent of Fulton County Schools in Georgia for four years. During his tenure, Fulton County achieved dramatic academic gains by implementation of a comprehensive research-based strategic plan. Dr. Avossa previously served as the Chief Strategy and Accountability Officer, Area Superintendent and Chief of Staff for Charlotte-Mecklenburg Schools in North Carolina. He also spent more than a decade in Florida as a teacher and principal. Dr. Avossa has dedicated his entire career to ensuring that every child is given an opportunity to succeed in college and a career of his or her choice.

Michael Burke, Chief Financial Officer, joined the District in April 1998. Prior to that, Mr. Burke had eight years of experience with the School District of Broward County, Florida's Budget Office. He received his Bachelor's Degree in Finance from Florida State University and
a Master's Degree in Public Administration from Florida Atlantic University. For a four-year period (March 2012 to April 2016), Mr. Burke served as both the Chief Financial Officer and Chief Operating Officer of the District. In 2015, Mr. Burke received the "Bill Wise Award" for professionalism, commitment, integrity and leadership at the Council of the Great City Schools' Chief Financial Officers Conference. He currently serves on the Florida School Finance Council for the Florida Department of Education.

**Leanne Evans**, Treasurer, joined the District in February 1997 with six years of cash management experience in private industry. Ms. Evans graduated from Florida Atlantic University with a Bachelor of Business Administration in Finance and a Bachelor of Science in International Business and is a Certified Treasury Professional, as designated by the Association of Financial Professionals. Ms. Evans is a past president of the Florida School Finance Officers Association (FSFOA) and currently serves on the FSFOA board of directors. During her tenure with the District, she has overseen more than $6 billion in debt and derivative transactions.

**Total District Personnel**

The professional staff of the District includes supervisors, analysts, specialists, administrators, and instructional personnel. Other personnel include teachers' aides, clerks and secretaries, bus drivers, cafeteria personnel, custodial and maintenance workers, mechanics, police officers and warehousemen. The total number of full-time equivalent District personnel as of June 30, 2017 was approximately 22,058, the largest number of employees of any single employer in the County.

**Employee Relations**

Approximately 57% of all employees of the District are represented by the Palm Beach County Classroom Teachers Association ("CTA"), which is affiliated with Florida Education Association-United. Another 33% are represented by non-instructional collective bargaining agents and 10% are non-union represented staff.

As of June 30, 2017, the Board employed 22,058 full-time persons representing the following groups:

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instructional</td>
<td>13,381</td>
</tr>
<tr>
<td>Instructional Support Services</td>
<td>2,147</td>
</tr>
<tr>
<td>Central Support Services</td>
<td>4,790</td>
</tr>
<tr>
<td>Administrative Support Services</td>
<td>1,510</td>
</tr>
<tr>
<td>Community Services</td>
<td>230</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22,058</strong></td>
</tr>
</tbody>
</table>

[Remainder of page intentionally left blank]
Union members include both instructional and non-instructional personnel. Current union contracts expire as follows:

- Teachers: June 30, 2020*
- Clerical: December 31, 2019*
- Police: December 31, 2017
- Bus, Custodial, Maintenance and Mechanics: December 31, 2018*

* Awaiting final ratification by union members.

Accreditation

All public schools of the District are fully accredited by AdvancEd, formerly the Southern Association of Colleges and Schools. Every five years the public schools in the District undergo an AdvancEd re-accreditation review, with the next such review scheduled for January 2018. The District expects all public schools in the District to be fully re-accredited.

Budget Process

Florida law requires the Board to adopt in each Fiscal Year a tentative budget and a final budget, each of which is required to be balanced with available funds. The Superintendent, with input from staff, principals, the Budget Committee and interested community groups, prepares and submits to the Board a recommended budget. The Board adopts the recommended budget, with such modifications, as it deems necessary, as the tentative budget for the District. After public hearings on the tentative budget, the Board adopts a final budget and forwards it to the State of Florida Department of Education. When approved by the State of Florida Department of Education, the final budget is designated as the official budget and governs the general operations for the Fiscal Year, unless subsequently amended by the Board. After public hearings, the final budget for Fiscal Year 2017-18 was adopted by the School Board on September 6, 2017. Revisions may be made to the adopted budget in accordance with Florida law.

Capital Improvement Program

The School Board requires the development of a continuous five-year Capital Improvement Program (the "CIP"). In each year, the CIP is reviewed and revised as necessary to reflect the District's long range capital construction program, additions to the capital construction program resulting from accelerated student enrollment growth and improvements and additions to non-school sites. An annual update of the CIP provides, upon approval by the School Board, a continuous five-year program. The most recent annual update of the CIP occurred in September 2017. There are four capital equipment leases included in the current five-year CIP. Each lease is payable over a five-year period from the Local Option Millage Levy (as defined herein). See "FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Obligations Under Unrelated Lease Purchase Agreements" herein for information regarding the capital equipment leases.
FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT

The following briefly describes financial results of the District and certain District liabilities. For additional information concerning such matters see "APPENDIX B - EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

Financial Results

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

General Fund Revenue Sources

The following table sets forth general fund revenue sources for Fiscal Years 2012-2017.

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Federal Funds(2)</th>
<th>State Funds</th>
<th>Local Funds(3)</th>
<th>Total Revenue(4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$7,987,000</td>
<td>$528,776,000</td>
<td>$1,034,569,000</td>
<td>$1,571,332,000</td>
</tr>
<tr>
<td>2016</td>
<td>3,205,000</td>
<td>476,079,000</td>
<td>1,032,082,000</td>
<td>1,511,366,000</td>
</tr>
<tr>
<td>2015</td>
<td>8,635,000</td>
<td>486,006,000</td>
<td>949,839,000</td>
<td>1,444,480,000</td>
</tr>
<tr>
<td>2014</td>
<td>8,477,000</td>
<td>507,171,000</td>
<td>873,155,000</td>
<td>1,388,803,000</td>
</tr>
<tr>
<td>2013</td>
<td>7,194,000</td>
<td>427,605,000</td>
<td>858,732,000</td>
<td>1,293,531,000</td>
</tr>
<tr>
<td>2012</td>
<td>6,534,000</td>
<td>332,062,000</td>
<td>905,960,000</td>
<td>1,244,556,000</td>
</tr>
</tbody>
</table>

(1) Rounded.
(2) Includes direct federal funds and federal funds received through the State.
(3) Excludes transfers from other funds. Includes fund balance.
(4) Does not include transfers in.
Source: The School District of Palm Beach County, Florida.
General Fund Operations

The following table summarizes results of operations for the general fund of the District for the Fiscal Years ended June 30, 2014 through June 30, 2017 (audited) and the budgeted figures for the Fiscal Year ending June 30, 2018.

The School District of Palm Beach County, Florida
Summary of Revenues and Expenditures - General Fund
(In Millions)(1)

<table>
<thead>
<tr>
<th>For the Fiscal Years Ended June 30</th>
<th>Audited</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td><strong>Beginning Fund Balance:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nonspendable</td>
<td>$133.3</td>
<td>$111.8</td>
</tr>
<tr>
<td>Restricted</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Committed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assigned</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unassigned</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Fund Balance</strong></td>
<td>$111.8</td>
<td>$117.1</td>
</tr>
<tr>
<td><strong>Total Expenditures &amp; Fund Balance</strong></td>
<td>$1,628.9</td>
<td>$1,652.5</td>
</tr>
</tbody>
</table>

**Revenues:**
Local Sources and Other Financing Sources:
- Ad Valorem Taxes: $809.9/ $878.8/ $960.5/ $959.9/ $964.1
- Interest Income and Other: 3.5/ 3.4/ 2.1/ 3.9/ 1.1
- Other Revenue: 59.7/ 72.5/ 69.5/ 70.9/ 62.7
- Transfers In: 106.8/ 91.4/ 89.4/ 90.3/ 110.9

**State Sources:**
- Categorical Grants: 220.3/ 209.9/ 212.4/ 216.8/ 222.5
- Other: 20.2/ 33.7/ 31.0/ 34.6/ 35.5

**Total State Sources:** $507.2/ $486.0/ $476.1/ $528.8/ $579.1

**Federal Sources:** $8.5/ $8.6/ $3.2/ $8.0/ $5.8

**Total Revenues:** $1,495.6/ $1,540.7/ $1,600.8/ $1,661.6/ $1,723.7

**Adjustments to Fund Balance**:
- **Excess of Revenues Over (Under) Expenditures:** $(21.5)/ $5.3/ $10.1/ $11.3/ $0.0

**Total Rev. & Fund Balance**:
$1,628.9/ $1,652.5/ $1,717.9/ $1,788.9/ $1,862.3

**Expenditures:**
- Salaries: $908.7/ $906.3/ $921.9/ $939.0/ $985.4
- Employee Benefits: 284.7/ 282.9/ 292.4/ 333.6/ 328.5
- Purchased Services and other: 323.7/ 346.2/ 361.9/ 377.6/ 409.6
- Transfer Out: -/ -/ 14.5/ -/ 0.1

**Total Expenditures**:
$1,517.1/ $1,535.4/ $1,590.7/ $1,650.3/ $1,723.7

**Ending Fund Balance**:
- Nonspendable: $9.6/ $9.0/ $6.0/ $8.0/ $7.1
- Committed: -/ -/ -/ -/ -
- Assigned: 27.5/ 30.1/ 53.0/ 58.2/ 57.6
- Unassigned: 46.5/ 50.0/ 50.0/ 52.0/ 55.0

**Total Fund Balance**:
$111.8/ $117.1/ $127.3/ $138.6/ $138.6

**Note:**
(1) Totals may not add due to rounding.
(2) Budgeted figures.
Source: The School District of Palm Beach County, Florida.
Section 1011.051, Florida Statutes, entitled "Guidelines for general funds" requires that if a school district's General Fund balance not classified as restricted, committed or nonspendable in the approved operating budget is projected to fall below three percent (3%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. The section further requires that if the General Fund balance not classified as restricted, committed or nonspendable is projected to fall below two percent (2%) of projected General Fund revenues, the Superintendent shall provide written notification to the district school board and the Commissioner of Education. Within 14 days after receiving such notification of a balance below two percent (2%), if the Commissioner determines that the district does not have a plan that is reasonably anticipated to avoid a financial emergency as determined pursuant to Florida Statutes pertaining thereto, the Commissioner shall appoint a financial emergency board that may take certain delineated steps to assist a district school board in complying with the General Fund requirements. In Fiscal Year 2015-16, the District's General Fund balance not classified as restricted, committed or nonspendable was 6.81% of General Fund Revenues and in Fiscal Year 2016-17 was 7.01% of General Fund Revenues. For Fiscal Year 2017-18, the District's General Fund balance not classified as restricted, committed or nonspendable is budgeted to be 6.98% of General Fund Revenues.
The School District of Palm Beach County, Florida  
Summary of Capital Projects Fund Revenue and Expenditures  
(Amount in Millions)

<table>
<thead>
<tr>
<th></th>
<th>Audited</th>
<th></th>
<th></th>
<th></th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
<td>2016</td>
<td>2017</td>
<td>2018(1)</td>
</tr>
<tr>
<td><strong>Beginning Fund Balance:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Fund Balance</td>
<td>$217.2</td>
<td>$139.3</td>
<td>$87.1</td>
<td>$111.2</td>
<td>$183.3</td>
</tr>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Sources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad Valorem Taxes</td>
<td>$202.9</td>
<td>$216.3</td>
<td>$241.1</td>
<td>$258.4</td>
<td>$273.8</td>
</tr>
<tr>
<td>Local Sales Tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>65.8</td>
<td>119.2</td>
</tr>
<tr>
<td>Interest Income and other</td>
<td>2.1</td>
<td>24.7</td>
<td>9.6</td>
<td>8.5</td>
<td>6.4</td>
</tr>
<tr>
<td><strong>Total Local Sources</strong></td>
<td>$205.0</td>
<td>$241.0</td>
<td>$250.7</td>
<td>$327.2</td>
<td>$399.4</td>
</tr>
<tr>
<td>Miscellaneous Federal Through State:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State Sources:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Outlay distributed to District</td>
<td>$1.2</td>
<td>2.0</td>
<td>3.1</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Public Education Capital Outlay</td>
<td>-</td>
<td>3.4</td>
<td>2.7</td>
<td>5.5</td>
<td>2.7</td>
</tr>
<tr>
<td>Other</td>
<td>5.3</td>
<td>4.8</td>
<td>3.3</td>
<td>5.6</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Total State Sources</strong></td>
<td>$6.5</td>
<td>10.2</td>
<td>$9.1</td>
<td>$15.9</td>
<td>$11.2</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>$211.5</td>
<td>$251.2</td>
<td>$259.8</td>
<td>$348.6</td>
<td>$410.6</td>
</tr>
<tr>
<td>Adjustments to Fund Balance</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Revenues and Fund Balance</strong></td>
<td>$205.8</td>
<td>$152.8</td>
<td>$145.9</td>
<td>$221.4</td>
<td>$539.1</td>
</tr>
<tr>
<td><strong>Other Financing Sources (Uses):</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers out</td>
<td>($236.9)</td>
<td>($237.7)</td>
<td>($243.9)</td>
<td>($238.7)</td>
<td>($282.1)</td>
</tr>
<tr>
<td>Transfers in</td>
<td>-</td>
<td>-</td>
<td>14.6</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Proceeds from Sale of Capital Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.2</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Capital Leases</td>
<td>14.0</td>
<td>-</td>
<td>28.3</td>
<td>-</td>
<td>19.6</td>
</tr>
<tr>
<td>Proceeds from Insurance Loss Recoveries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from Issuance of Short-Term Debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>188.4</td>
</tr>
<tr>
<td><strong>Total Other Financing Sources (Uses)</strong></td>
<td>($222.9)</td>
<td>($237.7)</td>
<td>($201.0)</td>
<td>($238.4)</td>
<td>($54.8)</td>
</tr>
<tr>
<td><strong>Total Revenues, Other Financing Sources and Fund Balance</strong></td>
<td>$205.8</td>
<td>$152.8</td>
<td>$145.9</td>
<td>$221.4</td>
<td>$539.1</td>
</tr>
<tr>
<td><strong>Expenditures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$9.3</td>
</tr>
<tr>
<td>Buildings</td>
<td>$36.6</td>
<td>$28.9</td>
<td>3.8</td>
<td>$0.1</td>
<td>22.0</td>
</tr>
<tr>
<td>Improvements</td>
<td>5.1</td>
<td>7.4</td>
<td>1.6</td>
<td>2.3</td>
<td>8.9</td>
</tr>
<tr>
<td>Other Capital Outlay</td>
<td>24.8</td>
<td>28.3</td>
<td>29.2</td>
<td>35.7</td>
<td>248.9</td>
</tr>
<tr>
<td>Debt Service</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>$66.5</td>
<td>$65.7</td>
<td>$34.7</td>
<td>$38.1</td>
<td>$289.1</td>
</tr>
<tr>
<td>Excess of Revenues Over (Under) Expenditures</td>
<td>$145.0</td>
<td>$185.5</td>
<td>$225.1</td>
<td>$310.5</td>
<td>$121.5</td>
</tr>
<tr>
<td>Excess of Revenues and Other Financing Sources Over (Under) Expenditures</td>
<td>($77.9)</td>
<td>($52.2)</td>
<td>$24.1</td>
<td>$72.1</td>
<td>$66.7</td>
</tr>
<tr>
<td><strong>Ending Fund Balance:</strong></td>
<td>$139.3</td>
<td>$87.1</td>
<td>$111.2</td>
<td>$183.3</td>
<td>$250.00</td>
</tr>
</tbody>
</table>

(1) Budgeted figures.
Source: The School District of Palm Beach County, Florida.
Liabilities

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

Selected Financial Information of
The School District of Palm Beach County, Florida
and Palm Beach County, Florida

Direct and Overlapping Long-Term Debt Statement (in thousands)
June 30, 2017

<table>
<thead>
<tr>
<th>DIRECT DEBT (1)</th>
<th>General Obligation</th>
<th>Non-Self Supporting Revenue Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Leases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$ 4,264</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>8,602</td>
<td></td>
</tr>
<tr>
<td>2015A</td>
<td>5,034</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>5,585</td>
<td></td>
</tr>
<tr>
<td>State of Florida (2)</td>
<td>-</td>
<td>400</td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2009-A</td>
<td>-</td>
<td>7,775</td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2010-A</td>
<td>-</td>
<td>2,790</td>
</tr>
<tr>
<td>State Board of Education Capital Outlay Bonds, Series 2014-B</td>
<td>-</td>
<td>431</td>
</tr>
</tbody>
</table>

TOTAL DIRECT DEBT $ 0 $34,881

<table>
<thead>
<tr>
<th>OVERLAPPING DEBT (COUNTY)</th>
<th>General Obligation</th>
<th>Non-Ad Valorem Revenue Bonds</th>
<th>Revenue Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total General Obligations Bonds</td>
<td>$122,760</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Non-Ad Valorem Revenue Bonds</td>
<td>-</td>
<td>$793,081</td>
<td>-</td>
</tr>
<tr>
<td>Total Revenue Bonds</td>
<td>-</td>
<td>-</td>
<td>$238,388</td>
</tr>
<tr>
<td>TOTAL COUNTY DIRECT DEBT</td>
<td>$122,760</td>
<td>$793,081</td>
<td>$238,388</td>
</tr>
<tr>
<td>TOTAL DISTRICT DIRECT DEBT</td>
<td>$122,760</td>
<td>$827,962</td>
<td>$238,388</td>
</tr>
</tbody>
</table>


(1) Excludes Certificates of Participation. See "INTRODUCTION" and "CERTIFICATE PAYMENT SCHEDULES I AND II FOR OUTSTANDING CERTIFICATES" for a description of the outstanding Certificates of Participation.

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

Note: County debt is as of September 30, 2016. District debt is as of June 30, 2017.
## Palm Beach County, Florida
### Comparative Ratios of Bonded Debt
#### To Taxable Assessed Valuation and Per Capita Indebtedness
(Rounded)

   1,443,810

2. Net Taxable Valuation (2017 tax year)
   $190,165,751,792

3. Direct General Obligation Debt  
   a) As a Percent of Taxable Valuation  
      0%  
   b) Per Capita  
      $0

4. Direct and Overlapping General Obligation Debt  
   $122,760,000
   a) As a percent of Taxable Valuation  
      0.0646%  
   b) Per Capita  
      $85.02

5. Direct Non Self-Supporting Debt and Direct General Obligation Debt  
   $34,881,000
   a) As a percent of Taxable Valuation  
      0.0183%  
   b) Per Capita  
      $24.16

6. Direct and Overlapping General Obligation, Non Self-Supporting Debt and Non-Ad Valorem Revenue Bonds  
   $1,189,110,000
   a) As a percent of Taxable Valuation  
      0.6253%  
   b) Per Capita  
      $823.59

---

(1) Preliminary, certified figure as of July 1, 2017. Such figure is subject to adjustment through the value adjustment board process. See "AD VALOREM TAXATION - Property Assessment" herein.

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

### Obligations Under Unrelated Lease Purchase Agreements

The School Board has in the past, and may in the future, enter into lease purchase arrangements payable from the Local Option Millage Levy upon terms and conditions other than those in the Master Lease. Failure to make payments under any such lease agreement, or an event of default under any such lease agreement, will not affect the Lease Term or cause the termination of the Transaction Leases or any other Leases. In 2014, the School Board entered into an annual appropriation lease purchase agreement with TD Equipment Finance under which it has financed to date $14.0 million of buses and equipment, $4.3 million of which is presently outstanding. In July 2015, the School Board entered into an annual appropriation master lease purchase agreement with Banc of America Public Capital Corp. ("BAPCC") under which the School Board has financed $14.2 million in buses and equipment to date, $8.6 million of which is presently outstanding. In October 2015, the School Board borrowed an additional $7.2 million under the BAPCC master lease to finance chillers at various schools, $5.0 million of which is presently outstanding. In
March 2016, the School Board entered into an additional lease under the BAPCC master lease under which it has financed $7.0 million of school buses and equipment, $5.6 million of which is presently outstanding. These leases are not part of the Master Lease. See Note 10 to "APPENDIX B – EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" herein.

Florida Retirement System. The District participates in the Florida Retirement System ("FRS"), a cost sharing, multiple-employer, public employee retirement system, which covers substantially all regular employees of the District. Beginning in 2002, the FRS became one system with two primary plans, a defined benefit pension plan (the "FRS Pension Plan") and a defined contribution plan known as the Public Employee Optional Retirement Program (the "FRS Investment Plan"). FRS membership is required for all employees filling a regularly established position in a State agency, district school board, county, State university or State community college. Some municipalities, special districts, charter schools and metropolitan planning organizations also choose to participate in the FRS; however, participation is generally irrevocable after the entity elects to participate.

The information relating to the FRS contained herein has been obtained from the FRS Annual Reports which are available by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by phoning (850) 488-5706. No representation is made by the Board as to the accuracy or adequacy of such information or that there has not been any material adverse change in such information subsequent to the date of such information.

There are five general classes of membership in the FRS: (1) Senior Management Service Class ("SMSC") members which include, among others, senior management level positions in State and local governments (including school districts) and assistant state attorneys, prosecutors and public defenders; (2) Special Risk Class which includes, among others, positions such as law enforcement officers, firefighters, correctional officers, emergency medical technicians and paramedics; (3) Special Risk Administrative Support Class which include, among others, non-special risk law enforcement, firefighting, emergency medical care or correctional administrative support positions within a FRS special risk-employing agency; (4) Elected Officers' Class ("EOC") which includes members who are elected State and city officers and the elected officers of cities and special districts that choose to place their officials in this class; and (5) Regular Class members includes members that do not qualify for membership in the other classes.

The FRS is a cost-sharing multiple-employer public-employee retirement system with two primary plans. The Department of Management Services, Division of Retirement administers the FRS Pension Plan and the Florida State Board of Administration (the "SBA") invests the assets of the FRS Pension Plan held in the FRS Trust Fund. Administration costs of the FRS Pension Plan are funded through investment earnings of the FRS Trust Fund. Reporting of the FRS is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

The SBA administers the FRS Investment Plan, a defined contribution plan available to eligible FRS members as an alternative to the FRS Pension Plan. Retirement benefits are based upon the value of the member's account upon retirement. Regardless of membership class, FRS
Investment Plan contributions vest after one year of service. A member vests immediately in all employee contributions paid to the FRS Investment Plan. If a member elects to transfer amounts from the FRS Pension Plan to that member's FRS Investment Plan account, the member must meet the six-year vesting requirement for any such transferred funds and associated earnings. The FRS Investment Plan is funded by employer contributions that are based on salary. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Administration costs of the FRS Investment Plan are funded through a 0.03% employer contribution and forfeited benefits. After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the FRS Investment Plan, receive a lump-sum distribution, or leave the funds invested for future distribution. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan or remain in the FRS Investment Plan and rely upon that account balance for retirement income.

Since July 1, 2001, the FRS Pension Plan has provided for vesting of benefits after six years of creditable service. Members not actively working in a position covered by the FRS on July 1, 2001, must return to covered employment for up to one work year to be eligible to vest with less service than was required under the law in effect before July 1, 2001. Members initially enrolled on or after July 1, 2001, through June 30, 2011, vest after six years of service. Members initially enrolled on or after July 1, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the various plan requirements applicable to each class of membership. Regardless of class, a member may take early retirement any time after vesting within 20 years of normal retirement age; however, there is a five percent benefit reduction for each year prior to normal retirement age.

Benefits under the FRS Pension Plan are computed on the basis of age, average final compensation, creditable years of service, and accrual value by membership class. Members are also eligible for in-line-of-duty or regular disability and survivors' benefits. Pension benefits of retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member was initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. FRS Pension Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Effective July 1, 2011, all members of FRS were required to contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduced the required employer contribution rates for each membership class and subclass of the FRS.

Additional legislative changes that only apply to employees who initially enroll on or after July 1, 2011, include: (1) the average final compensation upon which retirement benefits are calculated are based on the eight highest (formerly five highest) fiscal years of compensation prior to retirement; (2) the DROP (as defined herein) is maintained but the interest accrual rate is
reduced from 6.5% to 1.3%; (3) the normal retirement age is increased from 62 to 65; and (4) the years of creditable service is increased from 30 to 33 and the vesting period is increased to eight years (formerly six).

Subject to provisions of Section 121.091, Florida Statutes, the Defined Retirement Option Program (the "DROP") permits employees eligible for normal retirement under the FRS to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months while the member's benefits accumulate in the FRS Trust Fund. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. As of June 30, 2016, the FRS Trust Fund projected $2,322,967,354 in accumulated benefits and interest for 34,160 current and prior participants in the DROP.

The Retiree Health Insurance Subsidy ("HIS") Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. Beginning July 1, 2002, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $5. The payments are at least $30 but not more than $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. Beginning July 1, 2014, the contribution rate was 1.26% of payroll pursuant to Section 112.363, Florida Statutes. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. Beginning July 1, 2014, the contribution rate was 1.26% of payroll pursuant to Section 112.363, Florida Statutes. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

Participating employers must comply with the statutory contribution requirements. Section 121.031(3), Florida Statutes, requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Florida Legislature as guidance for funding decisions. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and FRS Investment Plan rates) are recommended by the actuary but set by the Florida Legislature. Statutes require that any unfunded actuarial liability ("UAL") be amortized within 30 plan years and any surplus amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. As of June 30, 2016, the balance of legally required reserves for all defined benefit pension plans was $141,780,920,515. Such funds are reserved to provide for total current and future benefits, refunds and administration of the FRS Pension Plan.
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, to the FRS Pension Plan and FRS Investment Plan for the Fiscal Year ended June 30, 2017, totaled $89.0 million, which was equal to the required contribution for such Fiscal Year. This excludes the HIS Program contribution. The District's contributions to the HIS Plan for the Fiscal Year ended June 30, 2017, totaled $17.2 million.

As a participating employer in the Florida Retirement System, the District implemented Government Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment to GASB Statement No. 68), effective for fiscal years beginning after June 15, 2014. The implementation of these Statements requires the District to record a liability for its proportionate share of the net pension liabilities of the Florida Retirement System plans.

The scope of GASB Statements Nos. 68 and 71 address accounting and financial reporting for pensions that are provided to employees of state and local governmental employers that meet certain characteristics. These Statements establish standards for measuring and recognizing liabilities, deferred outflows/inflows of resources and expense/expenditures. For defined benefit pensions such as the Florida Retirement System plans, GASB Statements Nos. 68 and 71 identify methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service. Pursuant to these Statements, the District is required to record a liability for its proportionate share of pension liabilities as reported by the Florida Retirement System plans. While these Statements require recognition and disclosure of the unfunded pension liability, there is no requirement that such liability be funded. Accordingly, a deficit in unrestricted net position should not be considered, solely, as evidence of financial difficulties. The adoption of GASB Statements Nos. 68 and 71 resulted in a material increase in the District's liabilities and a material decrease in the District's net position. The beginning net position of the District at July 1, 2014 was decreased by $648.5 million due to adoption of the Statements. The District's proportionate share of the net pension liabilities of the Florida Retirement System Pension Plan totaled $587.1 million at June 30, 2017. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined an actuarial valuation as of that July 1, 2016. The District's proportion of the net pension liability was based on the District's fiscal year 2015-16 contributions relative to the fiscal year 2015-16 contributions of all participating members. At June 30, 2016, the District's proportion was 2.325%, which was a decrease of 0.108% from its proportion measured as of June 30, 2015.

As of June 30, 2017, the District reported a net pension liability of $378.3 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's fiscal year 2015-16 contributions relative to the total fiscal year 2015-16 contributions of all participating members. At June 30, 2016, the District's proportionate share was 3.246%, which was a decrease of 0.047%
from its proportionate share measured as of June 30, 2015. See APPENDIX B hereto, including Management's Discussion and Analysis, Note 12 to the Basic Financial Statements and the Required Supplementary Information, to the District's audited financial statement for the Fiscal Year ended June 30, 2017 for additional information relating to the District's implementation of GASB Statements Nos. 68 and 71.

**Other Post Employment Benefit Program.** In addition to its contributions under the State's retirement plan described above, the District provides other post-employment 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 implemented Governmental Accounting Standard's Board Statement No. 45 - Accounting and Financial Reporting by Employers for Post-Employment Benefit Plans other than Pension Plans ("GASB 45") during the 2007-2008 fiscal year. The District had historically accounted for its OPEB contributions on a pay as you go basis. GASB 45 applies accounting methodology similar to that used for pension liabilities to OPEB and attempts to more fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded. To comply with GASB 45, the District retained an actuary (the "Actuary") to review the District's OPEB liabilities and provide the District with a written valuation. The Actuary determined the District's actuarial accrued liability related to OPEB, which approximates the present value of all future expected postretirement life and medical premiums and administrative costs which are attributable to the past service of those retired and active employees, at 115.1 million as of June 30, 2017. The Actuary also determined the District's annual required contribution ("ARC"), which is the portion of the total accrued actuarial liability allocated to the current Fiscal Year needed to pay both normal costs (current and future benefits earned) and to amortize the unfunded accrued liability (past benefits earned, but not previously provided for), to be $10.1 million as of June 30, 2017. The calculation of the accrued actuarial liability and the ARC is, by definition and necessity, based upon a number of assumptions, including interest rate on investments, average retirement age, life expectancy, healthcare costs per employee and insurance premiums, many of which factors are subject to future economic and demographic variations. The Actuary also calculated the District's net, end-of-year OPEB obligation to be $111.9 million as of June 30, 2017, which reflects the District's approximately $5.3 million contribution towards its OPEB liability during Fiscal Year 2016-17. For additional information on OPEB liability, including assumptions on which the calculation is based, see Note 13 and the Required Supplementary Information to the District's audited financial statements for the Fiscal Year ended June 30, 2017, which are attached hereto as Appendix B.

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

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

State Sources

Florida Education Finance Program. The major portion of State support is distributed under the provisions of the Florida Education Finance Program, which was enacted by the State Legislature in 1973. Basic FEFP funds are provided on a weighted full-time equivalent ("FTE") student basis and through a formula that takes into account: (i) varying program costs; (ii) cost differentials between districts; (iii) differences in per-student costs due to the density of student population; and (iv) the required level of local support. Program cost factors are determined by the State Legislature each year. The amount of FEFP funds disbursed by the State is adjusted four times during each year to reflect changes in FTE and in other variables comprising the formula, as well as to compensate for increases or decreases in ad valorem tax revenue resulting from adjustments to the valuation of non-exempt property in each county. To participate in FEFP funding, the District must levy a minimum millage for operating purposes, which is set by the State Department of Education. The District's general fund receipts from the State for FEFP pursuant to the above formula for Fiscal Years 2015-16 and 2016-17 were $232,693,498 and $277,399,380, respectively, and are budgeted at $321,111,024 for Fiscal Year 2017-18.

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. In recent years, most categorical programs have been eliminated and the funds are now earmarked within the FEFP base student allocation. The only remaining categorical program is class size reduction. The allocation for class size reduction is based on a funding formula. The majority of the funds available require appropriation by the Board for the purposes for which they were provided. Class size reduction funds were $212,395,962 and $216,753,540 for Fiscal Years 2015-16 and 2016-17, respectively, and are budgeted at $222,543,649 for Fiscal Year 2017-18.

Student enrollment trends have changed over the past several years. Following five years of high growth of more than 5,000 students per year from Fiscal Year 2001 through Fiscal Year 2005 enrollment was flat in Fiscal Year 2006, and decreased by 3,000 students during Fiscal Year 2007. Enrollment was flat again during Fiscal Years 2008 and 2009 but has increased by an average of just over 2,000 for Fiscal Years 2010 through 2016. The District's estimated
enrollment for Fiscal Year 2018 is 192,148, which reflects an increase of approximately 2,824 students from Fiscal Year 2017. Future enrollment is projected to continue to increase slowly over the next three years.

FEFP funding is derived from two main sources: state sales tax revenues and local property taxes. The State determines the funding split between the two sources for each district. As a property rich county, Palm Beach County property taxes have increasingly shouldered much of the financial burden. For Fiscal Year 2016-17, local property taxes provided 73.14% of the FEFP funds and are budgeted to provide 70.12% of the FEFP funds for Fiscal Year 2017-18.

State Lottery Revenues. A portion of the revenues generated from the State lottery is distributed to each Florida school district as Discretionary Lottery revenue and Florida School Recognition Program revenue. The Florida School Recognition program recognizes schools that have received an "A" or improved at least one letter grade from the previous school year and, under Florida Statutes, is required to be used for nonrecurring bonuses for school faculty and staff, nonrecurring expenditures for educational equipment or materials, for temporary personnel to assist schools in maintaining or improving student performance, or any combination of these. The District received approximately $9.25 million and $8.76 million in Florida School Recognition Program revenues for Fiscal Years 2015-16 and 2016-17, respectively, and the District budgeted $8.76 million in Florida School Recognition Program revenues for Fiscal Year 2017-18. The District received $3.37 million in Discretionary Lottery revenues for Fiscal Year 2016-17 and is budgeted to receive $3.43 million of such revenues for Fiscal Year 2017-18.

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, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature and certified by the Commissioner of the State of Florida Department of Education and is referred to as the district "required local effort." For Fiscal Year ending June 30, 2017, the District's required local effort was 4.563 mills and for the Fiscal Year ending June 30, 2018, is 4.263 mills. In addition to such required local effort millage for Fiscal Year 2016-17, the District levied a Prior Period Funding Adjustment Millage of 0.009 mills and is levying 0.008 mills for Fiscal Year 2017-18 as required by Section 1011.62(4)(e), Florida Statutes. Such Prior Period Funding Adjustment Millage is levied when the preliminary taxable value for the prior year is greater than the final taxable value for such year, thereby resulting in lower than expected revenues from the required local effort millage.
In addition to the "required local effort," school districts are entitled an additional non-voted current operating "discretionary millage" not to exceed an amount established annually by the Legislature and up to 1.5 mills for capital outlay and maintenance of school facilities. However, the District may levy up to an additional 0.25 mills for capital outlay and maintenance of school facilities in lieu of operating discretionary millage. For Fiscal Year ended June 30, 2017, the District's discretionary operating millage was 0.748 mills and is 0.748 mills for the Fiscal Year ended June 30, 2018. The District did not levy, and is not levying, any capital outlay discretionary millage for the Fiscal Years ended June 30, 2017 and June 30, 2018. See "AD VALOREM TAXATION - Millage Rates and "- Historical Millages" herein.

The District, pursuant to authority granted in Section 1011.71(9), Florida Statutes, sought voter approval for the levy of an additional 0.25 mills for operating purposes for a period of four years, commencing with Fiscal Year 2011-12. The voters approved such levy at the November 2010 general election. The levy was renewed by the voters for an additional four years at the November 2014 general election, with the levy to continue through Fiscal Year 2018-19. See "AD VALOREM TAXATION - Millage Rates" herein.
The following table sets forth the District's operating millage levies for Fiscal Year 2017-18:

<table>
<thead>
<tr>
<th>Operating Millage</th>
<th>District Levy</th>
<th>Description</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Local Effort</td>
<td>4.263 mills</td>
<td>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</td>
<td>4.263 mills</td>
</tr>
<tr>
<td>Prior Period RLE Adjustment</td>
<td>0.008 mills</td>
<td>Non-voted; not to exceed amount established annually by the State</td>
<td>0.008 mills</td>
</tr>
<tr>
<td>Current Operating Discretionary Millage</td>
<td>0.748 mills</td>
<td>Non-voted; not to exceed amount established annually by the State</td>
<td>0.748 mills</td>
</tr>
<tr>
<td>Additional Operating Millage (Voter Approved)</td>
<td>0.250 mills</td>
<td>School boards may, upon approval by voters in a local referendum or general election, levy an additional millage for operating needs up to an amount that when combined with the non-voted millage does not exceed 10 mills. Such levy shall be for a maximum of four years.</td>
<td>0.250 mills</td>
</tr>
</tbody>
</table>

Budgeted revenues from ad valorem taxes were based on applying millage levies to ninety-six percent (96%) of the non-exempt assessed valuation of real and personal property within the County. Ad valorem tax receipts for operating purposes decreased slightly from $960,757,689 for Fiscal Year 2015-16 to $959,828,342 for Fiscal Year 2016-17. Ad valorem taxes for operating purposes are budgeted to be $964,104,012 for Fiscal Year 2017-18.

**Federal Sources**

The District receives certain Federal moneys, both directly and through the State, substantially all of which are restricted for specific programs. Direct Federal revenue sources were $907,442 and $1,001,608 in Fiscal Years 2015-16 and 2016-17, respectively, and are budgeted at $807,000 for Fiscal Year 2017-18. Federal funds through the State totaled $2,297,724 and $6,985,337 in Fiscal Years 2015-16 and 2016-17, respectively, and are budgeted to be $5,000,000 in Fiscal Year 2017-18.

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

**Class Size Reduction**

Amendment 9 to the State Constitution required 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 are referred to herein as the "Class Size Legislation."

The Class Size Legislation established 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. Compliance is determined on a period-by-period basis. In the event a school district is not in compliance with such requirements (based on October student enrollment), the legislation provides that the State shall reduce the class size funding, which can be adjusted for good cause. For those school districts that are in compliance with the constitutional amendment, a reallocation bonus of up to 5% of the base student allocation shall be distributed. School districts not in compliance are required to submit to the Commissioner of Education a corrective action plan that describes specific actions the district will take in order to fully comply with the requirements by October of the following year. If the district submits the certified plan by the required deadline, 75% of the funds remaining after the reallocation to school districts will be reallocated based upon each school district's proportion of the total reduction.

The Class Size Legislation further created 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 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.

Through Fiscal Year 2009-10, the District complied with the requirements of the Class Size Legislation which was based on average class size at each school. Beginning in Fiscal Year 2010-11, the requirements were based on the number of students in each individual classroom and subsequently, schools that provided choice (e.g., charter, magnet, career and technical, etc.) continued to be required to meet average class size at each school. As the entire District is a choice-District, class size compliance is determined on a school-by-school basis. As of the October 2017 Survey, the week during which the Department of Education determines compliance with class size maximums, the District had 100% of the schools in compliance.

Pre-K Programs

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

**Reading Mandate**

The 2012 Legislature mandated that all elementary schools which are determined to be among the lowest 100 schools in the State for reading performance must provide an additional hour of reading instruction beyond the normal school day. The 2014 Legislature expanded the mandate to include the lowest 300 schools in the State. For Fiscal Year 2017-18, the State has determined that 27 District schools fall into the low 300 designation. The District is currently funding the extra hour of reading for those 27 schools, and will meet the State's additional hour requirement for those 27 schools. The cost of implementing an additional hour of reading at the 27 schools is $6.75 million which will be funded from the Supplemental Academic Instruction categorical within the general fund.

**AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS**

The School Board derives its revenues for capital outlay projects from certain State and local sources. The major categories of these revenue sources are briefly described below. In Fiscal Year 2016-17, the revenue sources for capital improvements, excluding any Certificate proceeds and existing fund balances, were approximately 74.8% from local millage, 18.1% from local sales surtax, 4-6% from State revenues and 2.5% from other local sources.

**State Sources**

**PECO.** One source of state educational funding contributions to the School Board's capital outlay requirements is the Florida Public Education Capital Outlay Program (PECO). The method of allocation of funds to the district school boards is provided by state law based upon a statutory formula, components of which are the number of students in various districts and the proposed uses of the funds by the various districts. The Commissioner of Education administers the PECO program and allocates or reallocates funds as authorized by law. The School Board received $2,691,357 and $5,489,546 in PECO Funds for Fiscal Years 2015-16 and 2016-17, respectively, and is budgeted to receive $2,706,935 in PECO Funds for Fiscal Year 2017-18.

**C.O. and D.S. Funds.** The State Capital Outlay and Debt Service Funds ("C.O. and D.S.") also provides funds for the School Board's capital outlay requirements. C.O. and D.S. funds are derived from a portion of the revenues collected from motor vehicle license charges. The School Board received $3,138,793 and $4,809,224 in Fiscal Year 2015-16 and 2016-17, respectively, and is budgeted to receive approximately $4,754,008 in Fiscal Year 2017-18.

**Capital Outlay Bond Issues.** The School District participated in bond sales held by the State of Florida in December 2011. Annually, the State offers to bond a portion of future C.O.
and D.S. funds for school districts. The School District received $5.8 million from the 2011 bond sale.

Local Sources

Infrastructure Surtax Funds. Chapter 212, Part I, Florida Statutes, as amended, imposes a 6% sales tax on the sales price of tangible personal property sold at retail in the State subject to certain exemptions therefrom. A similar tax is imposed on the cost price of tangible personal property when the property is not sold, but is used, or stocked for use in the State. The largest single source of tax receipts in the State is the sales and use tax.

Section 212.055(2), Florida Statutes, authorizes local governments to impose a discretionary sales surtax of 0.5 percent or 1.0 percent on all transactions occurring in the county which transactions are subject to the state tax imposed on sales, use, services, rentals, admissions, and other transactions by Chapter 212, Florida Statutes, and certain communications services. However, local governments may not impose the surtax on the portion of any sales amount which exceeds $5,000 on any item of tangible personal property. Section 202.11(1), Florida Statutes, defines "Communications services" as the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including video services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. "Communications services" does not include certain items enumerated in such section. Such discretionary sales surtax may be used to finance, plan and construct infrastructure projects, among other purposes. The levy of the surtax must be pursuant to an ordinance of the county's governing board and approved by a referendum of the electors of the county. The surtax proceeds may be distributed pursuant to an interlocal agreement by and among the County, each municipality within the County, and the District.

On May 17, 2016, the Board of County Commissioners of Palm Beach County, Florida (the "County"), by a majority, enacted Ordinance Number 2016-032 (the "Sales Tax Ordinance") which provided for the levying and imposition, throughout the incorporated and unincorporated areas of the County, of an additional tax of 1.0% on all transactions occurring in the County subject to the aforementioned 6% tax (the "Sales Surtax") the proceeds of which would be applied to pay the costs of financing, planning, constructing, reconstructing, renovating and improving needed infrastructure. On November 8, 2016, the levy of the Sales Surtax was placed on the ballot and approved by a majority of the electors of the County who voted in the referendum. The Sales Surtax is effective for a ten-year period that commenced on January 1, 2017.

Pursuant to Section 212.055(2)(d)(1), Florida Statutes, as amended, the proceeds of any discretionary sales surtax and any interest accrued thereto may be expended to finance, plan and construct infrastructure; to acquire land for public recreation, conservation or protection of natural resources; to provide loans, grants, or rebates to residential or commercial property owners who make energy efficiency improvements to their residential or commercial property; if a local government ordinance authorizing such use is approved by referendum; and to finance the closure of county-owned or municipally-owned solid waste landfills that have been closed or are
required to close by order of the Department of Environmental Protection. Neither the proceeds nor any interest accrued thereto may be used for operational expenses of any infrastructure.

"Infrastructure" means, among other things, any fixed capital expenditure or fixed capital outlay associated with the construction, reconstruction or improvement of public facilities which have a life expectancy of five or more years and any related land acquisition, land improvement, design, and engineering costs.

Pursuant to Section 212.055(2)(e), Florida Statutes, as amended, school districts, counties and municipalities receiving discretionary sales surtax proceeds may pledge such proceeds for the purpose of servicing new bond indebtedness incurred pursuant to law. The School Board currently expects to issue some short-term debt secured by the Sales Surtax revenues.

Pursuant to an Interlocal Agreement (the "Interlocal Agreement"), between the School Board, the County and the municipalities therein, the parties thereto agreed upon a monthly method of distribution of the Sales Surtax. In each of the fiscal years 2018 through 2027, 50% of the net proceeds of the Sales Surtax will be distributed to the School Board with the remaining 50% to be distributed among the County and the municipalities within the County as provided in the Interlocal Agreement.

The Florida Department of Revenue ("FDOR") has the responsibility to administer, collect and enforce all surtaxes, including the Sales Surtax. The proceeds of each county's discretionary sales surtax collections are transferred to the Discretionary Sales Surtax Trust Fund. A separate account in the trust fund is to be established for each county imposing such a surtax. FDOR is authorized to deduct 3% of the total revenue generated for all counties levying a surtax for administrative costs. The FDOR makes monthly disbursements of the Sales Surtax directly to the School Board, the County and the municipalities therein. Proceeds of the Sales Surtax are not available to make Lease Payments on the Transaction Leases.

Sales Surtax revenues for the six-month period since its initial levy (ending June 30, 2017) were $65,783,158 and are budgeted to be $119,249,758 for the twelve-month period ending June 30, 2018.

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

School boards may levy non-voted millage (the "Local Option Millage Levy") for capital outlay and maintenance purposes, pursuant to Section 1011.71(2), Florida Statutes. In 2008, the maximum amount of Local Option Millage Levy was reduced to 1.75 mills (previously 2.00 mills) and in 2009, it was further reduced from 1.75 mills to 1.50 mills. Under certain circumstances, a school board may levy in excess of 1.50 mills for capital outlay purposes. See "AD VALOREM TAXATION – Millage Rates." Revenues from the Local Option Millage Levy may be used to fund, among other things, new construction, remodeling, site acquisition and improvement; maintenance and repair; school bus purchases; payments under lease purchase agreements and certain short-term loans. Prior to July 1, 2012, payments from this millage for lease purchase agreements for educational facilities and sites were not permitted to exceed three-fourths of the proceeds of the Local Option Millage Levy. However, effective July 1, 2012, the
three-fourths limitation was waived for lease-purchase agreements originally entered into prior to June 30, 2009. The School Board is not required to levy any millage for capital outlay purposes in the future. Since revenues from the levy of the Local Option Millage Levy may be used for, but not pledged to, the payment of Lease Payments under the Leases, the failure of the School Board to levy all of the Local Option Millage Levy would have an adverse effect on Available Revenues from which the School Board may appropriate to make Lease Payments. SEE "AD VALOREM TAXATION – Millage Rates" for information concerning legislation that may adversely affect the District's taxable assessed valuation, local option millage levy and the capital outlay millage available to make lease payments.

The following table sets forth the District's capital outlay levies for Fiscal Year 2017-18:

<table>
<thead>
<tr>
<th>Capital Outlay Millage</th>
<th>District Levy</th>
<th>Description</th>
<th>Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Option Millage</td>
<td>1.500(1) mills</td>
<td>Non-voted millage for capital outlay and maintenance purposes.</td>
<td>1.500 mills</td>
</tr>
<tr>
<td>Capital Outlay Discretionary Millage</td>
<td>0.000 mills</td>
<td>If revenue from the Local Option Millage is insufficient to make payments due under a lease purchase agreement entered into prior to June 30, 2009, or to meet other critical school district fixed capital outlay needs, a school board may levy up to an additional .25 mills of Local Option Millage Levy in addition to the 1.5 mills, in lieu of levying an equivalent amount of the discretionary mills for operations (i.e. Current Operating Discretionary Millage)</td>
<td>0.250 mills</td>
</tr>
</tbody>
</table>

(1) See "AD VALOREM TAXATION – Millage Rates" for information regarding legislation which waives the 75% limitation on use of the Local Option Millage revenues for lease-purchase agreements originally entered into prior to June 30, 2009.

Ad valorem tax receipts for capital and maintenance purposes increased from $241,089,331 in Fiscal Year 2015-16 to $258,379,154 in Fiscal Year 2016-17. The District has budgeted approximately $273,838,683 of ad valorem tax receipts for capital and maintenance purposes for Fiscal Year 2017-18.

During the Florida Legislature’s 2017 Regular Session, the Florida Legislature passed House Bill 7069 ("HB 7069") which, among other things, requires school districts to distribute local capital outlay funds from the Local Option Millage Levy to charter schools. HB 7069 establishes the calculation methodology to determine the amount of local capital outlay funds from the Local Option Millage Levy a school district must distribute to each eligible charter
school. Such calculation provides that the amount of local capital outlay funds from the Local Option Millage Levy a school district must distribute to each eligible charter school will first be reduced by the school district’s annual debt service for obligations issued or incurred as of March 1, 2017 (which includes the Transaction Leases) that are being satisfied by Local Option Millage Levy revenues, which for the School Board for Fiscal Year 2017-18 is $140,854,640, and requires the first payment to charter schools as of February 1 of each year, commencing February 1, 2018. The remaining Local Option Millage revenue would be divided by the total of capital outlay full-time equivalent students in traditional public schools and eligible charter schools in the school district, then multiplied by the total of capital outlay full-time equivalent students in each eligible charter school in the school district to determine each charter school's allocation. However, to the extent a charter school receives state charter school capital outlay funding in the general appropriations act, its share of the Local Option Millage would be reduced by a like amount. If all charter schools in the District are eligible for fixed capital outlay funds in Fiscal Year 2017-18 based on the revised criteria in HB 7069, the amount of funds from the District's Local Option Millage Levy that will be required to be made available for charter school capital outlay, based on the preliminary 2018 tax roll, is estimated to be $12,365,901 (taking into account budgeted Fiscal Year 2017-18 State charter school capital outlay funding).

On July 5, 2017, The School Board of Broward County, Florida voted to file a lawsuit challenging the constitutionality of HB 7069. Other school boards around the State have similarly voted. On October 17, 2017, thirteen Florida district school boards (collectively, the "Plaintiff School Boards"), filed their suit in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida, against the Florida Department of Education, the State Board of Education, and its Commissioner and Chair, challenging, among other things, the provisions of HB 7069 requiring school districts to distribute Local Option Millage Levy revenues to charter schools, and seeking declaratory and injunctive relief.

On September 27, 2017, the School Board voted to file its own lawsuit challenging the provisions of HB 7069 requiring school districts to distribute Local Option Millage Levy revenues to charter schools. On September 28, 2017, the School Board filed its lawsuit in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida challenging those provisions of HB 7069 and seeking declaratory and injunctive relief. The complaint alleges the provisions of HB 7069 requiring the School Board to distribute Local Option Millage Levy revenues to charter schools in the District (1) constitute an unlawful infringement on the School Board's constitutionally granted authority to operate, control and supervise all free public schools in the District, (2) place an unconstitutional constraint on the School Board's authority to levy ad valorem taxes for its own purposes and (3) are in effect an ad valorem tax levied by the State in violation of the Florida Constitution. At this time, the outcome of such suit (or any other suits, if and when filed) cannot be determined.

On November 13, 2017, nine Florida district school boards (the "Petitioner School Boards") filed petitions for writs of quo warranto and mandamus in the Supreme Court of Florida against the Speaker of the Florida House of Representatives, the President of the Florida Senate, the Florida House of Representatives, the Florida Senate, the Secretary State of Florida and the Florida Commissioner of Education (collectively, the "Respondents"). In the petition, the Petitioner School Boards seek (1) a writ of warranto finding that certain of the Respondents acted beyond their constitutional authority by enacting HB 7069 in violation of the single-subject
requirement of the Florida Constitution, (2) a writ of mandamus directing those Respondents to comply with the single-subject requirement of the Florida Constitution and (3) a writ of mandamus directing the Secretary of State to expunge HB 7069 from the official records of the State of Florida as being unconstitutional law enacted in violation of the Florida Constitution and directing the Commissioner of Education to halt any and all implementation of HB 7069. On December 19, 2017, the Florida Supreme Court transferred the petitions for writs of quo warranto and mandamus to the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida.

See "AD VALOREM TAXATION - Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - Distribution of Local Option Millage Funds to Charter Schools" herein for additional information regarding such lawsuits. Even if these provisions of HB 7069 are ultimately upheld, they are not expected to adversely affect the ability of the School Board to make Basic Lease Payments.

See the table under "AD VALOREM TAXATION - Historical Millages" herein for a schedule of the millage actually assessed by the School Board over the past ten years. However, also see "AD VALOREM TAXATION – Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes." The School Board's total non-voted millage for Fiscal Year 2016-17 was 6.82 mills and is 6.519 mills for Fiscal Year 2017-18; the Florida Constitution imposes a cap of 10 mills, exclusive of certain voter approved millage levies.
The following table sets forth the millage levy that would provide 1.00x coverage of the maximum annual Basic Lease Payments represented by the Outstanding Certificates and the Series 2017B Certificates based on current law, assuming 96% collection of the taxes levied:

**Anticipated Local Option Millage Levy* Required to Cover Basic Lease Payments Represented by the Outstanding Certificates and the Series 2017B Certificates**

| Net Taxable Assessed Valuation (FY 2018)(1) | $190,165,751,792 |
| Local Option Millage Levy | 1.500 |
| Assumed Tax Collection Rate | 96.0% |
| **Total Revenue Generated by 1.50 mill Levy at 96% collection (FY 2018)** | $273,838,683 |

| FY2018 Millage Levy Required to Satisfy Maximum Annual Basic Lease Payments Represented by the Outstanding Certificates and the Series 2017B Certificates |
| Maximum Annual Basic Lease Payments (FY 2029)(2) | $144,478,628 |
| Minimum FY 2018 Millage Needed to Satisfy Maximum Annual Lease Payments(3) | 0.791 mills |

| Sharing of the Local Option Millage Levy with Eligible District Charter Schools - Impact of HB 7069 |
| Annual Debt Service Obligation Incurred as of March 1, 2017 | $140,854,640(4) |
| Estimated Total Allocation of Local Option Millage Levy to Eligible District Charter Schools | $15,706,496(5) |
| Less Total Amount of State Charter School Capital Outlay Funding Allocated to Eligible District Charter Schools | $3,340,595(6) |
| Maximum Local Option Millage Levy to be Shared with Eligible District Charter Schools | $12,365,901(7) |
| Maximum Local Option Millage Levy to be Shared with Eligible District Charter Schools | 0.068 mills |
| Minimum Revenue Remaining from the Local Option Millage Levy After Charter School Payments | $261,472,782(7) |

| Local Option Millage Levy Available After Basic Lease Payments and Charter School Payments |
| Minimum Remaining Millage Levy | 0.641 mills(7) |
| Total Minimum Revenue Anticipated from Remaining Local Option Millage Levy | $116,994,154(7) |

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(1) Preliminary certified value as of July 1, 2017. Such figure is subject to change through the value adjustment board process. See "AD VALOREM TAXATION- Property Assessment" herein.

(2) Assumes the Outstanding Certificates have the financial arrangements, assumptions and accounting practices described in footnotes under "CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES" and "CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES." Reflects the refunding of the Refunded Certificates.

(3) Under current law, the 75% limitation on use of the Local Option Millage revenues for the payment of lease-purchase agreements is waived for lease-purchase agreements originally entered into prior to June 30, 2009, such as the Transaction Leases. Accordingly, only the Lease Payments with respect to Leases originally entered into after June 30, 2009 are subject to the 75% limitation. As a result, approximately 0.052 mills would be required to be levied in order to satisfy the Maximum Annual Basic Lease Payments (without taking into account any QSCB Interest Subsidy) with respect to the Series 2010A Lease, which is the only Lease subject to the 75% limitation.

(4) Reflects actual Fiscal Year 2017-18 debt service on obligations issued or incurred as of March 1, 2017 (including the Transaction Leases) that are paid from Local Option Millage Revenues.

(5) Estimated based on actual Fiscal Year 2016-17 charter school capital outlay full-time equivalent student enrollment. Assumes all charter schools in the District are eligible to receive charter school capital outlay funding in Fiscal Year 2017-18, but does not assume any increase in charter school enrollment from Fiscal Year 2016-17.


(7) Estimated figure based on the assumptions set forth herein.

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

Property Assessment

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

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

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

The Property Appraiser's office prepares the assessment roll and gives notice by mail to each taxpayer of the proposed property taxes and the assessed property value for the current year, and the dates, times and places at which budget hearings are scheduled to be held. The property owner then has the right to file an appeal with the value adjustment board, which considers petitions relating to assessments and exemptions. Taxpayers appealing the assessed value or assigned classification of their property must make a required partial payment of taxes (generally equal to 75% of the ad valorem taxes due, less the applicable statutory discount, if any) with respect to properties that will have a petition pending on or after the delinquency date (normally April 1). A taxpayer's failure to make the required partial payment before the delinquency date (normally April 1) will result in the denial of the taxpayer's petition. The value adjustment board may make adjustments to the assessment roll to reflect any reduction in the assessed value of property upon the completion of the appeals. The value adjustment board certifies the
assessment roll upon completion of the hearing of appeals to it. Millage rates are then computed by the various taxing authorities and certified to the Property Appraiser, who applies the millage rates to the assessment roll. This procedure creates the tax roll, which is then certified and turned over to the Tax Collector.

**Property Tax Reform**

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

Effective January 1, 2008, additional changes to Florida's property tax laws created a new formula for calculating assessed value of Homestead Property. "Assessed value" is the official value upon which real properties may be taxed in Florida. Under the new formula, if an owner of a Homestead purchases a new Homestead Property for greater value, the assessed value of the new Homestead would equal the purchase price of the new Homestead minus the difference between the purchase price of the previous Homestead and the assessed value of the previous Homestead, or $500,000, whichever is less. In addition, for Florida Homestead owners already receiving a property tax exemption of $25,000 on the assessed value of their homes, the new law creates an additional $25,000 exemption on the assessed value of Homestead Property greater than $50,000 for all property tax levies except school taxes. Also effective January 1, 2008, the first $25,000 of tangible personal property is exempt from taxation. See also, "Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - **Further Increase in Homestead Exemption**" for information concerning a proposed constitutional amendment to further increase the homestead exemption.

Additionally, effective January 1, 2009, increases in annual assessments on certain non-Homestead Property were capped at 10% annually (for a 10-year period) for all property tax levies other than school district levies. See also, "Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - **Extending the Limitation on Assessed Values of Non-Homestead Real Property**" below for information concerning a proposed constitutional amendment to extend the 10% cap on increases of non-homesteaded properties, other than school district levies.

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

**Millage Rates**

The Florida Constitution limits the non-voted millage rate that school boards may levy on an annual basis for operational funds to 10 mills ($10 per $1,000 of taxable real and personal property value). Section 1011.71, Florida Statutes, as amended, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's appropriation of Florida Education Finance Program ("FEFP") funds for current operations must levy the millage certified by the Commissioner of the State of Florida Department of Education, the "required local effort," which is set each year by the State Legislature. In addition to the "required local effort," school districts are entitled to a non-voted current operating discretionary millage. See "Historical Millages" below for information regarding the District's property tax levies in recent Fiscal Years.

In addition to the millage levies for operating purposes, pursuant to Section 1011.71, Florida Statutes, school boards may set an additional non-voted millage known as the "Local Option Millage Levy" for capital outlay and maintenance purposes. In 2008, the Florida Legislature amended Section 1011.71, Florida Statutes, to (i) reduce the maximum Local Option Millage Levy from 2.00 mills to 1.75 mills and (ii) provide that if the revenues generated from the reduced Local Option Millage Levy are insufficient to make payments under a lease-purchase agreement entered into prior to June 30, 2008, an amount equal to the revenue generated from 0.50 mills of the operating millage levy may be used to make such lease payments. In 2009, the Florida Legislature further amended Section 1011.71, Florida Statutes, to (i) reduce the maximum Local Option Millage Levy from 1.75 mills to 1.50 mills commencing in Fiscal Year 2009-10 for school districts and (ii) if the revenue from the 1.50 mills is insufficient to make payments due under a lease purchase agreement entered into prior to June 30, 2009, or to meet other critical school district fixed capital outlay needs, authorize a school board to levy up to an additional 0.25 mills of Local Option Millage Levy in addition to the 1.50 mills, in lieu of levying an equivalent amount of the discretionary mills for operations. In 2012, the Florida Legislature further amended Section 1011.71, Florida Statutes to waive the 75% limitation on the use of Local Option Millage Levy revenues for lease-purchase agreements originally entered into prior to June 30, 2009. See also, "Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes - Distribution of Local Option Millage Funds to Charter Schools" for information regarding recent legislation requiring school districts to share Local Option Millage Revenues with charter schools in such school districts.

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

Each respective millage rate, except as limited by law, is set on the basis of estimates of revenue needs and the total taxable property values within the taxing authority's respective jurisdiction. Revenues derived from ad valorem property taxes are budgeted, as required by
Florida law, on the application of millage levies to 96 percent of the non-exempt assessed valuation of property in the County. Ad valorem taxes are not levied in excess of actual budget requirements.

**Procedures for Tax Collection and Distribution**

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

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

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

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

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

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

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Gross Assessed Value(1)</th>
<th>Total Taxable Value for Operating Millages</th>
<th>% Taxable to Total Assessed Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018(2)</td>
<td>$251,910,372</td>
<td>$190,165,752</td>
<td>75.49%</td>
</tr>
<tr>
<td>2017</td>
<td>237,451,187</td>
<td>178,613,927</td>
<td>75.50</td>
</tr>
<tr>
<td>2016</td>
<td>217,610,910</td>
<td>165,191,584</td>
<td>75.76</td>
</tr>
<tr>
<td>2015</td>
<td>192,619,660</td>
<td>149,734,529</td>
<td>77.74</td>
</tr>
<tr>
<td>2014</td>
<td>171,664,590</td>
<td>138,310,329</td>
<td>80.57</td>
</tr>
<tr>
<td>2013</td>
<td>163,011,694</td>
<td>132,719,029</td>
<td>81.42</td>
</tr>
</tbody>
</table>

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


[Remainder of page intentionally left blank]
The following table contains current and historical millage rates (tax per $1,000 of assessed value) for the Board for the last five Fiscal Years (see "AD VALOREM TAX MATTERS - Millage Rates" above for a discussion of recent legislation reducing the maximum amount of the Local Option Millage Levy for school districts).

<table>
<thead>
<tr>
<th>General Fund</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required Local Effort(1)</td>
<td>5.280</td>
<td>5.088</td>
<td>5.096</td>
<td>5.014</td>
<td>4.572</td>
<td>4.271</td>
</tr>
<tr>
<td>Discretionary(2)</td>
<td>0.952</td>
<td>0.977</td>
<td>0.998</td>
<td>0.998</td>
<td>0.998</td>
<td>0.998</td>
</tr>
<tr>
<td>Debt Service</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Capital Improvement(3)</td>
<td>1.546</td>
<td>1.521</td>
<td>1.500</td>
<td>1.500</td>
<td>1.500</td>
<td>1.500</td>
</tr>
<tr>
<td>Total Millage Levy</td>
<td>7.778</td>
<td>7.586</td>
<td>7.594</td>
<td>7.512</td>
<td>7.070</td>
<td>6.769</td>
</tr>
</tbody>
</table>

(1) Inclusive of Prior Period Funding Adjustment Millage, if any.
(2) Inclusive of 0.25 mill voter approved levy.
(3) Inclusive of discretionary capital outlay millage.

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

Pursuant to Article VII of the Constitution of the State of Florida, the Board may not levy ad valorem taxes, exclusive of voted taxes levied for the payment of debt service on bonds, in excess of 10 mills. The Board is levying 6.519 non-voted mills for Fiscal Year ending June 30, 2018.

In the November 2010 general election, the voters of Palm Beach County approved a 0.25 mill operating property tax levy for a four-year period beginning with the 2011-12 Fiscal Year and continuing through the 2014-15 Fiscal Year. In November 2014, the 0.25 mill property tax levy was approved by voters for another four years, beginning with the 2015-16 Fiscal Year and continuing through the 2018-19 Fiscal Year. The primary purpose of the millage is to pay for teachers' salaries, as well as arts, music, physical education, career and academic programs.
The following table sets forth the tax rates in dollars per $1,000 of taxable valuation for the County for the fiscal years 2007 through 2016.

### County-Wide Ad Valorem Millage Rates

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>District</th>
<th>County</th>
<th>Water District</th>
<th>Total County Wide</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>7.5120</td>
<td>6.6700</td>
<td>0.3551</td>
<td>14.5371</td>
</tr>
<tr>
<td>2015</td>
<td>7.5940</td>
<td>6.7619</td>
<td>0.3842</td>
<td>14.7401</td>
</tr>
<tr>
<td>2014</td>
<td>7.5860</td>
<td>6.8022</td>
<td>0.4110</td>
<td>14.7992</td>
</tr>
<tr>
<td>2013</td>
<td>7.7780</td>
<td>6.8767</td>
<td>0.4289</td>
<td>15.0836</td>
</tr>
<tr>
<td>2012</td>
<td>8.1800</td>
<td>6.8995</td>
<td>0.4363</td>
<td>15.5158</td>
</tr>
<tr>
<td>2011</td>
<td>8.1540</td>
<td>6.9269</td>
<td>0.6240</td>
<td>15.7049</td>
</tr>
<tr>
<td>2010</td>
<td>7.9830</td>
<td>6.4308</td>
<td>0.6240</td>
<td>15.0378</td>
</tr>
<tr>
<td>2009</td>
<td>7.2510</td>
<td>5.5985</td>
<td>0.6240</td>
<td>13.4735</td>
</tr>
<tr>
<td>2008</td>
<td>7.3560</td>
<td>5.4881</td>
<td>0.6240</td>
<td>13.4681</td>
</tr>
<tr>
<td>2007</td>
<td>7.8720</td>
<td>6.1059</td>
<td>0.6970</td>
<td>14.6749</td>
</tr>
</tbody>
</table>


The following table sets forth the amounts billed and collected for all ad valorem property taxes levied by the District for the Fiscal Years 2011 through 2017.

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

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Property Taxes Levied</th>
<th>Current Tax Collections</th>
<th>Total Tax Collections</th>
<th>Percent of Current Tax Collected To Property Taxes Levied(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$1,260,435</td>
<td>$1,214,201</td>
<td>$1,218,207</td>
<td>96.33%</td>
</tr>
<tr>
<td>2016</td>
<td>1,238,476</td>
<td>1,193,392</td>
<td>1,201,557</td>
<td>96.36</td>
</tr>
<tr>
<td>2015</td>
<td>1,137,084</td>
<td>1,094,037</td>
<td>1,095,063</td>
<td>96.21</td>
</tr>
<tr>
<td>2014</td>
<td>1,049,222</td>
<td>1,009,053</td>
<td>1,012,800</td>
<td>96.17</td>
</tr>
<tr>
<td>2013</td>
<td>1,032,289</td>
<td>991,951</td>
<td>1,001,130</td>
<td>96.09</td>
</tr>
<tr>
<td>2012</td>
<td>1,080,158</td>
<td>1,037,782</td>
<td>1,047,289</td>
<td>96.08</td>
</tr>
<tr>
<td>2011</td>
<td>1,096,466</td>
<td>1,050,949</td>
<td>1,064,848</td>
<td>95.85</td>
</tr>
</tbody>
</table>

(1) Reflects percentage of current (rather than total) tax collections to taxes levied. Also, such figures are not adjusted to take into account discounts for early payment of property taxes. See "AD VALOREM TAXATION - Procedures for Tax Collections and Distribution" above.

The following table contains the list of the County's ten largest taxpayers for the Fiscal Year ended September 30, 2016 as compared to September 30, 2007.

<table>
<thead>
<tr>
<th>Taxpayer</th>
<th>Total Tax 2016</th>
<th>Rank</th>
<th>% of Total Taxes Levied</th>
<th>Total Tax 2007</th>
<th>Rank</th>
<th>% of Total Taxes Levied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Power &amp; Light</td>
<td>$98,645,093</td>
<td>1</td>
<td>9.55%</td>
<td>$25,732,217</td>
<td>1</td>
<td>2.63%</td>
</tr>
<tr>
<td>Town Center</td>
<td>8,587,442</td>
<td>2</td>
<td>0.83</td>
<td>5,700,554</td>
<td>3</td>
<td>0.58</td>
</tr>
<tr>
<td>Gardens Venture LLC</td>
<td>5,850,445</td>
<td>3</td>
<td>0.57</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breakers Palm Beach Inc.</td>
<td>5,466,605</td>
<td>4</td>
<td>0.53</td>
<td>4,430,623</td>
<td>5</td>
<td>0.45</td>
</tr>
<tr>
<td>U.S. Sugar Corporation</td>
<td>5,422,605</td>
<td>5</td>
<td>0.52</td>
<td>5,365,293</td>
<td>4</td>
<td>0.55</td>
</tr>
<tr>
<td>TM Wellington Green Mall LP</td>
<td>5,211,557</td>
<td>6</td>
<td>0.50</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comcast of Florida/Georgia LLC</td>
<td>4,865,972</td>
<td>7</td>
<td>0.47</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Palm Beach Outlets I LLC</td>
<td>4,278,903</td>
<td>8</td>
<td>0.41</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BellSouth Telecommunications</td>
<td>4,235,068</td>
<td>9</td>
<td>0.41</td>
<td>8,641,217</td>
<td>2</td>
<td>0.88</td>
</tr>
<tr>
<td>Panthers BRHC LTD</td>
<td>3,941,445</td>
<td>10</td>
<td>0.38</td>
<td>4,394,429</td>
<td>6</td>
<td>0.45</td>
</tr>
<tr>
<td>Okeelanta Corporation</td>
<td>-</td>
<td>-</td>
<td></td>
<td>3,300,969</td>
<td>10</td>
<td>0.34</td>
</tr>
<tr>
<td>TJ Palm Beach Assoc LTD Ptnrs</td>
<td>-</td>
<td>-</td>
<td></td>
<td>3,378,653</td>
<td>8</td>
<td>0.35</td>
</tr>
<tr>
<td>Landry, Lawrence L.</td>
<td>-</td>
<td>-</td>
<td></td>
<td>4,086,463</td>
<td>7</td>
<td>0.42</td>
</tr>
<tr>
<td>Batmasian James H</td>
<td>-</td>
<td>-</td>
<td></td>
<td>3,373,041</td>
<td>9</td>
<td>0.34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$146,505,135</strong></td>
<td></td>
<td><strong>14.18%</strong></td>
<td><strong>$68,403,459</strong></td>
<td></td>
<td><strong>6.99%</strong></td>
</tr>
</tbody>
</table>


Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes

**Exemption for Deployed Military Personnel.** In the November 2010 General Election, voters approved a constitutional amendment which provides an additional homestead exemption for deployed military personnel. The exemption equals the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the legislature. This constitutional amendment took effect on January 1, 2011.

**Exemption for Disabled Veterans.** In the November 2012 General Election, voters approved a constitutional amendment which allows totally or partially disabled veterans who were not Florida residents at the time of entering military service to qualify for the combat-related disabled veteran's ad valorem tax discount on homestead property. The amendment became effective on January 1, 2013.

**Exemption for Surviving Spouse of Veteran.** In the November 2012 General Election, voters approved a constitutional amendment which allows the State Legislature to provide ad
valorem tax relief to the surviving spouse of a veteran who died from service-connected causes while on active duty as a member of the United States Armed Forces and to the surviving spouse of a first responder who died in the line of duty. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. The amendment became effective on January 1, 2013.

**Exemption for Low Income Seniors.** In the November 2012 General Election, voters approved a constitutional amendment which allows the State Legislature by general law to permit counties and municipalities, by ordinance, to grant an additional homestead tax exemption equal to the assessed value of homestead property to certain low income seniors. To be eligible for the additional homestead exemption the county or municipality must have granted the exemption by ordinance; the property must have a just value of less than $250,000; the owner must have title to the property and maintained his or her permanent residence thereon for at least 25 years; the owner must be age 65 years or older; and the owner's annual household income must be less than $27,300. The additional homestead tax exemption authorized by HJR 169 does not apply to school property taxes.

In the November 2016 General Election, voters approved a constitutional amendment changing the existing homestead tax exemption so that the value of property owned by eligible senior citizens with a household income of $20,000 or less could be assessed when they first apply for the exemption. The measure was designed to ensure eligible seniors' ability to be able to keep their tax exemption even if their home value exceeded $250,000 in the future. The amendment took effect on January 1, 2017 but is retroactive to January 1, 2013, meaning a senior who qualified for the exemption in 2013, but lost it, would regain the exemption.

At present, the impact of the above-described amendments on the District's finances has been minimal. However, there can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District's finances.

**Various Changes to Ad Valorem Assessments, Exemptions and Definitions.** During its 2013 Regular Session, the Florida Legislature passed Senate Bill 1830 ("SB 1830"), which was signed into law by the Governor and creates a number of changes affecting ad valorem taxation which became effective as of July 1, 2013. First, SB 1830 provides long-term lessees the ability to retain their homestead exemption and related assessment limitations and exemptions in certain instances and extends the time for property owners to appeal value adjustment board decisions on transfers of assessment limitations to conform with general court filing time frames. Second, SB 1830 inserts the term "algaculture" in the definition of "agricultural purpose" and inserts the term "aquacultural crops" in the provision specifying the valuation of certain annual agricultural crops, nonbearing fruit trees and nursery stock. Third, SB 1830 allows for an automatic renewal for assessment reductions related to certain additions to homestead properties used as living quarters for a parent or grandparent and aligns related appeal and penalty provisions to those for other homestead exemptions. Fourth, SB 1830 deletes a statutory requirement that the owner of Florida real property permanently reside upon such property in order to qualify for a homestead exemption. This change conforms the statute at issue with the Florida Constitution by allowing non-resident owners of property to claim a homestead exemption if a person legally or naturally dependent upon the owner permanently resides on such property. Fifth, SB 1830 clarifies a
drafting error regarding the property tax exemptions counties and cities may provide for certain low income persons age 65 and older. Sixth, SB 1830 removes a residency requirement that a senior disabled veteran must have been a Florida resident at the time they entered the service to qualify for certain property tax exemptions. Seventh, SB 1830 repeals the ability for limited liability partnerships with a general partner that is a charitable 501(c)(3) organization to qualify for the affordable housing property tax exemption. Finally, SB 1830 exempts from property taxes property used exclusively for educational purposes when the entities that own the property and the educational facility are owned by the same natural persons.

Assessment of Renewable Energy Device Upon Residential Property. Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 277 ("HB 277"), which was signed into law by the Governor. HB 277 provides that certain renewable energy devices are exempt from being considered when calculating the assessed value of residential property. HB 277 only applies to devices installed on or after January 1, 2013. HB 277 took effect on July 1, 2013.

Reclassification of Agricultural Lands. Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 1193 ("HB 1193"), which was signed into law by the Governor. HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural land. Additionally, HB 1193 relieves the value adjustment board of the authority to review the property appraiser's classifications of land upon its own motion. HB 1193 applies retroactively to January 1, 2013.

At present, the impact of the above-described legislation passed during the 2013 legislative session on the District's finances has been minimal. However, there can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District's finances.

Exemption for First Responders Disabled In the Line of Duty. In the November 2016 General Election, voters approved a constitutional amendment authorizing first responders who are totally and permanently disabled as a result of injuries sustained in the line of duty to receive ad valorem tax relief on their homestead property. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. Florida defines first responders as law enforcement officers, correctional officers, firefighters, emergency medical technicians and paramedics. This amendment took effect on January 1, 2017.

At this time, the impact of the approved 2016 constitutional amendments on the District cannot be ascertained. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District's finances.

Extending the Limitation on Assessed Values of Non-Homesteaded Real Property. During the Florida Legislature’s 2017 Regular Session, the Florida Legislature approved CS/HJR 21 ("HJR 21") which proposes an amendment to the State Constitution to remove the scheduled January 1, 2019 repeal of the limitation prohibiting the increase in the
assessed value of non-homestead property to 10% per year. The limitation does not apply to property taxes levied by school districts. In order for the 10% assessment limitation to continue, this constitutional amendment will need to be approved by at least 60% of the electors of the next general election in November 2018.

**Exempting Assessed Value of a Renewable Energy Device Upon all Real Property.** During the Florida Legislature’s 2017 Regular Session, the Florida Legislature passed SB 90 ("SB 90") implementing Amendment 4, which was approved by the voters in August 2016. SB 90 exempts the assessed value of a renewable energy device from tangible personal property tax and the installation of those devices from determining the assessed value of real property, both residential and non-residential, for the purpose of ad valorem taxation. HB 277 described above provided an exemption for residential property only. SB 90 also revises the definition of "renewable energy source device" to include power conditioning and storage devices, wiring, structural support and other components used as integral parts of such systems. The changes made by SB 90 expire on December 31, 2037.

**Further Increase in Homestead Exemption.** During the Florida Legislature's 2017 Regular Session, the Florida Legislature approved HJR 7105 ("HJR 7105") which proposes an amendment to the State Constitution to increase the homestead exemption for homestead property with an assessed value greater than $50,000 and up to $100,000 for all levies other than school district levies. The proposed constitutional amendment must still be approved by at least 60% of the electors at the next general election in November 2018, or at an earlier special election, if any, authorized for such purpose. The approval of this amendment would result in the increase of the homestead exemption from $50,000 to $75,000 for properties with an assessed value over $100,000. However, this exemption would not apply to school district taxes.

**Distribution of Local Option Millage Funds to Charter Schools.** During the Florida Legislature’s 2017 Regular Session, the Florida Legislature passed HB 7069 which, among other things, requires school districts to distribute local capital outlay funds from the Local Option Millage Levy to charter schools. HB 7069 establishes the calculation methodology to determine the amount of local capital outlay funds from the Local Option Millage Levy a school district must distribute to each eligible charter school. Such calculation provides that the amount of local capital outlay funds from the Local Option Millage Levy a school district must distribute to each eligible charter school will first be reduced by the school district’s annual debt service for obligations issued or incurred as of March 1, 2017 (which includes the Transaction Leases) that are being satisfied by Local Option Millage revenues, which for the School Board for Fiscal Year 2017-18 is $144,478,628, and requires the first payment to charter schools as of February 1 of each year, commencing February 1, 2018. The remaining Local Option Millage revenue would be divided by the total of capital outlay full-time equivalent students in traditional public schools and eligible charter schools in the District, then multiplied by the total of capital outlay full-time equivalent students in each eligible charter school in the District to determine each charter school's allocation. However, to the extent a charter school receives state charter school capital outlay funding in the general appropriations act, its share of the Local Option Millage would be reduced by a like amount. If all charter schools in the District are eligible for fixed capital outlay funds in Fiscal Year 2017-18 based on the revised criteria in HB 7069, the amount of funds from the District's Local Option Millage Levy that will be required to be made available for charter school capital outlay, based on the preliminary 2018 tax roll, is estimated to be

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$12,365,901 (taking into account budgeted Fiscal Year 2017-18 State charter school capital outlay funding). At this time, the impact of HB 7069 on the School Board is not expected to adversely affect the ability of the School Board to make Basic Lease Payments.

On July 5, 2017, The School Board of Broward County, Florida voted to file suit against the Florida Department of Education alleging that various provisions of HB 7069, including the requirement to distribute local capital funds from the Local Option Millage Levy to charter schools, violate the Florida Constitution. Other school boards around the State have similarly voted. On July 19, 2017, the School Board voted to expend funds to determine whether to join such lawsuit, or file its own suit. On October 17, 2017, thirteen Florida district school boards (collectively, the "Plaintiff School Boards"), filed their suit in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida, against the Florida Department of Education, the State Board of Education, and its Commissioner and Chair, challenging, among other things, the provisions of HB 7069 requiring school districts to distribute Local Option Millage Levy revenues to charter schools, and seeking declaratory and injunctive relief. In addition to challenges to other provisions of HB 7069, the complaint alleges that the provisions of HB 7069 which require the Plaintiff School Boards to distribute Local Option Millage Levy revenues to charter schools in their respective districts (1) constitutes an unconstitutional infringement on the Plaintiff School Boards' authority to control and supervise the use of Local Option Millage Levy revenues within their jurisdictions by redirecting that authority to the unelected governing boards of charter schools, (2) are in effect an ad valorem tax levied by the State in violation of the Florida Constitution and (3) constitutes an unconstitutional diversion of the Plaintiff School Boards' locally levied and raised ad valorem tax revenues to a state purpose mandated by the Legislature. The complaint seeks expedited judicial consideration.

On September 27, 2017, the School Board voted to file its own lawsuit challenging the provisions of HB 7069 requiring school districts to distribute Local Option Millage Levy revenues to charter schools. Such lawsuit will be funded from proceeds of a settlement with British Petroleum related to the Deepwater Horizon oil spill. On September 28, 2017, the School Board filed its lawsuit against the Florida State Board of Education, the Florida Department of Education, and its Commissioner, in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida, seeking declaratory and injunctive relief. The complaint alleges the provisions of HB 7069 requiring the School Board to distribute Local Option Millage Levy revenues to charter schools in the District (1) constitute an unlawful infringement on the School Board's constitutionally granted authority to operate, control and supervise all free public schools in the District, (2) place an unconstitutional constraint on the School Board's authority to levy ad valorem taxes for its own purposes and (3) are in effect an ad valorem tax levied by the State in violation of the Florida Constitution.

On November 13, 2017, nine Florida district school boards (the "Petitioner School Boards") filed petitions for writs of quo warranto and mandamus in the Supreme Court of Florida against the Speaker of the Florida House of Representatives, the President of the Florida Senate, the Florida House of Representatives, the Florida Senate, the Secretary State of Florida and the Florida Commissioner of Education (collectively, the "Respondents"). The petition requests the Florida Supreme Court exercise its discretion and accept original jurisdiction over the petition to prevent direct and immediate adverse effects on the functions of Florida school boards. Additionally, in the petition, the Petitioner School Boards seek (1) a writ of warranto finding that
certain of the Respondents acted beyond their constitutional authority by enacting HB 7069 in violation of the single-subject requirement of the Florida Constitution, (2) a writ of mandamus directing those Respondents to comply with the single-subject requirement of the Florida Constitution and (3) a writ of mandamus directing the Secretary of State to expunge HB 7069 from the official records of the State of Florida as being unconstitutional law enacted in violation of the Florida Constitution and directing the Commissioner of Education to halt any and all implementation of HB 7069. On December 19, 2017, the Florida Supreme Court transferred the petitions for writs of quo warranto and mandamus to the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida.

At this time, the outcome of such suits cannot be determined. Even if these provisions of HB 7069 are ultimately upheld, they are not expected to adversely affect the ability of the School Board to make Basic Lease Payments.

Other Legislative Proposals Affecting District Finances

General. During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation and District revenues have been introduced in the State Legislature. Many of these proposals provide for new or increased exemptions to ad valorem taxation, limit increases in assessed valuation of certain types of property or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

Legislative Changes Relating to School Choice. During the State Legislature's 2016 Regular Session, the Florida Legislature enacted House Bill 7029 ("HB 7029"). Among other things, a parent whose child is not subject to a current expulsion or suspension order may seek enrollment in and transport his or her child to any public school in the State, including a charter school, which has not reached capacity. The school district or charter school shall accept and report the student for purposes of funding through the FEFP. The school district or charter school may provide student transportation at their discretion. HB 7029 requires the capacity determinations of each school district and charter school to be current and identified on their respective school websites. Each school must provide preferential treatment in its controlled open enrollment process to: (1) dependent children of active duty military personnel who moved as a result of military orders, (2) children relocated due to foster care placement in a different school zone, (3) children relocated due to a court ordered change in custody as a result of separation or divorce, or the serious illness or death of a parent, and (4) students residing in the school district. Students residing in the school district may not be displaced by a student from another school district. A student who transfers may remain at the school until the student completes the highest grade level offered. This amendment will take effect with the 2017-2018 school year. At present, the impact of the school choice provisions of HB 7029 on the District's finances cannot be accurately ascertained.

HB 7029 also revises the method for enforcing compliance with the Class Size Legislation to clarify that for purposes of enforcing compliance, the calculation is based upon the statutory formula used to determine the reduction in class size categorical funding for
noncompliance. At present, it is not anticipated that the Class Size Legislation compliance enforcement provisions of HB 7029 will have any significant impact on the District's finances.

Construction Cost Maximums. Section 1013.64(6)(b), Florida Statutes, prevents a school district from using funds from the following sources: PECO, CO&DS, Classrooms First Program, the Local Outlay Millage Levy, Classrooms for Kids Program, District Effort Recognition Program, or High Growth District Capital Outlay Assistance Grant Program, for any new construction of educational plant space with a total cost per student station in excess of the amounts set forth in Section 1013.64(6)(b)1., Florida Statutes, as such amounts are adjusted annually to reflect changes in the Consumer Price Index.

HB 7029 amended Section 103.64(6)(b) in a number of ways. First, school districts are required to maintain accurate documentation related to the costs of all new construction of educational plant space and the Auditor General will review such documentation and verify compliance with the statutory limits; however, the Florida Department of Education ("FDOE") will make the final determination on compliance based on the recommendation of the Auditor General. Second, beginning July 1, 2017, in addition to the funding sources listed above, a school district may not use funds from any sources for new construction of educational plant space exceeding the total cost per student station. Third, for all new construction initiated on or after July 1, 2017, a school district exceeding the total cost per student station will be subject to sanctions, unless the Auditor General determines that such cost per student station overage is de minimus or due to extraordinary circumstances outside the control of the school district. The sanctions are as follows: (1) the school district is ineligible for allocations from the Public Education Capital Outlay and Debt Service Trust fund for the next three years in which the school district would have received allocations; and (2) the school district is subject to the supervision of a district capital outlay oversight committee comprised of one appointee of the Commissioner who has significant financial management, school facilities construction, or related experience, one appointee of the office of the State Attorney with jurisdiction over the school district, and one appointee of the Chief Financial Officer who is a licensed certified public accountant. The capital outlay oversight committee is authorized to approve all capital outlay expenditures of the school district for the three Fiscal Years following the violation.

Schools of Hope. HB 7069, among other things, also authorized the establishment of charter schools, to be known as "schools of hope," and designation of "hope operators" to provide students in areas of persistently low-performing schools with a high-quality education option designed to close the opportunity gap and increase student achievement. HB 7069 (i) establishes criteria for schools of hope and hope operators; (ii) defines persistently low-performing schools as those subject to differentiated accountability (that is, the escalating interventions and supports that must be provided to schools receiving school grades of "D" or "F") for more than three years or closed as a result of school improvement requirements; (iii) authorizes the FDOE to identify and designate hope operators who meet specified criteria; (iv) removes barriers to hope operators by creating a new notice and agreement process that is exempt from the current charter school law and State procurement laws; (v) provides a school of hope with certain exemptions from Chapters 1000-1013, Florida Statutes; (vi) provides provisions for facilities and funding for schools of hope; (vii) establishes a grant program to cover specified operational expenses; (viii) establishes the Schools of Hope Revolving Loan Program to help schools of hope cover school building construction and startup costs and (ix)
allows "schools of hope" to be designated as a local education agency, if requested, allowing the school to apply for and receive State and Federal funds independently. As described above, various provisions of HB 7069, including the establishment of "schools of hope" are subject to legal challenge by the Plaintiff School Boards. In the complaint, the Plaintiff School Boards allege that the creation of "schools of hope" constitutes a direct violation of Article IX, Section 1(a) of the Florida Constitution which requires a uniform system of free public schools in the State. At this time, the School Board cannot determine what impact HB 7069, if ultimately implemented, will have on any District schools subject to differentiated accountability or on the School Board's finances.

**High-Impact Charter Management Organizations.** During the Legislature's 2017 Regular Session, the Florida Legislature passed Senate Bill 796 ("SB 796"), which, among other things, creates the High-Impact Charter Management Organization ("HICMO") designation. A HICMO may submit an application to a local school board to establish and operate charter schools in areas designated as a critical need area by the State Legislature or an area served by one or more public schools that are subject to turnaround options. Specifically, SB 796 (i) establishes the process and criteria for the initial and renewal designation as a HICMO; (ii) provides incentives for HIMCO entities to operate in the State, including allowing a HICMO to be designated as a local educational agency for the purposes of receiving federal funds, providing a HICMO-operated charter school is eligible to receive charter school capital outlay immediately, rather than after two years of operation, waives the administrative fee for HICMO charter schools if the entity maintains its HICMO status, requires the FDOE to give priority to new charter schools operated by a HICMO in a critical need area in the Florida Public Charter School Grant Program competitions, and adds HICMO-operated charter schools to an exception that allows a charter school that earns two consecutive grades of "F" to continue to operate in the State if the school serves a specified student population and the school earns at least a grade of "D" in its third year of operation; (iii) requires the FDOE to provide school districts with technical assistance to ensure federal funds are allocated to charter schools using an appropriate methodology; (iv) removes the requirement that a charter school must have satisfactory student achieved based on state accountability standards to receive charter school capital outlay funding; and (v) directs the FDOE to adopt rules to administer the HICMO provisions.

**RISK FACTORS**

Each purchaser of Series 2017B Certificates is subject to certain risks and each prospective purchaser of Series 2017B Certificates is encouraged to read this Offering Statement in its entirety. Particular attention should be given to the factors described below which, among others, could affect the market price of the Series 2017B Certificates to an extent that cannot be determined.

**Annual Right of the School Board to Terminate the Transaction Leases**

Although the School Board has determined that the Refinanced Facilities are necessary to its operations and currently intends to continue the Transaction Leases in force and effect for the Lease Terms and has covenanted in the Transaction Leases that the Superintendent will include a sufficient amount in the tentative budget to enable the School Board to make all Lease Payments
due in each Fiscal Year, the School Board is not required to appropriate funds for Lease Payments due in each Fiscal Year. If for any Fiscal Year the School Board does not approve a final budget which appropriates sufficient funds from legally available revenues in a line item specifically identified for payment of its obligations under the Current Leases, the Transaction Leases or any Additional Lease, or if no final budget is adopted as of the last day upon which a final budget is required to have been adopted under Florida law for payment of its obligations under the Transaction Leases, the Master Lease shall terminate as of the date of adoption of the final official budget, or such last day, whichever is earlier.


Limitation Upon Disposition; Ability to Sell or Relet

Following an event of default under the Transaction Leases or non-appropriation of funds, the Trustee as assignee of the Corporation may take possession of the Series 2002D-1 Facilities and/or Series 2007B Facilities (but not the Series 2002D-2 Facilities or the Series 2007B Gladeview Elementary Modernization Facility) and sell or re-let the leasehold interests therein. The Trustee's ability to actually achieve such a disposition of such Series 2002D-1 Facilities and/or Series 2007B Facilities is limited by its inability to convey fee simple title to the Series 2002D-1 Facilities and/or Series 2007B Facilities and by the governmental nature of the Series 2002D-1 Facilities and/or Series 2007B Facilities. Moreover, it is possible that a court of competent jurisdiction could enjoin the sale or re-letting of the Trustee's interest in the Series 2002D-1 Facilities and/or Series 2007B Facilities because of the essential governmental nature thereof. There can be no assurance that the remedies available to the Trustee upon any such termination of the Lease Term of all Leases and the disposition of the Series 2002D-1 Facilities and/or Series 2007B Facilities will produce sufficient amounts to make timely payments of the principal and interest portions due on the outstanding Series 2017B Certificates.

Tax Effect Upon Termination of Transaction Leases

Upon termination of the Transaction Leases there is no assurance that payments made by the Trustee with respect to the Series 2017B Certificates and designated as interest will be excludable from gross income for federal income tax purposes. See "TAX TREATMENT" herein.

Applicability of Securities Laws

After termination of the Transaction Leases, the transfer of a Series 2017B 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 2017B Certificates will not be impaired following termination of the Transaction Leases.
Local Option Millage Revenue

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

State Revenues

A large portion of the District's funding is derived from State sources. See "FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT." A significantly large percentage of such State revenues is generated from the levy of the State sales tax. The amounts budgeted for distribution from the State to the District are subject to change in the event that projected revenues are not realized.

On March 11, 2016, the Florida Legislature adopted a State budget for Fiscal Year 2016-17 providing for an increase of approximately $458.2 million in K-12 public schools funding, reflecting a per-pupil increase of $71 over the current year to $7,178. Approximately 15.8% of such increase, or $72.8 million, would come from local property taxes, with the remaining 84.2% or $385.4 million, from State revenues. Based on the final budget, the District estimated an increase of approximately $38.1 million in funds over fiscal year 2015-16.

On June 9, 2017, during a special session, the Florida Legislature adopted a revised State education budget for State fiscal year 2017-18 providing for an approximately $455 million or 2.25% increase in State and local FEFP funding for K-12 public schools over State fiscal year 2016-17 reflecting a per-pupil increase of approximately $100 per student or 1.4% over fiscal year 2016-17. The estimated increase for the District is approximately $55.7 million in funds over fiscal year 2016-17. However, there can be no assurance that funding for K-12 public schools will increase exactly as provided for in the approved budget.

Additional Leases

Pursuant to the Master Lease, the School Board may enter into other Leases in addition to the Current Leases and the Transaction Leases. Failure to appropriate funds to make Lease Payments under any such Lease will, and an event of default under any such Lease may, result in the termination of all Leases, including the Transaction Leases. Upon any such termination of all Leases, the School Board must surrender certain Facilities, including the Series 2002D-1 Facilities and Series 2007B Facilities but excluding certain designated facilities (such as the Series 2002D-2 Facilities) to the Trustee for sale or lease. The proceeds of any such disposition of the Facilities will be applied to the payment of the applicable Series of Certificates. In no event will owners of the Series 2017B Certificates have any interest in or right to any proceeds of the disposition of Facilities financed with the proceeds of another Series of Certificates except as described herein. There can be no assurance that the remedies available to the Trustee upon
any such termination of all Leases and the disposition of the Series 2002D-1 Facilities and Series 2007B Facilities will produce sufficient amounts to pay the outstanding Series 2017B Certificates.

**Additional Indebtedness**

The School Board may issue additional indebtedness from time to time other than in connection with the Master Lease secured by or payable from available revenues without the consent of the Owners of the Series 2017B Certificates. Incurring such additional indebtedness may adversely affect the School Board's ability to make Lease Payments under the Master Lease. See "FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT - Obligations Under Unrelated Lease Purchase Agreements" herein.

**Legislative Changes**

*State.* In recent years, legislation has been introduced that has reduced State funding for school districts, required that certain percentages of school district funding be spent on particular activities and imposed additional funding restrictions and other requirements on school districts. Other proposals have sought to provide for new or increased exemptions to ad valorem taxation, limit increases in assessed valuation of certain types of property or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

*Federal.* See also, "TAX TREATMENT - Legislation Potentially Affecting Tax Exempt Status of Interest on the Series 2017B Certificates and Their Market Price and Marketability" for information regarding comprehensive tax reform legislation passed by the U.S. Congress and expected to be signed into law by the President of the United States that could adversely affect the market price or marketability of the Series 2017B Certificates.

**Effect of Sequestration on Lease Payments**

Pursuant to the Balanced Budget and Emergency Deficit Control Act, as amended, the President of the United States ordered that certain automatic spending cuts be implemented pursuant to calculations provided by the United States Office of Management and Budget in its Report to the Congress on sequestration dated March 1, 2013. The cuts include mandatory reductions in the amounts scheduled to be paid by the federal government to issuers of Build America Bonds, Qualified Zone Academy Bonds, Qualified School Construction Bonds, New Clean Renewable Energy Bonds and Qualified Energy Conservation Bonds (collectively, "Direct-Pay Bonds") under Section 6431 of the Internal Revenue Code.

Payments to issuers of Direct-Pay Bonds from the budget accounts associated with these bonds were originally subject to an effective reduction of 8.7 percent of the amount budgeted for such payments on and after March 1, 2013 through September 30, 2013. For payments to issuers of Direct-Pay Bonds during federal fiscal year 2014, which ended September 30, 2014, the annual sequester rate was reduced to 7.2 percent. For federal fiscal year 2016, which ended September 30, 2016, the annual sequestration rate was reduced to 6.8 percent. For payments to
issuers of Direct-Pay Bonds for federal fiscal year 2017, which ended September 30, 2017, the annual sequester rate was 6.9 percent. Unless otherwise resolved, sequestration may continue through the end of federal fiscal year 2024, with reductions in subsidy payments expected to vary between 5.5 percent and 7.3 percent of what would otherwise be received.

For federal fiscal year 2018 (through September 30, 2018), the School Board anticipates its aggregate expected annual QSCB Issuer Subsidy of $1,755,907 to be reduced by 6.6% (which equates to a $115,890 reduction), resulting in a corresponding increase in interest costs for the District that must be paid from other revenue sources.

**Failed Remarketing or Refunding of Certain Term Rate or Floating Rate Certificates**

Market dislocation or other unusual market conditions could adversely impact the ability of the District to remarket or refund certain Term Rate or Floating Rate Certificates on their respective mandatory tender dates (which mandatory tender dates are generally separated by at least six months). The District has approximately $290.57 million aggregate principal amount of outstanding Certificates subject to such remarketing risk, which represents approximately 17.9% of the District's outstanding Certificates of Participation. However, the School Board has authorized the refunding of all of such Certificates subject to remarketing risk. See "EXPECTED ISSUANCE OF OTHER CERTIFICATES" herein. In the event any Series of such Certificates cannot be remarkeeted or refunded on their respective mandatory tender dates, the interest portion of the Basic Lease Payments represented by such Certificates will increase to rates generally up to 11% per annum, which could adversely affect the financial position of the District if such Certificates are not able to be remarkeeted for a prolonged period of time.

**Risks Related to Interest Rate Exchange Agreements**

The School Board is subject to certain risks under the 2002D Interest Rate Exchange Agreements (2005) and 2003B Interest Rate Exchange Agreement. Under certain circumstances, such interest rate exchange agreements are terminable at the option of the related counterparty thereto (Citi or UBS). In the event Citi or UBS exercises its option to terminate the interest rate exchange agreements, the School Board may be obligated to pay a termination payment or termination payments with respect thereto, which could be a substantial amount. While the School Board's scheduled payments under the 2002D Interest Rate Exchange Agreement (2005) are guaranteed by the applicable Swap Policies, such swap policies do not guarantee termination payments under the related interest rate exchange agreements unless such termination is at the direction of the insurer thereof. In the event the School Board is required to pay a termination payment under any such agreement, its ability to make Lease Payments may be adversely affected. The 2003B Interest Rate Exchange Agreement has a Swap Policy issued by Ambac. Pursuant to actions taken by the Commissioner of Insurance for the State of Wisconsin, such Swap Policy has been deposited to a 'segregated account.' Pursuant to a Plan of Rehabilitation in connection with any Swap Policy in the segregated account, 25% of the permitted claim will be paid in cash and 75% in surplus notes bearing interest at the rate of 5.1% per year with a scheduled maturity on June 7, 2020. In addition, the District would be exposed to credit risk if an interest rate exchange agreement has a positive fair market value and the Counterparty is downgraded which could result in required collateralization of the value of the swap and put financial pressure on the Counterparty. Further, the intended benefit of an interest rate exchange
agreement may not be realized because the floating rate the District receives under such interest rate exchange agreement may be less than the floating rate payable by the District on the applicable Certificates.

Notwithstanding the foregoing, the School Board has authorized the refunding of all of its variable rate Certificates and the termination of the Interest Rate Exchange Agreements related thereto. The School Board expects to finance the associated termination payment, if any, from proceeds of the refunding Certificates related thereto. See "SECURITY FOR THE SERIES 2017B CERTIFICATES - Interest Rate Exchange Agreements" herein.

**Property Insurance**

Principally as a result of the substantial property damage caused by hurricanes and other storms in Florida and other parts of the United States over the last few years, property insurance premiums have risen dramatically for Florida property owners. It has become impossible or economically impracticable for many school districts within the State, including the District, to obtain property insurance with the level of coverage they have historically secured. Under the current provisions of the Master Lease, the District is required to purchase not less than $85 million of property insurance to the extent that such insurance is available at commercially reasonable costs. The District property insurance for calendar year 2017 provides for $100 million in coverage with the first $10 million layer being self-insured. The District also has a $10 million FEMA Buyback Policy which covers facilities that received FEMA funding in the past and are not eligible for FEMA reimbursement at this time. As such, the District currently is in compliance with the property insurance requirements contained within the Master Lease provisions. However, as described herein, the School Board and Corporation have authorized the Amendment to Master Lease to allow the amount of property insurance required to be maintained under the Master Lease to be determined annually by the Superintendent, in consultation with the Risk Management Department of the School Board. Such provision provides that the School Board shall follow the recommendation of the Superintendent so long as the recommended insurance is available at commercially reasonable costs and otherwise satisfies the requirements of the Master Lease. The School Board is also required to maintain eligibility for assistance by the Federal Emergency Management Agency ("FEMA"). See "CERTAIN AMENDMENTS TO THE MASTER LEASE AND TRANSACTION LEASE SCHEDULES" herein. In the event the District suffers substantial damage to its property that is not covered by its current insurance or is not eligible for Federal reimbursement, the District's financial condition could be adversely impacted.

**Impact of Hurricane Irma**

Hurricane Irma, a Category 4 hurricane, impacted the Florida peninsula, including the District, on Sunday, September 10, 2017. A damage assessment has found minimal damage to real property in the District (including District-owned facilities), with the primary issues being power outage and downed trees and signage. Additionally, none of the Facilities under the Master Lease suffered significant damage. The District estimates costs from Hurricane Irma to be approximately $8 million, with approximately $2 million of that being clean-up and shelter costs which are expected to be reimbursed by FEMA. The remaining $6 million may be reimbursed from FEMA or insurance policies that cover sites for which FEMA paid a claim in a
previous storm. In any case, the District does not expect any adverse impact on its ability to make Basic Lease Payments under the Master Lease as a result of the storm.

Certain Constitutional Amendments

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

LITIGATION

There is no litigation now pending or threatened: (i) to restrain or enjoin the issuance or sale of the Series 2017B Certificates; (ii) questioning or affecting the validity of the Transaction Leases or the obligation of the School Board to make Lease Payments; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2017B Certificates.

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

RATINGS

Moody's Investors Service ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "Aa3" (stable outlook) and "AA-" (stable outlook), respectively, to the Series 2017B Certificates. An explanation of the rating and outlook given by Moody's may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, (212) 553-0501. An explanation of the rating and outlook given by Fitch may be obtained from Fitch at One State Street Plaza, New York 10004, (212) 908-0500. Certain information and materials concerning the Series 2017B Certificates, the School Board and the District were furnished to Moody's and Fitch by the District. A securities rating is not a recommendation to buy, sell or hold securities. If in its judgment circumstances so warrant, any rating service may raise, lower or withdraw its rating or outlook. If a downward change or withdrawal occurs, it could have an adverse effect on the resale price of the Series 2017B Certificates.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051, Florida Statutes, and the regulations promulgated thereunder require that full and fair disclosure is made of any bonds or other debt obligations of the District that have been in default as to payment of principal or interest at any time after December 31, 1975.
The District is not and has not since December 31, 1975, been in default as to payment of principal and interest on its bonds or other debt obligations.

CERTAIN LEGAL MATTERS

Legal matters incident to the authorization, execution, delivery and sale of the Series 2017B Certificates are subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida, and Edwards & Feanny, P.A., Miami, Florida, Co-Special Tax Counsel. The proposed form of such opinion is included herein as Appendix D. Certain legal matters relating to disclosure will be passed upon for the School Board by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Co-Disclosure Counsel. Certain legal matters will be passed upon for the School Board and the Corporation by the Office of General Counsel of the District. Certain legal matters will be passed upon for the Underwriter by Bryant Miller Olive P.A., Tallahassee, Florida, Underwriter's Counsel. Co-Special Tax Counsel, Co-Disclosure Counsel and Underwriter's Counsel will receive fees for services provided in connection with the issuance of the Series 2017B Certificates, which fees are contingent upon the issuance of the Series 2017B Certificates.

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

UNDERWRITING

The Series 2017B Certificates are being purchased by Citigroup Global Markets Inc. (the "Underwriter") at an aggregate purchase price of $49,687,903.77 which represents the $41,945,000.00 aggregate principal amount of the Series 2017B Certificates, plus a bond premium of $7,828,744.65 and less an underwriter's discount of $85,840.88. The Underwriter's obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2017B Certificates if any Series 2017B Certificates are purchased. The Series 2017B Certificates may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.
In the ordinary course of their various business activities, the Underwriter and its respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

TAX TREATMENT

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the School Board must continue to meet after the issuance of the Series 2017B Certificates in order that the interest portion of the Basic Lease Payments represented by the Series 2017B Certificates be and remain excludable from gross income of the holders thereof for Federal income tax purposes. The School Board's failure to meet these requirements may cause the interest portion of the Basic Lease Payments designated and paid as interest to the Series 2017B Certificate holders to be included in gross income for Federal income tax purposes retroactively to the date of execution and delivery of the Series 2017B Certificates. The School Board has covenanted to take the actions required by the Code in order to maintain the excludability from gross income for Federal income tax purposes of the interest portion of the Basic Lease Payments designated and paid as interest to the Series 2017B Certificate holders and not to take any actions that would adversely affect that excludability. Co-Special Tax Counsel expects to deliver opinions at the time of issuance of the Series 2017B Certificates substantially in the form set forth in Appendix D.

In the opinion of Co-Special Tax Counsel, assuming continuing compliance by the School Board with the tax covenants referred to above and the accuracy of certain representations of the School Board, under existing statutes, regulations, rulings and court decisions, the interest portion of the Basic Lease Payments represented by the Series 2017B Certificates will be excludable from gross income for Federal income tax purposes. The interest portion of the Basic Lease Payments represented by the Series 2017B Certificates will not be an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, the interest portion of the Basic Lease Payments represented by the Series 2017B Certificates will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. No opinion is expressed with respect to the Federal income tax consequences of any payments received with respect to the Series 2017B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.
Co-Special Tax Counsel is further of the opinion that the Series 2017B Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017B Certificates will not be subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined therein; provided, however, that no opinion is expressed with respect to tax consequences under the laws of the State of Florida of any payments received with respect to the Series 2017B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

Except as described above, Co-Special Tax Counsel will express no opinion regarding the Federal or State income tax consequences resulting from the receipt or accrual of the interest portion of the Basic Lease Payments designated and paid as interest to the Series 2017B Certificate holders or the ownership or disposition of the Series 2017B Certificates. Prospective purchasers of Series 2017B Certificates should be aware that the ownership of Series 2017B Certificates may result in other collateral Federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Series 2017B Certificates or, in the case of a financial institution, that portion of the owner's interest expense allocable to the interest portion of the Basic Lease Payments represented by the Series 2017B Certificates, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent (15%) of certain items, including the interest portion of the Basic Lease Payments represented by the Series 2017B Certificates, (iii) the inclusion of the interest portion of the Basic Lease Payments represented by the Series 2017B Certificates in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest portion of the Basic Lease Payments represented by the Series 2017B Certificates in the passive income subject to Federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion by recipients of certain Social Security and Railroad Retirement benefits of receipts and accrual of the interest portion of the Basic Lease Payments represented by the Series 2017B Certificates in determining whether a portion of such benefits are included in gross income for Federal income tax purposes.

Legislation Potentially Affecting Tax Exempt Status of Interest on the Series 2017B Certificates and Their Market Price and Marketability

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend the current United States Tax Code and adversely affect the excludability from gross income of interest on the Series 2017B Certificates, adversely affect the market price or marketability of the Series 2017B Certificates, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. Legislation designed to bring about comprehensive reform of the United States Tax Code (the "Tax Legislation") was passed by the United States House of Representatives and the Senate on December 20, 2017, and has been sent to the President for signature. The Tax Legislation will not become law until signed by the President. Although the President has indicated his intention to sign the Tax Legislation, it cannot be known when he will do so. The Tax Legislation includes provisions that could indirectly adversely affect the market price or marketability of the Series 2017B Certificates. In particular, the Tax Legislation contains
provisions that would significantly lower the corporate tax rate and potentially reduce the marginal tax rate for many personal income taxpayers. The Tax Legislation also contains a provision eliminating the ability of issuers to issue advance refunding bonds after December 31, 2017. The Tax Legislation would not adversely affect the excludability from gross income of interest on the Series 2017B Certificates if, as expected, they are issued prior to January 1, 2018. Prospective purchasers of the Series 2017B Certificates should consult their tax advisors as to the impact of any proposed or pending legislation.

The discussion of tax matters in this Offering Statement applies only in the case of purchasers who purchased their Series 2017B Certificates upon original issuance at the "issue price" as defined in Code Section 1273 or 1274 for the purchased Certificates. It does not address any other tax consequences, such as, among others, the consequence of the existence of any market discount to subsequent purchasers of the Series 2017B Certificates. Purchasers of the Series 2017B Certificates should consult their own tax advisers regarding their particular tax status or other tax considerations resulting from ownership of the Series 2017B Certificates.

**Information Reporting and Backup Withholding**

Interest paid on tax-exempt bonds such as the Series 2017B Certificates is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Series 2017B Certificates from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Series 2017B Certificates, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Series 2017B Certificates and proceeds from the sale of Series 2017B Certificates. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2017B Certificates. This withholding generally applies if the owner of Series 2017B Certificates (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Series 2017B Certificates may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

**BOND PREMIUM**

Certain of the Series 2017B Certificates ("Premium Certificates") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Certificate, based on the yield to maturity of that Premium Certificate (or, in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Certificate), compounded
semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Certificate, the owner's tax basis in the Premium Certificate is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Certificate for an amount equal to or less than the amount paid by the owner for that Premium Certificate.

Owners of Premium Certificates should consult their own tax advisers as to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Certificates and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Orlando, Florida, is serving as Financial Advisor to the School Board. The Financial Advisor assisted in matters relating to the planning, structuring, execution and delivery of the Series 2017B Certificates and provided other advice. 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 engage in any underwriting activities with regard to the sale of the Series 2017B Certificates. The fees of the Financial Advisor are contingent upon the issuance of the Series 2017B Certificates. Fees may also be paid to PFM Asset Management LLC for bidding investments on behalf of the School Board.

BASIC FINANCIAL STATEMENTS

Excerpted information from the comprehensive annual financial report of the District for the Fiscal Year ended June 30, 2017, included in this Offering Statement have been audited by RSM US LLP, independent certified public accountants, as stated in their report appearing in Appendix B. RSM US LLP has not performed any examinations or audits in connection with the issuance of the Series 2017B Certificates.

FORWARD LOOKING STATEMENTS

This Offering Statement contains certain "forward-looking statements" concerning the School Board's or the District's operations, performance and financial condition, including its future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the School Board or District. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate" and similar expressions are meant to identify these forward-looking
statements. Actual results may differ materially from those expressed or implied by these forward-looking statements.

CONTINUING DISCLOSURE

The School Board has covenanted and undertaken for the benefit of the Series 2017B Certificate holders to execute and deliver a Disclosure Dissemination Agent Agreement (the "Disclosure Agreement") on the date of initial issuance of the Series 2017B Certificates. Pursuant to the Disclosure Agreement, the School Board will agree to provide certain financial information and operating data relating to the District and the Series 2017B Certificates in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. Such covenant shall only apply so long as the Series 2017B Certificates remain Outstanding under the Transaction Leases, the Transaction Leases has not been terminated or there has not occurred an event of non-appropriation resulting in a termination. The agreement shall also terminate upon the termination of the continuing disclosure requirements of Rule 15c2-12(b)(5), as amended (the "Rule"), of the Securities and Exchange Commission pursuant to the Securities and Exchange Act of 1934, by legislative, judicial or administration action. The Annual Report will be filed by the School Board with the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access System described in the Disclosure Agreement attached hereto as Appendix E. The notices of material events will be filed by the School Board, or its dissemination agent, if any, with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of material events are described in "APPENDIX E - FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT" to be dated and delivered at the time of issuance of the Series 2017B Certificates. These undertakings have been made in order to assist the Underwriter in complying with the Rule. Failure of the School Board to comply with the Disclosure Agreement is not considered an event of default under the Transaction Leases, the Trust Agreement or the Disclosure Agreement; however, any Series 2017B Certificate holder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the School Board to comply with its obligations under the Disclosure Agreement.

With respect to the Series 2017B Certificates, no party other than the School Board is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the aforementioned Rule. Due to an administrative oversight, the District did not timely file a notice of redemption related to one Series of Certificates. The District intends to fully comply with all current and future continuing disclosure undertakings. In furtherance thereof, the District has engaged Digital Assurance Certification, L.L.C. as its dissemination agent, in order to ensure ongoing and future compliance with its obligations under the Rule, particularly as it relates to material event filings.

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MISCELLANEOUS

The information contained above is neither guaranteed as to accuracy or completeness nor to be construed as representation by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Offering Statement nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the District or the School Board from the date hereof.

This Offering Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Offering Statement involving matters of opinion, whether or not expressly so stated are intended as such and not as representations of fact. This Offering Statement is not to be construed as a contract or agreement between the District and the purchasers or the holders of any of the Series 2017B Certificates.

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

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: /s/ Chuck Shaw  
Chairman

By: /s/ Robert Avossa, Ed.D.  
Superintendent of Schools
APPENDIX A

INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA
INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

General Information

Palm Beach County (the "County") was founded in 1909 and encompasses an area of 2,385 square miles, making it the largest county in the State of Florida. It is located on the southeast coast of the Florida peninsula with 46 miles of Atlantic Ocean frontage and 25 miles of frontage on Lake Okeechobee. The County has a semi-tropical climate with an average temperature of 75 degrees Fahrenheit and an average rainfall of 62 inches. The temperate climate and other natural amenities, including 88 local, State and federal recreational areas of more than 10 acres and 163 golf courses, have enabled the County to develop a year-round tourist industry.

There are 38 incorporated municipalities within the County encompassing a total of 324 square miles, or approximately 17% of the County's area. An estimated 56% of the County's population resides within the municipalities. The City of West Palm Beach is the County seat and is the largest city in the County. The County had a 2016 population of 1,443,810.

Population

In 2016, Palm Beach County was the third largest county in the State in terms of population. Its population increased 65.3% from 1970 - 1980, 49.7% from 1980 - 1990, 31.0% from 1990 - 2000, 13.8% from 2001 to 2010 and 9.4% from 2010 to 2016.

<table>
<thead>
<tr>
<th>Year</th>
<th>Palm Beach County</th>
<th>% Change</th>
<th>Florida</th>
<th>% Change</th>
<th>United States</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1,286,586</td>
<td>0.2</td>
<td>18,367,842</td>
<td>1.1</td>
<td>301,231,207</td>
<td>1.0</td>
</tr>
<tr>
<td>2008</td>
<td>1,294,938</td>
<td>0.6</td>
<td>18,527,305</td>
<td>0.9</td>
<td>304,093,966</td>
<td>1.0</td>
</tr>
<tr>
<td>2009</td>
<td>1,307,371</td>
<td>1.0</td>
<td>18,652,644</td>
<td>0.7</td>
<td>306,771,529</td>
<td>0.9</td>
</tr>
<tr>
<td>2010</td>
<td>1,320,134</td>
<td>1.0</td>
<td>18,801,310</td>
<td>0.8</td>
<td>308,745,538</td>
<td>0.6</td>
</tr>
<tr>
<td>2011</td>
<td>1,338,500</td>
<td>1.4</td>
<td>19,096,952</td>
<td>1.6</td>
<td>311,663,358</td>
<td>0.9</td>
</tr>
<tr>
<td>2012</td>
<td>1,358,396</td>
<td>1.5</td>
<td>19,344,156</td>
<td>1.3</td>
<td>313,998,379</td>
<td>0.7</td>
</tr>
<tr>
<td>2013</td>
<td>1,375,826</td>
<td>1.3</td>
<td>19,582,022</td>
<td>1.2</td>
<td>316,204,908</td>
<td>0.7</td>
</tr>
<tr>
<td>2014</td>
<td>1,398,518</td>
<td>1.6</td>
<td>19,888,741</td>
<td>1.6</td>
<td>318,563,456</td>
<td>0.7</td>
</tr>
<tr>
<td>2015</td>
<td>1,422,789</td>
<td>1.7</td>
<td>20,244,914</td>
<td>1.8</td>
<td>320,896,618</td>
<td>0.7</td>
</tr>
<tr>
<td>2016</td>
<td>1,443,810</td>
<td>1.5</td>
<td>20,612,439</td>
<td>1.8</td>
<td>323,127,513</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Income

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

### Per Capita Personal Income
#### 2006-2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Palm Beach County Dollars</th>
<th>% of Florida</th>
<th>% of U.S.</th>
<th>Florida Dollars</th>
<th>% of U.S.</th>
<th>U.S. Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>60,471</td>
<td>156.1</td>
<td>158.5</td>
<td>38,738</td>
<td>101.6</td>
<td>38,144</td>
</tr>
<tr>
<td>2007</td>
<td>64,044</td>
<td>161.0</td>
<td>160.8</td>
<td>39,788</td>
<td>99.9</td>
<td>39,821</td>
</tr>
<tr>
<td>2008</td>
<td>61,489</td>
<td>155.1</td>
<td>149.7</td>
<td>39,655</td>
<td>96.5</td>
<td>41,082</td>
</tr>
<tr>
<td>2009</td>
<td>54,049</td>
<td>145.8</td>
<td>137.3</td>
<td>37,065</td>
<td>94.1</td>
<td>39,376</td>
</tr>
<tr>
<td>2010</td>
<td>55,555</td>
<td>143.8</td>
<td>137.9</td>
<td>38,624</td>
<td>95.9</td>
<td>40,277</td>
</tr>
<tr>
<td>2011</td>
<td>59,721</td>
<td>147.5</td>
<td>140.7</td>
<td>40,476</td>
<td>95.3</td>
<td>42,453</td>
</tr>
<tr>
<td>2012</td>
<td>63,220</td>
<td>154.3</td>
<td>142.8</td>
<td>40,983</td>
<td>92.6</td>
<td>44,267</td>
</tr>
<tr>
<td>2013</td>
<td>62,290</td>
<td>152.8</td>
<td>140.1</td>
<td>40,771</td>
<td>91.7</td>
<td>44,462</td>
</tr>
<tr>
<td>2014</td>
<td>66,578</td>
<td>155.3</td>
<td>143.4</td>
<td>42,868</td>
<td>92.4</td>
<td>46,414</td>
</tr>
<tr>
<td>2015</td>
<td>68,743</td>
<td>154.7</td>
<td>142.9</td>
<td>44,429</td>
<td>92.3</td>
<td>48,112</td>
</tr>
</tbody>
</table>

Source: Florida Research and Economic Information Database Application.

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

### Palm Beach County
#### Population Distribution by Age Group
#### 2013-2016

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2013*</th>
<th>2014*</th>
<th>2015*</th>
<th>2016*</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>300,555</td>
<td>300,767</td>
<td>302,089</td>
<td>303,644</td>
</tr>
<tr>
<td>20-44</td>
<td>390,309</td>
<td>391,733</td>
<td>398,371</td>
<td>402,616</td>
</tr>
<tr>
<td>45-64</td>
<td>357,877</td>
<td>360,119</td>
<td>364,873</td>
<td>365,122</td>
</tr>
<tr>
<td>65+</td>
<td>296,911</td>
<td>307,619</td>
<td>313,084</td>
<td>320,359</td>
</tr>
</tbody>
</table>

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

* Estimated figures.
Employment

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

**Palm Beach County, Florida**

**Average Monthly Employment Covered by Unemployment Compensation**

2014-2015

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average Monthly Employment</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>All Industries</td>
<td>484,480</td>
<td>506,028</td>
</tr>
<tr>
<td>Agriculture</td>
<td>6,411</td>
<td>6,362</td>
</tr>
<tr>
<td>Mining</td>
<td>72</td>
<td>71</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,531</td>
<td>2,029</td>
</tr>
<tr>
<td>Construction</td>
<td>27,774</td>
<td>30,294</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16,167</td>
<td>17,094</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>19,924</td>
<td>21,045</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>74,088</td>
<td>77,683</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>8,537</td>
<td>8,695</td>
</tr>
<tr>
<td>Information</td>
<td>9,968</td>
<td>9,896</td>
</tr>
<tr>
<td>Finance</td>
<td>22,400</td>
<td>23,113</td>
</tr>
<tr>
<td>Real Estate</td>
<td>14,634</td>
<td>15,268</td>
</tr>
<tr>
<td>Professional Services</td>
<td>39,461</td>
<td>40,651</td>
</tr>
<tr>
<td>Management Companies</td>
<td>9,361</td>
<td>10,152</td>
</tr>
<tr>
<td>Administrative and Waste Services</td>
<td>44,661</td>
<td>46,952</td>
</tr>
<tr>
<td>Education</td>
<td>9,916</td>
<td>10,244</td>
</tr>
<tr>
<td>Health Care</td>
<td>77,558</td>
<td>81,112</td>
</tr>
<tr>
<td>Arts, Entertainment and Recreation</td>
<td>17,192</td>
<td>17,220</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>61,212</td>
<td>63,834</td>
</tr>
<tr>
<td>Other Services</td>
<td>23,294</td>
<td>24,183</td>
</tr>
</tbody>
</table>


Note: Percentages may not equal due to rounding.
Palm Beach County
Annual Average Labor Force and Unemployment Estimates
2007-2016

<table>
<thead>
<tr>
<th>Year</th>
<th>Civilian Labor Force</th>
<th>Palm Beach County</th>
<th>Florida</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>626,062</td>
<td>626,062</td>
<td>4.4%</td>
<td>4.0%</td>
</tr>
<tr>
<td>2008</td>
<td>628,411</td>
<td>628,411</td>
<td>6.8</td>
<td>6.3</td>
</tr>
<tr>
<td>2009</td>
<td>615,500</td>
<td>615,500</td>
<td>10.7</td>
<td>10.4</td>
</tr>
<tr>
<td>2010</td>
<td>645,737</td>
<td>645,737</td>
<td>11.0</td>
<td>11.1</td>
</tr>
<tr>
<td>2011</td>
<td>652,697</td>
<td>652,697</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>2012</td>
<td>660,994</td>
<td>660,994</td>
<td>8.5</td>
<td>8.5</td>
</tr>
<tr>
<td>2013</td>
<td>672,574</td>
<td>672,574</td>
<td>7.2</td>
<td>7.2</td>
</tr>
<tr>
<td>2014</td>
<td>685,142</td>
<td>685,142</td>
<td>5.9</td>
<td>6.3</td>
</tr>
<tr>
<td>2015</td>
<td>690,078</td>
<td>690,078</td>
<td>5.1</td>
<td>5.4</td>
</tr>
<tr>
<td>2016</td>
<td>710,513</td>
<td>710,513</td>
<td>4.8</td>
<td>4.9</td>
</tr>
</tbody>
</table>

Source: Florida Research and Economic Information Database Application.

Largest Employers

The following table shows employment at the ten principal employers in the County in 2016.

<table>
<thead>
<tr>
<th>No. of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Palm Beach County School Board ...........................................</td>
</tr>
<tr>
<td>Palm Beach County Government ...........................................</td>
</tr>
<tr>
<td>Tenet Healthcare Corp .......................................................</td>
</tr>
<tr>
<td>NextEra Energy (Florida Power &amp; Light) ................................</td>
</tr>
<tr>
<td>Hospital Corporation of America (HCA) ................................</td>
</tr>
<tr>
<td>Veterans Health Administration ..........................................</td>
</tr>
<tr>
<td>Florida Atlantic University ..............................................</td>
</tr>
<tr>
<td>Boca Raton Regional Hospital ............................................</td>
</tr>
<tr>
<td>Jupiter Medical Center ....................................................</td>
</tr>
<tr>
<td>Bethesda Memorial Hospital ...............................................</td>
</tr>
</tbody>
</table>

Tourism

The County government is making a concentrated and continuing effort to increase the number of visitors to our area each year, which is expected to generate a 3.5% increase in revenues in fiscal year 2017. There are an estimated 80,100 people employed in jobs related to the tourism industry, with direct spending from visitors contributing $7 billion annually to the County’s economy. During fiscal year 2016, the County had an all-time record high in bed tax revenues of $47.1 million.

Aerospace

The County is a recognized national leader in the aviation and aerospace industry. The area employs more than 20,000 people through approximately 600 businesses associated with the industry. Those businesses include B/E Aerospace, a leading manufacturer of passenger-cabin interior products for commercial jet aircraft. Lockheed Martin also has a presence in the County as a global security and information technology giant. Sikorsky Aircraft Corporation, a world leader in the design, manufacture, and service of military and commercial helicopters, shares a campus with Pratt & Whitney in the northwestern area of the County. Both companies are units of United Technologies Corporation of Hartford, Connecticut. In May 2014, Sikorsky unveiled its most advanced helicopter, the CH-53K. Sikorsky has approximately 1,300 employees in the County.

Agriculture

The County agricultural acreage has remained stable for the last six years. The County still leads the State of Florida, and all counties east of the Mississippi River, in agricultural proceeds. The County leads the nation in the production of sugarcane and fresh sweet corn. It leads the state in the production of sweet bell peppers, rice, lettuce, radishes, Chinese vegetables, specialty leaf produce, celery, eggplant, herbs and sod. The 457,342 acres dedicated to agriculture represent 36% of the County’s total land mass. It ranks third in Florida in nursery production with estimated sales at $139 million and leads the state in agricultural wages and salary with over $348 million. The industry currently uses bagasse, a sugarcane by-product, in conjunction with other waste wood products as the fuel source for the largest agriculturally based biomass co-generation plant in the United States for electricity generation. Equestrian acreage in the western part of the County continues to expand, currently ranking it as the second largest equine county in the state, behind Marion County.

Bioscience

Scripps Research Institute and the Max Planck Florida Institute are anchors to an eight million square feet Bioscience Cluster in Northern Palm Beach County. A “cluster” of related bio-technology businesses will form a hub to strengthen the County’s position as a leader in this industry. Smaller bio-related companies have either expanded or moved to the County such as Ocean Ridge Biosciences LLC and Sancilio & Company, Inc.
Construction

During fiscal year 2016, the total number of permits increased by 4% compared to fiscal year 2015. Building Permit revenues increased by 4% to $18.3 million as compared to $17.5 million in fiscal year 2015. In residential construction, there were 729 multi-family unit permit starts and 1,125 single-family unit permit starts, as compared to 340 multi-family unit permit starts and 1,766 single-family unit permit starts in fiscal year 2015. The total value for these residential permit starts was $589 million in fiscal year 2016, as compared to $625 million in fiscal year 2015. However, total value of all construction permitted increased from $1.15 billion in fiscal 2015 to over $1.25 billion in fiscal year 2016. Overall, permitting activity in both residential and commercial construction continues to increase.

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

<table>
<thead>
<tr>
<th>Calendar Year</th>
<th>Single and Multi-Family</th>
<th>Residential Valuation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>2,264</td>
<td>504,192</td>
</tr>
<tr>
<td>2008</td>
<td>1,96</td>
<td>340,385</td>
</tr>
<tr>
<td>2009</td>
<td>634</td>
<td>186,886</td>
</tr>
<tr>
<td>2010</td>
<td>768</td>
<td>215,254</td>
</tr>
<tr>
<td>2011</td>
<td>1,049</td>
<td>278,202</td>
</tr>
<tr>
<td>2012</td>
<td>1,580</td>
<td>411,211</td>
</tr>
<tr>
<td>2013</td>
<td>2,055</td>
<td>553,779</td>
</tr>
<tr>
<td>2014</td>
<td>1,987</td>
<td>595,492</td>
</tr>
<tr>
<td>2015</td>
<td>2,136</td>
<td>619,229</td>
</tr>
<tr>
<td>2016</td>
<td>2,458</td>
<td>671,339</td>
</tr>
</tbody>
</table>


[Remainder of page intentionally left blank]
Banking

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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Commercial Banks</th>
<th>Federal Savings and Loan Associations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>26,760,000</td>
<td>9,501,000</td>
</tr>
<tr>
<td>2009</td>
<td>31,813,000</td>
<td>7,217,000</td>
</tr>
<tr>
<td>2010</td>
<td>32,093,000</td>
<td>6,499,000</td>
</tr>
<tr>
<td>2011</td>
<td>32,136,000</td>
<td>5,773,000</td>
</tr>
<tr>
<td>2012</td>
<td>33,720,000</td>
<td>3,296,000</td>
</tr>
<tr>
<td>2013</td>
<td>36,761,000</td>
<td>2,362,000</td>
</tr>
<tr>
<td>2014</td>
<td>38,274,000</td>
<td>2,295,000</td>
</tr>
<tr>
<td>2015</td>
<td>42,750,000</td>
<td>2,285,000</td>
</tr>
<tr>
<td>2016</td>
<td>46,859,000</td>
<td>2,284,000</td>
</tr>
<tr>
<td>2017</td>
<td>48,374,000</td>
<td>2,255,000</td>
</tr>
</tbody>
</table>

Source: Federal Deposit Insurance Corporation internet address www2.fdic.gov/sod.
COMPREHENSIVE ANNUAL FINANCIAL REPORT

The School District of Palm Beach County, Florida

for the

Fiscal Year Ended June 30, 2017

Issued by:

Robert M. Avossa, Ed.D., Superintendent of Schools
Michael J. Burke, Chief Financial Officer

Prepared by:

Division of Financial Management
Nancy Samuels, C.P.A., Director of Accounting

The School District of Palm Beach County
3300 Forest Hill Boulevard
West Palm Beach, Florida 33406
Independent Auditor’s Report

The Honorable Chairperson and Board Members of
The School District of Palm Beach County, Florida

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The School District of Palm Beach County, Florida (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District of Palm Beach County, Florida, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, Schedule of Funding Progress – Other Post-Employment Benefits Plan, Schedule of the District’s Proportionate Share of the Net Pension Liability – FRS, Schedule of District Contributions – FRS, Schedule of the District’s Proportionate Share of the Net Pension Liability – HIS, and Schedule of District Contributions – HIS, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and schedules are the responsibility of management and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual non-major fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued, under separate cover, our report dated November 29, 2017, on our consideration of the District’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District’s internal control over financial reporting and compliance.

RSM US LLP

West Palm Beach, Florida
November 29, 2017
The School District of Palm Beach County, Florida’s (the “District”) management discussion and analysis (MD&A) is designed to provide an objective and easy to read analysis of the District’s financial activities for the fiscal year ended June 30, 2017, based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the District’s activities based on information presented in the financial report and fiscal policies that have been adopted by the seven elected members of the school board (the “Board”). Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the District’s financial activity, identify changes in the District’s financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget) and identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

- The net position of the District increased $0.085 billion, or 6.5%, from $1.310 billion to $1.395 billion. Funding per student has slowly increased since the low point in school year 2011-12, although it has still not recovered to school year 2007-08 levels. Enrollment at district schools increased 1.5%, approximately 2,435 students. The increase in net position is mainly related to the revenue received for the new ½ penny sales tax with limited expenditures prior to year end.

- The District’s total long-term debt decreased by $128.7 million or 7.7% primarily due to debt repayments of $85.9 million, amortization of issuance premiums of $13.4 million, and a decrease in negative fair value of hedging derivative instruments of $29.1 million (discussed in Notes 10 and 11).

- Total revenues increased by $161.0 million or 8.1%, from $1.987 billion to $2.148 billion when compared to the prior year.
  - General revenue accounted for $1.559 billion, or 72.6%, of all revenues and increased $131.5 million or 9.2%. This increase is primarily attributed to new sales tax revenue of $65.8 million, property tax increase of $16.7 million (mainly due to 8% increase in property values offset by 6% lower millage rate), increase in the Florida Education Finance Program (FEFP) revenue of $44.7 million and $5 million increase in Medicaid revenue.
  - Program specific revenue in the form of charges for services, grants and contributions accounted for $588.4 million, or 27.4% of all revenues and increased $29.5 million or 5.3%. The increase is primarily attributed to an increase in reimbursements for school lunch and breakfast programs, increase in Class Size Reduction revenue, PECO, Charter School Capital Outlay and other State revenue, and an increase in Afterschool Program fees.

- Total expenses increased $106.4 million from $1.956 billion to $2.063 billion. The increase in expenses is primarily due to $72 million higher pension expense in the current year based on actuarially determined Net Pension Liability (and related Deferred Inflows and Outflows) as determined under General Accounting Standards Board (GASB) Statement No. 68, raises given to employees in 2017, and an increase in the amount passed through to charter schools of $7.3 million.
• The District’s governmental funds reported combined fund balances of $469.5 million.
  
o The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of $138.5 million. Of this amount, $52.0 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, $58.2 million is classified as assigned, $20.4 million is classified as restricted and $7.9 million is classified as nonspendable. During the current year, General Fund revenues (including other financing sources) exceeded expenditures (including other financing uses) by $11.3 million, primarily due to higher than anticipated revenues, staff vacancies, and less than expected charter school enrollment.

  o Debt Service funds ended the year with a fund balance of $122.1 million and is restricted to cover debt service payments. COPS Debt Service fund, a major fund, has a restricted fund balance of $116.4 million, and the remaining debt service funds which are included with the other non-major governmental funds have a restricted fund balance of $5.7 million.

  o Capital Project funds ended the year with a fund balance of $183.3 million and is restricted or assigned to fund existing and future capital projects. The Capital Improvement fund, a major fund, has a restricted fund balance of $55.6 million. Total Non-Major capital funds have a restricted fund balance of $92.0 million, mainly comprised of new sales tax fund ($59.8 million), COPS Capital ($15.1 million), and remaining Capital funds ($17.1 million), and an assigned fund balance of $35.7 million in Other Capital Projects Fund.

  o Special Revenue funds ended the year with a fund balance of $25.6 million, of which $20.4 million is restricted to child nutrition costs, and $5.2 million is nonspendable inventory.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

• The first two statements are government-wide financial statements that provide both short-term and long-term information about the District’s overall financial status.

• The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the government-wide statements.

• The governmental funds statements tell how basic services like instruction and instructional support services were financed in the short-term as well as what remains for future spending.

• Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as group health self-insurance and long term claim self-insurance.

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.
Figure 1, above, summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the statements.

**Government-wide Statements**

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

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

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, the reader needs to consider additional non-financial factors such as changes in the District’s property tax base and the condition of school buildings and other facilities.

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

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

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

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

The District has three kinds of funds:

- **Governmental funds** – Most of the District’s basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.

- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
  - *Enterprise funds* account for goods and services provided to those outside the District, generally on a user-charge basis. Currently, the District has no enterprise funds.
  - *Internal service funds* report self-insurance activities charged to the District’s other programs and activities.

- **Fiduciary funds** – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.
  - The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning with page 77.
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Government–Wide**

The District’s net position was $1.395 billion at June 30, 2017. The largest portion of the District’s net position, $1.757 billion, reflect its investment in capital assets (i.e. land, buildings, furniture, buses and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District’s net position ($320.0 million) represents resources that are subject to external restrictions on how they may be used, the increase of $82.3 million is mainly related to new Sales Tax Fund.

| Table 1 |
|---|---|---|---|---|
| **Summary of Net Position** |
| **Governmental Activities** | (in thousands) |
| | June 30, 2017 | June 30, 2016 | Increase (Decrease) | Percentage Change |
| Current and other assets | $ 890,157 | $ 673,058 | $ 217,099 | 32.3% |
| Capital assets (net) | 3,288,764 | 3,370,622 | (81,858) | (2.4%) |
| Total assets | 4,178,921 | 4,043,680 | 135,241 | 3.3% |
| Accumulated Decrease in Fair Value of Hedging Derivatives | 61,946 | 91,076 | (29,130) | (32.0%) |
| Deferred Loss on Debt Refunding | 61,781 | 68,131 | (6,350) | (9.3%) |
| Pension Related | 378,156 | 159,861 | 218,295 | 136.6% |
| Total Deferred Outflows of Resources | 501,883 | 319,068 | 182,815 | 57.3% |
| Current and other liabilities | 405,045 | 308,677 | 96,368 | 31.2% |
| Long-term liabilities | 2,843,412 | 2,639,323 | 204,089 | 7.7% |
| Total liabilities | 3,248,457 | 2,948,000 | 300,457 | 10.2% |
| Pension Related | 36,952 | 104,152 | (67,200) | 0.0% |
| Total Deferred Inflows of Resources | 36,952 | 104,152 | (67,200) | 0.0% |
| Net position: | | | | |
| Net investment in Capital Assets | 1,756,568 | 1,760,930 | (4,362) | (0.2%) |
| Restricted | 320,003 | 237,692 | 82,311 | 34.6% |
| Unrestricted (deficit) | (681,176) | (688,026) | 6,850 | 1.0% |
| Total net position | $ 1,395,395 | $ 1,310,596 | $ 84,799 | 6.5% |

Capital assets (net) decreased $81.9 million or 2.4% compared to prior year and primarily reflects the impact of current year depreciation exceeding capital spending. See Note 7 of the Notes to the Financial Statements for more information on capital assets. Cash and other assets increased $217.1 million or 32.3%, primarily as a result of $115 million TANS outstanding at the end of year, and $65.3 million of cash and taxes receivable generated by the new Sales Tax fund in the second half of the year.
The analyses in Table 1, on page 7, and Table 2, below, focus on the summary of net position and summary of changes in net position for the District’s governmental activities.

### Table 2

**Summary of Changes in Net Position**

**Governmental Activities**

(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Year Ended June 30, 2017</th>
<th>Year Ended June 30, 2016</th>
<th>Increase (Decrease)</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charges for services</td>
<td>$ 54,380</td>
<td>$ 53,493</td>
<td>$ 887</td>
<td>1.7%</td>
</tr>
<tr>
<td>Operating grants and contributions</td>
<td>511,816</td>
<td>491,973</td>
<td>19,843</td>
<td>4.0%</td>
</tr>
<tr>
<td>Capital grants and contributions</td>
<td>22,196</td>
<td>13,430</td>
<td>8,766</td>
<td>65.3%</td>
</tr>
<tr>
<td>General revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property taxes</td>
<td>1,218,208</td>
<td>1,201,557</td>
<td>16,651</td>
<td>1.4%</td>
</tr>
<tr>
<td>Local sales taxes</td>
<td>65,783</td>
<td>-</td>
<td>65,783</td>
<td>-</td>
</tr>
<tr>
<td>Grants and contributions not restricted</td>
<td>228,152</td>
<td>180,622</td>
<td>47,530</td>
<td>26.3%</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>6,047</td>
<td>3,493</td>
<td>2,554</td>
<td>73.1%</td>
</tr>
<tr>
<td>Other general revenue</td>
<td>40,947</td>
<td>41,938</td>
<td>(991)</td>
<td>(2.4%)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>2,147,529</td>
<td>1,986,506</td>
<td>161,023</td>
<td>8.1%</td>
</tr>
<tr>
<td><strong>Functions/Programs Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>1,154,360</td>
<td>1,062,354</td>
<td>92,006</td>
<td>8.7%</td>
</tr>
<tr>
<td>Instructional support services</td>
<td>173,946</td>
<td>170,617</td>
<td>3,329</td>
<td>2.0%</td>
</tr>
<tr>
<td>Board</td>
<td>7,468</td>
<td>6,634</td>
<td>834</td>
<td>12.6%</td>
</tr>
<tr>
<td>General administration</td>
<td>10,449</td>
<td>10,089</td>
<td>360</td>
<td>3.6%</td>
</tr>
<tr>
<td>School administration</td>
<td>107,027</td>
<td>97,556</td>
<td>9,471</td>
<td>9.7%</td>
</tr>
<tr>
<td>Facilities acquisition and construction</td>
<td>20,761</td>
<td>14,750</td>
<td>6,011</td>
<td>40.8%</td>
</tr>
<tr>
<td>Fiscal services</td>
<td>6,853</td>
<td>6,805</td>
<td>48</td>
<td>0.7%</td>
</tr>
<tr>
<td>Food services</td>
<td>89,897</td>
<td>81,095</td>
<td>8,802</td>
<td>10.9%</td>
</tr>
<tr>
<td>Central services</td>
<td>16,052</td>
<td>15,646</td>
<td>406</td>
<td>2.6%</td>
</tr>
<tr>
<td>Student transportation services</td>
<td>54,396</td>
<td>48,223</td>
<td>6,173</td>
<td>12.8%</td>
</tr>
<tr>
<td>Operation and maintenance of plant</td>
<td>200,247</td>
<td>194,129</td>
<td>6,118</td>
<td>3.2%</td>
</tr>
<tr>
<td>Administrative technology services</td>
<td>7,643</td>
<td>7,916</td>
<td>(273)</td>
<td>(3.4%)</td>
</tr>
<tr>
<td>Community services</td>
<td>43,149</td>
<td>40,980</td>
<td>2,169</td>
<td>5.3%</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>62,739</td>
<td>90,428</td>
<td>(27,689)</td>
<td>(30.6%)</td>
</tr>
<tr>
<td>Unallocated depreciation/amortization</td>
<td>107,743</td>
<td>109,134</td>
<td>(1,391)</td>
<td>(1.3%)</td>
</tr>
<tr>
<td>Total expenses</td>
<td>2,062,730</td>
<td>1,956,356</td>
<td>106,374</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>Change in net position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>84,799</td>
<td>30,150</td>
<td>54,649</td>
<td>181.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Net Position - beginning</strong></td>
<td>1,310,596</td>
<td>1,280,446</td>
<td>30,150</td>
<td>2.4%</td>
</tr>
<tr>
<td><strong>Net Position - ending</strong></td>
<td>$ 1,395,395</td>
<td>$ 1,310,596</td>
<td>$ 84,799</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

The results of this year’s operations for the District as a whole are reported in the Statement of Activities. Table 2, above, takes the information from that statement and rearranges them slightly so the reader can see the total revenues and expenses for the current year compared to fiscal year 2016.
As reported in the Statement of Activities, the cost of all of the governmental activities this year was $2.063 billion. Some costs were paid by those who benefited from the programs ($54.4 million), or by other governments and organizations who subsidized certain programs with grants and contributions ($534.0 million). The District paid for the remaining “public benefit” portion of the governmental activities with $1.2 billion in property taxes, $65.8 million in Sales Tax, $228.2 million in grants and contributions not restricted to specific programs, $6.0 million in investment earnings, and $40.9 million in other general revenue.

Property taxes increased $16.7 million or 1.4%, which is primarily attributed to an 8% increase in property values partially offset by a 6% reduction in millage rate, as well as a $4.2 million lower collection of prior year taxes than in fiscal year 2016. Sales Tax Revenue of $65.8 million represents 6 months of collections for the current year for the newly approved penny sales tax, of which the District receives ½ cent.

Grants and contributions not restricted increased $47.5 million or 26.3%, which is primarily related to an increase of $44.7 million in FEFP revenue and an increase of $5.0 million in Medicaid revenue. FEFP revenue increased mainly due to decrease in required local effort provided by property taxes.

The pie chart below represents total expenses classified by function.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**Governmental Funds**

As of June 30, 2017 the District’s governmental funds reported a combined fund balance of $469.5 million, which is an increase of $78.8 million or 20.2% over the prior year.

The General Fund, which is the chief operating fund of the District and is always considered a major fund, had a fund balance of $138.5 million which is an increase of $11.3 million or 8.9%. The increase is
primarily due to higher than anticipated revenues, staff vacancies and less than expected charter school enrollment. At the end of the current fiscal year, unassigned fund balance of the General Fund was $52.0 million.

The COPS Debt Service Fund, another major fund, reported an ending fund balance of $116.4 million, which is a decrease of $2.4 million or 2.0% when compared with prior year. The decrease is related to the amount of debt service payments the District will need to make in early fiscal year 2018.

The Capital Improvement Fund, another major fund, reported an ending fund balance of $55.6 million which is an increase of $15.5 million or 38.5% due to the timing of revenue and capital outlay spending.

Other Non-Major Governmental Funds, which represent a summarization of all the other non-major governmental funds, ended the year with total fund balance of $159.0 million, an increase of $54.4 million or 52.1%. This increase is primarily due to the new Sales Tax fund, which had a fund balance of $59.8 million.

**Proprietary Funds**

The District’s internal service funds reported a combined net position of $100.0 million. The Health Internal Service Fund ended the year with a net position of $96.4 million, which is an increase of $7.4 million or 8.2% over last year due to premiums exceeding claims and other expenses. The Worker’s Compensation and Claims Fund ended the year with a net position of $3.6 million, which is an increase of $30.9 million. Proprietary funds use accrual basis accounting, thus this Fund records actuarially determined long term claims liabilities. In the current year, the District fully funded the negative position in the Worker’s Compensation and Claims Fund.

**General Fund Budgetary Highlights**

During the year, appropriations increased $29.5 million from original budget to final budget. The increase in appropriations is primarily attributed to growth in weighted FTE from original appropriation of $9.8 million, the District received a higher reimbursement for Medicaid eligible services by $3.9 million, District school tax revenue increased $2.7 million, miscellaneous local revenue increased $6.2 million primarily due to an increase in E-rate and federal indirect cost, more investment income generated due to higher rates of $2.8 million, offset in part by a decrease of $6.5 million in transfers in from Capital Projects Funds for projects that were not completed during the year. Appropriations were amended to align with total revenue.

The General Fund actual expenditures were less than the budgeted appropriations by approximately $85.1 million. This is primarily due to enhanced cost containment measures put in place, such as a hiring freeze on non-instructional positions and increased scrutiny of overtime and purchases, as well as unspent funds in programs such as afterschool, International Baccalaureate, Advanced Placement, AICE, Industry Certification, and state categorical programs.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As shown in Table 3, on the next page, at June 30, 2017, the District had $3.289 billion invested in a broad range of capital assets, including land, construction in progress, improvements other than buildings, buildings and fixed equipment, furniture, fixtures and equipment, motor vehicles, audio visual materials and computer software. This amount represents a net decrease (including additions, deletions and depreciation) of $81.9 million from last year. The decrease is primarily due to depreciation expense of $107.6 million exceeding capital spending of $26.2 million. Capital spending in the current year reflects
the acquisition of 100 buses for $11.4 million, completion of the installation of new air conditioner chillers at 18 locations for $3.8 million, and land donation of $3.7 million for a future Elementary School.

The District’s successful building program, which was funded from the proceeds of the Sales Tax Referendum that ended in 2010 and capital millage proceeds, is complete. Between fiscal year 2001 and fiscal year 2017, forty-one (41) new schools were built and fifty-eight (58) others were replaced or totally renovated. In November 2016, the taxpayers of Palm Beach County approved a one penny sales surtax of which ½ will be for the District. These new capital dollars will allow the District to continue its effort to provide state-of-the-art facilities, buses and technology for all of its students. See Note 7 of the Notes to the Financial Statements for more information on capital assets.

### Table 3

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>June 30, 2017</th>
<th>June 30, 2016</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$342,380</td>
<td>$338,680</td>
<td>$3,700</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>3,656</td>
<td>1,150</td>
<td>2,506</td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>58,834</td>
<td>58,506</td>
<td>328</td>
</tr>
<tr>
<td>Buildings and fixed equipment</td>
<td>4,172,921</td>
<td>4,173,322</td>
<td>(401)</td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>129,525</td>
<td>127,183</td>
<td>2,342</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>118,641</td>
<td>116,031</td>
<td>2,610</td>
</tr>
<tr>
<td>AV materials and computer software</td>
<td>40,278</td>
<td>41,127</td>
<td>(849)</td>
</tr>
<tr>
<td>Less: accumulated depreciation</td>
<td>(1,577,471)</td>
<td>(1,485,377)</td>
<td>(92,094)</td>
</tr>
<tr>
<td>Total capital assets, net</td>
<td>$3,288,764</td>
<td>$3,370,622</td>
<td>$(81,858)</td>
</tr>
</tbody>
</table>

### Long-term Debt

As shown in Table 4, at the end of this year, the District had $1.648 billion in debt outstanding, which is $128.7 million lower than last year. The decrease in outstanding debt is mainly due to debt principle repayments of $85.9 million, regular amortization of $13.4 million, and a decrease in negative fair value of hedging derivative instruments of $29.1 million. See Notes 10 and 11 of the Notes to the Financial Statements for more information on long-term liabilities and derivatives.

### Table 4

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>June 30, 2017</th>
<th>June 30, 2016</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes / Loans Payable</td>
<td>$23,485</td>
<td>$31,846</td>
<td>$(8,361)</td>
</tr>
<tr>
<td>Capital Outlay Bond Issues</td>
<td>11,396</td>
<td>13,713</td>
<td>(2,317)</td>
</tr>
<tr>
<td>Certificates of Participation</td>
<td>1,466,758</td>
<td>1,541,963</td>
<td>(75,205)</td>
</tr>
<tr>
<td>Borrowing-Swap Upfront Payment</td>
<td>2,430</td>
<td>2,658</td>
<td>(228)</td>
</tr>
<tr>
<td>Derivative Instruments - Hedging</td>
<td>61,946</td>
<td>91,076</td>
<td>(29,130)</td>
</tr>
<tr>
<td>Plus: Issuance Premium</td>
<td>81,587</td>
<td>95,002</td>
<td>(13,415)</td>
</tr>
<tr>
<td>Total</td>
<td>$1,647,602</td>
<td>$1,776,258</td>
<td>$(128,656)</td>
</tr>
</tbody>
</table>
The District's certificates of participation are rated Aa3 by Moody's Investors Service, and AA- by Standard and Poor's Corporation, and AA- by Fitch Ratings Services.

The District is subject to State laws that limit the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2017, the statutory limit for the District was approximately $17.6 billion, providing additional debt capacity of approximately $17.6 billion.

State Statute requires that no more that 75% of the capital millage levy be used for COP debt service. The District's debt policy limits the issuance of COPS by stating that the debt service could not exceed half of the capital millage levy. In fiscal year 2009, when the capital millage levy was reduced to 1.75 mils, the Debt Policy was amended to allow debt service to be up to 1 mil but should be within 50% of the capital millage levy within five years. Based on the reduction of the capital millage levy and existing property values, the District's capacity to issue new COPS debt has been dramatically reduced.

Other long-term obligations include liability for compensated absences, estimated claims liability, other post-employment benefits, and the reporting requirement of GASB No. 68 related to net pension liabilities.

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The School District's revenues are determined in large part by the Florida Legislature and Governor. Funding per student is set as part of the State's annual budget approval. Local school board taxing authority is also governed at the state level with the Legislature dictating the largest component of school property taxes, known as the Required Local Effort (RLE), and through statutory caps that limit the remaining components of the school levy. The fiscal year 2018 state budget provided Florida school districts with a disappointing $100 (1.3%) increase in funding per student compared to a 3.9% projected growth in the State general revenue forecast. The increase for Palm Beach is slightly higher due to an increase in the District cost differential and local tax levies. District-wide enrollment is expected to increase approximately 2,800 students. It is no surprise that Florida continues to rank in the bottom quartile of the nation in terms of education funding. Although the State economy continues to improve, funding for K-12 education is not expected to grow proportionally due to competition with other budget drivers including legislative tax cuts that reduce the RLE to the "rolled back rate", increasing Medicaid demands, and the needs of higher education.

With limited new funds allocated by the state, the primary goal of this, and future budget cycles, is to optimize existing resources. Last year, the District partnered with Educational Resource Strategies (ERS) to perform a comprehensive ten-month review of how we allocate our resources – people, time, and money. The findings from ERS helped to identify three areas of focus necessary to meet the long-term outcomes identified in the District's Strategic Plan including cultivating great teachers, reallocating resources within English Language Learners (ELL) and Students with Disabilities, and increasing supports for the lowest-performing schools. Staff is currently assessing methodologies to differentiate staffing ratios based on proficiency and instructional time.

The District’s .25 mill property tax levy for operations was approved by the voters for another four years in 2014, from fiscal year 2016 through fiscal year 2019. For fiscal year 2018, the .25 mills is expected to generate $47.5 million in revenue. The revenue is designated for art, music, and physical education instruction, choice programs, and career academies.

In recent years, districts throughout Florida have been hard hit by the reduction in local capital outlay taxing authority and the decline in property values. While property values continue to recover, the 2008 and 2009 Florida Legislature reduced the capital millage authority of local school boards to 1.5 mills from 2.0 mills. Over time, the substantial loss of capital revenue crippled the ability of school districts to meet school facility maintenance, classroom technology, and bus fleet demands.
Voters in Palm Beach County stepped up in November 2016 to address this significant shortfall by increasing the local sales tax by one penny in order to address the backlog of critical capital needs including school security and safety, classroom technology, and safe and reliable school buses. The District is anticipated to receive $1.345 billion over the next 10 years. Although the passage of HB 7069, this legislative cycle, has again exacerbated the problem by requiring districts to provide charter schools a pro-rata share of local capital outlay millage funding. Without additional funds to compensate for the loss in revenue, an estimated $230 million over the next ten years, the District will again face a backlog of critical capital needs.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

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

Michael J. Burke, Chief Financial Officer
The School District of Palm Beach County, Florida
3328 Forest Hill Boulevard, Suite C-316
West Palm Beach, FL  33406

Visit our website at:

http://www.palmbeachschools.org/

View an electronic copy of our CAFR at:

http://www.palmbeachschools.org/accounting/
# Statement of Net Position

**June 30, 2017**

(Amounts expressed in thousands)

## Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Primary Government</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$ 794,014</td>
<td></td>
</tr>
<tr>
<td>Ad Valorem and Sales Taxes receivable</td>
<td>44,342</td>
<td></td>
</tr>
<tr>
<td>Accounts, deposits and interest receivable</td>
<td>889</td>
<td></td>
</tr>
<tr>
<td>Due from other governments or agencies</td>
<td>28,891</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>13,201</td>
<td></td>
</tr>
<tr>
<td>Restricted assets (cash with fiscal agent)</td>
<td>2,885</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>5,935</td>
<td></td>
</tr>
<tr>
<td>Capital assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>342,380</td>
<td></td>
</tr>
<tr>
<td>Construction in progress</td>
<td>3,656</td>
<td></td>
</tr>
<tr>
<td>Improvements other than buildings</td>
<td>58,834</td>
<td></td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>4,172,921</td>
<td></td>
</tr>
<tr>
<td>Furniture, fixtures and equipment</td>
<td>129,525</td>
<td></td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>118,641</td>
<td></td>
</tr>
<tr>
<td>Audio/video materials and software</td>
<td>40,278</td>
<td></td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(1,577,471)</td>
<td></td>
</tr>
<tr>
<td>Total capital assets, net of depreciation</td>
<td>($1,577,471)</td>
<td></td>
</tr>
</tbody>
</table>

**Total Assets**: $4,178,921

## Deferred Outflows of Resources

<table>
<thead>
<tr>
<th>Description</th>
<th>Primary Government</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated decreases in fair value of hedging derivatives</td>
<td>61,946</td>
<td></td>
</tr>
<tr>
<td>Deferred loss on debt refunding</td>
<td>61,781</td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>378,156</td>
<td></td>
</tr>
</tbody>
</table>

**Total Deferred Outflows of Resource**: $501,883

## Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>Primary Government</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and contracts payable</td>
<td>37,678</td>
<td></td>
</tr>
<tr>
<td>Accrued payroll and payroll deductions</td>
<td>85,425</td>
<td></td>
</tr>
<tr>
<td>Current notes payable</td>
<td>115,000</td>
<td></td>
</tr>
<tr>
<td>Retainage payable on contracts</td>
<td>256</td>
<td></td>
</tr>
<tr>
<td>Deposits payable</td>
<td>365</td>
<td></td>
</tr>
<tr>
<td>Interest payable</td>
<td>35,578</td>
<td></td>
</tr>
<tr>
<td>Unearned revenue</td>
<td>1,455</td>
<td></td>
</tr>
<tr>
<td>Portion due or payable within one year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans/note payable</td>
<td>8,454</td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>1,543</td>
<td></td>
</tr>
<tr>
<td>Liability for compensated absences</td>
<td>15,654</td>
<td></td>
</tr>
<tr>
<td>Certificates of participation payable</td>
<td>76,850</td>
<td></td>
</tr>
<tr>
<td>Borrowing-swap upfront payment</td>
<td>229</td>
<td></td>
</tr>
<tr>
<td>Estimated claims</td>
<td>26,560</td>
<td></td>
</tr>
<tr>
<td>Portion due or payable after one year:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans/note payable</td>
<td>15,031</td>
<td></td>
</tr>
<tr>
<td>Bonds payable</td>
<td>11,104</td>
<td></td>
</tr>
<tr>
<td>Liability for compensated absences</td>
<td>170,046</td>
<td></td>
</tr>
<tr>
<td>Certificates of participation payable</td>
<td>1,470,245</td>
<td></td>
</tr>
<tr>
<td>Borrowing-swap upfront payment</td>
<td>2,201</td>
<td></td>
</tr>
<tr>
<td>Derivative instrument - Hedging</td>
<td>61,946</td>
<td></td>
</tr>
<tr>
<td>Estimated claims</td>
<td>35,468</td>
<td></td>
</tr>
<tr>
<td>Other post-employment benefits obligation</td>
<td>111,919</td>
<td></td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>965,450</td>
<td></td>
</tr>
</tbody>
</table>

**Total Liabilities**: $3,248,457

## Deferred Inflows of Resources

<table>
<thead>
<tr>
<th>Description</th>
<th>Primary Government</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension</td>
<td>36,952</td>
<td></td>
</tr>
</tbody>
</table>

**Total Deferred Inflows of Resources**: $36,952

## Net Position

<table>
<thead>
<tr>
<th>Description</th>
<th>Primary Government</th>
<th>Governmental Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Investment in capital assets</td>
<td>1,756,568</td>
<td></td>
</tr>
<tr>
<td>Restricted for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Categorical carryover programs</td>
<td>4,010</td>
<td></td>
</tr>
<tr>
<td>Debt service</td>
<td>88,145</td>
<td></td>
</tr>
<tr>
<td>Capital projects</td>
<td>183,212</td>
<td></td>
</tr>
<tr>
<td>School food service</td>
<td>25,568</td>
<td></td>
</tr>
<tr>
<td>Other purposes (See Footnote 14)</td>
<td>19,068</td>
<td></td>
</tr>
<tr>
<td>Unrestricted (deficit)</td>
<td>(681,176)</td>
<td></td>
</tr>
</tbody>
</table>

**Total Net Position**: $1,395,395

The notes to the financial statements are an integral part of this statement.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017  
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Functions/Programs</th>
<th>Expenses</th>
<th>Program Revenues</th>
<th>Operating</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Charges for Services</td>
<td>Grants and Contributions</td>
<td>Grants and Contributions</td>
</tr>
<tr>
<td>Primary government:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governmental activities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>$1,154,360</td>
<td>$2,334</td>
<td>$327,887</td>
<td>$5,329</td>
</tr>
<tr>
<td>Instructional support services</td>
<td>173,946</td>
<td>-</td>
<td>57,239</td>
<td>-</td>
</tr>
<tr>
<td>Board</td>
<td>7,468</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General administration</td>
<td>10,449</td>
<td>-</td>
<td>3,314</td>
<td>-</td>
</tr>
<tr>
<td>School administration</td>
<td>107,027</td>
<td>-</td>
<td>5,581</td>
<td>-</td>
</tr>
<tr>
<td>Facilities acquisition and construction</td>
<td>20,761</td>
<td>-</td>
<td>-</td>
<td>8,509</td>
</tr>
<tr>
<td>Fiscal services</td>
<td>6,853</td>
<td>-</td>
<td>104</td>
<td>-</td>
</tr>
<tr>
<td>Food services</td>
<td>89,897</td>
<td>13,465</td>
<td>76,193</td>
<td>-</td>
</tr>
<tr>
<td>Central services</td>
<td>16,052</td>
<td>-</td>
<td>788</td>
<td>-</td>
</tr>
<tr>
<td>Student transportation services</td>
<td>54,396</td>
<td>709</td>
<td>27,342</td>
<td>-</td>
</tr>
<tr>
<td>Operation of plant</td>
<td>126,506</td>
<td>-</td>
<td>5,422</td>
<td>-</td>
</tr>
<tr>
<td>Maintenance of plant</td>
<td>73,741</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Administrative technology services</td>
<td>7,644</td>
<td>-</td>
<td>1,883</td>
<td>5,490</td>
</tr>
<tr>
<td>Community services</td>
<td>43,149</td>
<td>37,872</td>
<td>6,063</td>
<td>-</td>
</tr>
<tr>
<td>Interest on long-term debt</td>
<td>62,739</td>
<td>-</td>
<td>-</td>
<td>2,869</td>
</tr>
<tr>
<td>Unallocated depreciation expense</td>
<td>107,633</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amortization expense</td>
<td>109</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total primary government governmental activities</strong></td>
<td><strong>$2,062,730</strong></td>
<td><strong>$54,380</strong></td>
<td><strong>$511,816</strong></td>
<td><strong>$22,197</strong></td>
</tr>
</tbody>
</table>

General revenues:  
Taxes:  
Property taxes, levied for general purposes  
Property taxes, levied for capital projects  
Local sales taxes  
Grants and entitlements not restricted to specific programs  
Investment earnings  
Other  
Total general revenues  
Change in net position  
Net Position—beginning  
Net Position—ending

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net (Expense) Revenue and Changes in Net Position</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Primary Government Governmental Activities</strong></td>
<td></td>
</tr>
<tr>
<td>$</td>
<td>(818,810)</td>
</tr>
<tr>
<td></td>
<td>(116,707)</td>
</tr>
<tr>
<td></td>
<td>(7,468)</td>
</tr>
<tr>
<td></td>
<td>(7,135)</td>
</tr>
<tr>
<td></td>
<td>(101,446)</td>
</tr>
<tr>
<td></td>
<td>(12,252)</td>
</tr>
<tr>
<td></td>
<td>(6,749)</td>
</tr>
<tr>
<td></td>
<td>(239)</td>
</tr>
<tr>
<td></td>
<td>(15,264)</td>
</tr>
<tr>
<td></td>
<td>(26,345)</td>
</tr>
<tr>
<td></td>
<td>(121,084)</td>
</tr>
<tr>
<td></td>
<td>(73,741)</td>
</tr>
<tr>
<td></td>
<td>(271)</td>
</tr>
<tr>
<td></td>
<td>786</td>
</tr>
<tr>
<td></td>
<td>(59,870)</td>
</tr>
<tr>
<td></td>
<td>(107,633)</td>
</tr>
<tr>
<td></td>
<td>(109)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(1,474,337)</td>
</tr>
</tbody>
</table>

|                                | 959,828       |
|                                | 258,379       |
|                                | 65,783        |
|                                | 228,152       |
|                                | 6,047         |
|                                | 40,947        |
| **Total**                      | 1,559,136     |

|                                | 84,799        |
|                                | 1,310,596     |
| **Total**                      | 1,395,395     |
### THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

**JUNE 30, 2017**

(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>GENERAL FUND</th>
<th>COPS DEBT SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$325,406</td>
<td>$116,492</td>
</tr>
<tr>
<td>Ad Valorem and Sales taxes receivable</td>
<td>17,493</td>
<td>-</td>
</tr>
<tr>
<td>Accounts and interest receivable</td>
<td>889</td>
<td>-</td>
</tr>
<tr>
<td>Due from other governments or agencies</td>
<td>6,470</td>
<td>-</td>
</tr>
<tr>
<td>Due from other funds</td>
<td>8,460</td>
<td>-</td>
</tr>
<tr>
<td>Inventories</td>
<td>7,969</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>15</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>366,702</td>
<td>116,492</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
</tr>
<tr>
<td>Accounts and contracts payable</td>
</tr>
<tr>
<td>Accrued payroll and payroll deductions</td>
</tr>
<tr>
<td>Tax anticipation notes payable</td>
</tr>
<tr>
<td>Accrued interest payable</td>
</tr>
<tr>
<td>Due to other funds</td>
</tr>
<tr>
<td>Retainage payable on contracts</td>
</tr>
<tr>
<td>Deposits payable</td>
</tr>
<tr>
<td>Unearned revenue</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
</tr>
</tbody>
</table>

| DEFERRED INFLOWS OF RESOURCES                                 |               |
| Unavailable Revenue                                           | 2,200         | -                 |
| **TOTAL DEFERRED INFLOWS OF RESOURCES**                       | 2,200         | -                 |

| FUND BALANCES                                                  |               |
| Nonspendable                                                   | 7,969         | -                 |
| Restricted                                                     | 20,378        | 116,416           |
| Committed                                                      | -             | -                 |
| Assigned                                                       | 58,199        | -                 |
| Unassigned                                                     | 52,000        | -                 |
| **TOTAL FUND BALANCES**                                       | 138,546       | 116,416           |

| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES |               |
| $366,702                                                          | $116,492      |

The notes to the financial statements are an integral part of this statement.
## Other Non-Major Governmental Funds

<table>
<thead>
<tr>
<th>Capital Improvement</th>
<th>Other Non-Major Governmental Funds</th>
<th>Total Governmental Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>$53,219</td>
<td>$138,776</td>
<td>$633,893</td>
</tr>
<tr>
<td>$4,711</td>
<td>22,138</td>
<td>44,342</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>889</td>
</tr>
<tr>
<td>-</td>
<td>20,232</td>
<td>26,702</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>8,460</td>
</tr>
<tr>
<td>-</td>
<td>5,232</td>
<td>13,201</td>
</tr>
<tr>
<td>-</td>
<td>22</td>
<td>37</td>
</tr>
<tr>
<td><strong>57,930</strong></td>
<td><strong>186,400</strong></td>
<td><strong>727,524</strong></td>
</tr>
</tbody>
</table>

|                | 2,153                             | 11,677                   |
|                | -                                 | 5,760                    |
|                | -                                 | -                        |
|                | -                                 | 115,000                  |
|                | -                                 | -                        |
|                | -                                 | 1,648                    |
|                | 182                               | 74                       |
|                | -                                 | 8,460                    |
|                | -                                 | -                        |
|                | -                                 | 1,231                    |
| **2,335**      | **27,202**                        | **255,569**              |

|                | -                                 | 238                      |
|                | -                                 | 238                      |

|                | 5,232                             | 13,201                   |
| 55,595         | 117,990                           | 310,379                  |
|                | 35                                | 35                       |
|                | 35,703                            | 93,902                   |
|                | -                                 | -                        |
| **55,595**     | **158,960**                       | **469,517**              |

| $57,930        | $186,400                          | $727,524                 |
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017
(amounts expressed in thousands)

Total Fund Balances - Governmental Funds

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

- Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.
- Bond insurance amounts related to debt issuance are reported as expenditures in the governmental funds when first incurred, however, they are included with other assets in the governmental activities in the statement of net position.
- Deferred outflow of resources are reported at the fair values of the corresponding hedging derivative instruments in the statement of net position.
- Deferred outflow of resources are reported at net carrying amount for refunding transactions in the statement of net position.
- Deferred outflows of resources related to pensions are recorded in the statement of net position.
- Expenditures for insurance and software extending over more than one accounting period not allocated between or among accounting periods, but accounted for as expenditures of the period of acquisition in the funds.
- An internal service fund is used by management to charge the costs of health premiums, worker’s compensation, auto and general liability to individual funds. The net position of the internal service fund is included in governmental activities in the statement of net position.

| Assets and Deferred Outflows of Resources | $ 165,632 |
| Liabilities and Deferred Inflows of Resources | 65,639 |
| Net position | 99,993 |

Revenues that are unavailable or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements.

Deferred inflows of resources related to pensions are recorded in the statement of net position.

Long-term liabilities are not due and payable in the current period and not reported as liabilities in the governmental funds. Long-term liabilities (net of premiums) at year-end consist of:

- Loans / Note payable: 23,485
- Bonds payable: 12,647
- Certificates of participation payable: 1,547,095
- Borrowing-swap upfront payment: 2,430
- Hedging derivative instruments: 61,946
- Compensated absences: 178,434
- Other post employment benefits: 111,813
- Net Pension Liability: 964,337
- Accrued interest on long-term debt: 33,930

Total Net Position - Governmental Activities

$ 1,395,395

The notes to the financial statements are an integral part of this statement.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>GENERAL FUND</th>
<th>COPS DEBT SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local sources:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ad valorem taxes</td>
<td>$ 959,828</td>
<td>$ -</td>
</tr>
<tr>
<td>Local sales taxes</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest income and other</td>
<td>3,867</td>
<td>119</td>
</tr>
<tr>
<td>School age child care fees</td>
<td>37,872</td>
<td>-</td>
</tr>
<tr>
<td>Food service sales</td>
<td>239</td>
<td>-</td>
</tr>
<tr>
<td>Impact fees</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Local grants and other</td>
<td>32,763</td>
<td>-</td>
</tr>
<tr>
<td>Total local sources</td>
<td>1,034,569</td>
<td>119</td>
</tr>
<tr>
<td>State sources:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florida education finance program</td>
<td>277,399</td>
<td>-</td>
</tr>
<tr>
<td>Capital outlay and debt service</td>
<td>115</td>
<td>-</td>
</tr>
<tr>
<td>Food service</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Class size reduction</td>
<td>216,754</td>
<td>-</td>
</tr>
<tr>
<td>Charter school capital outlay</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State grants and entitlements</td>
<td>34,508</td>
<td>-</td>
</tr>
<tr>
<td>Total state sources</td>
<td>528,776</td>
<td>-</td>
</tr>
<tr>
<td>Federal sources:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal grants and entitlements</td>
<td>7,987</td>
<td>-</td>
</tr>
<tr>
<td>National school lunch act</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total federal sources</td>
<td>7,987</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>1,571,332</td>
<td>119</td>
</tr>
</tbody>
</table>

|                                |              |                   |
| **EXPENDITURES:**              |              |                   |
| Current:                       |              |                   |
| Instruction                    | 1,081,637    | -                 |
| Instructional support services  | 120,022      | -                 |
| Board                          | 7,295        | -                 |
| General administration         | 7,537        | -                 |
| School administration          | 105,345      | -                 |
| Facilities acquisition and construction | 349    | -                 |
| Fiscal services                | 6,662        | -                 |
| Food services                  | 117          | -                 |
| Central services               | 15,133       | -                 |
| Student transportation services | 53,559      | -                 |
| Operation of plant             | 127,091      | -                 |
| Maintenance of plant           | 73,064       | -                 |
| Administrative technology services | 7,540     | -                 |
| Community services             | 42,298       | -                 |
| **Total Current Expenditures** | 1,647,649    | -                 |

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>CAPITAL IMPROVEMENT</th>
<th>OTHER NON-MAJOR GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 258,379</td>
<td>$ -</td>
<td>$ 1,218,207</td>
</tr>
<tr>
<td>-</td>
<td>65,783</td>
<td>65,783</td>
</tr>
<tr>
<td>977</td>
<td>435</td>
<td>5,398</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>37,872</td>
</tr>
<tr>
<td>-</td>
<td>13,226</td>
<td>13,465</td>
</tr>
<tr>
<td>-</td>
<td>6,948</td>
<td>6,948</td>
</tr>
<tr>
<td>-</td>
<td>7,884</td>
<td>40,647</td>
</tr>
<tr>
<td></td>
<td>259,356</td>
<td>94,276</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,388,320</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>277,399</td>
</tr>
<tr>
<td>-</td>
<td>7,678</td>
<td>7,793</td>
</tr>
<tr>
<td>-</td>
<td>995</td>
<td>995</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>216,754</td>
</tr>
<tr>
<td>-</td>
<td>5,329</td>
<td>5,329</td>
</tr>
<tr>
<td>-</td>
<td>10,076</td>
<td>44,584</td>
</tr>
<tr>
<td>-</td>
<td></td>
<td>24,078</td>
</tr>
<tr>
<td></td>
<td></td>
<td>552,854</td>
</tr>
<tr>
<td>-</td>
<td>122,065</td>
<td>130,052</td>
</tr>
<tr>
<td>-</td>
<td>75,187</td>
<td>75,187</td>
</tr>
<tr>
<td>-</td>
<td>197,252</td>
<td>205,239</td>
</tr>
<tr>
<td></td>
<td>259,356</td>
<td>315,606</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,146,413</td>
</tr>
<tr>
<td>15,414</td>
<td>5,396</td>
<td>21,159</td>
</tr>
<tr>
<td>-</td>
<td>104</td>
<td>6,766</td>
</tr>
<tr>
<td>-</td>
<td>89,814</td>
<td>89,931</td>
</tr>
<tr>
<td>-</td>
<td>790</td>
<td>15,923</td>
</tr>
<tr>
<td>-</td>
<td>340</td>
<td>53,899</td>
</tr>
<tr>
<td>-</td>
<td>7</td>
<td>127,098</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>73,064</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
<td>7,540</td>
</tr>
<tr>
<td>-</td>
<td>830</td>
<td>43,128</td>
</tr>
<tr>
<td></td>
<td>15,414</td>
<td>221,335</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,884,398</td>
</tr>
</tbody>
</table>

(Continued)
### GENERAL FUND DEBT SERVICE

| Capital outlay | 1,896 | - |
| Debt service: |      |    |
| Retirement of principal | - | 75,205 |
| Interest | 666 | 66,252 |
| Fiscal charges | - | 219 |
| **TOTAL EXPENDITURES** | 1,650,211 | 141,676 |

### EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES

|                      | (78,879) | (141,557) |

### OTHER FINANCING SOURCES (USES):

<table>
<thead>
<tr>
<th></th>
<th>GENERAL FUND</th>
<th>COPS DEBT SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfers in</td>
<td>90,260</td>
<td>139,180</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(92)</td>
<td>-</td>
</tr>
<tr>
<td>Issuance of long-term and refunded debt</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net premium (discount) from issuance of long-term and refunded debt</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Payments to refunded debt escrow agent</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds from loss recoveries</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>Sale of capital assets and other</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES (USES)</strong></td>
<td>90,175</td>
<td>139,180</td>
</tr>
</tbody>
</table>

### NET CHANGE IN FUND BALANCES

<table>
<thead>
<tr>
<th></th>
<th>GENERAL FUND</th>
<th>COPS DEBT SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11,296</td>
<td>(2,377)</td>
</tr>
</tbody>
</table>

### FUND BALANCES, JULY 1, 2016

<table>
<thead>
<tr>
<th></th>
<th>GENERAL FUND</th>
<th>COPS DEBT SERVICE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>127,250</td>
<td>118,793</td>
</tr>
</tbody>
</table>

### FUND BALANCES, JUNE 30, 2017

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 138,546</td>
<td>$ 116,416</td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>CAPITAL IMPROVEMENT</th>
<th>OTHER NON-MAJOR GOVERNMENTAL FUNDS</th>
<th>TOTAL GOVERNMENTAL FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>4,572</td>
<td>19,310</td>
<td>25,778</td>
</tr>
<tr>
<td></td>
<td>10,678</td>
<td>85,883</td>
</tr>
<tr>
<td></td>
<td>4,624</td>
<td>71,542</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>231</td>
</tr>
<tr>
<td>19,986</td>
<td>255,959</td>
<td>2,067,832</td>
</tr>
<tr>
<td></td>
<td>9,418</td>
<td>238,858</td>
</tr>
<tr>
<td></td>
<td>(14,858)</td>
<td>(238,858)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>224</td>
<td>224</td>
</tr>
<tr>
<td></td>
<td>(5,216)</td>
<td>231</td>
</tr>
<tr>
<td>15,462</td>
<td>54,431</td>
<td>78,812</td>
</tr>
<tr>
<td>40,133</td>
<td>104,529</td>
<td>390,705</td>
</tr>
<tr>
<td></td>
<td>$ 55,595</td>
<td>$ 158,960</td>
</tr>
</tbody>
</table>

(Concluded)
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017
(amounts expressed in thousands)

Total net change in fund balances - governmental funds $ 78,812

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense ($107,633) in excess of capitalized capital outlay ($26,255) in the current period. (81,378)

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

| Bond Insurance Cost Amortization | (109) |
| Debt Refunding Amortization | (6,349) |
| Premium/Discount Amortization | 13,414 |

Investment loss related to derivative instruments reported in the statement of activities that are not reported as revenue in the governmental funds (25)

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 2,803

Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual. (2,324)

Repayment of notes / loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 8,361

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 77,522

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (480)

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

| Prepaid Insurance & Software | (259) |
| Compensated Absences | (2,287) |
| Other Post Employment Benefits | (4,433) |
| Pension Expense | (38,740) |
| Borrowing-SWAP | 228 |
| Accrued Interest on Long-Term Debt | 1,742 |

An internal service fund is used by management to charge the costs of self insurance claims (including health, workers compensation, auto and general liability) to individual funds. The net income of the internal service fund is reported with governmental activities. 38,301

Change in net position of governmental activities $ 84,799

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th></th>
<th>Budgeted Amounts</th>
<th>Actual</th>
<th>Variances - Positive (Negative)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original</td>
<td>Final</td>
<td>(Budgetary Basis)</td>
</tr>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local sources</td>
<td>$1,021,613</td>
<td>$1,034,568</td>
<td>$1,034,569</td>
</tr>
<tr>
<td>State sources</td>
<td>513,081</td>
<td>528,776</td>
<td>528,776</td>
</tr>
<tr>
<td>Federal sources</td>
<td>3,807</td>
<td>7,987</td>
<td>7,987</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>1,538,501</td>
<td>1,571,332</td>
<td>1,571,332</td>
</tr>
<tr>
<td><strong>EXPENDITURES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>1,126,207</td>
<td>1,146,281</td>
<td>1,084,027</td>
</tr>
<tr>
<td>Instructional support services</td>
<td>119,428</td>
<td>122,074</td>
<td>120,039</td>
</tr>
<tr>
<td>Board</td>
<td>7,743</td>
<td>8,013</td>
<td>7,302</td>
</tr>
<tr>
<td>General administration</td>
<td>7,476</td>
<td>7,625</td>
<td>7,537</td>
</tr>
<tr>
<td>School administration</td>
<td>99,517</td>
<td>105,578</td>
<td>105,347</td>
</tr>
<tr>
<td>Facilities acquisition and construction</td>
<td>497</td>
<td>717</td>
<td>349</td>
</tr>
<tr>
<td>Fiscal services</td>
<td>6,768</td>
<td>7,048</td>
<td>6,662</td>
</tr>
<tr>
<td>Food Services</td>
<td>17</td>
<td>120</td>
<td>117</td>
</tr>
<tr>
<td>Central services</td>
<td>14,987</td>
<td>15,617</td>
<td>15,147</td>
</tr>
<tr>
<td>Student transportation services</td>
<td>52,743</td>
<td>53,656</td>
<td>53,585</td>
</tr>
<tr>
<td>Operation of plant</td>
<td>133,281</td>
<td>135,405</td>
<td>127,099</td>
</tr>
<tr>
<td>Maintenance of plant</td>
<td>79,316</td>
<td>73,569</td>
<td>73,731</td>
</tr>
<tr>
<td>Administrative Technology Services</td>
<td>7,916</td>
<td>7,871</td>
<td>7,540</td>
</tr>
<tr>
<td>Community services</td>
<td>50,794</td>
<td>52,516</td>
<td>42,480</td>
</tr>
<tr>
<td>Debt service</td>
<td>577</td>
<td>667</td>
<td>666</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>1,707,267</td>
<td>1,736,757</td>
<td>1,651,628</td>
</tr>
<tr>
<td><strong>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</strong></td>
<td>(168,766)</td>
<td>(165,426)</td>
<td>(80,296)</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES (USES):</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers in</td>
<td>93,600</td>
<td>90,261</td>
<td>90,260</td>
</tr>
<tr>
<td>Transfers out</td>
<td>(84)</td>
<td>(92)</td>
<td>(92)</td>
</tr>
<tr>
<td>Proceeds from loss recoveries</td>
<td>-</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td><strong>TOTAL OTHER FINANCING SOURCES</strong></td>
<td>93,516</td>
<td>90,176</td>
<td>90,175</td>
</tr>
<tr>
<td><strong>NET CHANGE IN FUND BALANCE</strong></td>
<td>$ (75,250)</td>
<td>$ (75,250)</td>
<td>9,879</td>
</tr>
<tr>
<td><strong>FUND BALANCE, JULY 1, 2016 (GAAP BASIS)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FUND BALANCE, JUNE 30, 2017 (BUDGETARY BASIS)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjustment To Conform With GAAP:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elimination of encumbrances</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>FUND BALANCE, JUNE 30, 2017 (GAAP BASIS)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2017
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
</tr>
<tr>
<td>Current Assets:</td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$ 160,121</td>
</tr>
<tr>
<td>Due from other agencies</td>
<td>2,189</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>162,310</td>
</tr>
<tr>
<td>Noncurrent Assets:</td>
<td></td>
</tr>
<tr>
<td>Restricted cash</td>
<td>2,885</td>
</tr>
<tr>
<td>Total Noncurrent Assets</td>
<td>2,885</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 165,195</td>
</tr>
<tr>
<td>DEFERRED OUTFLOWS OF RESOURCES</td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>$ 437</td>
</tr>
<tr>
<td>Total Deferred Outflows of Resources</td>
<td>$ 437</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>Current liabilities:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$ 2,084</td>
</tr>
<tr>
<td>Accrued payroll and payroll deductions</td>
<td>43</td>
</tr>
<tr>
<td>Portion due or payable within one year:</td>
<td></td>
</tr>
<tr>
<td>Estimated unpaid claims</td>
<td>26,560</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>28,687</td>
</tr>
<tr>
<td>Noncurrent liabilities:</td>
<td></td>
</tr>
<tr>
<td>Portion due or payable after one year:</td>
<td></td>
</tr>
<tr>
<td>Liability for compensated absences</td>
<td>222</td>
</tr>
<tr>
<td>Estimated unpaid claims</td>
<td>35,468</td>
</tr>
<tr>
<td>Other post-employment benefits obligation</td>
<td>106</td>
</tr>
<tr>
<td>Pension</td>
<td>1,113</td>
</tr>
<tr>
<td>Total Noncurrent Liabilities</td>
<td>36,909</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>$ 65,596</td>
</tr>
<tr>
<td>DEFERRED INFLOWS OF RESOURCES</td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>$ 43</td>
</tr>
<tr>
<td>Total Deferred Inflows of Resources</td>
<td>$ 43</td>
</tr>
<tr>
<td>NET POSITION</td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>$ 99,993</td>
</tr>
</tbody>
</table>
### THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

**PROPRIETARY FUND**

**FOR THE YEAR ENDED JUNE 30, 2017**

(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Internal Service Fund</th>
</tr>
</thead>
</table>

#### OPERATING REVENUES:
- Premium revenue $246,172
- Pharmacy Rebates 10,580
- Other operating revenue 1,027

**TOTAL OPERATING REVENUES** $257,779

#### OPERATING EXPENSES:
- Salaries 1,212
- Benefits 1,062
- Purchased services 495
- Claims and other expenses 217,383

**TOTAL OPERATING EXPENSES** $220,152

#### OPERATING INCOME
37,627

#### NONOPERATING REVENUES:
- Interest and other income 674

**TOTAL NONOPERATING REVENUES** 674

#### CHANGE IN NET POSITION
38,301

#### NET POSITION - Beginning of year
61,692

#### NET POSITION - End of year $99,993

The notes to the financial statements are an integral part of this statement.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th>Governmental Activities</th>
<th>Internal Service Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
</tr>
<tr>
<td>Cash receipts from interfund services provided</td>
<td>$246,172</td>
</tr>
<tr>
<td>Cash payments for claims and administration</td>
<td>(217,963)</td>
</tr>
<tr>
<td>Cash receipts for pharmacy rebates</td>
<td>10,580</td>
</tr>
<tr>
<td>Cash payments for salaries and benefits</td>
<td>(1,589)</td>
</tr>
<tr>
<td>Other receipts</td>
<td>5,550</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>42,750</td>
</tr>
</tbody>
</table>

CASH FLOWS FROM INVESTING ACTIVITIES:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and other income</td>
<td>674</td>
</tr>
<tr>
<td>Net cash provided by investing activities</td>
<td>674</td>
</tr>
</tbody>
</table>

Net increase in cash and cash equivalents | 43,424 |
Cash and cash equivalents, beginning of year* | 119,582 |
Cash and cash equivalents, end of year* | $163,006 |

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>$37,627</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided by operating activities:</td>
<td></td>
</tr>
<tr>
<td>Changes in assets and liabilities:</td>
<td></td>
</tr>
<tr>
<td>Increase in due from other agencies</td>
<td>307</td>
</tr>
<tr>
<td>Decrease in payroll and payroll deductions</td>
<td>(34)</td>
</tr>
<tr>
<td>Decrease in accounts payable</td>
<td>(85)</td>
</tr>
<tr>
<td>Increase in pension</td>
<td>719</td>
</tr>
<tr>
<td>Increase in estimated unpaid claims</td>
<td>4,216</td>
</tr>
<tr>
<td>Total adjustments</td>
<td>5,123</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>$42,750</td>
</tr>
</tbody>
</table>

*Includes Restricted Cash

The notes to the financial statements are an integral part of this statement.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>PRIVATE-PURPOSE TRUST FUND</th>
<th>AGENCY FUND</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FLORIDA FUTURE EDUCATORS OF AMERICA</td>
<td>SCHOOL INTERNAL FUNDS</td>
</tr>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents and investments</td>
<td>$335</td>
<td>$18,936</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>1,248</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>$335</td>
<td>$20,184</td>
</tr>
<tr>
<td>LIABILITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$-</td>
<td>$249</td>
</tr>
<tr>
<td>Due to student organizations</td>
<td>-</td>
<td>19,935</td>
</tr>
<tr>
<td>TOTAL LIABILITIES</td>
<td></td>
<td>$20,184</td>
</tr>
<tr>
<td>NET POSITION</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held in trust for scholarships</td>
<td>335</td>
<td></td>
</tr>
<tr>
<td>TOTAL NET POSITION</td>
<td>$335</td>
<td></td>
</tr>
</tbody>
</table>

The notes to the financial statements are an integral part of this statement.
<table>
<thead>
<tr>
<th>PRIVATE-PURPOSE TRUST FUND</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FLORIDA FUTURE EDUCATORS OF AMERICA</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FLORIDA FUTURE EDUCATORS OF AMERICA</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADDITIONS</td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td>$ 111</td>
</tr>
<tr>
<td>Interest</td>
<td>2</td>
</tr>
<tr>
<td>TOTAL ADDITIONS</td>
<td></td>
</tr>
<tr>
<td></td>
<td>113</td>
</tr>
</tbody>
</table>

| DEDUCTIONS |                                     |
| Scholarships | 45                               |
| TOTAL DEDUCTIONS |                                |
|               | 45                                 |

| CHANGE IN NET POSITION | 68 |
| NET POSITION - Beginning of year | 267 |
| NET POSITION - End of year | $ 335 |

The notes to the financial statements are an integral part of this statement.
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

For financial reporting purposes, the accompanying financial statements include all of the operations over which the District is financially accountable. The District is financially accountable for organizations that make up its legal entity, as well as legally separate organizations that meet certain criteria. In accordance with GASB 14, “The Financial Reporting Entity,” as amended by GASB 39, “Determining Whether Certain Organizations Are Component Units” and GASB 61, “The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34”, the criteria for inclusion in the reporting entity involve those cases where the District or its officials appoint a voting majority of an organization’s governing body, and are either able to impose its will on the organization and there is a potential for the organization to provide specific financial benefits to or to impose specific financial burdens on the District or the nature and significance of the relationship between the District and the organization is such that exclusion would cause the District’s financial statements to be incomplete. Applying this definition, District management has determined that the component unit and/or joint venture reportable within the accompanying financial statements is the Palm Beach School Board Leasing Corporation (the “Corporation”).

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

Based on assessing the criteria for classifying entities as component units under GASB 61, charter schools do not qualify as part of the District’s Reporting Entity and will not be reported as discretely presented component units.

Since the District is independent of and is not financially accountable for other governmental units or civic entities, these financial statements represent the operations of the District, the Corporation, as well as all of the funds of the District as a governmental unit.

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The District eliminates from the Statement of Net Position and the Statement of Activities all interfund
receivables and payables and transfers between funds as well as the transactions associated with its Internal Service Funds.

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

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

**Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and presented in a single column. Internal Service Funds are aggregated and presented in a single column on the face of the Proprietary Fund statements. Fiduciary Funds are reported by fund type.

The Governmental Funds are accounted for on the “flow of current financial resources” measurement focus. Governmental fund financial statements are prepared using the current financial resource measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The Proprietary Fund is accounted for on an “economic resources” measurement focus. Accordingly, the Statement of Revenues, Expenses and Changes in Fund Net Position for the Proprietary Fund reports increases and decreases in total economic net worth. The private purpose trust fund is reported using the economic resources measurement focus.

**GOVERNMENTAL FUNDS**

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

**General Fund**

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

**COPS Debt Service Fund**

The COPS Debt Service Fund accounts for the repayment of the certificates of participation.
Capital Improvement Fund
The Capital Improvement Fund accounts for locally received funds, primarily ad valorem tax revenue, and funds are used to service COPs debt.

Other Non-Major Governmental Funds
The Other Non-Major Governmental Funds are a summary of all the non-major government Funds.

Proprietary Funds
The Proprietary Fund is used to account for ongoing activities where the intent is that charges made to users will cover the costs of the services provided. The measurement focus is upon the determination of net income. The only Proprietary Fund that the District has is its Internal Service Funds. A Proprietary Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses for Internal Service Funds include salaries, benefits, administrative expenses, and claims paid. All items not meeting this definition are reported as nonoperating revenues and expenses.

Internal Service Fund
Internal Service Fund is used to account for the financing of goods and services provided by one department to another on a cost reimbursement basis. The District has two Internal Service Funds, one for group health and one for worker's compensation, general and auto liability claims. The District has fully funded the workers compensation and claims insurance fund. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund.

Fiduciary Funds
Fiduciary Funds are used to account for assets held by the District on behalf of outside related organizations or on behalf of other funds within the District. The Fiduciary Funds are prepared under the economic resources measurement focus and the accrual basis of accounting.

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

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

Basis of Accounting
Basis of accounting determines when transactions are recognized in the financial records and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and Fiduciary Funds use the accrual basis of accounting.

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

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

**Accrual**

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

**Revenue Recognition**

**Program Revenues** – Amounts reported as 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. 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.

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

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

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

**Federal Revenue Sources** – The District receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

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

**C. Budgetary Policies**

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

Annual budgets are legally adopted for all funds except the Fiduciary Funds. The budget amounts for revenues and expenditures reflect all amendments to the original budget with the final amendment approved by the Board on September 6, 2017. Significant dates in the budgeting timetable follow:

1. The Palm Beach County Property Appraiser certifies to the District the taxable value of all nonexempt District property by July 1 of each year, or the Clerk of the Circuit Court is required to certify an interim tax roll.

2. Within 24 days of tax roll certification, the Board considers and approves for advertising a tentative budget.

3. Within 29 days after tax roll certification, the District advertises the tentative budget and the millage rates therein.

4. A public hearing to adopt the tentative budget and proposed millage rate is held not less than two nor more than five days after the budget is advertised.

5. Within 35 days of tax roll certification, the District notifies the Palm Beach County Property Appraiser of proposed millage rates.

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

The major functional level is the legal level of budgetary control. Per Board policy, management is authorized to make budget amendments at function level with Board approval. All interim budget amendments between major functional areas within each fund are submitted to the Board for approval. Federal and State grant budget amendments which require State approval prior to processing are also submitted to the Board for approval with monthly amendments.

Unreserved appropriations are cancelled at the end of the fiscal year. However, encumbered appropriations for funds do not lapse at the end of the fiscal year. Restricted, committed and assigned fund balances at June 30, 2017 for funds under budgetary control have been re-appropriated for the fiscal year 2018 operating budget within the appropriate fund. Programs restricted for carryover include all State categorical grants required to be expended on specific programs and District approved carryover programs.
D. Encumbrances

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

E. Cash, Cash Equivalents and Investments

The District maintains a Treasurer’s pool for the District’s cash and investments. Each fund’s portion of the pool is presented on the financial statements. Investments recorded at fair value consist of direct obligations of the United States Treasury, U.S. Government Agency Securities, U.S. Government sponsored agencies, investing in U.S. Treasury Securities, AAA rated local government investment pools, corporate notes, U.S. Government Supported Corporate Debt, and other investments allowable by the District’s investment policy. The District categorizes its investments according to the fair value hierarchy established by GASB Statement No. 72. The hierarchy is based on observable and unobservable inputs used in establishing the fair value of a financial asset or liability. All money market mutual funds are AAA rated by the various rating agencies and each fund is registered as a 2a-7 fund with the SEC and recorded at amortized cost. Rule 2a-7 of the Investment Company Act of 1940, comprises the rules governing money market funds. For purposes of the statement of cash flows, cash equivalents are considered to be the money market funds and all highly liquid investments with a maturity of three months or less when purchased.

F. Inventories

Inventories are valued at the lower of cost or net realizable value, using the average cost method. The District’s inventories include various items consisting of school supplies, paper, textbooks, fuel, commodities, etc. USDA commodities received from the Federal government are recorded at the value established by the Federal government using the average cost method. Inventorial items are recorded as expenditures when shipped to schools and department offices (the consumption method). The nonspendable fund balance at the governmental fund level is equal to the amount of inventories at year-end to indicate the portion of the governmental fund balances that are nonspendable.

G. Prepaid Items

Expenditures for insurance and similar services extending over more than one accounting period are not allocated between or among accounting periods in the governmental funds and are instead accounted for as expenditures in the period of acquisition (Purchase method). In the Government-Wide financial statements these amounts are reported as other assets and will be charged to expense in the period used or consumed.

H. Capital Assets

Capital assets represent the cumulative amount of capital assets owned and in use by the District. Purchased assets are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position. Gifts or contributions are recorded at estimated acquisition value at the time received. The District’s capitalization levels are $1,000 on tangible personal property, $100,000 on building improvements, $50,000 on improvements other than buildings and $100,000 on intangible assets. Other costs incurred for repairs and maintenance is expensed as incurred. All reported capital assets except land and construction in progress are depreciated.
Depreciation is computed using the straight-line method over the following estimated useful lives:

<table>
<thead>
<tr>
<th>Description</th>
<th>Estimated Lives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture, Fixtures and Equipment</td>
<td>3 – 15 years</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>5 – 10 years</td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>3 – 5 years</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>15 – 50 years</td>
</tr>
<tr>
<td>Improvements Other Than Buildings</td>
<td>15 years</td>
</tr>
<tr>
<td>Intangibles</td>
<td>5 years</td>
</tr>
</tbody>
</table>

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position has a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item is accumulated decrease in fair value of hedging derivatives (See Note 11). A second item is the net carrying amount of debt refunding reported in the government-wide statement of net position. A deferred loss on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or new refunding debt. A third item, in accordance with GASB 68, reports pension related deferred outflows of resources and deferred inflows of resources on its financial statements (see footnote 12 for additional information).

On the Government-Wide financial statements Deferred Outflows of Resources activity for fiscal year ended June 30, 2017 is as follows (in thousands):

<table>
<thead>
<tr>
<th>Deferred Outflows of Resources</th>
<th>Ending Balance</th>
<th>Increase</th>
<th>Decrease</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>June 30, 2016</td>
<td></td>
<td></td>
<td>June 30, 2017</td>
</tr>
<tr>
<td>Accumulated Decrease in Fair Value of Hedging Derivatives</td>
<td></td>
<td></td>
<td>- $ 29,130</td>
<td>$ 61,946</td>
</tr>
<tr>
<td>Deferred Loss on Debt Refunding</td>
<td>68,131</td>
<td></td>
<td>$ 6,350</td>
<td>61,781</td>
</tr>
<tr>
<td>Pension Related - FRS (see footnote 12)</td>
<td>113,703</td>
<td>241,355</td>
<td>60,417</td>
<td>294,641</td>
</tr>
<tr>
<td>Pension Related - HIS (see footnote 12)</td>
<td>46,158</td>
<td>54,536</td>
<td>17,179</td>
<td>83,515</td>
</tr>
<tr>
<td><strong>Total Outflows of Resources</strong></td>
<td>$ 319,068</td>
<td>$ 295,891</td>
<td>$ 113,076</td>
<td>$ 501,883</td>
</tr>
</tbody>
</table>

In addition to liabilities, the statement of net position has a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has $2.4 million Unavailable Deferred Revenue ($2.2 million is related to Medicaid administration claims) that qualifies as a deferred inflow of resources and it is shown in the governmental funds Balance Sheet under the modified accrual basis of accounting.
On the Government-Wide financial statements Deferred Inflows of Resources total $37.0 million as shown below (in thousands):

<table>
<thead>
<tr>
<th>Deferred Inflows of Resources</th>
<th>Ending Balance June 30, 2016</th>
<th>Increase</th>
<th>Decrease</th>
<th>Ending Balance June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Related - FRS (see footnote 12)</td>
<td>$95,909</td>
<td>- $66,732</td>
<td>$29,177</td>
<td></td>
</tr>
<tr>
<td>Pension Related - HIS (see footnote 12)</td>
<td>8,243</td>
<td>468</td>
<td>7,775</td>
<td></td>
</tr>
<tr>
<td><strong>Total Inflows of Resources</strong></td>
<td><strong>$104,152</strong></td>
<td>- <strong>$67,200</strong></td>
<td><strong>$36,952</strong></td>
<td></td>
</tr>
</tbody>
</table>

**J. Long Term Debt**

In the fund-level financial statements, governmental funds report the face amount of debt issued and debt principal payments, as well as any premiums (discounts) as other financing sources (uses). Debt issuance costs and principal payments are reported as debt service expenditures. In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Bond premiums/discounts and Bond insurance cost are amortized over the life of the bonds.

The District entered into interest rate swap agreements to modify interest rates on outstanding debt. The fair value of these instruments is reflected on the government-wide financial statements (See Notes 10 and 11).

**K. Self-Insurance**

The District is self-insured for health (health insurance for employees and eligible dependents) and portions of its general and automobile liability insurance and workers’ compensation (insurance for various risks of loss related to torts; theft of; damage to; destruction of assets; errors and omissions; injury to employees and natural disasters). The estimated liability for self-insured risks represents an estimate of the amount to be paid on insurance claims reported and on insurance claims incurred but not reported (See Note 8).

Consistent with GAAP guidelines, in the Proprietary Fund financial statements, the liability for self-insured risks is recorded under the accrual basis of accounting. The District has fully funded the workers compensation and claims insurance fund. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund.

**L. Compensated Absences**

Compensated absences are obligations to employees for accumulated vacation and sick leave. These amounts also include the related employer’s share of applicable taxes and retirement contributions. District employees may accumulate unused vacation and sick leave up to a specified amount depending on their date of hire. Vacation and sick leave are payable to employees upon termination or retirement at the current rate of pay on the date of termination or retirement.

The District uses the vesting method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The portion related to employees in the Internal Service Fund is recorded at the fund level. The current portion is the amount estimated to be used in the following year. To liquidate the liability, an expenditure is mainly recognized in the general fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations (See Note 10).
M. Pensions

In the government-wide statement of net position, liabilities are recognized for the District’s proportionate share of each pension plan’s net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to deductions from the FRS’s and the HIS’s fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Pension liabilities are liquidated in the governmental fund in which the employee is charged. Investments are reported at fair value. See footnote 12 for additional information regarding the District’s retirement plans and related amounts.

N. Accounting Estimates

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

O. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In June 2015, GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, will be effective for the District beginning with its year ending June 30, 2017. This Statement will establish rules on reporting by OPEB plans that administer benefits on behalf of governments. The adoption of this statement did not impact the District’s financial statements.

In August 2015, GASB Statement No. 77, Tax Abatement Disclosures, will be effective for the District beginning with its year ending June 30, 2017. This Statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government’s tax revenues. The adoption of this statement did not impact the District’s financial statements.

In December 2015 GASB Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The adoption of this statement did not impact the District’s financial statements.
In January 2016, GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, will be effective for the District beginning with its year ending June 30, 2017. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this statement did not impact the District’s financial statements.

In March 2016, GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73* will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The impact of the adoption of this statement did not impact the District’s financial statements.

### Recently Issued Accounting Pronouncements

In January 2017, GASB Statement No. 83, *Certain Asset Retirement Obligations*, will be effective for the District beginning with its year ending June 30, 2019. The objective of this Statement is to set guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, will be effective for the District beginning with its year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should and establishes criteria for identifying fiduciary activities of all state and local governments. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, will be effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.
In June 2017, GASB Statement No. 87, *Leases*, will be effective for the District beginning with its year ending June 30, 2020. This Statement outlines new guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The goal is to better align reporting these leases with their particular situations, as well as provide greater transparency and usefulness of financial statements. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, will be effective for the District beginning with its year ending June 30, 2018. This Statement outlines reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This standard will require the immediate recognition of the entire net OPEB liability and a more comprehensive measurement of OPEB expense. The implementation of this statement will result in the recognition of a significant liability that is not yet measurable.

2. **AD VALOREM TAXES**

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

Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to 4% are available for early payment. The majority of ad valorem taxes are collected in November and December and remitted to the School Board. Section 197.383, Florida Statutes, requires the Palm Beach County Tax Collector to distribute the taxes collected to each taxing authority at least four times during the first two months after the tax roll comes into the Tax Collector’s possession, and at least once per month thereafter. Taxes are considered delinquent if not paid prior to April 1. State law provides for enforcement of collection of taxes by the sale of tax certificates on real property and for levy upon, seizure and sale of personal property after the Palm Beach County Tax Collector initiates a sequence of required procedures resulting in a court order to carry out the action.

The State Legislature prescribes the maximum non-voted millage that may be levied by the Board for each fiscal year. The total millage rate levy was 7.070 mills and the total assessed value on which the 2016-17 levy was based was $187.4 billion. Gross taxes levied were approximately $1.3 billion. Total revenue, net of discounts, was approximately $1.2 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2017, the maintenance transfer amounted to approximately $76.7 million. Additionally, approximately $8.3 million was transferred for property insurance; approximately $5.3 million was transferred for charter school capital outlay bringing the total transfer from capital funds to approximately $90.3 million.

3. **CASH, CASH EQUIVALENTS AND INVESTMENTS**

**Cash and Cash Equivalents**

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125%
depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2017, the carrying amount of the District’s cash deposits was approximately $258.4 million and the bank balance was approximately $261.8 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately $18.9 million.

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

Cash Equivalents consist of amounts invested in money market mutual funds, Florida Education Investment Trust Fund (FEITF) and Florida Prime. FEITF and Florida PRIME are external investment pools that are not registered with the Securities Exchange Commission (SEC), but do operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 allows funds to use amortized cost to maintain a constant net asset value (NAV) of $1.00 per share. Accordingly, the District’s investments in both FEITF and Florida PRIME are reported at the account balance which is amortized cost. There are no restrictions or fees to withdrawal from either of these pools.

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

In 2016, the District implemented GASB Statement No. 72, Fair Value Measurement and Application issued in February 2015. The District categorized investments according to the fair value hierarchy established by this Statement. The hierarchy is based on valuation inputs used to measure the fair value of the asset as follows: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs to include quoted prices for similar assets in active and non-active markets; Level 3 inputs are significant unobservable inputs. Certain investments are measured at fair value using the net asset value per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts, presented in the following table, are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of net position.
As of June 30, 2017, the District had the following unrestricted cash and investments with stated maturities that were categorized as Level 1 and Level 2 (amounts in thousands):

<table>
<thead>
<tr>
<th>Investments by Level</th>
<th>Balance (in thousands)</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Effective Duration (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Paper</td>
<td>$2,293</td>
<td>$</td>
<td>$</td>
<td>2,293</td>
</tr>
<tr>
<td>Core Fund Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasury - Notes</td>
<td>267,894</td>
<td>267,894</td>
<td>-</td>
<td>0.25</td>
</tr>
<tr>
<td>Federal Agency - Bond/Notes</td>
<td>22,683</td>
<td>-</td>
<td>22,683</td>
<td>1.61</td>
</tr>
<tr>
<td>Corporate Notes</td>
<td>5,220</td>
<td>-</td>
<td>5,220</td>
<td>0.67</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>999</td>
<td>-</td>
<td>999</td>
<td>0.83</td>
</tr>
<tr>
<td><strong>Total Investments by Fair Value Level</strong></td>
<td><strong>299,089</strong></td>
<td><strong>$267,894</strong></td>
<td><strong>$31,195</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments Reported at Amortized Cost</th>
<th></th>
<th>Fair Value Measurements Using</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida Education Investment Trust Fund (FEITF)</td>
<td>172,113</td>
<td>N/A</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>64,435</td>
<td>N/A</td>
</tr>
<tr>
<td>Florida Prime</td>
<td>33</td>
<td>0.04</td>
</tr>
<tr>
<td><strong>Total Investments Reported at Amortized Cost</strong></td>
<td><strong>236,581</strong></td>
<td></td>
</tr>
<tr>
<td>Total Investments</td>
<td>535,670</td>
<td></td>
</tr>
<tr>
<td>Cash Deposits</td>
<td>258,344</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td><strong>$794,014</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Interest Rate Risk**

To limit exposure to fair value losses resulting from increases in interest rates, the District’s Investment Policy limits operating funds to maturities of two years or less. Investments of reserves, project funds, debt proceeds and other non-operating funds (‘core funds’) shall have a term appropriate to the need for funds and in accordance with debt covenants, but in no event shall exceed five (5) years and the average duration of the funds as a whole may not exceed three (3) years. The District’s investment in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) matures between September, 2017 and August, 2019. As of June 30, 2017, the District held no callable securities.

**Concentration of Credit Risk**

The District’s Investment Policy specifies the maximum percentage allocation to any single investment type as well as the maximum percentage holding per issuer. Up to 100% of the portfolio may be invested in U.S. Government securities, 80% may be invested in Federal Instrumentalities (US government sponsored agencies) with no more than 50% with a single issuer and 50% may be invested in US government agencies.
with no more than 25% with a single issuer. Corporate Notes are limited to 15% of the portfolio with no more than 5% with a single issuer.

<table>
<thead>
<tr>
<th>PORTFOLIO / INVESTMENTS</th>
<th>FAIR VALUE (in thousands)</th>
<th>PERCENTAGE OF INVESTMENT BALANCE</th>
<th>RATING S&amp;P / MOODY'S</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Money Market Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dreyfus Treasury and Agency</td>
<td>$ 37,781</td>
<td>4.76%</td>
<td>AAAm/Aaa-mf</td>
</tr>
<tr>
<td>Federated Government Obligation</td>
<td>8,035</td>
<td>1.01%</td>
<td>AAAm/Aaa-mf</td>
</tr>
<tr>
<td>Fidelity Institutional Government Fund</td>
<td>18,619</td>
<td>2.34%</td>
<td>AAAm/Aaa-mf</td>
</tr>
<tr>
<td><strong>Florida Education Investment Trust Fund (FEITF)</strong></td>
<td>172,113</td>
<td>21.68%</td>
<td>AAAm</td>
</tr>
<tr>
<td><strong>Florida Prime</strong></td>
<td>33</td>
<td>0.00%</td>
<td>AAAm</td>
</tr>
<tr>
<td><strong>Commercial Paper</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fortis</td>
<td>2,293</td>
<td>0.29%</td>
<td>A-1</td>
</tr>
<tr>
<td><strong>Investments in Fixed Income Securities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Treasury - Notes/Bill</td>
<td>267,894</td>
<td>33.74%</td>
<td>AA+/Aaa</td>
</tr>
<tr>
<td>Toyota Motor Corporation</td>
<td>1,209</td>
<td>0.15%</td>
<td>AA-/Aa3</td>
</tr>
<tr>
<td>Berkshire Hathaway</td>
<td>402</td>
<td>0.05%</td>
<td>AA/Aa2</td>
</tr>
<tr>
<td>IBM Corp</td>
<td>1,206</td>
<td>0.15%</td>
<td>A+/A1</td>
</tr>
<tr>
<td>Apple</td>
<td>1,198</td>
<td>0.15%</td>
<td>AA+/Aa1</td>
</tr>
<tr>
<td>Chevron</td>
<td>1,205</td>
<td>0.15%</td>
<td>AA-/Aa2</td>
</tr>
<tr>
<td>Federally Backed Securities (Fannie Mae, Farmer)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mac &amp; Freddie Mac) - Long Term</td>
<td>22,683</td>
<td>2.86%</td>
<td>AA+/Aaa</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>999</td>
<td>0.13%</td>
<td>AA</td>
</tr>
<tr>
<td><strong>Total Investments</strong></td>
<td>535,670</td>
<td>67.46%</td>
<td></td>
</tr>
<tr>
<td><strong>Plus Cash Deposits</strong></td>
<td>258,344</td>
<td>32.54%</td>
<td></td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td>$ 794,014</td>
<td>100.00%</td>
<td></td>
</tr>
</tbody>
</table>

As of June 30, 2017, all District investments were in compliance with the District’s Investment Policy or Debt Management Policy and did not exceed portfolio allocation or issuer maximums.

**Credit Risk**

The District’s Investment Policy lists the authorized investment types as well as the minimum allowable credit rating for each investment type. Corporate notes purchased for investment must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum “A” by Moody’s and a minimum long term debt rating of “A” by Standard & Poor’s (“S&P”). The maximum length to maturity for corporate notes shall be three (3) years from the date of purchase. As of June 30, 2017, the District held $5.2 million of corporate notes of which had an S&P rating between AA- and AA+. All investments in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) had an S&P rating of AA+ and a Moody’s rating of Aaa for securities held for more than one year. All other rated investments were rated between A-1 and AAAm by S&P. As of June 30, 2017, the Local Government Investment Pools were rated AAAm by S&P.
Custodial Risk
The District’s investment policy requires that all securities, with the exception of certificates of deposit, be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the state of Florida, or any other state or territory of the United States which has a branch or principal place of business in the state of Florida as defined in § 658.12, F.S., or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the state of Florida. Certificates of deposit will be placed in the provider’s safekeeping department for the term of the deposit. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a “delivery vs. payment” basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2017, the District’s investment in fixed income securities was held with a third-party custodian.

4. INVESTMENT DERIVATIVE INSTRUMENTS

The District received an upfront payment of $3.0 million for allowing the swap counterparty the right to terminate the 2003B Interest Rate Swap if the 180 day average of the BMA Index exceeds 7.0% in the future. The barrier feature was effective June 2003 and is exercisable anytime until August 2018. Once the barrier option expires the District will be left with a fixed-payer swap that matures August 2029. Therefore, for accounting and financial reporting purposes, the barrier option derivative instrument is considered an investment derivative instrument. At June 30, 2017, the fair value of the barrier option is zero (See Note 11).

5. DUE FROM OTHER GOVERNMENTS OR AGENCIES

At June 30, 2017, the District had a total of approximately $28.9 million in Due From Other Governments or Agencies which consisted of the following balances (amount in thousands):

<table>
<thead>
<tr>
<th>Federal and State Sources</th>
<th>General Fund</th>
<th>Other Non-major Governmental Funds</th>
<th>Internal Service Fund</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid*</td>
<td>$ 4,264</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 4,264</td>
</tr>
<tr>
<td>Grants and Entitlements</td>
<td>-</td>
<td>17,705</td>
<td>-</td>
<td>17,705</td>
</tr>
<tr>
<td>FEMA</td>
<td>358</td>
<td>6</td>
<td>-</td>
<td>364</td>
</tr>
<tr>
<td>Fuel Tax*</td>
<td>-</td>
<td>239</td>
<td>-</td>
<td>239</td>
</tr>
<tr>
<td>PECO</td>
<td>-</td>
<td>1,472</td>
<td>-</td>
<td>1,472</td>
</tr>
<tr>
<td>Charter School Capital Outlay</td>
<td>-</td>
<td>460</td>
<td>-</td>
<td>460</td>
</tr>
<tr>
<td>CO&amp;DS</td>
<td>-</td>
<td>69</td>
<td>-</td>
<td>69</td>
</tr>
<tr>
<td><strong>Local Sources</strong></td>
<td><strong>977</strong></td>
<td><strong>-</strong></td>
<td><strong>-</strong></td>
<td><strong>977</strong></td>
</tr>
<tr>
<td>Early Learning Coalition</td>
<td>-</td>
<td>-</td>
<td>2,189</td>
<td>2,189</td>
</tr>
<tr>
<td>Pharmacy Rebates</td>
<td>-</td>
<td>2,189</td>
<td>-</td>
<td>2,189</td>
</tr>
<tr>
<td><strong>Total Due From Other Governments or Agencies</strong></td>
<td><strong>$ 6,470</strong></td>
<td><strong>$ 20,232</strong></td>
<td><strong>$ 2,189</strong></td>
<td><strong>$ 28,891</strong></td>
</tr>
</tbody>
</table>

* All or partially recorded as Deferred Inflow - Unavailable Revenue at the fund level.
6. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2017 (amounts in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Interfund Receivables</th>
<th>Interfund Payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$8,460</td>
<td>$-</td>
</tr>
<tr>
<td>Other Non-Major Governmental Funds</td>
<td>-</td>
<td>$8,460</td>
</tr>
<tr>
<td>Total Interfund</td>
<td>$8,460</td>
<td>$8,460</td>
</tr>
</tbody>
</table>

The amount payable by the Other Non-Major Governmental Fund to the General Fund is to cover temporary cash shortages related to timing of receipts.

Interfund transfers for the year ended June 30, 2017 were as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Transfer from:</th>
<th>General Fund</th>
<th>COPS Debt Service</th>
<th>Other Non-Major Governmental Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Improvement</td>
<td>$75,402</td>
<td>$139,180</td>
<td>$9,326</td>
<td>$223,908</td>
</tr>
<tr>
<td>General Fund</td>
<td>-</td>
<td>-</td>
<td>92</td>
<td>92</td>
</tr>
<tr>
<td>Other Non-Major Governmental Funds</td>
<td>14,858</td>
<td>-</td>
<td>-</td>
<td>14,858</td>
</tr>
<tr>
<td>Total</td>
<td>$90,260</td>
<td>$139,180</td>
<td>$9,418</td>
<td>$238,858</td>
</tr>
</tbody>
</table>

Transfers to the General Fund relate primarily to funding for the maintenance, renovation and/or repair of school facilities, pursuant to Section 1011.71 of the Florida Statutes, and for charter school capital outlay. Transfers to COPS Debt Service and Other Non-Major Governmental funds mainly relate to amounts transferred to make debt service payments and to fund minor capital projects.
7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows (amounts in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Begining Balance</th>
<th>Additions and Transfer In</th>
<th>Retirements and Transfers Out</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>July 1, 2016</td>
<td></td>
<td></td>
<td>June 30, 2017</td>
</tr>
<tr>
<td><strong>Non-Depreciable Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$338,680</td>
<td>$3,700</td>
<td>$-</td>
<td>$342,380</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>1,150</td>
<td>2,506</td>
<td>-</td>
<td>3,656</td>
</tr>
<tr>
<td><strong>Total Non-Depreciable Assets</strong></td>
<td>$339,830</td>
<td>6,206</td>
<td>-</td>
<td>$346,036</td>
</tr>
<tr>
<td><strong>Depreciable Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvements Other Than Buildings</td>
<td>58,506</td>
<td>328</td>
<td>-</td>
<td>58,834</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>4,173,322</td>
<td>-</td>
<td>401</td>
<td>4,172,921</td>
</tr>
<tr>
<td>Furniture, Fixtures &amp; Equipment</td>
<td>127,183</td>
<td>7,442</td>
<td>5,100</td>
<td>129,525</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>116,030</td>
<td>12,176</td>
<td>9,565</td>
<td>118,641</td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>41,127</td>
<td>103</td>
<td>952</td>
<td>40,278</td>
</tr>
<tr>
<td><strong>Total Depreciable Assets</strong></td>
<td>4,516,168</td>
<td>20,049</td>
<td>16,018</td>
<td>4,520,199</td>
</tr>
<tr>
<td><strong>Less Depreciation For:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improvements Other Than Buildings</td>
<td>(31,765)</td>
<td>(3,863)</td>
<td>-</td>
<td>(35,628)</td>
</tr>
<tr>
<td>Buildings and Improvements</td>
<td>(1,230,315)</td>
<td>(87,037)</td>
<td>(401)</td>
<td>(1,316,951)</td>
</tr>
<tr>
<td>Furniture, Fixtures &amp; Equipment</td>
<td>(101,804)</td>
<td>(8,497)</td>
<td>(4,941)</td>
<td>(105,360)</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>(81,900)</td>
<td>(7,121)</td>
<td>(9,330)</td>
<td>(79,691)</td>
</tr>
<tr>
<td>Audio/Video Materials &amp; Software</td>
<td>(39,592)</td>
<td>(1,115)</td>
<td>(866)</td>
<td>(39,841)</td>
</tr>
<tr>
<td><strong>Total Accumulated Depreciation</strong></td>
<td>(1,485,376)</td>
<td>(107,633)</td>
<td>(15,538)</td>
<td>(1,577,471)</td>
</tr>
<tr>
<td><strong>Capital Assets, Net</strong></td>
<td>$3,370,622</td>
<td>$81,378</td>
<td>$480</td>
<td>$3,288,764</td>
</tr>
</tbody>
</table>

Depreciation expense for the year ended June 30, 2017 of approximately $107.6 million was not allocated to specific functions. The District's capital assets essentially serve all functions and as such the depreciation expense is included as a separate line item in the statement of activities.

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests; as well as natural disasters and employee health and medical insurance. The District is self-insured for portions of its general and automobile liability insurance, workers compensation and employee health and medical insurance. Losses involving auto and general liability claims are limited (generally) by provisions of the Florida State Statute 768.28. These self-insured funds are administered by a third party. The District purchases commercial insurance for other risks including property, construction and other miscellaneous risks. The District has not experienced any significant reduction in insurance coverage from previous years nor has it paid any settlements in excess of insurance coverage in the past three years. This liability is typically liquidated from the internal service fund.
The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2017 using a discounted rate factor of 4.0%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2017, the liability for claims consisted of approximately $14.0 million, $16.3 million and $31.7 million for employee health, auto and general liability, and workers’ compensation, respectively.

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

<table>
<thead>
<tr>
<th>Prior Year Ended June 30, 2016</th>
<th>Fiscal Year Ended June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Balance</strong></td>
<td><strong>$ 56,829</strong></td>
</tr>
<tr>
<td><strong>Additions:</strong></td>
<td></td>
</tr>
<tr>
<td>Current year claims and</td>
<td></td>
</tr>
<tr>
<td>changes in estimates</td>
<td><strong>195,200</strong></td>
</tr>
<tr>
<td><strong>Reductions:</strong></td>
<td></td>
</tr>
<tr>
<td>Claim payments</td>
<td><strong>(194,217)</strong></td>
</tr>
<tr>
<td><strong>Ending Balance</strong></td>
<td><strong>$ 57,812</strong></td>
</tr>
</tbody>
</table>

9. **SHORT-TERM DEBT**

**Tax Anticipation Notes**

On September 21, 2016, the District issued Tax Anticipation Notes (“TANS”) Series 2016. The $115.0 million issue has a coupon rate of 2.0% with an effective yield of 0.80%. The notes are dated October 11, 2016 and are due August 31, 2017.

Short-term debt activity for the year ended June 30, 2017 was as follows (amount in thousands):

<table>
<thead>
<tr>
<th>Beginning Balance</th>
<th>Issued</th>
<th>Redeemed</th>
<th>Ending Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax anticipation notes</strong></td>
<td><strong>$ 115,000</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$ 115,000</strong></td>
</tr>
<tr>
<td><strong>Total short-term debt</strong></td>
<td><strong>$ 115,000</strong></td>
<td><strong>$ -</strong></td>
<td><strong>$ 115,000</strong></td>
</tr>
</tbody>
</table>
10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2017, is as follows (amounts in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Beginning Balance</th>
<th>Additions</th>
<th>Reductions</th>
<th>Ending Balance</th>
<th>Amounts Due Within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds, Notes and Other Payable:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes/Loans Payable</td>
<td>$31,846</td>
<td>$</td>
<td>($8,361)</td>
<td>$23,485</td>
<td>$8,454</td>
</tr>
<tr>
<td>Capital Outlay Bond Issue</td>
<td>13,713</td>
<td>-</td>
<td>(2,317)</td>
<td>11,396</td>
<td>1,543</td>
</tr>
<tr>
<td>Certificates of Participation</td>
<td>1,541,963</td>
<td>-</td>
<td>(75,205)</td>
<td>1,466,758</td>
<td>76,850</td>
</tr>
<tr>
<td>Borrowing-Swap Upfront Payment</td>
<td>2,658</td>
<td>-</td>
<td>(228)</td>
<td>2,430</td>
<td>229</td>
</tr>
<tr>
<td>Derivative Instruments-Hedging</td>
<td>91,076</td>
<td>-</td>
<td>(29,130)</td>
<td>61,946</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,681,256</td>
<td>-</td>
<td>(115,241)</td>
<td>1,566,015</td>
<td>87,076</td>
</tr>
<tr>
<td>Plus Issuance Premium</td>
<td>95,002</td>
<td>-</td>
<td>(13,415)</td>
<td>81,587</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Bonds, Notes and Other Payable</strong></td>
<td>1,776,258</td>
<td>-</td>
<td>(128,656)</td>
<td>1,647,602</td>
<td>87,076</td>
</tr>
<tr>
<td><strong>Other Liabilities:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>183,080</td>
<td>17,126</td>
<td>(14,506)</td>
<td>185,700</td>
<td>15,654</td>
</tr>
<tr>
<td>Self-Insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims and Judgments</td>
<td>57,812</td>
<td>207,061</td>
<td>(202,845)</td>
<td>62,028</td>
<td>26,560</td>
</tr>
<tr>
<td>Post Employment Benefits</td>
<td>107,486</td>
<td>9,763</td>
<td>(5,330)</td>
<td>111,919</td>
<td>-</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>640,495</td>
<td>324,955</td>
<td>-</td>
<td>965,450</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Other Liabilities</strong></td>
<td>988,873</td>
<td>558,905</td>
<td>(221,848)</td>
<td>1,325,097</td>
<td>42,214</td>
</tr>
<tr>
<td><strong>Total Governmental Activities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long-Term Liabilities</strong></td>
<td>$2,765,131</td>
<td>$558,905</td>
<td>($351,337)</td>
<td>$2,972,699</td>
<td>$129,290</td>
</tr>
</tbody>
</table>

**Notes/Loans Payable**

On February 20, 2014, the District entered into loan agreement 2014 with TD Equipment Finance for financing the acquisition of 119 buses. The $14.0 million issue with a coupon of 1.235% is payable over 5 years and will mature August 1, 2018.

On July 2, 2015, the District entered into loan agreement 2015 with Banc of America Public Capital Corp for financing the acquisition of 125 buses and other equipment $14.2 million issue with a coupon rate of 1.242%. Under the terms of the loan agreement the debt is payable over five years.

On October 1, 2015, the District entered into loan agreement 2015A with Banc of America Public Capital Corp for financing the acquisition of 18 HVAC systems and other equipment $7.2 million issue with a coupon rate of 1.274%. Under the terms of the loan agreement the debt is payable over five years.

On March 18, 2016, the District entered into loan agreement 2016 with Banc of America Public Capital Corp for financing the acquisition of 60 buses and other equipment $6.9 million issue with a coupon rate of 1.255%. Under the terms of the loan agreement the debt is payable over five years.
A summary of notes/loans payable terms are presented as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Bus &amp; Equipment Loans</th>
<th>Date of Issue</th>
<th>Amount Issued</th>
<th>Remaining Interest Rates (Percent)</th>
<th>Final Maturity Date</th>
<th>Debt Outstanding June 30, 2016</th>
<th>Debt Redeemed</th>
<th>Debt Outstanding June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 02/20/14</td>
<td>$14,002</td>
<td>1.235%</td>
<td>08/01/18</td>
<td>$7,065</td>
<td>$2,801</td>
<td>$4,264</td>
<td></td>
</tr>
<tr>
<td>2015 07/02/15</td>
<td>$14,235</td>
<td>1.242%</td>
<td>02/01/20</td>
<td>$11,399</td>
<td>$2,797</td>
<td>$8,602</td>
<td></td>
</tr>
<tr>
<td>2015 A 10/01/15</td>
<td>$7,152</td>
<td>1.274%</td>
<td>08/01/20</td>
<td>$6,432</td>
<td>$1,398</td>
<td>$5,034</td>
<td></td>
</tr>
<tr>
<td>2016 03/18/16</td>
<td>$6,950</td>
<td>1.255%</td>
<td>02/01/21</td>
<td>$6,950</td>
<td>$1,365</td>
<td>$5,585</td>
<td></td>
</tr>
</tbody>
</table>

$42,339 $31,846 $8,361 $23,485

The annual future minimum loan payments are as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Principal and Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$8,454</td>
<td>$267</td>
<td>$8,721</td>
</tr>
<tr>
<td>2019</td>
<td>$7,115</td>
<td>$162</td>
<td>$7,277</td>
</tr>
<tr>
<td>2020</td>
<td>$5,760</td>
<td>$81</td>
<td>$5,841</td>
</tr>
<tr>
<td>2021</td>
<td>$2,156</td>
<td>$18</td>
<td>$2,174</td>
</tr>
<tr>
<td>Total</td>
<td>$23,485</td>
<td>$528</td>
<td>$24,013</td>
</tr>
</tbody>
</table>

**State Board of Education Capital Outlay Bond Issues**

State Board of Education Capital Outlay Bond Issues ("COBI") are serviced entirely by the State using a portion of the District’s share of revenue derived from motor vehicle license taxes pursuant to Chapter 320, Florida Statutes, and Article XII, Section 9(d), of the Florida Constitution. The State Board of Administration determines the annual sinking fund requirements. The amounts necessary to retire bonds and interest payable are withheld from the entitlement to the District. Interest rates on the COBI bonds range from 2.00% to 5.00%. Interest is payable semiannually on January 1 and July 1. The bonds are redeemable at par.

A summary of bond terms are presented as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Capital Outlay Bond Issues</th>
<th>Date of Issue</th>
<th>Amount Issued</th>
<th>Remaining Interest Rates (Percent)</th>
<th>Final Maturity Date</th>
<th>Debt Outstanding June 30, 2016</th>
<th>Debt Matured</th>
<th>Debt Outstanding June 30, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>COBI 2009-A</td>
<td>9/10/2009</td>
<td>$1,655</td>
<td>5.0%</td>
<td>1/1/2019</td>
<td>$585</td>
<td>$185</td>
<td>$400</td>
</tr>
<tr>
<td>COBI 2010-A</td>
<td>10/14/2010</td>
<td>$9,700</td>
<td>3.5% to 5.0%</td>
<td>1/1/2030</td>
<td>$7,140</td>
<td>$445</td>
<td>$6,695</td>
</tr>
<tr>
<td>COBI 2010-A</td>
<td>10/14/2010</td>
<td>$1,790</td>
<td>4.0% to 5.0%</td>
<td>1/1/2022</td>
<td>$1,250</td>
<td>$170</td>
<td>$1,080</td>
</tr>
<tr>
<td>COBI 2011-A</td>
<td>12/7/2011</td>
<td>$5,820</td>
<td>3.0% to 5.0%</td>
<td>1/1/2023</td>
<td>$3,120</td>
<td>$330</td>
<td>$2,790</td>
</tr>
<tr>
<td>COBI 2014-B</td>
<td>12/2/2014</td>
<td>$4,275</td>
<td>2.0% to 5.0%</td>
<td>1/1/2020</td>
<td>$1,618</td>
<td>$1,187</td>
<td>$431</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$23,240</strong></td>
<td></td>
<td><strong>13,713</strong></td>
<td><strong>$2,317</strong></td>
<td><strong>11,396</strong></td>
<td></td>
<td><strong>$11,396</strong></td>
</tr>
</tbody>
</table>
The debt service requirements through maturity to the holders of the Capital Outlay Bond Issue are as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Year Ended June 30</th>
<th>Principal Capital Outlay Bonds</th>
<th>Interest</th>
<th>Total Principal and Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 1,543</td>
<td>$ 494</td>
<td>$ 2,037</td>
</tr>
<tr>
<td>2019</td>
<td>1,311</td>
<td>417</td>
<td>1,728</td>
</tr>
<tr>
<td>2020</td>
<td>1,177</td>
<td>358</td>
<td>1,535</td>
</tr>
<tr>
<td>2021</td>
<td>1,200</td>
<td>300</td>
<td>1,500</td>
</tr>
<tr>
<td>2022</td>
<td>1,280</td>
<td>240</td>
<td>1,520</td>
</tr>
<tr>
<td>2023-2027</td>
<td>3,190</td>
<td>661</td>
<td>3,851</td>
</tr>
<tr>
<td>2028-2032</td>
<td>1,695</td>
<td>136</td>
<td>1,831</td>
</tr>
<tr>
<td>Total</td>
<td>$ 11,396</td>
<td>$ 2,606</td>
<td>$ 14,002</td>
</tr>
</tbody>
</table>

The District is subject to State Board of Education Administrative Rule 6A-1037(2) that limits the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2017, the statutory limit for the District was approximately $18.7 billion, providing additional debt capacity of approximately $18.7 billion.

**Certificates of Participation**

On November 16, 1994, the District entered into a Master Lease Purchase Agreement (the "Master Lease") dated November 1, 1994, with the Palm Beach School Board Leasing Corporation, a Florida not-for-profit corporation, to finance the acquisition and construction of certain facilities, and equipment for District operations. The Corporation was formed by the Board solely for the purpose of acting as the lessor for Certificates of Participation financed facilities, with the District as lessee. The Corporation issued Certificates of Participation (COP) to third parties, evidencing undivided proportionate interest in basic lease payments to be made by the District, as lessee, pursuant to the Master Lease. Simultaneously therewith, the Board entered into Ground Leases with the Corporation for the Facilities sites.

The District also sold Certificates of Participation Qualified Zone Academy Bonds ("QZAB"). The QZAB program is a financial instrument that provides a different form of subsidy from traditional tax-exempt bonds. Interest on QZABs is paid by the Federal government in the form of an annual tax credit to an eligible financial institution that holds the QZAB. The QZAB issuer is responsible for repayment upon maturity. The tax credits and bonding authority are made available by the Federal government to support innovative school partnerships; enhance reform initiatives, including augmenting Federal education programs, technology and vocational equipment; and development of curriculum or better teacher training to promote market driven technology. To be eligible, a school must:

1. Be located in an Empowerment Zone or an Enterprise Community or have 35% or more of its students eligible for free or reduced lunch under the National School Lunch Act.

2. Obtain cash and/or in-kind contribution agreements from partnerships equal to at least 10% of the gross proceeds of the QZAB.

The District deposits funds annually into an escrow account, which when coupled with interest earnings will be sufficient to pay off the principal at maturity.
As part of the American Reinvestment and Recovery Act, the District was authorized to issue up to $67.7 million of Qualified School Construction Bonds (QSCB) for the purpose of new construction. The District chose to modernize two schools (Galaxy Elementary and Gove Elementary) and replace two roofs (Belle Glade Elementary and Pioneer Park Elementary). The District issued the bonds as Taxable Certificates of Participation through the Build America Bonds program, also created by the ARRA legislation. The District issued taxable bonds and receives a federal subsidy from the Treasury department equal to the difference between the taxable and tax-exempt rates. The Certificates were sold to Bank of America during a competitive sale held on November 3, 2010 and closed on November 15, 2010. The par amount was $67.7 million and the interest rate was 5.40%. The District will pay interest only until 2019 when deposits to the sinking fund begin. The final maturity of the bonds is August 1, 2025. The total interest that will be paid over the life of the bonds is $53.8 million. A total subsidy of $48.6 million will be recorded as revenue in the year earned. Therefore, the amount the District will pay net of the federal subsidy is $5.2 million. In the current year, the District recorded $3.3 million subsidy as revenue and $3.7 million as interest expense resulting in a net impact of $0.4 million.

Subsequent to the sale of the QSCB certificates, the District entered into a forward delivery agreement (FDA) classified as a nonparticipating interest-earning investment contract with Barclays Bank related to the COPs 2010A QSCB. A forward delivery agreement is a type of investment in which the investor purchases eligible securities on a periodic basis from the agreement provider at a fixed rate of return. The Board expects to purchase eligible securities, which consist of direct obligations of or obligations guaranteed by the US Treasury and AAA-rated senior debt obligations of Fannie Mae, Freddie Mac the FHLB and Federal Farm Credit System from Barclays on a semi-annual basis beginning July 19, 2019 through the final maturity date of August 1, 2025. The Agreement will generate a guaranteed fixed rate of return of 4.262% or $8.1 million. The interest earnings associated with this transaction will completely offset the interest due (net of the federal subsidy) and will generate an additional $3.0 million to be used to repay the principal in 2025.

A summary of lease terms are presented as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Certificate Series</th>
<th>Date of Issue</th>
<th>Amount Issued</th>
<th>Remaining Interest Rates (Percent)</th>
<th>Final Maturity Date</th>
<th>Debt Outstanding June 30, 2016</th>
<th>Debt Matured</th>
<th>Debt Outstanding June 30, 2017</th>
<th>Ground Lease Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003B (2)</td>
<td>06/26/2003</td>
<td>$124,295</td>
<td>1.56% **</td>
<td>08/01/2029</td>
<td>124,295</td>
<td>124,295</td>
<td>$124,295</td>
<td>08/01/2029</td>
</tr>
<tr>
<td>2004 QZAB</td>
<td>04/30/2004</td>
<td>$2,923</td>
<td>-</td>
<td>04/30/2020</td>
<td>2,923</td>
<td>-</td>
<td>2,923</td>
<td>N/A</td>
</tr>
<tr>
<td>2005 QZAB</td>
<td>12/15/2005</td>
<td>$2,150</td>
<td>-</td>
<td>12/15/2020</td>
<td>2,150</td>
<td>-</td>
<td>2,150</td>
<td>N/A</td>
</tr>
<tr>
<td>2006A</td>
<td>05/25/2006</td>
<td>$222,015</td>
<td>-</td>
<td>08/01/2016</td>
<td>7,185</td>
<td>7,185</td>
<td>-</td>
<td>08/01/2031</td>
</tr>
<tr>
<td>2007A</td>
<td>02/28/2007</td>
<td>$268,545</td>
<td>4.00% to 5.00%</td>
<td>08/01/2017</td>
<td>27,445</td>
<td>13,455</td>
<td>13,990</td>
<td>08/01/2031</td>
</tr>
<tr>
<td>2007C (3)</td>
<td>03/22/2007</td>
<td>$192,310</td>
<td>4.00% to 5.00%</td>
<td>08/01/2027</td>
<td>178,340</td>
<td>1,075</td>
<td>177,265</td>
<td>07/31/2027</td>
</tr>
<tr>
<td>2007E</td>
<td>10/31/2007</td>
<td>$147,390</td>
<td>4.00% to 4.25%</td>
<td>08/01/2017</td>
<td>10,230</td>
<td>5,015</td>
<td>5,215</td>
<td>08/01/2032</td>
</tr>
<tr>
<td>2011A (4)</td>
<td>07/13/2011</td>
<td>$112,425</td>
<td>4.00% to 5.00%</td>
<td>08/01/2025</td>
<td>44,520</td>
<td>-</td>
<td>44,520</td>
<td>08/01/2032</td>
</tr>
<tr>
<td>2011C (5)</td>
<td>11/15/2011</td>
<td>$15,355</td>
<td>1.74%</td>
<td>08/01/2018</td>
<td>6,170</td>
<td>4,585</td>
<td>1,585</td>
<td>08/01/2018</td>
</tr>
<tr>
<td>2011D (6)</td>
<td>11/15/2011</td>
<td>$25,065</td>
<td>2.64%</td>
<td>08/01/2021</td>
<td>23,855</td>
<td>4,205</td>
<td>19,650</td>
<td>08/01/2021</td>
</tr>
<tr>
<td>2012A (7)</td>
<td>05/15/2012</td>
<td>$20,085</td>
<td>5.00%</td>
<td>08/01/2028</td>
<td>20,085</td>
<td>-</td>
<td>20,085</td>
<td>08/01/2028</td>
</tr>
<tr>
<td>2012B (8)</td>
<td>06/29/2012</td>
<td>$116,555</td>
<td>1.40% ****</td>
<td>08/01/2028</td>
<td>107,225</td>
<td>105</td>
<td>107,120</td>
<td>08/01/2028</td>
</tr>
<tr>
<td>2012C (9)</td>
<td>08/09/2012</td>
<td>$67,145</td>
<td>4.00% to 5.00%</td>
<td>08/01/2029</td>
<td>67,145</td>
<td>3,500</td>
<td>63,645</td>
<td>08/01/2029</td>
</tr>
<tr>
<td>2014A (10)</td>
<td>01/31/2014</td>
<td>$115,560</td>
<td>1.277% *</td>
<td>08/01/2027</td>
<td>115,455</td>
<td>105</td>
<td>115,350</td>
<td>08/01/2027</td>
</tr>
<tr>
<td>2014B (11)</td>
<td>06/27/2014</td>
<td>$166,010</td>
<td>3.00% to 5.00%</td>
<td>08/01/2025</td>
<td>165,070</td>
<td>11,345</td>
<td>153,725</td>
<td>08/01/2025</td>
</tr>
<tr>
<td>2014C (12)</td>
<td>07/29/2014</td>
<td>$33,280</td>
<td>5.00%</td>
<td>08/01/2031</td>
<td>33,280</td>
<td>-</td>
<td>33,280</td>
<td>08/01/2031</td>
</tr>
<tr>
<td>2015A (13)</td>
<td>05/05/2015</td>
<td>$106,315</td>
<td>2.52%</td>
<td>08/01/2022</td>
<td>106,315</td>
<td>22,165</td>
<td>84,150</td>
<td>08/01/2022</td>
</tr>
<tr>
<td>2015B (14)</td>
<td>01/14/2015</td>
<td>$145,535</td>
<td>5.00%</td>
<td>08/01/2031</td>
<td>145,535</td>
<td>-</td>
<td>145,535</td>
<td>08/01/2031</td>
</tr>
<tr>
<td>2015D (15)</td>
<td>04/30/2015</td>
<td>$221,640</td>
<td>5.00%</td>
<td>08/01/2032</td>
<td>221,640</td>
<td>-</td>
<td>221,640</td>
<td>08/01/2032</td>
</tr>
<tr>
<td>2015C (16)</td>
<td>10/28/2015</td>
<td>$62,970</td>
<td>5.00%</td>
<td>08/01/2032</td>
<td>62,970</td>
<td>-</td>
<td>62,970</td>
<td>08/01/2032</td>
</tr>
</tbody>
</table>

$2,328,583 $1,541,963 $75,205 $1,466,758

* 2014A - Variable rate paid to certificate holders 70% of 1 month Libor +42 basis points. Resets weekly, 1.277% at 6/30/2017
** 2003B - Variable rate paid to certificate holders SIFMA + 65 basis points. Resets weekly, 1.56% at 6/30/2017
*** 2010A QSCB - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is 0.5681%
**** 2012B - Variable rate paid to certificate holders SIFMA +49 basis points. Resets weekly, 1.40% at 6/30/2017
Notes to Certificates of Participation Series leases on previous pages:

1. Issued to advance refund and defease a portion of the Series 1995A and Series 1996A Certificates of Participation.
2. On March 20, 2008, the District converted and remarketed the Series 2003B (with no change to principal).
3. Issued to advance refund and defease a portion the Series 2001A, and Series 2002C Certificates of Participation. **
4. Issued to advance refund and defease Series 2007B Certificates of Participation, refunded and partially defeased by 2015C Certificates of Participation. **
5. Issued to advance refund and defease a portion of Series 2002A Certificates of Participation. **
6. Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. **
7. Issued to advance refund and defease a portion of Series 2002D Certificates of Participation. **
8. Issued to advance refund and defease remaining Series 2002D Certificates of Participation. **
9. Issued to advance refund and defease a portion of Series 2004A Certificates of Participation. **
10. Issued to advance refund and defease remaining Series 2002B Certificates of Participation. **
11. Issued to advance refund and defease a portion of Series 2011B Certificates of Participation (which previously refunded Series 2001B Certificates of Participation). **
12. Issued to advance refund and defease a portion of 2007A Certificates of Participation. **
14. Issued to advance refund and defease a portion of Series 2006A Certificates of Participation. **
15. Issued to advance refund and defease portions of Series 2007A and 2007E Cert. of Participation. **
16. Issued to advance refund and defease a portion of Series 2011A Cert. of Participation. **

** These refunding issues were done in order to achieve debt service savings.

The Certificates are not separate legal obligations of the Board but represent undivided proportionate interests in lease payments to be made from appropriated funds budgeted annually by the School Board for such purpose from current or other funds authorized by law and regulations of the Department of Education, including the local optional millage levy. However, neither the Board, the District, the State of Florida, nor any political subdivision thereof are obligated to pay, except from Board appropriated funds, any sums due under the Master Lease from any source of taxation. The full faith and credit of the Board and the District are not pledged for payment of such sums due under the Master Lease, and such sums do not constitute an indebtedness of the Board or the District within the meaning of any constitutional or statutory provision or limitation. A trust fund was established with a Trustee to facilitate payments in accordance with the Master Lease and the Trust Agreement. Various accounts are maintained by the Trustee in accordance with the trust indenture. Interest earned on invested funds is applied toward the basic lease payments. Basic lease payments are deposited with the Trustee semi-annually on June 30 and December 30 or January 5 (for variable rate issue), and are payable to Certificate holders on August 1 and February 1.

Due to the economic substance of the issuances of Certificates of Participation as a financing arrangement on behalf of the Board, the financial activities of the Corporation have been blended in with the financial statements of the District. For accounting purposes, due to the blending of the Corporation within the District's financial statements, basic lease payments are reflected as debt service expenditures when payable to Certificate holders. During the year ended June 30, 2017, no amount was expended for capital outlay in the Certificates of Participation Capital Projects Funds.
All Certificates of Participation issued are subject to arbitrage rebate. At June 30, 2017, the arbitrage liability was zero.

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ -</td>
<td>$ 13,990</td>
<td>$ 605</td>
<td>$ 5,215</td>
<td>$ -</td>
<td>$ 230</td>
<td>$ 4,325</td>
<td>$ -</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>800</td>
<td>-</td>
<td>-</td>
<td>1,355</td>
<td>4,435</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>1,905</td>
<td>-</td>
<td>5,630</td>
<td>-</td>
<td>4,555</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td>15,730</td>
<td>-</td>
<td>5,895</td>
<td>-</td>
<td>4,670</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td>3,130</td>
<td>6,810</td>
<td>-</td>
<td>6,335</td>
<td>-</td>
<td>1,665</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>2023-2027</td>
<td>27,850</td>
<td>107,020</td>
<td>-</td>
<td>26,660</td>
<td>-</td>
<td>-</td>
<td>1,795</td>
<td></td>
</tr>
<tr>
<td>2028-2032</td>
<td>93,315</td>
<td>44,395</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18,290</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2033-2037</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 124,295</td>
<td>$ 13,990</td>
<td>$ 177,265</td>
<td>$ 5,215</td>
<td>$ 44,520</td>
<td>$ 1,585</td>
<td>$ 19,650</td>
<td>$ 20,085</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 5,130</td>
<td>$ 3,680</td>
<td>-</td>
<td>$ 14,335</td>
<td>$ -</td>
<td>$ 22,595</td>
<td>$ 6,745</td>
<td>$ -</td>
</tr>
<tr>
<td>2019</td>
<td>5,380</td>
<td>3,825</td>
<td>3,045</td>
<td>14,945</td>
<td>-</td>
<td>18,820</td>
<td>7,080</td>
<td>-</td>
</tr>
<tr>
<td>2020</td>
<td>70</td>
<td>4,015</td>
<td>10,420</td>
<td>15,615</td>
<td>-</td>
<td>18,345</td>
<td>7,435</td>
<td>-</td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td>4,180</td>
<td>10,810</td>
<td>16,190</td>
<td>-</td>
<td>5,475</td>
<td>7,805</td>
<td>-</td>
</tr>
<tr>
<td>2022</td>
<td>6,115</td>
<td>4,385</td>
<td>11,370</td>
<td>16,965</td>
<td>-</td>
<td>9,345</td>
<td>8,200</td>
<td>-</td>
</tr>
<tr>
<td>2023-2027</td>
<td>31,625</td>
<td>25,210</td>
<td>64,915</td>
<td>75,675</td>
<td>-</td>
<td>9,570</td>
<td>47,560</td>
<td>-</td>
</tr>
<tr>
<td>2028-2032</td>
<td>58,800</td>
<td>18,350</td>
<td>14,790</td>
<td>-</td>
<td>33,280</td>
<td>-</td>
<td>60,710</td>
<td>33,210</td>
</tr>
<tr>
<td>2033-2037</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>29,760</td>
</tr>
<tr>
<td>Total</td>
<td>$ 107,120</td>
<td>$ 63,645</td>
<td>$ 115,350</td>
<td>$ 153,725</td>
<td>$ 33,280</td>
<td>$ 84,150</td>
<td>$ 145,535</td>
<td>$ 62,970</td>
</tr>
</tbody>
</table>

State Statute requires that no more that 75% of the capital millage levy be used for COP debt service. Two trends have lowered the district’s debt capacity in this area. First, property values decline between fiscal year 2009 and fiscal year 2013. Second, the Florida Legislature lowered the allowable capital millage rate from 2.0 mills to 1.75 mills in fiscal year 2009 and again from 1.75 to 1.50 mills in fiscal year 2010. In the course
of two years, Legislator reduced district debt service capacity by 25%. Debt service payments remain in compliance at 52.6% of capital millage proceeds. The District’s legal lease purchase agreement remaining debt issuance capacity is $61.2 million, however Board Policy recommends no additional issuance until debt service falls below 50% of capital millage.

Defeased Debt

In prior years, the District defeased certain certificates of participation by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments. These investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the financial statements. As of June 30, 2017, the total amount of defeased debt outstanding but removed from the District’s financial statements amounted to $234.7 million.

Certificates of Participation:

<table>
<thead>
<tr>
<th>Series</th>
<th>Maturities</th>
<th>Outstanding (in thousands)</th>
<th>Call Date</th>
<th>Defeased by COPS Series</th>
</tr>
</thead>
</table>

Total Defeased COPS $234,670

Hedging Derivative Instrument Payments and Hedged Debt

As of June 30, 2017, aggregate debt service requirements of the District’s debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary.

Refer to Note 11 for information on derivative instruments (amounts in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Hedging Derivative Instruments, Net</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$5,130</td>
<td>$4,705</td>
<td>$12,027</td>
<td>$21,862</td>
</tr>
<tr>
<td>2019</td>
<td>8,415</td>
<td>4,612</td>
<td>11,760</td>
<td>24,787</td>
</tr>
<tr>
<td>2020</td>
<td>10,500</td>
<td>4,533</td>
<td>11,524</td>
<td>26,557</td>
</tr>
<tr>
<td>2021</td>
<td>10,810</td>
<td>4,410</td>
<td>11,156</td>
<td>26,376</td>
</tr>
<tr>
<td>2022</td>
<td>20,615</td>
<td>4,171</td>
<td>10,478</td>
<td>35,264</td>
</tr>
<tr>
<td>2023-2027</td>
<td>124,390</td>
<td>16,315</td>
<td>40,106</td>
<td>180,811</td>
</tr>
<tr>
<td>2028-2032</td>
<td>86,435</td>
<td>4,142</td>
<td>9,122</td>
<td>99,699</td>
</tr>
<tr>
<td>2033-2035</td>
<td>80,470</td>
<td>-</td>
<td>-</td>
<td>80,470</td>
</tr>
</tbody>
</table>

$346,765 $42,888 $106,173 $495,826
Borrowings of Hybrid Derivative Instruments

The District sold a swaption with the 2002D certificates with an initial notional amount of $116,555,000. Upon entering into the swaption, the District received an up-front payments of $4,240,000 from the counterparty. The up-front payment was composed of the swaptions' intrinsic value and time value. Accordingly, the swaption is a hybrid instrument consisting of a borrowing and an embedded derivative instrument. The embedded derivative instrument – the option – was recorded at a value equal to the time value of the option only and the remaining value of the swaption was allocated to the companion instrument (borrowing). The intrinsic value of the borrowing was calculated using the net present value method and is recorded at historical cost. During the option period, interest accreted at the market rate at inception of the borrowing of 4.40% totaling $882,451. The 2002D swaption was executed August 1, 2012.

The original borrowing of the 2012B/2002D continues to be amortized over the remaining term. Aggregate debt service requirements of the District's borrowing amounts assume that current interest rates on variable-rate bonds is equal to the market rates at inception of the derivative instruments and will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the derivative instruments will vary. Refer to Note 11 for information on derivative instruments.

Debt service requirements for the 2012B/2002D borrowing at June 30, 2017, are as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Principal</th>
<th>Interest</th>
<th>Total Principal and Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 229</td>
<td>$ 98</td>
<td>$ 327</td>
</tr>
<tr>
<td>2019</td>
<td>223</td>
<td>89</td>
<td>312</td>
</tr>
<tr>
<td>2020</td>
<td>224</td>
<td>79</td>
<td>303</td>
</tr>
<tr>
<td>2021</td>
<td>233</td>
<td>69</td>
<td>302</td>
</tr>
<tr>
<td>2022</td>
<td>234</td>
<td>59</td>
<td>293</td>
</tr>
<tr>
<td>2023-2027</td>
<td>1,040</td>
<td>153</td>
<td>1,193</td>
</tr>
<tr>
<td>2028-2032</td>
<td>246</td>
<td>6</td>
<td>252</td>
</tr>
<tr>
<td></td>
<td>$ 2,429</td>
<td>$ 553</td>
<td>$ 2,982</td>
</tr>
</tbody>
</table>
11. DERIVATIVE INSTRUMENTS

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017, classified by type, and the changes in fair value of such derivatives are as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Classification</th>
<th>Changes in Fair Value</th>
<th>Fair Value at June 30, 2017</th>
<th>Fair Value Levels</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Classification</td>
<td>Amount</td>
</tr>
<tr>
<td>Governmental Activities Hedging Derivatives:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002B/2014A Pay-fixed Interest Rate Swap</td>
<td>Deferred outflow of resources $ 8,239</td>
<td>Liability</td>
<td>$ (18,562)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003B Pay-fixed Interest Rate Swap</td>
<td>Deferred outflow of resources $ 11,501</td>
<td>Liability</td>
<td>(23,060)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002D/2012B Pay-fixed Interest Rate Swap</td>
<td>Deferred outflow of resources $ 9,390</td>
<td>Liability</td>
<td>(20,324)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Hedging Derivative Instruments</td>
<td>$ 29,130</td>
<td>Liability</td>
<td>$ (61,946)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Derivatives:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003B-Barrier Option at 7%</td>
<td>(Loss) $ (25)</td>
<td>Asset</td>
<td>$ -</td>
</tr>
<tr>
<td>Total Investment Derivative Instruments</td>
<td>$ (25)</td>
<td></td>
<td>$ -</td>
</tr>
</tbody>
</table>

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* which addresses the accounting and financial reporting issues related to fair value measurements, including non-performance risk. The statement is effective for reporting periods beginning after June 15, 2015 and the District adopted GASB Statement No. 72 for the fiscal year ended 2016.

The derivatives had changes in fair value totaling $29.1 million classified as a decrease of deferred outflows of resources. All expected derivatives cash flows have been calculated using the zero-coupon method by an independent party. This method calculates the future net settlement payments required by the derivatives, assuming that the current forward rates implied by the yield curve are the market’s best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the derivatives using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and time value of money. The observability of inputs used to perform the measurement results in the derivatives fair values being categorized as level 2.

The barrier option is considered an investment derivative instrument. Refer to Note 4. Investment Derivative Instruments for information on investment derivative instruments. All other derivative instruments are considered hedging derivative instruments. Fair values of options may be based on an option pricing model, such as the Black-Scholes-Merton model. That model considers probabilities, volatilities, time, settlement prices, and other variables.
**Objective and Terms of Derivative Instruments**

The table below displays the objective and terms of the District’s derivative instruments outstanding at June 30, 2017, along with the credit rating of the associated counterparty (amounts in thousands):

<table>
<thead>
<tr>
<th>Objective</th>
<th>Notional</th>
<th>Effective Date</th>
<th>Maturity Date</th>
<th>Amount of Cash Received</th>
<th>Terms</th>
<th>Counterparty</th>
<th>Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governmental Activities Hedging Derivatives:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002B/2014A - Interest Rate Swap</td>
<td>Hedge changes in cash flows on the 2014A Certificates</td>
<td>$115,350</td>
<td>3/20/2002</td>
<td>8/1/2027</td>
<td>N/A</td>
<td>Pay 4.22%; receive 67% of USD LIBOR or SIFMA swap index</td>
<td>Citigroup Financials Products Inc.</td>
</tr>
<tr>
<td>2003B - Interest Rate Swap</td>
<td>Hedge changes in cash flows on the 2003B Certificates</td>
<td>124,295</td>
<td>6/26/2003</td>
<td>8/1/2029</td>
<td>N/A</td>
<td>Pay 3.91%; receive SIFMA swap index</td>
<td>UBS AG, Stamford Branch</td>
</tr>
<tr>
<td>2002D/2012B - Interest Rate Swap</td>
<td>Hedge changes in cash flows on the 2012B Certificates</td>
<td>107,120</td>
<td>8/1/2012</td>
<td>8/1/2028</td>
<td>$4,240</td>
<td>Pay 4.71%; receive SIFMA swap index</td>
<td>Citibank N.A. New York</td>
</tr>
<tr>
<td><strong>Investment Derivatives:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003B - Barrier option at 7%</td>
<td>Hedge against future increase in interest rates</td>
<td>$100,000</td>
<td>6/26/2003</td>
<td>8/1/2018</td>
<td>$3,010</td>
<td>See Note 1</td>
<td>UBS AG, Stamford Branch</td>
</tr>
</tbody>
</table>

Note 1: Counterparty has right to terminate the 2003B Interest Rate Swap if the 180 day average of the BMA index exceeds 7.0% in the future

**Risks**

**Credit Risk**

The District is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the District’s policy to require counterparty collateral posting provisions on all swap agreements. These terms require full collateralization of the fair value of derivative instruments in asset positions (net of the effect of applicable netting arrangements) should the counterparty’s credit rating fall below AA as issued by Standard & Poor’s or Aa as issued by Moody’s Investors Service. Collateral posted is to be in the form of U.S. Treasury securities held by a third-party custodian. The District has never failed to access collateral when required.

It is the District’s policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions’ fair values so that a single sum will be owed by, or owed to, the nondefaulting party.

The District has no investment derivative instruments in asset positions and no hedging derivative instruments in asset positions at June 30, 2017.

**Interest rate risk**

The District is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR or the SIFMA swap index decreases, the District’s net payment on the swap increases which is offset by the variable rate paid on the hedged debt.
**Termination risk**
The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract including if either parties credit rating falls below designated levels. In addition, the District is exposed to termination risk on its 2003B interest rate swap with barrier option because the counterparty has the option to terminate the swap if the 180 day average of the BMA index exceeds 7.0% at any time beginning on the commencement date. If at the time of termination, a hedging derivative instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

12. **RETIREMENT PLANS**

**Florida Retirement System (FRS)**

**General Information about the FRS**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any state-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the District are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Website (www.dms.myflorida.com).

The District’s pension expense in the governmental funds totaled $83.1 million for the fiscal year ended June 30, 2017.

**FRS Pension Plan - Defined Benefit**

**Plan Description.** The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- **Regular Class** – Members of the FRS who do not qualify for membership in the other classes.
- **Elected County Officers Class** – Members who hold specified elective offices in local government.
- **Senior Management Service Class (SMSC)** – Members in senior management level positions.
- **Special Risk Class** – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, “except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service”). All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service.
“except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service”). Members of the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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 an FRS employer. An employee may participate in 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. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years’ earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors’ benefits.

The following chart shows the percentage value for each year of service credit earned:

<table>
<thead>
<tr>
<th>Class, Initial Enrollment, and Retirement Age/Years of Service</th>
<th>% Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Class members initially enrolled before July 1, 2011</td>
<td></td>
</tr>
<tr>
<td>Retirement up to age 62 or up to 30 years of service</td>
<td>1.60</td>
</tr>
<tr>
<td>Retirement at age 63 or with 31 years of service</td>
<td>1.63</td>
</tr>
<tr>
<td>Retirement at age 64 or with 32 years of service</td>
<td>1.65</td>
</tr>
<tr>
<td>Retirement at age 65 or with 33 or more years of service</td>
<td>1.68</td>
</tr>
<tr>
<td>Regular Class members initially enrolled on or after July 1, 2011</td>
<td></td>
</tr>
<tr>
<td>Retirement up to age 65 or up to 33 years of service</td>
<td>1.60</td>
</tr>
<tr>
<td>Retirement at age 66 or with 34 years of service</td>
<td>1.63</td>
</tr>
<tr>
<td>Retirement at age 67 or with 35 years of service</td>
<td>1.65</td>
</tr>
<tr>
<td>Retirement at age 68 or with 36 or more years of service</td>
<td>1.68</td>
</tr>
<tr>
<td>Elected County Officers</td>
<td>3.00</td>
</tr>
<tr>
<td>Senior Management Service Class</td>
<td>2.00</td>
</tr>
<tr>
<td>Special Risk Regular</td>
<td></td>
</tr>
<tr>
<td>Service from December 1, 1970 through September 30, 1974</td>
<td>2.00</td>
</tr>
<tr>
<td>Service on and after October 1, 1974</td>
<td>3.00</td>
</tr>
</tbody>
</table>
As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

**Contributions.** The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2016-17 fiscal year were as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Employee</th>
<th>Employer (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRS, Regular</td>
<td>3.00</td>
<td>7.52</td>
</tr>
<tr>
<td>FRS, Elected County Officers</td>
<td>3.00</td>
<td>42.47</td>
</tr>
<tr>
<td>FRS, Senior Management Service</td>
<td>3.00</td>
<td>21.77</td>
</tr>
<tr>
<td>FRS, Special Risk Regular</td>
<td>3.00</td>
<td>22.57</td>
</tr>
<tr>
<td>DROP - Applicable to Members from All of the Above Classes</td>
<td>0.00</td>
<td>12.99</td>
</tr>
<tr>
<td>FRS, Reemployed Retiree</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td>TRS, Plan E</td>
<td>6.25</td>
<td>11.90</td>
</tr>
</tbody>
</table>

Notes (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the plan. (2) Contribution rates are dependent upon retirement class in which reemployed.

The District’s contributions to the Plan totaled $89.0 million (which includes $28.3 million of employee contributions) for the fiscal year ended June 30, 2017. This excludes the HIS defined benefit pension plan contributions.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2017, the District reported a liability of $587.1 million for its proportionate share of the Plan’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District’s proportionate share of the net pension liability was based on the District’s 2015-16 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District’s proportionate share was 2.325 percent, which was a decrease of 0.108 from its proportionate share measured as of June 30, 2015.
For the fiscal year ended June 30, 2017, the District recognized pension expense of $25.2 million ($85.6 million due to the District’s share of changes in deferred inflows and deferred outflows of resources, reduced by $60.4 million for the District’s contributions subsequent to the measurement date) related to the FRS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<table>
<thead>
<tr>
<th>Description</th>
<th>Deferred Outflows of Resources</th>
<th>Deferred Inflows of Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differences between expected and actual experience</td>
<td>$ 44,956</td>
<td>$ (5,467)</td>
</tr>
<tr>
<td>Change of assumptions</td>
<td>35,520</td>
<td>-</td>
</tr>
<tr>
<td>Net difference between projected and actual earnings on FRS pension plan investments</td>
<td>151,767</td>
<td>-</td>
</tr>
<tr>
<td>Changes in proportion and differences between District FRS contributions and proportionate share of contributions</td>
<td>1,981</td>
<td>(23,710)</td>
</tr>
<tr>
<td>District FRS contributions subsequent to the measurement date</td>
<td>60,417</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 294,641</strong></td>
<td><strong>$ (29,177)</strong></td>
</tr>
</tbody>
</table>

The deferred outflows of resources related to pensions, totaling $60.4 million, resulting from District contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$ 25,198</td>
</tr>
<tr>
<td>2019</td>
<td>25,197</td>
</tr>
<tr>
<td>2020</td>
<td>89,713</td>
</tr>
<tr>
<td>2021</td>
<td>57,393</td>
</tr>
<tr>
<td>2022</td>
<td>5,703</td>
</tr>
<tr>
<td>Thereafter</td>
<td>1,843</td>
</tr>
</tbody>
</table>

**Actuarial Assumptions.** The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.60 percent
- Salary Increases: 3.25 percent, average, including inflation
- Investment rate of return: 7.65 percent, net of pension plan investment expenses, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.
The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Allocation (1)</th>
<th>Annual Arithmetic Return</th>
<th>Compound Annual (Geometric) Return</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>1.0%</td>
<td>3.0%</td>
<td>3.0%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>18.0%</td>
<td>4.7%</td>
<td>6.8%</td>
<td>17.2%</td>
</tr>
<tr>
<td>Global Equity</td>
<td>53.0%</td>
<td>8.1%</td>
<td>7.8%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Real Estate (Property)</td>
<td>10.0%</td>
<td>6.4%</td>
<td>5.8%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>6.0%</td>
<td>11.5%</td>
<td>7.8%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Strategic Investment</td>
<td>12.0%</td>
<td>6.1%</td>
<td>5.6%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Total</td>
<td>100.00%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Assumed inflation - Mean 2.60% 1.90%

Note: (1) As outlined in the Plan’s investment policy

**Discount Rate.** The discount rate used to measure the total pension liability was 7.60 percent, down from 7.65 percent in prior year. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.** The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.60 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60 percent) or 1-percentage-point higher (8.60 percent) than the current rate (amounts in thousands):

<table>
<thead>
<tr>
<th>1% Decrease</th>
<th>Current Discount Rate</th>
<th>1% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>(6.60%)</td>
<td>(7.60%)</td>
<td>(8.60%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>District’s proportionate share of the net pension liability (asset)</td>
<td>$1,080,953</td>
<td>$ 587,134</td>
</tr>
</tbody>
</table>

In the comprehensive annual financial report issued by FRS for the plan year ended June 30, 2016, management of the plan included a disclosure about the investment rate of return assumption as set by the 2016 FRS Actuarial Assumption Conference and the exception taken (unreasonable assumption) by the Plan Actuary in its Actuarial Valuation report of the Plan as of and for the year ended June 30, 2016. Management of the District considered this information, other information as well as the audited financial statements of the FRS Pension Plan and Employer Allocation Reports issued by the Auditor General of the State of Florida as of and for the year ended June 30, 2016, which both contained unmodified opinions and has concluded that the information provided by the Plan for reporting by the cost-sharing employers was reasonable.

Payables to the Pension Plan. At June 30, 2017, the District reported a payable of $16.4 million for the outstanding amount of contributions owed to the Plan required for the fiscal year ended June 30, 2017.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District’s contributions to the HIS Plan totaled $17.2 million for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a net pension liability of $378.3 million for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District’s proportionate share of the net pension liability was based on the District’s 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District’s proportionate share was 3.246 percent, which was a decrease of 0.047 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of $14.3 million ($31.5 million due to the District’s share of changes in deferred inflows and deferred outflows of resources, reduced by $17.2 million for the District’s contributions subsequent to the measurement date) related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:
Deferred Outflows Deferred Inflows
Description of Resources of Resources
Change of assumptions $ 59,368 $ (862)
Net difference between projected and actual earnings on HIS pension plan investments 191 -
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions 6,778 (6,913)
District contributions subsequent to the measurement date 17,179 -
Total $ 83,516 $ (7,775)

The deferred outflows of resources related to pensions, totaling $17.2 million, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$10,711</td>
</tr>
<tr>
<td>2019</td>
<td>10,711</td>
</tr>
<tr>
<td>2020</td>
<td>10,674</td>
</tr>
<tr>
<td>2021</td>
<td>10,657</td>
</tr>
<tr>
<td>2022</td>
<td>9,222</td>
</tr>
<tr>
<td>Thereafter</td>
<td>6,587</td>
</tr>
</tbody>
</table>

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation 2.60 percent
Salary Increases 3.25 percent, average, including inflation
Municipal Bond Rate 2.85 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate. The discount rate used to measure the total pension liability was 2.85 percent, down from 3.80 percent in the prior year. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 2.85 percent, as well as what the District’s proportionate share of the net pension liability would be if
it were calculated using a discount rate that is 1-percentage-point lower (1.85 percent) or 1-percentage-point higher (3.85 percent) than the current rate (amounts in thousands):

<table>
<thead>
<tr>
<th>1% Decrease Discount Rate</th>
<th>Current Discount Rate</th>
<th>1% Increase Discount Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.85%</td>
<td>2.85%</td>
<td>3.85%</td>
</tr>
</tbody>
</table>

District’s proportionate share of the net pension liability $434,015 $378,316 $332,090

_Pension Plan Fiduciary Net Position._ Detailed information about the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

_Payables to the Pension Plan._ At June 30, 2017, the District reported a payable of $3.4 million for the outstanding amount of contributions owed the HIS Plan required for the fiscal year ended June 30, 2017.

**FRS – Defined Contribution Pension Plan**

The District contributes to the FRS Investment Plan (Investment Plan), a defined contribution pension plan, for its eligible employees electing to participate in the Investment Plan. The Investment Plan is administered by the SBA, and is reported in the SBA’s annual financial statements and in the State of Florida Comprehensive Annual Financial Report. Service retirement benefits are based upon the value of the member’s account upon retirement.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Allocations to the investment member’s accounts during the 2016-17 fiscal year were as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Percent of Gross Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRS, Regular</td>
<td>5.56</td>
</tr>
<tr>
<td>FRS, Elected County Officers</td>
<td>40.57</td>
</tr>
<tr>
<td>FRS, Senior Management Service</td>
<td>19.73</td>
</tr>
<tr>
<td>FRS, Special Risk Regular</td>
<td>20.34</td>
</tr>
</tbody>
</table>

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five year period, the employee will regain control over their account. If the
employee does not return within the five year period, the employee will forfeit the accumulated account balance. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the District.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The District’s Investment Plan pension expense totaled $5.1 million for the fiscal year ended June 30, 2017.

**Payables to the Investment Plan.** At June 30, 2017, the District reported a payable of $2.0 million for the outstanding amount of contributions owed the Investment Plan required for the fiscal year ended June 30, 2017.

### 13. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The District follows the guidance contained in Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Post-Employment Benefits Other than Pensions* (GASB 45); for certain post-employment health care benefits provided by the District for the fiscal year ended June 30, 2017. The postemployment health care and life insurance plan does not issue a stand-alone financial report, and is not included in the report of a public employee retirement system (PERS) or another entity.

**Plan Description**

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

**Funding Policy**

The District is financing the post-employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund and other funds where the personnel are located. For fiscal year 2017, 1,065 retirees received health care benefits. The District provided required contributions of approximately $10.1 million toward the annual OPEB cost. Retiree contributions totaled approximately $5.3 million, which represents 0.5 percent of covered payroll.

**Annual OPEB Cost and Net OPEB Obligation**

The District’s annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The table on the next page shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation to the retiree health plan (amounts in thousands):
Annual Required Contribution $10,069
Interest on Net OPEB Obligation 3,848
Adjustment to Annual Required Contribution (4,154)
Annual OPEB Cost (Expense) 9,763
Contribution Towards OPEB Cost (5,330)
Increase in Net OPEB Obligation 4,433
Net OPEB Obligation - Beginning of Year 107,486
Net OPEB Obligation - End of Year $111,919

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2017, and the two preceding years were as follows (amounts in thousands):

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2017</td>
<td>9,763</td>
<td>55%</td>
<td>$111,919</td>
</tr>
<tr>
<td>June 30, 2016</td>
<td>12,277</td>
<td>56%</td>
<td>107,486</td>
</tr>
<tr>
<td>June 30, 2015</td>
<td>12,006</td>
<td>47%</td>
<td>102,032</td>
</tr>
</tbody>
</table>

**Funded Status and Funding Progress**

As of June 30, 2017, the actuarial accrued liability for benefits was $115.1 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $1.0 billion, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.4%.

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

**Methods and Assumptions**

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

The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of June 30, 2017. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar percentage. The remaining amortization period at June 30, 2017 is thirty years (open basis).

The following assumptions were made:

*Retirement Age* – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2016.
Spouse Age – Spouse dates of birth were provided by the District. Where this information is missing, male spouses are assumed to be three years older than female spouses.

Per Capita Health Claim Cost – Per capita health claim costs are developed based on 2 years of historical claim experience June 2017. The per capita cost at age 60 is $10,500 and at age 70 is $5,500.

Age Based Morbidity – The assumed per capita health claim costs are adjusted to reflect expected increases related to age and gender. These increases are based on a 2013 Society of Actuaries study, with sample rates shown below.

<table>
<thead>
<tr>
<th>Sample Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>45</td>
<td>4.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td>50</td>
<td>6.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>55</td>
<td>5.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>60</td>
<td>4.7%</td>
<td>3.6%</td>
</tr>
<tr>
<td>65</td>
<td>1.7%</td>
<td>2.4%</td>
</tr>
<tr>
<td>70</td>
<td>1.8%</td>
<td>2.0%</td>
</tr>
<tr>
<td>75</td>
<td>1.2%</td>
<td>1.3%</td>
</tr>
<tr>
<td>80</td>
<td>0.8%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Mortality – Life expectancies were based on Generational Mortality Table. The RP-2014 Table projected to 2030 using Scale MP-16 and applied on a gender specific basis.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on District historical experience, market-place knowledge and macro-economic theory. A rate of 7.0% for under age 65 and 6.0% over age 65 initially, reduced 0.5% each year until reaching the ultimate trend rate of 4.5%.

Retiree Contributions – Contributions are required for both retiree and dependent coverage. Retirees contribute the full active premium equivalent rates for coverage.

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

Termination – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2016. The annual termination probability is dependent on an employee’s age, gender, and years of service.

Plan Participation Percentage – It is assumed that 30% of all future retirees and their dependents who are eligible for benefits participate in the post-employment benefit plan.

Census Data – The census data was provided as of July 2017.

Salary Increase Assumption – 2.5% per annum.

Discount Rate – 3.58% per annum

Inflation Rate – 2.5%
14. NET POSITION AND FUND BALANCE REPORTING

**Fund Balance**

GASB 54 categorizes fund balance as either nonspendable or spendable. Nonspendable is defined as the portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. District nonspendable items include inventories.

Spendable is defined as a hierarchy of fund balance classifications that is available to be spent based on the element to which the District is bound to observe constraints imposed upon the use of resources:

- **Restricted fund balance** is constrained by external parties, and constitutional provisions or enabling legislation. District restricted balances includes: Carryover balances as a result of revenue received with constraints from Federal laws, Florida Statute, Florida School Board Rules, local ordinances or contract provisions.
- **Committed fund balance** can only be used for specific purposes pursuant to constraints imposed by formal action of the School Board. District committed balance includes: Funds committed by the School Board on June 2, 2010 for future purchase and installation of equipment needed to transmit and receive programming for The Education Network (TEN).
- **Assigned fund balances** are amounts that are constrained by the School Board or Superintendent to be used for a specific purpose. Florida Statute 1001.51, Duties and Responsibilities of District School Superintendent, delegates certain financial authority to the Superintendent.
- **Unassigned fund balance** is the residual classification for the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District’s policy to use restricted assets first, followed by unrestricted assets. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District has not established a stabilization arrangement. Instead, the Board has established policy 2.55, Fund Balance for Contingency to set aside 3% of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. At the end of the fiscal year, the unassigned general fund balance was $52.0 million or 3.15% of general fund total expenditures.
The following table shows the District's fund balance classification at June 30, 2017 (in thousands):

<table>
<thead>
<tr>
<th>Major Funds</th>
<th>General Fund</th>
<th>COPS Debt Service</th>
<th>Capital Improvement</th>
<th>Other Non-Major Governmental</th>
<th>Total Governmental</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUND BALANCES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Nonspendable:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inventory:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Textbooks</td>
<td>$6288</td>
<td>-</td>
<td>$</td>
<td>-</td>
<td>$</td>
</tr>
<tr>
<td>Child Nutrition</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5232</td>
<td>5232</td>
</tr>
<tr>
<td>Transportation</td>
<td>287</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>287</td>
</tr>
<tr>
<td>Warehouse</td>
<td>1379</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1379</td>
</tr>
<tr>
<td>Other</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15</td>
</tr>
<tr>
<td>Total Nonspendable</td>
<td>7969</td>
<td>-</td>
<td>-</td>
<td>5232</td>
<td>13201</td>
</tr>
<tr>
<td><strong>Restricted for:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Categorical carryover programs</td>
<td>4010</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4010</td>
</tr>
<tr>
<td>IB, AP, AICE &amp; Industry cert prog</td>
<td>12697</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>12697</td>
</tr>
<tr>
<td>School Improvement</td>
<td>1865</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1865</td>
</tr>
<tr>
<td>Local Sales Tax Projects</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>59766</td>
<td>59766</td>
</tr>
<tr>
<td>Workforce development</td>
<td>1806</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1806</td>
</tr>
<tr>
<td>Child nutrition</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>20336</td>
<td>20336</td>
</tr>
<tr>
<td>Debt service</td>
<td>-</td>
<td>116416</td>
<td>-</td>
<td>5659</td>
<td>122075</td>
</tr>
<tr>
<td>Capital projects</td>
<td>-</td>
<td>-</td>
<td>55595</td>
<td>32229</td>
<td>87824</td>
</tr>
<tr>
<td>Total Restricted</td>
<td>20378</td>
<td>116416</td>
<td>55595</td>
<td>117990</td>
<td>310379</td>
</tr>
<tr>
<td><strong>Committed to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Education Network program</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td>Total Committed</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>35</td>
<td>35</td>
</tr>
<tr>
<td><strong>Assigned to:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>School Operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instruction</td>
<td>494</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>494</td>
</tr>
<tr>
<td>Instructional support services</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>Board</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>General &amp; School admin</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Central services</td>
<td>14</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>Pupil transportation services</td>
<td>26</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>26</td>
</tr>
<tr>
<td>Operation of plant</td>
<td>675</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>675</td>
</tr>
<tr>
<td>Community services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After care/summer camp</td>
<td>9379</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9379</td>
</tr>
<tr>
<td>Pre-K/VPK Fee Based Activities</td>
<td>478</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>478</td>
</tr>
<tr>
<td>Community Schools</td>
<td>745</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>745</td>
</tr>
<tr>
<td>Other</td>
<td>181</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>181</td>
</tr>
<tr>
<td>Capital projects</td>
<td>220</td>
<td>-</td>
<td>-</td>
<td>35703</td>
<td>35923</td>
</tr>
<tr>
<td>Misc local grants/donations</td>
<td>1737</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1737</td>
</tr>
<tr>
<td>Next year budget appropriations</td>
<td>44224</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>44224</td>
</tr>
<tr>
<td>Total Assigned</td>
<td>58199</td>
<td>-</td>
<td>-</td>
<td>35703</td>
<td>93902</td>
</tr>
<tr>
<td>Unassigned</td>
<td>52000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>52000</td>
</tr>
<tr>
<td><strong>Total fund balance</strong></td>
<td>$138546</td>
<td>$116416</td>
<td>$55595</td>
<td>$158960</td>
<td>$469517</td>
</tr>
</tbody>
</table>
15. COMMITMENTS AND CONTINGENCIES

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

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

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District’s estimated aggregate liability with respect to probable losses has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District’s related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with legal counsel that any final settlements in these matters will not result in a material adverse effect on the financial position of the District.

As part of its capital outlay program, the District has entered into various construction contracts. The District’s construction commitments of $16.1 million and other encumbrances of $3.7 million as of June 30, 2017 are shown below (amounts in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Encumbrances</th>
<th>Commitments</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$1,417</td>
<td>-</td>
<td>$1,417</td>
</tr>
<tr>
<td>Capital Improvement</td>
<td>-</td>
<td>5,477</td>
<td>5,477</td>
</tr>
<tr>
<td>Other Non-Major Governmental</td>
<td>2,235</td>
<td>10,662</td>
<td>12,897</td>
</tr>
<tr>
<td><strong>Total Commitments</strong></td>
<td><strong>$3,652</strong></td>
<td><strong>16,139</strong></td>
<td><strong>19,791</strong></td>
</tr>
</tbody>
</table>

16. SUBSEQUENT EVENTS

On September 26, 2017, the District issued Tax Anticipation Notes (“TANS”) Series 2017. The $115.0 million issue has a coupon rate of 3.00% with an effective yield of 0.95%. The notes are dated October 10, 2017.

On September 26, 2017, the District issued $147.9 million (plus a premium of $31.9 million) in Certificates of Participation, Series 2017A to refund the Series 2007C publicly owned Certificates. Refinancing the Series 2007C Series will generate $32.0 million cash flow savings for 2018 through 2027. The Series 2017A Certificates possess underlying credit ratings of Aa3 Moody’s and AA- Fitch.
<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) (in thousands) (b)</th>
<th>Unfunded AAL (UAAL) (in thousands) (b-a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (in thousands) (c)</th>
<th>UAAL as a percentage of Covered Payroll ((b-a)/c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2016</td>
<td>$ -</td>
<td>$115,142</td>
<td>$115,142</td>
<td>0.0%</td>
<td>$1,011,258</td>
<td>11.4%</td>
</tr>
<tr>
<td>July 1, 2015</td>
<td>-</td>
<td>141,585</td>
<td>141,585</td>
<td>0.0%</td>
<td>989,739</td>
<td>14.3%</td>
</tr>
<tr>
<td>July 1, 2014</td>
<td>-</td>
<td>135,559</td>
<td>135,559</td>
<td>0.0%</td>
<td>966,098</td>
<td>14.0%</td>
</tr>
<tr>
<td>July 1, 2013</td>
<td>-</td>
<td>138,454</td>
<td>138,454</td>
<td>0.0%</td>
<td>971,608</td>
<td>14.2%</td>
</tr>
<tr>
<td>July 1, 2012</td>
<td>-</td>
<td>130,194</td>
<td>130,194</td>
<td>0.0%</td>
<td>933,906</td>
<td>13.9%</td>
</tr>
<tr>
<td>July 1, 2011</td>
<td>-</td>
<td>168,939</td>
<td>168,939</td>
<td>0.0%</td>
<td>900,783</td>
<td>18.8%</td>
</tr>
<tr>
<td>July 1, 2010</td>
<td>-</td>
<td>161,375</td>
<td>161,375</td>
<td>0.0%</td>
<td>906,746</td>
<td>17.8%</td>
</tr>
<tr>
<td>July 1, 2009</td>
<td>-</td>
<td>218,964</td>
<td>218,964</td>
<td>0.0%</td>
<td>922,938</td>
<td>23.7%</td>
</tr>
<tr>
<td>July 1, 2008</td>
<td>-</td>
<td>216,013</td>
<td>216,013</td>
<td>0.0%</td>
<td>926,287</td>
<td>23.3%</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>-</td>
<td>239,500</td>
<td>239,500</td>
<td>0.0%</td>
<td>930,821</td>
<td>25.7%</td>
</tr>
</tbody>
</table>
### Schedule of the District’s Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan (1)
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>District’s proportion of the FRS net pension liability (asset)</td>
<td>2.3253%</td>
<td>2.4332%</td>
<td>2.5354%</td>
</tr>
<tr>
<td>District’s proportionate share of the FRS net pension liability (asset)</td>
<td>$587,133</td>
<td>$314,284</td>
<td>$154,697</td>
</tr>
<tr>
<td>District’s covered-employee payroll</td>
<td>$989,739</td>
<td>$966,098</td>
<td>$971,624</td>
</tr>
<tr>
<td>District’s proportionate share of the FRS net pension liability (asset) as a percentage of its covered-employee payroll</td>
<td>59.32%</td>
<td>32.53%</td>
<td>15.92%</td>
</tr>
<tr>
<td>FRS Plan fiduciary net position as a percentage of the total pension liability</td>
<td>84.88%</td>
<td>92.00%</td>
<td>96.09%</td>
</tr>
</tbody>
</table>

### Schedule of District Contributions – Florida Retirement System Pension Plan (1)
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractually required FRS contribution</td>
<td>$60,417</td>
<td>$57,082</td>
<td>$59,324</td>
<td>$55,536</td>
</tr>
<tr>
<td>District FRS contributions in relation to the contractually required contribution</td>
<td>(60,417)</td>
<td>(57,082)</td>
<td>(59,324)</td>
<td>(55,536)</td>
</tr>
<tr>
<td>FRS contribution deficiency (excess)</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>District’s covered-employee payroll</td>
<td>$1,011,258</td>
<td>$989,739</td>
<td>$966,098</td>
<td>$971,624</td>
</tr>
<tr>
<td>FRS contributions as a percentage of covered-employee payroll</td>
<td>5.97%</td>
<td>5.77%</td>
<td>6.14%</td>
<td>5.72%</td>
</tr>
</tbody>
</table>

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands). Additional years will be displayed as they become available.
THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2017

Schedule of the District’s Proportionate Share of the Net Pension Liability -  
Health Insurance Subsidy Pension Plan (1)  
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>District’s proportion of the HIS net pension liability (asset)</td>
<td>3.2461%</td>
<td>3.1986%</td>
<td>3.3048%</td>
</tr>
<tr>
<td>District’s proportionate share of the HIS net pension liability (asset)</td>
<td>$378,316</td>
<td>$326,211</td>
<td>$309,012</td>
</tr>
<tr>
<td>District’s covered-employee payroll</td>
<td>$989,739</td>
<td>$966,098</td>
<td>$971,624</td>
</tr>
<tr>
<td>District’s proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll</td>
<td>38.22%</td>
<td>33.77%</td>
<td>31.80%</td>
</tr>
<tr>
<td>HIS Plan fiduciary net position as a percentage of the total pension liability</td>
<td>0.97%</td>
<td>0.50%</td>
<td>0.99%</td>
</tr>
</tbody>
</table>

Schedule of District Contributions –  
Health Insurance Subsidy Pension Plan (1)  
(amounts expressed in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractually required HIS contribution</td>
<td>$17,178</td>
<td>$16,674</td>
<td>$12,227</td>
<td>$11,321</td>
</tr>
<tr>
<td>District HIS contributions in relation to the contractually required contribution</td>
<td>(17,178)</td>
<td>(16,674)</td>
<td>(12,227)</td>
<td>(11,321)</td>
</tr>
<tr>
<td>HIS contribution deficiency (excess)</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
<td>$-</td>
</tr>
<tr>
<td>District’s covered-employee payroll</td>
<td>$1,011,258</td>
<td>$989,739</td>
<td>$966,098</td>
<td>$971,624</td>
</tr>
<tr>
<td>HIS contributions as a percentage of covered-employee payroll</td>
<td>1.70%</td>
<td>1.68%</td>
<td>1.27%</td>
<td>1.17%</td>
</tr>
</tbody>
</table>

Note: (1) The amounts presented for each fiscal year were determined as of June 30 (in thousands). Additional years will be displayed as they become available.
Report 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

Independent Auditor’s Report

To the Chairperson and Members
The School District of Palm Beach County, Florida
West Palm Beach County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The School District of Palm Beach County, Florida (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

West Palm Beach, Florida
November 29, 2017
APPENDIX C

CERTAIN LEGAL DOCUMENTS

The Master Lease

Form of Amendment to Master Lease Purchase Agreement

Form of Schedule 2002D-1

Form of Schedule 2002D-2

Form of Schedule 2007B

The Series 2002D-1 Ground Lease

The Series 2007B Ground Lease

The Master Trust Agreement

Form of Series 2017B Supplemental Trust Agreement

The Series 2002D Assignment

The Series 2007B Assignment
MASTER LEASE PURCHASE AGREEMENT

PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessor

AND

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

Dated as of November 1, 1994
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EXHIBIT B - FORM OF SCHOOL BOARD'S CERTIFICATE

EXHIBIT C - FORM OF SECURITY AGREEMENT

LEASE AND SUBLEASE OF FACILITIES AND FACILITY SITES

WHEREAS, the Corporation is a "private corporation" within the meaning of Section 230.23(9) (b)5, Florida Statutes, as amended, and provisions of Chapter 235, Florida Statutes (collectively, the "Corporation").

WHEREAS, the District of Palm Beach County, Florida, acting as the governing body of the School District of Palm Beach County, Florida, as the "District", a body corporate pursuant to Article IX, Section 6(1) of the Florida Constitution (1968) and Chapter 230, Florida Statutes, as amended, is a "direct support organization" within the meaning of Section 230.23(9) Florida Statutes, to enter into leases or lease-purchase agreements of real property, including equipment and furnishings to be built, installed or established therein for educational purposes ("Facilities") from the Corporation from time to time.
to time, which facilities must, to the extent required by Florida law, be leased to the School Board pursuant to a Master Lease Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Trust Agreement") with National Bank of Florida, Fort Lauderdale, Florida, as Trustee (the "Trustee") pursuant to which the Corporation shall (a) establish a trust and assign to the Trustee all of said Corporation's right, title and interest in and to the Master Leases and all related leases, (b) direct the Trustee to execute and deliver to the public from time to time, Series of Certificates of Participation representing undivided proportionate interests in the Basic Lease Payments to be made under the Master Leases relating thereto and identified on a Schedule to this Master Lease and so designated, and (c) deposit the proceeds of the sale of such Certificates with the Trustee and direct the Trustee to hold the proceeds of the sale of such Certificates in trust and distribute the same to the Corporation. Terms used herein and not otherwise defined shall have the meanings ascribed to them for all purposes of this Section and of the Trust Agreement. Each Series of Certificates issued under the Trust Agreement shall bear a Series Number and shall be evidenced by a Certificate issued in accordance with the terms herein and of the Trust Agreement.

Definitions

SECTION 1.1. Definitions. The terms set forth in this Section shall have the meanings ascribed thereto for all purposes of this Master Lease Agreement and any Supplemental Trust Agreement. Terms used herein and not otherwise defined shall have the meanings ascribed to them for all purposes of this Section and of the Trust Agreement. Each Series of Certificates issued under the Trust Agreement shall bear a Series Number and shall be evidenced by a Certificate issued in accordance with the terms herein and of the Trust Agreement.
month thereafter.

Reserve Account Letter of Credit/Insurance Policy, (x) fees, not be limited to, document printing and reproduction costs, filing may be advisable or necessary prior to completion of any of the surety bond or other irrevocable security device, if any, sup-

Reserve Account established pursuant to Section 45 of the Trust Agreement and any Supplemental Trust Agreement and may be paid as to 90% of the amount in connection with the acquisition, construction and installation of Facilities; (xii) bunch during construction and fees for a reasonable period of time up to six (6) months thereafter.

"Costs of Issuance" shall mean the items of expense incurred in connection with the authorization, sale and delivery of each Certificates, which items of expense shall include, but not be limited to, document printing and reproduction costs, filing and recording fees, cost of credit ratings, initial loss and charges of the Trustee, any facility fees, or any provider of a Reserve Account Letter of Credit/Insurance Policy, legal fees and charges, professional consultants' fees, fees and charges for fee, (xii) Costs of Issuance, and (xii) interest during the period from the date of the Lease through the end of the then current Term as determined in accordance with the Code and amounts earned on the investment of Gross Proceeds not inconsistent with the provisions of the Code, in which case as provided in the Code relating to Investment of Excess Funds; (vii) securities or obligations pledged, if any, as security for payment of Basic Lease Payments under the Master Lease (which amounts are limited in accordance with Section 213.016(1) and 336.19(1)(e), Florida Statutes, as amended; (viii) amounts received with respect to obligations acquired with Gross Proceeds; (ix) amounts received with respect to obligations acquired with Gross Proceeds;

"Credit Facility" shall mean, with respect to each Master Lease, the issuer of such Certificates, unless inconsistent with the provisions of the Code, and the substance of such Certificates in accordance with the Code; (ii) amounts treated as proceeds under the provisions of the Code relating to investment of excess funds; (vii) securities or obligations pledged, if any, as security for payment of Basic Lease Payments under the Master Lease (which amounts are limited in accordance with Section 213.016(1) and 336.19(1)(e), Florida Statutes, as amended; (viii) amounts received with respect to obligations acquired with Gross Proceeds; (ix) amounts received with respect to obligations acquired with Gross Proceeds; (x) amounts received with respect to obligations acquired with Gross Proceeds;

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

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

"Event of Extraordinary Prepayment" shall mean one or more of the events designated in Section 215.461, Florida Statutes, as amended, to be acquired from the proceeds of a Series of Certificates, consisting of real property, if any, buildings and improvements, and the equipment, fixtures and furnishings which are to be built, installed or established on such buildings or improvements, and all appurtenances thereto and interest therein, all as set forth in a Schedule or Schedules from time to time.

"Facility site" shall mean the real property (together with all buildings, structures and improvements erected or situated thereon, any equipment or other rights or privileges in attaching thereto or in connection therewith, the ownership of such land, and all fixtures, additions, alterations or improvements thereto, and with or attached to such land) which is owned by the School Board at the time of the issuance of the Series of Certificates relating thereto or (ii) to be acquired by the School Board of Palm Beach County, Florida.

"Government Obligations" shall mean any obligations which as to their principal, interest and sinking fund obligations is, or may become, backed by the full faith and credit of the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by, the full faith and credit of the United States of America, as agency or instrumentality of the United States of America.

"Government Obligations" shall mean any obligations which as to their principal, interest and sinking fund obligations is, or may become, backed by the full faith and credit of the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by, the full faith and credit of the United States of America, as agency or instrumentality of the United States of America.

"Lease Payments" shall mean, with respect to each Lease, all amounts received under a Lease Agreement and Supplemental Trust Agreement and in connection with the issuance of a Series of Certificates.

"Lease Payments Data" shall mean, with respect to each Lease, each of the following Schedule designated as a Lease Payment Data for such Lease:

"Lease Payments Due Data" shall mean, with respect to a Lease, each of the following Schedule designated as a Lease Payment Due Data for such Lease:

"Lease Payments due Data" shall mean, with respect to each Lease, each of the following Schedule designated as a Lease Payment Due Data for such Lease:

"Lease Termination Date Data" shall mean, with respect to each Lease, each of the following Schedule designated as a Lease Termination Date Data for such Lease:

"Opinion of Counsel" shall mean an opinion signed by an attorney or firm of attorneys of recognized standing who are qualified to pass on the legality of the particular matter (who may or may not be counsel to the School Board or Special Trustee selected by the School Board).

"Outstanding" when used with reference to the Certificates, shall mean, at any time, or at any time prior to the date of the Trust Agreement and any Supplemental Trust Agreement, that amount is being authenticated and delivered under the Trust Agreement except:

"Pass Through Statute" shall mean the Statute which provides for the payment of principal or prepayment of any of the events designated in Section 215.461, Florida Statutes, as amended, to be acquired from the proceeds of a Series of Certificates, consisting of real property, if any, buildings and improvements, and the equipment, fixtures and furnishings which are to be built, installed or established on such buildings or improvements, and all appurtenances thereto and interest therein, all as set forth in a Schedule or Schedules from time to time.

"Pass Through Statute" shall mean the Statute which provides for the payment of principal or prepayment of any of the events designated in Section 215.461, Florida Statutes, as amended, to be acquired from the proceeds of a Series of Certificates, consisting of real property, if any, buildings and improvements, and the equipment, fixtures and furnishings which are to be built, installed or established on such buildings or improvements, and all appurtenances thereto and interest therein, all as set forth in a Schedule or Schedules from time to time.

"Pass Through Trust Agreement" shall mean the Pass Through Trust Agreement and any Supplemental Trust Agreement.

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Certificates are to be prepaid, notice of such prepayment shall be given as provided in Article II of the Trust Agreement;

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

(iv) Certificates are to be prepaid, notice of such prepayment shall be given as provided in Article II of the Trust Agreement;

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persons shall include firms, associations and corporations, including public bodies as well as natural persons.

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

ARTICLE II.

LEASE AND SUBLEASE OF FACILITIES AND FACILITY SITES

SECTION 3.1. Lease and Sublease of Facilities and Facility Sites. The Corporation hereby agrees to demise, lease and sublease to the School Board, and the School Board hereby agrees to hire, take, lease and sublease from the Corporation, the right, title and interest of the Corporation in and to the Facilities and Facility Sites, listed on such Schedule hereto, on the terms and conditions set forth in this Master Lease. For purposes of each lease, all materials and services in respect of which amounts are paid by the Trustee for the acquisition, construction and installation of a Facility (including amounts paid for costs of issuance) shall be deemed accepted by the School Board hereunder upon execution of a requisition by the School Board directing payment therefor under Section 4.01 of the Trust Agreement. The School Board hereby agrees that it has received the decision for the particular Lease of basic Lease Payments representing Costs of Issuance and will pay the lease payments in respect of same, subject to the provisions hereof.

SECTION 3.2. Lease Term. This Master Lease shall be for an original term commencing on the date hereof through and including June 30, 1995, and automatically renewable annually thereafter through the last date set forth on any Schedule hereto unless sooner terminated in accordance with the provisions hereof, including in particular Sections 3.5 and 4.1 hereafter. Upon expiration or termination of the Lease Term, other than pursuant to Section 4.1(b) or (c) hereof, the Trustee, the School Board and the Corporation, at the expense of the School Board, shall exercise and deliver such documents, if any, as shall be necessary to evidence such termination. The useful life of the Facilities shall extend beyond the last date set forth on the particular Schedule relating to such Facilities.

SECTION 3.3. Acquisition of Facilities. The School Board shall be responsible for acquiring, constructing and installing the Facilities, as agent for the Corporation, pursuant to the specifications of the School Board, including the listing of all contracts for the acquisition, construction and installation of the Facilities and for supervising the acquisition, construction and installation of the Facilities.

Contracts in connection with the acquisition, construction and installation of the Facilities shall be let in accordance with the competitive bidding policies of the school board and laws applicable to school boards, including where applicable the requirements of Sections 233.066(15) and 237.20, Florida Statutes, as amended, Chapter 231 and 237, Florida Statutes, as amended, and regulations promulgated by the State Department of Education thereunder, including Rule 6A-6.01, and 9 JAX 1.039 FMR regarding pooling purchases, and in accordance with the instructions to bids and general conditions. All rules and regulations of the state department of education applicable to acquisition and construction of educational facilities by the School Board shall apply to the same extent to the acquisition and construction of the Facilities by the School Board acting in its capacity as agent for the Corporation.

Money deposited in the Acquisition Account established with respect to particular Facilities shall be disbursed from time to time to the Creditors of such Facilities, as all provided in Section 4.1(c) of the Trust Agreement and the applicable provisions of a Suppilmental Trust Agreement. The School Board agrees that it will deliver to the Trustee completed requisitions in the form attached to the Trust Agreement as Exhibit B, and upon completion of acquisition, construction and installation of the Facilities, the School Board shall deliver a Certificate of Acceptance to the Trustee in form attached to the Trust Agreement as Exhibit B and in form for delivery to the Trustee as required by the Trust Agreement. The School Board further agrees to deliver the same described in Section 4.1 of the Trust Agreement with respect to the acquisition of each portion of a Facility consisting land or an interest therein, to be included hereunder.

The School Board shall be responsible for, and shall use its best efforts to effect the completion of acquisition, construction and installation of the Facilities, whether or not funds in the Acquisition Account relating to such Facilities are sufficient to pay the costs thereof. If surplus or improperly drawn from the Acquisition Account, the School Board shall promptly repay such excess amounts to the Trustee for deposit in such acquisition account. Upon determination by the School Board prior to delivery of a Certificate of Acceptance that amounts on deposit in the Acquisition Account for particular Facilities are sufficient to purchase all equipment or materials for such Facilities, the School Board may exercise the related lease and ground leases for the purpose of financing additional Facilities or portions of Facilities from such funds on deposit in such Acquisition Account.

The School Board may determine not to acquire, construct or install one or more of the Facilities relating to a particular Lease, or any determinate part, or any Facilities relating to a particular Lease for any approved Facilities. Upon determination by the School Board that the Facilities relating to a particular Lease, or to substitute one or more of the Facilities relating to a particular Lease, the School Board may amend the related lease and ground leases for the purpose of deleting or substituting such Facilities.
(a) The School Board is the governing body of the District, a body corporate pursuant to Article IX, Section 3, Florida Constitution (1968) and Chapter 230, Florida Statutes, has power to enter into such Master Leases and such Schedule thereon and has duly authorized and taken the necessary acts required prior to including all required provisions in the execution and delivery of this Master Lease. The School Board warrants that this Master Lease, upon the execution and delivery hereof, is a valid, legal and binding instrument with all necessary power and authority to execute and deliver this Master Lease and the terms, conditions, or provisions of any restriction or any agreement or instrument to which the School Board is now a party or by which the School Board is bound or constitutes a violation of the provisions hereof or thereof or any restriction on or limitation of the operation or use of the Facilities, except as hereinafter provided. The School Board hereby warrants to the Corporation, in the event that the Corporation has any basis therefor, that neither the execution, delivery nor compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of any provision of any restriction on or limitation of the operation or use of the Facilities.

(b) The estimated Cost of the Facilities shall not be less than the amount set forth on each Schedule relating to such Facilities computed shall be paid to the Corporation in accordance with the provisions hereof and the parties hereto agree that the Corporation is not obligated to pay any of the Basic Lease Payments on such Lease Payment Date, the Trustee shall notify the School Board on the Business Day following the day payment was due that such Basic Lease Payments have not been received; provided, however, that neither the Corporation, the Trustee nor any other party shall be required to accept any other sum in satisfaction of the Basic Lease Payments on such Lease Payment Date for any Facility hereunder.

(c) The Basic Lease Payments, subject to the conditions stated herein, the School Board agrees to pay the Basic Lease Payments stated on each Schedule hereto and agreed to be paid by the School Board on the Business Day following the day payment was due that such Basic Lease Payments have not been received; provided, however, that neither the Corporation, the Trustee nor any other party shall be required to accept any other sum in satisfaction of the Basic Lease Payments on such Lease Payment Date for any Facility hereunder.

(d) The estimated Cost of the Facilities shall not be less than the amount set forth on each Schedule relating to such Facilities computed shall be paid to the Corporation in accordance with the provisions hereof and the parties hereto agree that the Corporation is not obligated to pay any of the Basic Lease Payments on such Lease Payment Date, the Trustee shall notify the School Board on the Business Day following the day payment was due that such Basic Lease Payments have not been received; provided, however, that neither the Corporation, the Trustee nor any other party shall be required to accept any other sum in satisfaction of the Basic Lease Payments on such Lease Payment Date for any Facility hereunder.

(e) The Basic Lease Payments, subject to the conditions stated herein, the School Board agrees to pay the Basic Lease Payments stated on each Schedule hereinafter and agreed to be paid by the School Board on the Business Day following the day payment was due that such Basic Lease Payments have not been received; provided, however, that neither the Corporation, the Trustee nor any other party shall be required to accept any other sum in satisfaction of the Basic Lease Payments on such Lease Payment Date for any Facility hereunder.

(f) The Basic Lease Payments shall be made from current or other funds authorized by law and appropriated for such purpose by the School Board.
Facility or Facilities financed hereunder. The interest portion of each Basic Lease Payment shall be calculated on the basis of a 180 day year consisting of twelve 30 day months.

SECTION 3.4. Lease Payments to be Unconditional. Subject to Sections 3.3 and 3.5 hereof, the School Board shall make Lease Payments and to pay all other amounts provided for herein and in each Schedule to which a particular Lease is subject hereunder and in each Schedule hereto, or for the Lease or Leases to which a particular Lease is subject hereunder shall be absolute and unconditional, and such Leases shall be payable without abatement or suspension of payment or suspension of the receipt of the Basic Lease Payments coming due thereunder. In the event the Lease Term of such Lease or Leases shall be extended, the Basic Lease Payments coming due thereunder shall be continued and the School Board agrees to pay the same as provided herein.

SECTION 3.5. Non-Appropriation. Notwithstanding anything in this Master Lease to the contrary, the cost and expense of the performance by the School Board of its obligations under this Master Lease and each Schedule hereto and the incurrence of any Liens on the School Board's Book Value Schedule hereto including, without limitation, the payment of all Lease Payments and all other amounts required to be paid by the School Board under this Master Lease and each Schedule hereto, shall be subject to and dependent upon appropriate using only daily funds from time to time by the School Board for such purposes. Under no circumstances shall the failure of the School Board to appropriate sufficient funds constitute a default or require payment of a penalty, or in any way limit the right of the School Board to purchase or utilize educational facilities similar in function to those leased hereunder.

Unless the School Board, as a public meeting held prior to the end of the then current Fiscal Year, shall give notice of its intention to appropriate funds sufficient to pay all other amounts coming due in the following Fiscal Year under this Master Lease and each Schedule hereto, the School Board shall make provisions in its Tentative or Final Budget for the receipt of the Basic Lease Payments coming due in the following Fiscal Year under this Master Lease and each Schedule hereto, and the Superintendent shall cause to be submitted to the School Board on or prior to the date of the School Board's final official budget for the following Fiscal Year, a statement of the current or estimated amounts to be provided by the School Board for the payment of the Basic Lease Payments coming due in the following Fiscal Year, for the following Fiscal Year, subject to appropriate action or determination being taken by the School Board in the final official budget. If Lease Payments are due hereunder during the period prior to the adoption of the School Board's final official budget for the following Fiscal Year, the Leases shall provide for the making of such Lease Payments coming due prior to the adoption of the School Board's final official budget for the following Fiscal Year only as provided above or as the Board shall determine in its sole discretion.
ARTICLE IV. TERMINATION

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

(a) with respect to all Leases, upon the receipt of the Lessee’s last Leasing Payment Date, or forth in any Schedule attached to this Master Lease;

(b) with respect to all Leases, in the event of misappropriation of funds for payment of Lease Payments as provided in Sections 3.1, 3.4 and 3.5 of this Master Lease;

(c) with respect to all Leases, upon a default by the School Board with respect to any Lease and the termination of the Lease Term of any such Lease, provided, however, that upon such provision for payment the obligation to make Lease Payments under such Lease shall continue to be payable solely from such provision for payment.

SECTION 5. Effect of Termination.

(a) Upon the termination of the Lease Term for the reasons referred to in Section 4.1, hereof, the provisions of Section 3.6 shall be applicable. Upon such termination for the reasons referred to in Sections 4.1(h) hereof, the provisions of Sections 8.2 and 8.3 shall also be applicable.

(b) In the event of termination of the Lease Term for the reason referred to in Section 4.1(h) hereof, there shall be applied solely from the amounts deposited pursuant to Section 7.1 hereof a reduction against such basic lease payments to be made after such termination on an amount equal to the basic lease payments applicable to the Facilities.

(c) Notwithstanding the termination of the Lease Term pursuant to Section 4.1(h) hereof, the predominance of the School Board or as provided in Section 2.12 hereof, and the provisions of Sections 9.7 and 9.19 hereof shall survive such termination.

ARTICLE V. CONVEYANCES OF SCHOOL BOARD

SECTION 5.1. Maintenance of the Facilities by the School Board. The School Board may deliver notice at any time during the Lease Term, the School Board will, as the School Board’s own cost and expense, maintain, preserve, repair, and keep the Facilities, the remainder of the term of the related Ground Lease, if applicable, and the School Board shall have no further obligation with respect to such facilities. The adequacy of the School Board’s property insurance coverage for any loss suffered by the Corporation or its assigns as a result of the School Board’s failure to take such actions as required, including reasonable legal fees.

The School Board, as owner of the Facility Sites, may voluntarily and concurrently with the Corporation or its assigns as owner of the Facilities, sell the Facility Sites and the Facilities, the proceeds of such sale to be applied for the purposes of maintaining and preserving the Facilities. In the event of a sale or foreclosure of the Facility Sites, the proceeds shall first be applied to pay all amounts owed by the School Board to the Corporation hereunder and the Corporation shall have the right to apply such proceeds to pay any other amounts owed by the School Board to the Corporation hereunder.

The first lien shall be the lien of the Corporation for the purchase price of the Facility Sites, and the second lien shall be the lien of the School Board for the cost thereof (together with interest until reimbursed) shall be immediately due and payable as supplemental payments.

SECTION 5.2. Taxes, Other Governmental Charges and Utility Charges. In the event that the ownership, leasing, use, possession or acquisition of the Facilities or Facility Sites for any purpose is not subject to taxation in any form, the School Board will pay during each Lease Term, the same time each year, all taxes and governmental charges of any kind whatever that may at any time be lawfully assessed or levied against or with respect to the Facilities or Facility Sites and any facilities or other property acquired by the School Board as permitted under this Master Lease is subscription for, as a renewal or replacement of, or a modification, improvement or addition to the Facilities or Facility Sites, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Facility Sites, provided that, with respect to any governmental charges that may lawfully be paid in instalments, the School Board shall be obligated to pay such installments as have accrued during the time the lessee is obligated for such payment. If the School Board fails to perform such obligations the Trustees may permit the School Board’s obligations and the cost thereof (together with interest until reimbursed) shall be immediately due and payable as Supplemental Payments.

ARTICLE VI. PERMISSESS REGARDING INSURANCE.

During acquisition, construction and installation of the Facilities the School Board shall comply with any applicable statutes, regulations, and the regulations of the Insurers or any courts having jurisdiction over the same.

The School Board shall maintain liability insurance, property insurance, and public liability insurance for the protection of the Corporation, the school board, and other parties required by law. The School Board shall maintain property insurance in an amount not less than the full value of all work in place and materials and equipment provided or delivered by each supplier. The Trustees and the Corporation shall be named as additional insureds and loss payors wherever the School Board is to be named as loss payor and shall be entitled to written notice of cancellation to the same extent as the School Board.

The School Board shall, during the Lease Term, purchase and maintain liability insurance, property insurance and public liability insurance for the protection of the Corporation, the school board, and other parties required by law. The School Board shall maintain property insurance in an amount not less than $25,000,000 per occurrence, to the extent such insurance is available, with respect to the School Board and its possessors rights to all Facility Sites under one or more Ground Leases; and the School Board shall be responsible for the payment of damages in an amount equal to the lease payments which would have accrued hereunder, calculated on a daily basis, for any period during which the School Board fails to surrender the Facilities or for any other loss suffered by the Corporation or its assigns as a result of the School Board’s failure to surrender the Facilities, all without prejudice to any remedy which might otherwise be available to the Corporation or its assigns for recovery of Lease Payments or for any breach of the School Board’s covenants herein contained.

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

The School Board, as owner of the Facility Sites, may voluntarily and concurrently with the Corporation or its assigns as owner of the Facilities, sell the Facility Sites and the Facilities, the proceeds of such sale to be applied for the purposes of maintaining and preserving the Facilities. In the event of a sale or foreclosure of the Facility Sites, the proceeds shall first be applied to pay all amounts owed by the School Board to the Corporation hereunder and the Corporation shall have the right to apply such proceeds to pay any other amounts owed by the School Board to the Corporation hereunder.

The first lien shall be the lien of the Corporation for the purchase price of the Facility Sites, and the second lien shall be the lien of the School Board for the cost thereof (together with interest until reimbursed) shall be immediately due and payable as supplemental payments.

(a) Within 30 days after the termination of the Lease Term, the School Board shall prepare and deliver to the Corporation a statement setting forth a complete and detailed account of all funds received and all disbursements made by the School Board in connection with the operation and maintenance of the Facilities, including a detailed statement of the amounts paid by the School Board for the payment of taxes, insurance, and other charges and expenses and a statement of the amounts paid by the School Board for the payment of all amounts owed by the School Board to the Corporation hereunder.

(b) Within 60 days after the termination of the Lease Term, the School Board shall prepare and deliver to the Corporation a statement setting forth a complete and detailed account of all funds received and all disbursements made by the School Board in connection with the operation and maintenance of the Facilities, including a detailed statement of the amounts paid by the School Board for the payment of taxes, insurance, and other charges and expenses and a statement of the amounts paid by the School Board for the payment of all amounts owed by the School Board to the Corporation hereunder.

The School Board shall be obligated to pay such installments as have accrued during the time the lessee is obligated for such payment. If the School Board fails to perform such obligations the Trustees may perform the School Board’s obligations and the cost thereof (together with interest until reimbursed) shall be immediately due and payable as Supplemental Payments.
(a) In the event the self-insurance program shall be discontinued, the School Board may also self-insure for the amount of the deductible portion of the above described insurance coverage. The School Board’s present maximum self-insured limits are $100,000 per occurrence and a minimum of $10,000,000 per occurrence resulting in a limit of $10,000,000 and a minimum of $10,000,000 per occurrence resulting in a maximum of $10,000,000. The School Board reserves such limits and, with the approval of the Insurance Consultant, shall maintain the full insurance coverage required hereunder, and shall report to the Corporation. Should the School Board fail to maintain such insurance coverage, the self-insured limits as determined by the Insurance Consultant, the School Board shall cause the adequacy of such self-insurance program to be reviewed by the Insurance Consultant on an annual basis.

In the event of any loss, damage, injury, accident, theft or condemnation involving the facilities, the School Board shall promptly provide or cause to be furnished to the Corporation and the Trustee written notice thereof, and make available to us or any agent or employee the School Board or the Corporation, the Trustee and the Corporation shall be entitled to any reimbursement therefrom from the Corporation or the Trustee.

Any insurance policy maintained pursuant to this Section 5.3 shall require that the Corporation and the Trustee be named as additional insureds on each insurance policy maintained in connection with the operation of the Corporation and the facilities and, therefore, shall be entitled to any reimbursement therefrom from the Corporation or the Trustee.

Any insurance policy maintained pursuant to this Section 5.3 shall, in the event of any loss, damage, injury, accident, theft or condemnation involving the facilities, the School Board shall promptly provide or cause to be furnished to the Corporation and the Trustee written notice thereof, and make available to us or any agent or employee the School Board or the Corporation, the Trustee and the Corporation shall be entitled to any reimbursement therefrom from the Corporation or the Trustee.
will adopt tentative and final official budgets, and will submit legally available revenues will be sufficient to meet its Lease time.

Subject to the right of non-appropriation set forth in Sections 3.1 and 3.9 hereof the School Board may have the right to make payments in accordance with laws and regulations, as if the same were contained in subsection (a) hereof as provided in Section 5.12 hereafter. The School Board shall promptly commence and perform, or cause to be commenced and performed, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remediate, as set forth in Section 3.3 hereof to be included in the gross income of the Certificate of Accumulation.

SECTION 5.11. Budget and Tax Levy. The School Board agrees to pay.

SECTION 5.12. Compliance with Law, Regulations, Etc.

(a) The School Board has, after due inquiry, no knowledge and has not received any written notice indicating that it or any of its subtenants, agents, licensees, contractors, employees or agents to comply with, all Environmental Regulations, and any so-called local laws and regulations and any and every other law, order, rule, or regulation of any governmental body exercising similar functions requiring the performance of any work whatsoever for the benefit of the School Board shall be under no obligation to, pay amounts due to the Treasury; or (iii) stored any material amount of Hazardous Materials on, from or beneath the Facility Sites or the past or present use thereof or in connection therewith, (collectively, "Hazardous Materials") without limiting the generality of the foregoing. Notice to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of any of the Facilities and Facility Sites has, other than as set forth in subsection (a) and (b) of this Section or as set forth in subsection (c) hereof. Upon receipt of any notice from any Person with regard to the Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites, the School Board shall promptly commence and perform, or cause to be commenced and performed, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remediate, as set forth in Section 3.3 hereof to be included in the gross income of the Certificate of Accumulation.

(b) The School Board shall comply with, and shall cause its employees and agents to comply with, all Environmental Regulations.

(c) No Facilities or Facility Sites located in an area of high potential radiological hazard has been evaluated and determined to be suitable for use in the maintenance of public schools and related facilities, the use, treatment, storage, transportation and disposal of which has been and shall be in compliance with all laws and regulations.

(d) The School Board has not received any notice from any governmental or public agency required or authorized to require such performance of any work whatsoever for the benefit of the School Board shall be under no obligation to, pay amounts due to the Treasury; or (iii) stored any material amount of Hazardous Materials on, from or beneath the Facility Sites or the past or present use thereof or in connection therewith, (collectively, "Hazardous Materials") without limiting the generality of the foregoing. Notice to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of any of the Facilities and Facility Sites has, other than as set forth in subsection (a) and (b) of this Section or as set forth in subsection (c) hereof. Upon receipt of any notice from any Person with regard to the Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites, the School Board shall promptly commence and perform, or cause to be commenced and performed, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remediate, as set forth in Section 3.3 hereof to be included in the gross income of the Certificate of Accumulation.

(b) The School Board shall promptly commence and perform, or cause to be commenced and performed, all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remediate, as set forth in Section 3.3 hereof to be included in the gross income of the Certificate of Accumulation.
settlement reached (five (5) Business Days' prior notice of which to the Corporation, the Trustee or the Credit Facility Issuer, as appropriate, shall have delivered to the School Board or governmental body relating to or, in the case of any of the Facilities or Facility Sites, the Corporation under the Master Lease, including but not limited to Environmental Regulations.

violation of any Environmental Regulation which results in liability or governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the School Board is strictly liable under any environmental regulation, its obligation to the Corporation, the Trustee or the Credit Facility Issuer, and any other indemnity under the foregoing indemnification shall likewise be without regard to respect to any violation of any Environmental Regulation which results in liability under any indemnification or liabilities under this Section 5.13(d) shall survive the termination of this Master Lease.

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


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

(b) The School Board shall defend, or cause to be defended against every suit, action or proceeding at law or in equity, or in any governmental body relating to or, in the case of any of the Facilities or Facility Sites, the Corporation under the Master Lease, including but not limited to Environmental Regulations, other than a suit, action or proceeding in which the Corporation, the Trustee or the Credit Facility Issuer is a party, or in which any of its agents, tenants, licensees, licensees, successors, or assigns are a party, until the issuance of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the School Board is strictly liable under any environmental regulation, its obligation to the Corporation, the Trustee or the Credit Facility Issuer, and any other indemnity under the foregoing indemnification shall likewise be without regard to respect to any violation of any Environmental Regulation which results in liability under any indemnification or liabilities under this Section 5.13(d) shall survive the termination of this Master Lease.

ARTICLE VI.
TITLES

SECTION 6.1. Title to Facility Sites and Facilities. Throughout the term of each Ground Lease, title to the Facility Sites or Facilities described therein shall be vested in the School Board, subject to Permitted Encumbrances. Until the date of the lease, subject to Environmental Regulations, the only limitation and limitation on the use of the information contained in this article, the School Board is hereby authorized to take any action or permit any action or thing which may not be done by the School Board under this Master Lease or any act or omission of the School Board, including any act or omission of the School Board, the Corporation and the Trustee, as insureds, as their successors and assigns, including any act or omission of the School Board, the Corporation and the Trustee, as insureds, as their successors and assigns, shall be in the name of the School Board, subject to the provisions of any lease, leasehold estate, or other instrument of leasehold title in the name of the School Board, subject to the provisions of any lease, leasehold estate, or other instrument of leasehold title or rights of the Corporation, or its directors, officers and employees done or omitted to be done within the scope of their respective office or employment, other than an act or omission which is the result of misconduct or negligence by such person, provided that, the Corporation, at its election, may indemnify the Corporation against any and all costs, expenses, and loss, which may occur by reason of any such defect, cloud, suit, action or proceeding.

If required by a Credit Facility Issuer the School Board shall provide one or more policies of title insurance naming the School Board, the Corporation and the Trustees as insureds, as their successors and assigns, in amounts as required by such Credit Facility Issuer. Proceeds of any payment under a title insurance policy shall be paid to the School Board and held for application in connection with the direction of the School Board prior to the occurrence of a Prime of Default. Any agreement with any Credit Facility Issuer shall be binding upon the Corporation, the Trustee, and the School Board. The School Board may legally make such waiver.

If required by a Credit Facility Issuer the School Board shall provide one or more policies of title insurance naming the School Board, the Corporation and the Trustees as insureds, as their successors and assigns, in amounts as required by such Credit Facility Issuer. Proceeds of any payment under a title insurance policy shall be paid to the Trustee and held for application in connection with the direction of the School Board in accordance with Section 5.12. Any agreement with any Credit Facility Issuer shall be binding upon the Corporation, the Trustee, and the School Board. The School Board may legally make such waiver.
ARTICLE VII.
ASSIGNMENT, OPTION TO PURCHASE, AND EASEMENT

SECTION 7.1. Assignments: Subleasing.

(A) It is understood that substantially all right, title and interest of the Corporation in and to each Lease including the right to receive Basic Lease Payments is vested in and to be held by the Corporation for the benefit of the holders of the Series of Certificates to which such Lease relates. The Corporation assigns and transfers to such holders all right, title and interest in and to each Lease and the obligations of the School Board (including payments by the Credit Facility Issuer, if any, for the Series of Certificates relating to such Lease) under such Lease and the obligations of the School Board under the Series of Certificates relating thereto, to the extent of any security interest, pledge, lien or other encumbrance (or any series of Certificates relating thereto), as required by the Series of Certificates relating thereto and applicable law. The assignment of the School Board to such holders is conditioned upon the Corporation receiving payment of all Basic Lease Payments relating to such Lease, and the assignment is subject to the Corporation's right to contest the legality of such assignment at any time. The assignment is subject to the provisions of the Lease relating thereto and applicable law.

(B) The Corporation may assign any Lease to any person, at any time, for any reason, without causing the exclusion from federal income taxation of the income derived from the lease of the Facilities or of the Credit Facility Issuer. The assignment is subject to the provisions of the Lease relating thereto and applicable law.

(C) The Corporation may assign any Lease to any person, at any time, for any reason, without causing the exclusion from federal income taxation of the income derived from the lease of the Facilities or of the Credit Facility Issuer. The assignment is subject to the provisions of the Lease relating thereto and applicable law.

ARTICLE VIII.
SUBSTITUTION OF FACILITIES

SECTION 8.1. Substitution of Facilities.

(A) The School Board shall have the power to substitute for any Facility, or a part of any Facility, other facilities as follows:

(i) such substitute facilities are substantially equal in utility and function to the Facilities to be replaced;

(ii) such substitute facilities are not subject to any security interest, pledge, lien or other encumbrance;

(iii) such substitute facilities are of substantially equal utility as the Facilities to be replaced and meet all applicable laws and regulations, including, without limitation, with respect to the use and maintenance of the Structures and the Facilities;

(iv) such substitute facilities are free and clear of liens and encumbrances, except Permitted Encumbrances and (e) are approved for substitution by the School Board and the Trustee.

In addition, the School Board agrees to comply in all respects with all applicable laws and regulations, including, without limitation, the laws of the State and the rules of the School Board.

ARTICLE IX.
LEASING OF FACILITIES

SECTION 9.1. Leasing of Facilities.

(A) The School Board shall have the power to lease any Facility, or a part of any Facility, for any purpose, subject to the provisions of the Lease relating thereto and applicable law.

(B) The School Board may lease any Facility, or a part of any Facility, for any purpose, subject to the provisions of the Lease relating thereto and applicable law.

(C) The School Board may lease any Facility, or a part of any Facility, for any purpose, subject to the provisions of the Lease relating thereto and applicable law.

ARTICLE X.
ASSIGNMENT, OPTION TO PURCHASE, AND EASEMENT

SECTION 10.1. Assignments: Subleasing.

(A) It is understood that substantially all right, title and interest of the Corporation in and to each Lease including the right to receive Basic Lease Payments is vested in and to be held by the Corporation for the benefit of the holders of the Series of Certificates to which such Lease relates. The Corporation assigns and transfers to such holders all right, title and interest in and to each Lease and the obligations of the School Board (including payments by the Credit Facility Issuer, if any, for the Series of Certificates relating to such Lease) under such Lease and the obligations of the School Board under the Series of Certificates relating thereto, to the extent of any security interest, pledge, lien or other encumbrance (or any series of Certificates relating thereto), as required by the Series of Certificates relating thereto and applicable law. The assignment of the School Board to such holders is conditioned upon the Corporation receiving payment of all Basic Lease Payments relating to such Lease, and the assignment is subject to the Corporation's right to contest the legality of such assignment at any time. The assignment is subject to the provisions of the Lease relating thereto and applicable law.

(B) The Corporation may assign any Lease to any person, at any time, for any reason, without causing the exclusion from federal income taxation of the income derived from the lease of the Facilities or of the Credit Facility Issuer. The assignment is subject to the provisions of the Lease relating thereto and applicable law.

(C) The Corporation may assign any Lease to any person, at any time, for any reason, without causing the exclusion from federal income taxation of the income derived from the lease of the Facilities or of the Credit Facility Issuer. The assignment is subject to the provisions of the Lease relating thereto and applicable law.

ARTICLE XI.
SUBSTITUTION OF FACILITIES


(A) The School Board shall have the power to substitute for any Facility, or a part of any Facility, other facilities as follows:

(i) such substitute facilities are substantially equal in utility and function to the Facilities to be replaced;

(ii) such substitute facilities are not subject to any security interest, pledge, lien or other encumbrance;

(iii) such substitute facilities are of substantially equal utility as the Facilities to be replaced and meet all applicable laws and regulations, including, without limitation, the laws of the State and the rules of the School Board.

In addition, the School Board agrees to comply in all respects with all applicable laws and regulations, including, without limitation, the laws of the State and the rules of the School Board.

ARTICLE XII.
LEASING OF FACILITIES

SECTION 12.1. Leasing of Facilities.

(A) The School Board shall have the power to lease any Facility, or a part of any Facility, for any purpose, subject to the provisions of the Lease relating thereto and applicable law.

(B) The School Board may lease any Facility, or a part of any Facility, for any purpose, subject to the provisions of the Lease relating thereto and applicable law.

(C) The School Board may lease any Facility, or a part of any Facility, for any purpose, subject to the provisions of the Lease relating thereto and applicable law.
ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1. Events of default defined. The following shall be "events of default" under this Master Lease and the term "event of default" and "default" shall mean, whenever they are used in connection with any agreement or provision hereof, except as otherwise provided in Section 4.1(d) hereof, any event which the Trustee or the Corporation shall, in its discretion, determine to be an event of default or a default or failure to comply with the terms of this Master Lease or any Schedule hereto, if such determination is made in good faith and in reasonable judgment. In the event of a default, the Trustee shall have the right to proceed as hereinafter provided for the correction of such default, or the payment of the amount owing by the School Board under this Master Lease, or the enforcement of any other remedy hereinafter specified.

(a) Failure by the School Board to pay in full any Basic Lease Payments when due, or failure, when due, to pay anyAdditional Lease Payments to the Trustee, or failure to pay in full any condemnation proceedings, or failure to pay anyMonetary Payment, or failure to pay any other sums due under this Master Lease, any one or more of the following events:

(b) Failure by the School Board to pay in full any Additional Lease Payments or Supplemental Payment with respect to any Lease at the time and in the manner specified herein.

(c) Failure by the School Board to pay in full any sums due under any Contract, Lease, Purchase Option Price, or other obligation of the School Board under this Master Lease or any Schedule hereof.

(d) Failure by the School Board to pay in full any sums due under any Contract, Lease, Purchase Option Price, or other obligation of the School Board under this Master Lease, or to make any payment required to be made under this Master Lease, the failure to pay which results in the increase of the Purchase Option Price due thereunder.

(e) Failure by the School Board to pay in full any sum due under any Contract, Lease, Purchase Option Price, or other obligation of the School Board under this Master Lease, or to make any payment required to be made under this Master Lease, the failure to pay which results in the increase of the Purchase Option Price due thereunder.

(f) Failure by the School Board to pay in full any sum due under any Contract, Lease, Purchase Option Price, or other obligation of the School Board under this Master Lease, or to make any payment required to be made under this Master Lease, the failure to pay which results in the increase of the Purchase Option Price due thereunder.

(g) Failure by the School Board to pay in full any sum due under any Contract, Lease, Purchase Option Price, or other obligation of the School Board under this Master Lease, or to make any payment required to be made under this Master Lease, the failure to pay which results in the increase of the Purchase Option Price due thereunder.

SECTION 8.2. Remedies. When an event of default shall have occurred and be continuing, the Corporation shall have the right to proceed against the School Board and the School Board shall have the right to perform or remedy the default.

(a) Failure by the School Board to observe and perform any covenant, agreement, representation or warranty contained in this Master Lease, any one or more of the following events:

(b) Failure by the School Board to observe and perform any covenant, agreement, representation or warranty contained in this Master Lease, any one or more of the following events:

(c) Failure by the School Board to observe and perform any covenant, agreement, representation or warranty contained in this Master Lease, any one or more of the following events:

(d) Failure by the School Board to observe and perform any covenant, agreement, representation or warranty contained in this Master Lease, any one or more of the following events:

(e) Failure by the School Board to observe and perform any covenant, agreement, representation or warranty contained in this Master Lease, any one or more of the following events:

SECTION 8.3. Remedies on Default. Whenever any event of default referred to in Section 8.1 shall have happened and be continuing, the Corporation shall have the right, without any further demand or notice except as hereinbefore provided, to take one or any combination of the following remedies:

(a) Upon written notice to the School Board, terminate the Lease Term of all Leases and, whether or not the Lease Term is terminating, sell or mortgage the property described in Section 5.3 hereof, in accordance with the provisions of Section 5.3 hereof, upon written notice to the Corporation, the Corporation shall have the right to take any action, whether by suit or otherwise, to enforce the terms of this Master Lease, and the School Board shall have the right to pursue such remedies as may be available to it.

(b) The filling of a petition in bankruptcy or the appointment of a receiver or trustee for the School Board or any of its property or the commencement of a voluntary or involuntary proceeding against the School Board under any applicable bankruptcy, reorganization, rehabilitation, or similar law or proceeding for the reorganization, arrangement, adjustment, composition, liquidation, dissolution, or winding up of the business or affairs of the School Board, or the granting of such relief under any such law as shall be deemed necessary or desirable to have the effect of delaying or inhibiting any such proceeding, or the taking of any action in furtherance of any such proceeding, or the appointment of a receiver or trustee for the property of the School Board, or the making or any order or any act of the receiver or trustee, or the filing of any petition, answer, cross claim, counterclaim, or some other proceeding in connection therewith.

(c) The filing of a petition in bankruptcy or the appointment of a receiver or trustee for the School Board or any of its property or the commencement of a voluntary or involuntary proceeding against the School Board under any applicable bankruptcy, reorganization, rehabilitation, or similar law or proceeding for the reorganization, arrangement, adjustment, composition, liquidation, dissolution, or winding up of the business or affairs of the School Board, or the granting of such relief under any such law as shall be deemed necessary or desirable to have the effect of delaying or inhibiting any such proceeding, or the taking of any action in furtherance of any such proceeding, or the appointment of a receiver or trustee for the property of the School Board, or the making or any order or any act of the receiver or trustee, or the filing of any petition, answer, cross claim, counterclaim, or some other proceeding in connection therewith.

SECTION 8.4. Appointment of Receiver. In the event of a default, the Corporation shall have the right, in its discretion, to appoint a receiver for the property of the School Board, and the School Board shall, at the request of the Corporation, execute and deliver to the Corporation an instrument appointing a receiver for the property of the School Board.

SECTION 8.5. Trustee's Waiver. The Trustee, by written notice to the Corporation, may, at any time during the continuance of any default, waive any default, whether previously waived or not, or may grant one or more extensions of time for the cure thereof, and the failure to enforce the rights reserved under this Section 8.5 shall not constitute a waiver of any right of the Trustee to enforce the same or any other right of the Trustee hereunder.

SECTION 8.6. Amendment of Terms. The Corporation may, by written notice to the School Board, amend the terms of this Master Lease, with the consent of the School Board thereto, in any manner and to such extent as may be necessary or expedient to effectuate the terms of this Master Lease.

SECTION 8.7. Entire Agreement. This Master Lease contains the entire agreement of the parties hereto, and all prior agreements, negotiations, and understandings, express or implied, are merged herein and are hereby superseded.

NOTICE: The Corporation shall have the right, in its discretion, to amend the terms of this Master Lease, with the consent of the School Board thereto, in any manner and to such extent as may be necessary or expedient to effectuate the terms of this Master Lease.
ARTICLE IX
MISCELLANEOUS

SECTION 9.1. Notices. All notices, certificates, requests or other communications (other than payments by the School Board) hereunder shall be in writing and shall be sufficiently given and served upon any party to this Master Lease at the addresses provided in one or more Schedules or to the Corporation to be executed in its corporate name by its duly authorized members and officers on the day and year first written above.

SECTION 9.2. Binding Effect. This Master Lease shall be binding on and shall be binding upon the Corporation and the School Board and their respective successors and assigns, including without limitation the Trustees pursuant to the Assignment Agreement, any Lease Schedule or any Credit Facility.

SECTION 9.3. Severability. In the event any provision of this Master Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 9.4. Amendments. The terms of this Master Lease and any Lease Schedule shall not be amended, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee, and delivered to and acknowledged by each Credit Facility Issuer. Any amendments to this Master Lease, any Lease Schedule or any Credit Facility shall be in writing and shall be an original and all of which shall constitute one and the same instrument.

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

SECTION 9.6.Captions. The captions or headings in this Master Lease are for convenience only and in no way define, limit, describe the scope or intent of any provisions or sections of this Master Lease.

SECTION 9.7. Interpretation. All headings and captions hereunder shall be read on the basis of a fiscal year consisting of twelve 30-day months (unless otherwise provided with respect to additional lease payments on a Schedule hereto).

SECTION 9.8. Compliance with Trust Agreement. The School Board hereby agrees and agrees to the provisions of the Trust Agreement. The Corporation hereby agrees not to amend or modify the Trust Agreement in any way without the written consent of the School Board so long as this Master Lease shall be in effect. The School Board agrees to do all things within its power in order to enable the Corporation to comply with all requirements and to fulfill all covenants of the Trust Agreement which require the Corporation to comply with requests or obligations so that the Corporation will not be in default in the performance of any covenant, condition, agreement or provision of the Trust Agreement, and the School Board further agrees to comply with and perform any obligations to be complied with or performed by the School Board pursuant to the Trust Agreement.

SECTION 9.9. Measurement of Lease. Simultaneously with the execution of this Master Lease and each Schedule hereto, and thereafter simultaneously with the execution of any Schedule, the School Board and the Corporation shall each execute, acknowledge and Deliver a Memorandum of Lease with respect to the Master Lease and such Schedule. Said Memorandum of Lease shall not in any circumstance be deemed to change or otherwise to affect any of the obligations or provisions of such instrument.

SECTION 9.10. Applicable Law. This Master Lease shall be governed by and construed in accordance with the laws of the State of Florida.

IN WITNESS WHEREOF, the Corporation has caused this Master Lease to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Master Lease to be executed in its name by its duly authorized members and officers on the date first set forth below their respective signatures and all as of the day and year first written above.

[SEAL] PALM BEACH SCHOOL BOARD
By: __________________________
By: __________________________
Date: November 16, 1994
By: __________________________
By: __________________________
Date: November 16, 1994

[SEAL] THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
By: __________________________
By: __________________________
Date: November 16, 1994
By: __________________________
By: __________________________
Date: November 16, 1994
This Exhibit A, Form of Schedule to Master Lease Purchase Agreement, is hereby entered into under and to the Master Lease Purchase Agreement dated as of November 1, 1994, between the School Board as Lessor and the Corporation as Lessee, as amended or supplemented from time to time, pursuant to which the Corporation is to lease-purchase from the School Board, subject to the terms and conditions of the Master Lease incorporated herein, the Series Facilities prescribed in this Schedule No., to be leased by the Corporation to the School Board, as the same may be amended or supplemented from time to time.

SECTION 1. Definitions. For purposes of the Lease, the following terms have the meaning set forth below:

"Assignment Agreement" shall mean the Series Assignment Agreement dated as of November 1, 1994, between the Corporation and the Trustee.

"Certificates" or Series of Certificates" shall mean the certificates of participation, series issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Commencement Date" for the Lease is the date on which the Lease is commenced.

"Series Credit Facility" shall mean

"Series Credit Facility Issuer" shall mean

"Series Facilities" shall mean the Facilities described in this Schedule No.
SECTION 4. Series Facility Site(s) to be Ground Leased. The legal description of each of the serial facilities to be ground leased to the Corporation pursuant to the Master Lease Purchase Agreement dated as of November 1, 1994, between the School Board and Palm Beach School Board Leasing Corp. (the "Corporation") is as follows:

A. For purposes of this Schedule, all references hereto and thereto shall be deemed to refer to the Master Lease Purchase Agreement dated as of November 1, 1994, between the School Board and Palm Beach School Board Leasing Corp. (the "Corporation") and Schedule No. thereto.

IN WITNESS WHEREOF, the Corporation has caused this Schedule No. to be signed by its duly authorized officers, and the School Board has caused this Schedule No. to be signed by its duly authorized officers on the date set forth below.

By: ____________________________
Title: President

PALM BEACH SCHOOL BOARD LEASING CORP.

The Corporation has caused this Schedule No. to be signed by its duly authorized officers on the date set forth below.

By: ____________________________
Title: Chairperson

The School Board has caused this Schedule No. to be signed by its duly authorized officers on the date set forth below.

By: ____________________________
Title: President

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

SECTION 5. Application of Certain Proceeds of Series Certificates. The Trustee shall deposit the following sums in the following accounts from the proceeds of the Series Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition Account</td>
<td>Series</td>
</tr>
<tr>
<td>Out of Insurance Subaccount</td>
<td>Series</td>
</tr>
<tr>
<td>Reserve Account</td>
<td>Series</td>
</tr>
<tr>
<td>Lease Payment Account</td>
<td>Series</td>
</tr>
</tbody>
</table>

The interest portion of the Basic Lease Payments represented by the Series Certificates, expressed as an annual percentage rate, is exempt from the limitations on interest rates set forth in Section 215.84, Florida Statutes, since the Series Certificates are rated within the three highest rating categories by a nationally recognized rating service.

B. Notices. Copies of all matters required to be given to the Corporation and Permitted Encumbrances in addition to those specified in the Master Lease (are) as follows:

1. Trustee Fees:

2. Trustee Expenses:

SECTION 6. Basic Lease Payments. The principal portion and the interest portion of the Basic Lease Payments, the Payment Dates and the Remaining Principal Portion with respect to the Serial Facilities to be lease purchased and the Series Certificates attributable to each Facility are set forth below. If, upon delivery of the Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all of the Series Facilities to be lease purchased and the Series Certificates purchased, it is determined that the cost of, and the Remaining Principal Portion with respect to the Series Certificate, expressed as an annual percentage rate, is (are) as follows:

<table>
<thead>
<tr>
<th>Series Facility Site(s)</th>
<th>Cost of Issuance Subaccount</th>
<th>Reserve Account</th>
<th>Lease Payment Account</th>
</tr>
</thead>
</table>

SECTION 7. Additional Lease Payments. Additional lease payments with respect to the Series Certificates consist of the following:

1. Trustee Fees:

2. Trustee Expenses:

SECTION 8. Pre-payment Provisions. In addition to (or in lieu of) the prepayment provisions of Section 7.2 of the Master Lease, the principal portion of the Basic Lease Payments due by the Corporation and Permitted Encumbrances, the legal description of the applicable Series Certificate, as amended heretofore, is as follows:

A. Optional Prepayment:

B. Extraordinary Prepayment


A. The School Board hereby confirms its representations, warranties and covenants set forth in Section 2.10 of the Master Trust Agreement dated as of November 1, 1994. Schedule No. thereto and used in this certificate have the same meanings in this certificate as are ascribed to such terms in the Master Trust Agreement and Section 402 of the Master Trust Agreement dated as of November 1, 1994.

The legal description of the Series Facilities, or group of Series Facilities to be lease purchased, and for purposes of this certificate constitute the acceptance certificate for such Series Facilities required by Section 3.1 of the Master Lease and Section 402 of the Master Trust Agreement dated as of November 1, 1994.

1. Such Series Facilities meet the School Board's specifications therefor, and have been approved by the School Board for lease purchase.

2. The School Board has, as agent for the Corporation, acquired the Series Facilities described in Schedule No. thereto.

3. The School Board hereby confirms its representations, warranties and covenants set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule No. thereto.

4. Completion Date for such Series Facilities is:

5. Terms defined in the Master Lease and Schedule No. thereto and used in this certificate have the same meanings in this certificate as are ascribed to such terms in the Master Lease and Schedule No. thereto.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: ____________________________
Title: Chairperson

PALM BEACH SCHOOL BOARD LEASING CORP.

By: ____________________________
Title: President

C-17
AMENDMENT TO MASTER LEASE PURCHASE AGREEMENT

By and among

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

And

PALM BEACH SCHOOL BOARD LEASING CORP.

And

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

(successor to NationsBank of Florida, N.A.), as trustee
WHEREAS, the School Board has directed it to be in its best interest to base-purchase contain real and personal property from time to time and has entered into the Original Master Lease Agreement between the Corporation, as lessee, and the School Board, as lessor, and

WHEREAS, pursuant to the Original Master Lease, the School Board has from time to time, by execution of a schedule to the Original Master Lease (each, a "Schedule") and together with the Master Lease, a "Lease"), directed the Corporation to acquire, construct and lease-purchase to the School Board the items of real and personal property as described in each Schedule, (which items of property are collectively referred to herein as "Facilities"); and

WHEREAS, the Corporation has entered into a Master Trust Agreement dated as of November 1, 1994 (the "Master Trust Agreement") with the Trustee, providing for the issuance of series of Certificates of Participation in the public 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, the School Board now wishes to amend the Original Master Lease to (a) revise the insurance provisions therein to reflect the change in the Florida insurance market since November 1, 1994, and (b) clarify Section 9.4 with respect to amendments, which were written at a time when all Certificates were insured and therefore provided for the amount of insurance to amendments but did not provide for the holders of Certificates to amendments; and

WHEREAS, the School Board has amended this Amendment under Resolution adopted on September 6, 2017, and

WHEREAS, the Corporation has amended this Amendment under Resolution adopted on September 6, 2017, and

WHEREAS, under Section 9.4 of the Original Master Lease, the Original Master Lease can be amended "by written instrument signed by the School Board and the Corporation and, if required under the terms of the First Agreement, by the Trustee," and amended by such Credit Facility Issuer and/or otherwise satisfies the criteria set forth herein. The School Board shall maintain eligibility for assistance from the Federal Emergency Management Agency.

In addition, the School Board may elect to self-insure for all or any portion of such coverage, as provided above. The self-insurance program shall be reviewed annually by the Superintendent in consultation with the Insurance Consultant and risk management department.

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

The sufficiency of the School Board's flood insurance coverage shall be reviewed at least annually by the Superintendent, in consultation with the Insurance Consultant and risk management department of the School Board, and the School Board shall follow the recommendations of the Insurance Consultant as well as the recommendations made by the amendatory of this section, and this subsection, as necessary, to maintain the minimum coverage as set forth in the preceding paragraph.

Any insurance policy issued pursuant to this Section 9.5 shall provide that the Corporation and the Trustee are entitled to waiving of any proposal cancellation of such policy thirty (30) days prior to the date set for cancellation. Any policy of all risk property insurance must be obtained from a commercially insurance company or companies named "Secures" by A.M. Best Company or in the case of the three highest rating category of Moody's and S&P.

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

Any insurance policy maintained pursuant to this Section 5.3 shall be so obtained and in such form as to provide that the Trustee (on behalf of the Certificate holders), and the Corporation are named as additional insureds, and the Trustee, the Corporation and the School Board as additional insureds thereon as their interest may appear and that the Net Proceeds of any appropriation made in connection with a self-insurance election shall be payable to the School Board, the Corporation and the Trustee (on behalf of the Certificate holders) as their interests may appear and at the Net Proceeds of any appropriation made in connection with a self-insurance election shall be payable to the School Board and the Corporation and the Trustee (on behalf of the Certificate holders); and at their respective interests may appear and at the Net Proceeds of any appropriation made in connection with a self-insurance election shall be payable to the School Board and the Corporation and the Trustee (on behalf of the Certificate holders) as their respective interests may appear and that Net Proceeds of any appropriation made in connection with a self-insurance election shall be payable as provided in Section 5.4(a) and Section 5.4(b) hereof.

WHEREAS, under certain Schedules, Section 9.4 has been amended to provide, among other things, for consent of holders of Certificates when there is no Credit Facility Issuer, which amendment is set forth in Section 9.4 hereof.

NOW, THEREFORE, THIS AMENDMENT TO THE MASTER LEASE PURCHASE AGREEMENT WITNESSETH:

SECTION 1. DEFINITIONS. (a) For purposes of this Amendment the following terms have the meanings set forth below:

"Effective Date" shall mean the date on which this Amendment becomes effective in accordance with Section 8 hereof.

(b) Section 1.1 of the Original Master Lease is hereby amended by deleting the definition of "Insurance Consultant", therein, replacing it with the following (inserts are indicated by double underlining and deletion by struckthrough):

"Insurance Consultant" shall mean a nationally recognized independent insurance company, agent or broker, selected by the School Board, that has previously experienced in the area of insurance with which the School Board is to provide or has written the School Board is to be informed.

(c) All terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Original Master Lease.

SECTION 2. AMENDMENT OF SECTION 5.3 OF THE ORIGINAL MASTER LEASE. Section 5.3 of the Original Master Lease is hereby deleted in its entirety and in lieu thereof the following shall be inserted:

SECTION 5.3. Previsions Regarding Insurance. The School Board shall, during the Term, purchase and maintain property insurance coverage against such risks and in such amounts as are customarily insured against in accordance with the operations of facilities comparable in size and scope to the Facilities, and the School Board will carry and maintain or cause to be carried and maintained and pay, or cause to be paid, the premiums for at least the following insurance with respect to the Facilities, to the extent such insurance is available at commercially reasonable costs, including against the perils of FIRE, LIGHTNING, WINDSTORM, HAIL, HURRICANE, WIND, WINDSO, RAIN, DAMAGE FROM WATER, EXPLOSION, AIRCRAFT, VEHICLE, SMOKE, VANDALISM AND MALICIOUS MISCUE, TRANSPORTATION HAZARDS, THIRT AND BURGLARY.

The determination of the appropriate amount of insurance coverage shall be made annually by the Superintendent, in consultation with the Insurance Consultant and risk management department of the School Board, and the School Board shall follow the recommendations of the Superintendent so long as the recommended insurance is available at commercially reasonable costs and

SECTION 3. AMENDMENT OF SECTION 9.4 OF THE ORIGINAL MASTER LEASE. Section 9.4 of the Original Master Lease is hereby deleted in its entirety and in lieu thereof the following shall be inserted:

SECTION 9.4. Amendments. The terms of this Master Lease and any Schedule shall not be amended, altered, modified, or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee. As otherwise provided herein, the consent of the holders of at least a majority in principal amount of Outstanding Certificates which are insured by such waivers, alterations, modification, supplement or amendment shall be required. With respect to insured Certificates, the related Credit Facility Issuer or, if any, shall consent to the execution of the consent of the holders of Certificates in amount, provided, however, that in the event of a related Credit Facility Issuer’s rating being downgraded below the rating of the District the consent of such Credit Facility Issuer shall not be required and in lieu thereof the consent of the holders of Certificates it issues shall be required. Hereinmiting the foregoing, a Schedule may be amended without obtaining the consent of the holders of the related Credit Facility Issuer or, if any, including, but not limited to, the consent of the holders of Certificates therein, provided the following Schedule, (2) adding additional Facilities to be financed under such Schedule, (3)amending the facility in accordance with Section 6.4 hereof or (4) releasing a Facility and/or a Facility Site or portions thereof if such Facility and/or Facility Site or portions thereof has been released from the lien of the Lease in accordance with the provisions thereof.

SECTION 4. PROVISIONS OF ORIGINAL MASTER LEASE NOT OTHERWISE MODIFIED. Vexing in essentially modified as amended hereby, the Original Master Lease shall remain in full force and effect.

SECTION 5. COUNTERPARTS. This Amendment may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 6. SECTIONS. Any heading preceding the text of the several Sections hereof, and any title of contents or marginal notes appended to this section, shall be solely for convenience of reference and shall not constitute a part of this Amendment, nor shall they affect its meaning, construction or effect.

SECTION 7. LAWS. This Amendment shall be construed and governed in accordance with the laws of the State of Florida, without giving effect to principles of conflicts of laws.

SECTION 8. EFFECTIVE DATE. This Amendment shall become effective upon execution by the School Board, the Corporation and the Trustee and the consent of the holders of
a majority in principal amount of the Outstanding Certificates or with the consent of the related Credit Facility Issuer, if any, in lieu of the consent of the holders of Certificates it insures.

IN WITNESS WHEREOF, the Trustee has caused this Amendment to Master Lease Purchase Agreement to be executed in its corporate name by its duly authorized officer, and the Corporation has caused this Amendment to Master Lease Purchase Agreement to be executed in its name by its duly authorized members or officers, and the School Board has caused this Amendment to Master Lease Purchase Agreement to be executed in its name by its duly authorized members or officers all as of the Effective Date.

By: ____________________________
   Robert M. Avossa, Ed.D.
   President

By: ____________________________
   Robert M. Avossa, Ed.D.
   Secretary

By: ____________________________
   Vice President

MIA 185962292v4
SCHEDULE 2002D-1
dated as of December 1, 2002,
as Amended and Restated as of March 1, 2005,
as Amended and Restated as of August 10, 2005,
as Amended and Restated as of September 13, 2006
as Amended and Restated as of May 1, 2012
as further Amended and Restated as of June 1, 2012
as further Amended and Restated as of February 1, 2014
as further Amended and Restated as of May 1, 2015
as further Amended and Restated as of June 1, 2015
and as further Amended and Restated as of December 1, 2017
to the
Master Lease Purchase Agreement dated as of
November 1, 1994

Among

The Bank of New York Mellon Trust Company, N.A.
(successor in interest to NationsBank of Florida, N.A.)
as Trustee and Assignee of
Palm Beach School Board Leasing Corp.
as Lessor (the "Trustee")

and

Palm Beach School Board Leasing Corp.
(the "Corporation")

and

The School Board of Palm Beach County, Florida,
as Lessee (the "School Board")

THIS AMENDED AND RESTATED SCHEDULE 2002D-1 (the "Schedule") is hereby entered into as of December 1, 2017, under and pursuant to that certain Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), pursuant to which the Corporation has agreed to lease purchase unto the School Board and the School Board has agreed to lease purchase from the Corporation, subject to the terms and conditions of the Master Lease incorporated herein, the Series 2002D-1 Facilities herein described, herein, together with the rights described in clauses (i), (ii) and (iii) of Section 1 of the Series 200D-1 Ground Lease (hereinafter defined). The Trustee, as assignee of the Corporation, hereby demises, leases and subleases to the School Board, and the School Board hereby hires, takes, leases and subleases from the Trustee, the Series 2002D-1 Facilities and the Series 2002D-1 Facility Sites described herein. The Master Lease with respect to this Schedule and as modified and supplemented
"Assignment Agreement" shall mean the Series 2002D-1 Assignment Agreement dated as of December 1, 2002, between the Corporation and the Trustee.

"Certificates" or "Series of Certificates" shall mean, collectively, (i) the portion of the Series 2012A Certificates representing a portion of the Basic Lease Payments due under the Series 2002D-1 Lease, (ii) the portion of the Series 2012B Certificates representing a portion of the Basic Lease Payments due under the Series 2002D-1 Lease, and (iii) the portion of the Series 2017B Certificates representing a portion of the Basic Lease Payments due under the Series 2002D-1 Lease.

"Commitment Date" for the Series 2002D-1 Lease is December 1, 2002.


"Initial Purchase" with respect to the Series 2015A Certificates shall mean the entire Preferred Funding Corporation, a Delaware corporation.

"Interest Payment Rate" shall mean the lesser of (a) the greater of (i) the per annum rate of interest publicly announced from time to time by J.P. Morgan Chase Bank, N.A. ("Chase") at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such rate to be effective on the date such change is announced by Chase plus 25 and (ii) the applicable rate on the Series 1212B Certificates, and (iii) the minimum rate permissible under applicable statutes or similar terms limiting interest rates. The Interest Payment Rate shall be computed on the actual number of days elapsed over a year of 360 days. In the event that Chase ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such a national bank as the 2002D Swap Policy Provider shall specify.

"Lease Paymntale Dates" shall mean with respect to the Series 2002D-1 Lease,

(a) as to the principal portion of Basic Lease Payments represented by (i) the Series 2012A Certificates, each June 30, commencing June 30, 2022, (ii) the Series 2012B Certificates, each June 30, commencing June 30, 2023, and (iii) the Series 2017B Certificates, each June 30, commencing June 30, 2018; and

(b) as to the interest portion of Basic Lease Payments, represented by (i) the Series 2012A Certificates, the Series 2012B Certificates, and the Series 2017B Certificates, each June 30 and December 30, and (ii) the Series 2012B Certificates (A) determined at a Daily Rate, a Weekly Rate or an Index Floating Rate, (B) determined at Credit Default Swap Rates or (c) Business Days prior to each respective Interest Payment Date related to such rate or index, (B) determined at a Long-Term Rate, each December 30 and June 30, commencing with the December 30 in June 30 next preceding the initial Interest Payment Date specified by the School Board in accordance with Section 2025(D) of the Series 2012D Supplemental Trust Agreement; and (iii) for any Series 2012B Certificate, which is to be prepaid (other than by mandatory sinking fund prepayment), five (5) Business Days prior to the Prepayment Date.

"Participating Underwriters" shall mean any of the original underwriters of the Series 2012A Certificates and the Series 2017B Certificates required to comply with the Rule in connection with the offering of the Series 2012A Certificates and the Series 2017B Certificates, respectively.

"Preferred Funding Corporation" means any issuer, and any other nationally recognized rating service which shall have provided a rating on any Outstading Certificates.

"Prime Rate" shall mean the Rule 15c2-12(x) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Series 2012D-1 Certificates" shall mean the $1,912,150,000 original aggregate principal amount Certificates of Participation, Series 2012D-1 issued on December 1, 2002, under the Series 2012D Supplemental Trust Agreement dated as of December 1, 2002, and evidencing undivided proportionate interests of the owners thereof as Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Series 2012A Supplemental Trust Agreement" shall mean the Series 2012A Supplemental Trust Agreement to be dated as of May 1, 2015, between the Corporation and the Trustee.

"Series 2017B Supplemental Trust Agreement" shall mean the Series 2017B Supplemental Trust Agreement to be dated as of December 1, 2017 between the Corporation and the Trustee.

"2012D Swap Policy" shall mean the financial guaranty issued by the 2012D Swap Policy Provider, insuring the contractual amounts due for payment by or on behalf of the School Board pursuant to the 2012D Interest Rate Exchange Agreement.

"2012D Swap Policy Provider" shall mean Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor entity or nominee thereof in its capacity as the provider of the 2012D Swap Policy.

"Series 2014A Supplemental Trust Agreement" shall mean the Series 2014A Supplemental Trust Agreement to be dated as of May 1, 2015, between the Corporation and the Trustee.

"Series 2015A Supplemental Trust Agreement" shall mean the Series 2015A Supplemental Trust Agreement to be dated as of May 1, 2015, between the Corporation and the Trustee.

"Series 2017B Supplemental Trust Agreement" shall mean the Series 2017B Supplemental Trust Agreement to be dated as of December 1, 2017, between the Corporation and the Trustee.

"2012D Interest Rate Exchange Agreement" means the ISDA Master Agreement, dated as of January 1, 2002, the Amended and Restated ISDA Master Agreement dated as of August 10, 2005, the related Credit Support Annex thereto and the Confirmation dated August 10, 2005, as amended and restated as of June 30, 2012, each as amended from time to time between the School Board and Credit Suisse, N.A. New York, and entered into in connection with and relating to the Series 2012B Certificates.

"2012D Swap Policy Provider" shall mean Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor entity or nominee thereof in its capacity as the provider of the 2012D Swap Policy.

"2012D Swap Policy Provider" shall mean Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor entity or nominee thereof in its capacity as the provider of the 2012D Swap Policy.

"Lease Terms" The total of all Lease Terms of the Series 2012A-1 Leases are expected to be approximately twenty-five (25) years and seven (7) months consisting of an "Original Term" of approximately six (6) months from December 1, 2002, through and including June 30, 2003, and twenty-four (24) Renewal Terms of twelve (12) months each from July 1, 2003 through and including June 30 of the next succeeding calendar year, commencing July 1, 2003, and ending June 30, 2028, including with respect to any "Original Term" of (1) months from December 30, 2002, through and including August 1, 2003. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article 15 of the Master Lease.

"Series 2012A-1 Leases" are as set forth in Exhibit A to the Master Lease.

"Series 2002D-1 Lease" shall mean the Lease to be made by the School Board pursuant to the Master Lease.

"Lease Principal" means the entire Preferred Funding Corporation, a Delaware corporation.
rate applicable to Series 2015A Interest will be increased in order to provide Lease Payments sufficient to pay the portion of Series 2015A Interest allocable to the Series 2015B Lease at a Default Rate.

(6) The interest portion of the Basic Lease Payments represented by the Series 2015A Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 215.84, Florida Statutes, since the Series 2015A Certificates are rated within the three highest rating categories by a nationally recognized rating service.

The interest portion of the Basic Lease Payments represented by the Series 2015B Certificates, expressed as an annual interest rate, is within the limitation on interest rates set forth in Section 215.84, Florida Statutes, because it does not exceed 300 basis points above the "20-Bond Index," as published in The Bond Buyer on January 30, 2014.

The interest portion of the Basic Lease Payments represented by the Series 2015C Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 215.84, Florida Statutes, since the Series 2015C Certificates were rated within the three highest rating categories by a nationally recognized rating service.

7. Additional Lease Payments. Additional Lease Payments with respect to the Series 2002D-1 Lease and the Series 2002D-2 Lease consist of the following:

Series 2012A Certificates. Additional Lease Payments with respect to the Series 2012A Certificates consist of a pro rata portion of the following amounts to be paid with respect to both the Series 2002D-1 Lease and the Series 2002D-2 Lease, as set forth in the following:

1. Trustee Fees: Acceptance Fee of $1,000. Annual fee of $3,500, payable annually in advance. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

2. Trustee Expenses: Expenses to be billed at cost. Legal fee for Trustee counsel at $3,300. Subsequent, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

8. Additional Lease Payments. Additional Lease Payments with respect to the Series 2012A Certificates consist of a pro rata portion of the following amounts to be paid with respect to both the Series 2002D-1 Lease and the Series 2002D-2 Lease, as set forth in the following:

1. Trustee Fees: Acceptance Fee of $21,618,116.01. Annual fee of $54,877.54. Pursuant to the provisions of Section 402 of the Series 2012B Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D Facilities to be lease purchased in the following accounts from the proceeds of the Series 2012B Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$21,618,116.01</td>
</tr>
<tr>
<td>Series 2012B Cost of Insurance Account</td>
<td>$54,877.54</td>
</tr>
</tbody>
</table>

2. Series 2012B Certificates. Pursuant to the provisions of Section 402 of the Series 2012B Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D Facilities to be lease purchased in the following accounts from the proceeds of the Series 2012B Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$116,305,952.00</td>
</tr>
<tr>
<td>Series 2012B Cost of Insurance Account</td>
<td>$248,609.00</td>
</tr>
</tbody>
</table>

3. Series 2015A Supplemental Trust Agreements. Pursuant to the provisions of Section 402 of the Series 2015A Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D-1 Facilities lease purchased in the following accounts from the proceeds of the Series 2015A Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$147,731,581.94</td>
</tr>
<tr>
<td>Series 2015A Cost of Insurance Account</td>
<td>$212,718.06</td>
</tr>
</tbody>
</table>

4. Series 2015B Certificates. Pursuant to the provisions of Section 402 of the Series 2015B Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D Facilities to be lease purchased in the following accounts from the proceeds of the Series 2015B Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$177,721,831.81</td>
</tr>
<tr>
<td>Series 2015B Cost of Insurance Account</td>
<td>$281,281.10</td>
</tr>
</tbody>
</table>

Series 2012D-I 1. Facility Sites Ground Leased in the Corporation and Permitted Encumbrances. The legal descriptions of the Series 2012D-I Facility Sites ground leased by the Corporation and Permitted Encumbrances (in addition to those specified in the Master Lease) are set forth in Exhibit B attached hereto. Substitutions may be made in accordance with the requirements of the Master Lease and the Series 2012D-I General Lease.

5. Application of Certain Proceeds of Certificates. (a) Series 2012A Certificates. Pursuant to the provisions of Section 402 of the Series 2012A Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D Facilities to be lease purchased in the following accounts from the proceeds of the Series 2012A Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$21,918,156.01</td>
</tr>
<tr>
<td>Series 2012A Cost of Insurance Subaccount</td>
<td>$5,194,249.00</td>
</tr>
</tbody>
</table>

(b) Series 2012B Certificates. Pursuant to the provisions of Section 402 of the Series 2012B Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D Facilities to be lease purchased in the following accounts from the proceeds of the Series 2012B Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$116,305,952.00</td>
</tr>
<tr>
<td>Series 2012B Cost of Insurance Account</td>
<td>$248,609.00</td>
</tr>
</tbody>
</table>

(c) Series 2015A Supplemental Trust Agreement. Pursuant to the provisions of Section 402 of the Series 2015A Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D-1 Facilities lease purchased in the following accounts from the proceeds of the Series 2015A Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$147,731,581.94</td>
</tr>
<tr>
<td>Series 2015A Cost of Insurance Account</td>
<td>$212,718.06</td>
</tr>
</tbody>
</table>

(d) Series 2015B Certificates. Pursuant to the provisions of Section 402 of the Series 2015B Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D-1 Facilities lease purchased in the following accounts from the proceeds of the Series 2015B Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$177,721,831.81</td>
</tr>
<tr>
<td>Series 2015B Cost of Insurance Account</td>
<td>$281,281.10</td>
</tr>
</tbody>
</table>

Basic Lease Payments. (a) The principal portion of the Basic Lease Payments, the Lease Payment Dates for the principal portion (June 30 of each year, commencing June 30, 2003) and the remaining principal portion with respect to the Series 2012D-I Facilities lease purchased, with amounts represented by the portion of Certificates attributable to such Facilities, are set forth in Exhibit C attached hereto. The principal portion of Basic Lease Payments set forth in Exhibit C hereinafter shall be in the form of a Table of Payments, subject to the provisions of Section 402 of the Series 2012B Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D Facilities to be lease purchased in the following accounts from the proceeds of the Series 2012B Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$21,918,156.01</td>
</tr>
<tr>
<td>Series 2012A Cost of Insurance Subaccount</td>
<td>$5,194,249.00</td>
</tr>
</tbody>
</table>

(b) Series 2012B Certificates. Pursuant to the provisions of Section 402 of the Series 2012B Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D Facilities to be lease purchased in the following accounts from the proceeds of the Series 2012B Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$116,305,952.00</td>
</tr>
<tr>
<td>Series 2012B Cost of Insurance Account</td>
<td>$248,609.00</td>
</tr>
</tbody>
</table>

(c) Series 2015A Supplemental Trust Agreement. Pursuant to the provisions of Section 402 of the Series 2015A Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D-1 Facilities lease purchased in the following accounts from the proceeds of the Series 2015A Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$147,731,581.94</td>
</tr>
<tr>
<td>Series 2015A Cost of Insurance Account</td>
<td>$212,718.06</td>
</tr>
</tbody>
</table>

(d) Series 2015B Certificates. Pursuant to the provisions of Section 402 of the Series 2015B Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2002D-1 Facilities lease purchased in the following accounts from the proceeds of the Series 2015B Certificates:

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Escrow Deposit Fund</td>
<td>$177,721,831.81</td>
</tr>
<tr>
<td>Series 2015B Cost of Insurance Account</td>
<td>$281,281.10</td>
</tr>
</tbody>
</table>

The fees set forth above for Trustee services include services under Schedules 2002D-1 and 2002D-2.
Series 2012A Certificates

Additional Lease Payments with respect to the Series 2015A Certificates consist of a per rate portion of the following amounts to be paid with respect to both the Series 2002D-1 Lease and the Series 2002D-2 Lease, consist of the following:

1. Trustee Fees:
   Acceptance fee of $1,000.00; annual fee $3,500.00, payable annually in advance.

2. Trustee Expenses:
   Trustee Counsel fee of $1,200; expenses at closing to be billed at cost. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.

3. Escrow Agent Fees:
   Annual fee of $500, payable annually in advance.


Series 2017B Certificates

Additional Lease Payments with respect to the Series 2017B Certificates consist of a per rate portion of the following amounts to be paid with respect to the Series 2002D-1 Lease, the Series 2002D-2 Lease and the Series 507B Certificates, consist of the following:

1. Trustee Fees:
   Acceptance fee of $1,000.00; annual fee $3,500.00, payable annually in advance.

2. Trustee Expenses:
   Trustee Counsel fee of $1,200; expenses at closing to be billed at cost. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.

3. Escrow Agent Fees:
   Annual fee of $500, payable annually in advance.

8. Prepayment Provisions: In addition to or in lieu of the prepayment provisions of Section 7.2 of the Master Lease, the principal portion of the Basic Lease Payments due in Section 6 of Schedule 2002D-I is subject to the following prepayment provisions:

Series 2012A Certificates

(i) (A) The principal portion of Basic Lease Payments due on June 10, 2022 (to be paid to Series 2012A Certificate Holders on August 1, 2022) shall not be subject to prepayment at the option of the School Board.

(ii) The principal portion of Basic Lease Payments due on June 10, 2028 (to be paid to Series 2012A Certificate Holders on August 1, 2028) shall be subject to prepayment on or after August 1, 2008.

Years from Conversion Date

<table>
<thead>
<tr>
<th>Period</th>
<th>First Day of Prepayment Period</th>
<th>Prepayment Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than fifteen</td>
<td>Tenth anniversary of Conversion Date</td>
<td>103% of the amount due as a result of the foregoing</td>
</tr>
<tr>
<td>More than ten but not more than fifteen</td>
<td>Seventeenth anniversary of Conversion Date</td>
<td>103% of the amount due as a result of the foregoing</td>
</tr>
<tr>
<td>More than seven but not more than ten</td>
<td>Fifth anniversary of Conversion Date</td>
<td>103% of the amount due as a result of the foregoing</td>
</tr>
<tr>
<td>More than five but not more than five</td>
<td>Third anniversary of Conversion Date</td>
<td>103% of the amount due as a result of the foregoing</td>
</tr>
<tr>
<td>Four or fewer</td>
<td>Not Callable</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Notwithstanding any provision in the Series 2012A Lease, this Schedule 2012B may be amended as of a Conversion Date upon the request of the School Board, to change the prepayment provisions applicable during a Long-Term Rate Period to such payment provisions as are recommended by the Rating Agency as conforming to then current market practices and acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee.

(v) During any period in which Series 2013A Principal is calculated at the applicable interest rate for the corresponding Rating Agency, such Series 2013A Principal is subject to optional prepayment upon request of the School Board in whole or in part at any time, or in part (A) on the day preceding the last day of any Index Floating Rate Period at a price equal to the Series 2012B Principal represented thereby, without premium, plus the Series 2012B Interest represented thereby, accorded the Prepayment Date.

(vi) During any period in which Series 2012B Principal is determined at an Index Floating Rate, the Series 2012B Principal is subject to optional prepayment upon request of the School Board in whole or in part at any time, or in part (A) on the day preceding the last day of any Index Floating Rate Period at a price equal to the Series 2012B Principal represented thereby, without premium, plus the Series 2012B Interest represented thereby, accorded the Prepayment Date, and (B) on any other date on which Index Floating Rate Coefficients are subject to prepayment.

June 30, 2022, by the School Board in whole or in part at any time, and if in part, in such order of manner of Series 2012A Certificates corresponding to the due date of the principal portion of Basic Lease Payments as shall be designated by the School Board, to be prepaid, and let invalid a maturity in such manner as the Trustee may determine, at a Prepayment Price equal to 103% of the principal portion of the Basic Lease Payments represented by the Series 2012A Certificates or portions thereof to be prepaid, plus interest accrued to the Prepayment Date.

Series 2012B Certificates

(i) (A) During any period in which Series 2012B Interest is determined as a Daily Rate or Weekly Rate, the Series 2012B Principal is subject to optional prepayment at any time upon request of the School Board in whole or in part at such amounts and times such dollar date as the School Board, at its sole discretion, at a price equal to the Series 2012B Principal to be prepaid, without premium, plus the Series 2012B Interest accrued with respect to each such prepaid principal portion to the Prepayment Date.

(ii) During any period in which Series 2012B Interest is determined at a Certificate Interest Rate or Rate, the Series 2012B Principal is subject to optional prepayment upon request of the School Board on the day following the last day of any Certificate Interest Period, at a price equal to the Series 2012B Principal to be prepaid, without premium, plus the Series 2012B Interest accrued with respect to each such prepaid principal portion to the Prepayment Date.

(iii) During any period in which Series 2012B Principal is determined at a Long-Term Rate, the Series 2012B Principal is subject to optional prepayment upon request of the School Board in whole or in part at any time, or in part (A) on the day following the last day of any Certificate Interest Period, at a price equal to the Series 2012B Principal to be prepaid, without premium, plus the Series 2012B Interest accrued with respect to each such prepaid principal portion to the Prepayment Date.

Series 2015A Certificates

(b) During the Initial Period, Index Floating Rate Certificates are subject to optional prepayment prior to their stated maturity upon request of the School Board in whole or in part (i) during a Prepayment Period or an Acceleration Period, on the Prepayment Date, or any Business Day of any month upon 30 days' notice to the applicable Certificate Holders in such amount and at such interest rate (including sinking fund prepayment dates as maturity for such purpose) as the School Board may direct at a price equal to the Series 2012B Principal represented thereby, plus the Series 2012B Interest represented thereby, plus the Series 2012B Interest accrued thereby, plus (ii) the Prepayment Premium, plus (iii) the interest portion of the Basic Lease Payments accrued to the date of prepayment.

Series 2017B Certificates

The principal portion of Basic Lease Payments due under the Series 2002D-1 Lease represented by the Series 2017B Certificates shall not be subject to prepayment at the option of the School Board.

B. Extraordinary Prepayment

Series 2012A Certificates

(iii) Section 7.2(8)(c) and (d) of the Master Lease shall not apply to the Series 2012A Certificates.

(A) The Series 2012A Certificates are not subject to extraordinary prepayment prior to maturity in the event of damage or destruction of the facilities, but in the event of damage or destruction of the facilities, the provisions of Section 7.2(8)(c) and (d) of the Master Lease, the amount that would be allocable to the Series 2012A Certificates shall be pro-rated in accordance with the following:

Notwithstanding anything in the Series 2006D-I Lease to the contrary, in lieu of the extraordinary prepayment provisions of Section 7.2(8)(c) of the Master Lease, the amount that would be allocable to the Series 2012A Certificates shall be pro-rated in accordance with the extraordinary prepayment provisions of Section 7.2(8)(b) of the Master Lease, shall be used instead in accordance with the following:

The Net Proceeds shall equal (A) the proceeds applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of this Series 2002D-1 Lease as if they were the originally listed Series 2012A-1 Facilities or (C) at the discretion of the School Board, upon delivery to the Trustee of a Favorable Opinion of the Rating Agency, such Net Proceeds shall be deposited in the Series
representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Supplemental Lease and the Series 2012B Trust Agreement, to the extent and subject to the limitations provided in the Master Lease.

Series 2015A Certificates

The extraordinary prepayment provisions are set forth in Section 7.2(b)(3) and (b) of the Master Lease and do not apply to the Series 2015A Certificates. The provisions set forth in Section 7.2(b)(3) do not subject to extraordinary prepayment prior to maturity in the event of damage, destruction or condemnation of the Series 2015A Certificates. Notwithstanding anything to the contrary in the extraordinary prepayment provisions of Section 7.2(b)(3) of the Master Lease, the amount that would be allocable to the Series 2015A Certificates had they been subject to the extraordinary prepayment provisions of Section 7.2(b)(3) of the Master Lease, shall be used instead in accordance with the following: The Net Proceeds shall either (a) be applied to pay the Costs of other Facilities, in which case such other Facilities shall be subject to the provisions of the Series 2012D-I Lease as supplemented by this Supplemental Lease and the Series 2012D-I Trust Agreement, to the extent and subject to the limitations provided in the Master Lease.

Series 2017B Certificates

The extraordinary prepayment provisions are set forth in Sections 7.2(b)(3) and (b) of the Master Lease and do not apply to the Series 2017B Certificates. The provisions set forth in Section 7.2(b)(3) do not subject to extraordinary prepayment prior to maturity in the event of damage, destruction or condemnation of the Series 2017B Certificates. Notwithstanding anything to the contrary in the extraordinary prepayment provisions of Section 7.2(b)(3) of the Master Lease, the amount that would be allocable to the Series 2017B Certificates had they been subject to the extraordinary prepayment provisions of Section 7.2(b)(3) of the Master Lease, shall be used instead in accordance with the following: The Net Proceeds shall either (a) be applied to pay the Costs of other Facilities, in which case such other Facilities shall be subject to the provisions of the Series 2013D-I Lease as supplemented by this Supplemental Lease and the Series 2013D-I Trust Agreement, to the extent and subject to the limitations provided in the Master Lease.


A. Representations. (1) The School Board hereby represents, covenants and warrants that adequate water, sanitary sewer and storm water facilities, electric power, telephone and other necessary public utility facilities are available and held available at all times in an amount sufficient to satisfy any anticipated requirements for the School Board, provided that such utilities and facilities shall be subject to the ordinary and extraordinary prepayment provisions of the Master Lease.

(2) The School Board hereby represents, covenants and warrants that the use of the School Board and the School Board’s facilities, both present and future, shall be subject to the ordinary and extraordinary prepayment provisions of the Master Lease.

B. Notice of Amendments. The School Board shall provide written notice to each Rating Agency at least 15 days in advance of the execution of any amendments to the Series 2003D-I Lease, the Trust Agreement, the Series 2003D-I Anticipation Agreement, the Proceeds Deposit Agreement or the Series 2003D-I Ground Lease.

C. Section 6.4 of the Master Lease. The following shall become effective upon execution by the School Board, the Corporation and the Trustee of this Supplemental Lease: (1) the rights and duties of the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Supplemental Lease; (2) Purchaser of the Series 2017B Certificates shall constitute consent by holders of the Series 2017B Certificates.

For purposes of the Series 2003D-I Lease, Section 6.4 of the Master Lease shall read as follows:

SUCHON D-4. Substituting of Facilities. To the extent permitted by law, on or after the Completion Date the School Board may substitute for any Facilities other facilities owned by the School Board, provided that such substitute facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of similar use and service as the Facilities to be replaced and must meet the requirements of Section 5.9 hereof, (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved by the State Department of Education. In addition, to the extent permitted by law, prior to the Completion Date the School Board may release any substitute facilities for any Facilities to be acquired, constructed and installed under a purchase agreement, a School Board or School Board-sponsored facility to be acquired, constructed and installed, provided that (1) any substituted facilities shall be in accordance with the requirements of this Section 5(e), (2) such substituted facilities shall not cause or delay the satisfaction of the conditions precedent to the closing of Series 2003D-I Lease, (3) the School Board shall be entitled to receive any additional proceeds realized by the School Board in connection with the sale of the Series 2003D-I Lease, and (4) if any such substituted facilities shall not be in full compliance with the requirements of this Section 5(e), such substituted facilities to the maximum extent of the School Board’s control, shall be subject to the extraordinary prepayment provisions of the Master Lease as supplemented by this Supplemental Lease.
There shall also be delivered at the time of substitution an Opinion of Counsel as described in Section 6.1 hereof with respect to the substituted Facility Site.

For purposes hereof, "fair market value" shall be determined on the basis of an assessment prepared by the District.

H. Section 9.4 of the Master Lease. The following provisions shall become effective upon execution by the School Board, the Corporation and the Trustee of this Schedule 2002D-1 and the consent of the holders of a majority in principal amount of the Outstanding Certificates or with the consent of a Credit Facility Issuer, if any, in lieu of the consent of the holders of the Certificates is irrevocable. Purchase of the Series 2017B Certificates shall constitute consent by holders of the Series 2017B Certificates.

For purposes of the Series 2002D-1 Lease, Section 9.4 of the Master Lease shall read as follows:

SECTION 9.4. Amendments. The terms of this Master Lease and any Schedule shall not be amended, modified, superseded or modified in any manner whatsoever by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee. Except as otherwise provided herein, the consent of the holders of at least a majority in principal amount of Outstanding Certificates or affected by such waiver, modification, supplemental indenture or amendment shall be required. With respect to Issued Certificates, the related Credit Facility Issuer, if any, shall consent in lieu of the consent of the holders of the Certificates is irrevocable. Notwithstanding the foregoing, a Schedule may be amended without obtaining the consent of the holders of the related Certificates or at a Credit Facility Issuer, if any, for the purpose of (i) adding a legal description and/or the permitted assumptions for a Facility Site which has been designated in such Schedule, (ii) adding additional Facilities to be financed under such Schedule, (iii) substituting Facilities in accordance with Section 6.4 hereof, or (iv) releasing a Facility and/or a Facility Site or portion thereof from such Facility or Facility Site or if after the release of the Facility or Facilities the total construction cost of the remaining 2002D-I Facilities subject to the lien of the Series 2002D-1 Lease exceeds the remaining principal portion of the Basic Lease Payments payable under the Series 2002D-I Lease. The Series 2002D-1 Facilities and the related Series 2002D-1 Facility Sites released under this Section 9.1 shall be deemed to be paid and the Series 2002D-1 Facilities and the related Series 2002D-1 Facility Sites shall vest in the School Board.

The Corporation hereby appoints the School Board as its agent to prepare and file or record, in appropriate offices and such documents as may be necessary to cause record title to such Series 2002D-1 Facilities and the related Series 2002D-1 Facility Sites to vest in the School Board, free and clear of all encumbrances except Permitted Liencances. The Corporation agrees to immediately execute all instruments necessary to vest good and marketable title to such Facilities and the related Series 2002D-1 Facility Sites in the School Board subject only to Permitted Liencances. The Series 2002D-I Lease shall then be modified to remove the Series 2002D-1 Facility Site or Series 2002D-1 Facilities related to the released Series 2002D-1 Facility or Series 2002D-1 Facilities, as provided herein. The Corporation shall execute the execution of such instruments by the Trustee as may be necessary to effect the conveyance described herein.

J. Release of Series 2001D-I Facilities and Series 2002D-1 Facility Sites. The following provisions shall become effective upon execution by the School Board, the Corporation and the Trustee of this Schedule 2001D-I and the consent of the holders of a majority in principal amount of the Outstanding Certificates or with the consent of a Credit Facility Issuer, if any, in lieu of the consent of the holders of the Certificates is irrevocable. Purchase of the Series 2017B Certificates shall constitute consent by holders of the Series 2017B Certificates.

Notwithstanding anything to the contrary in the Master Lease, one or more Series 2002D-1 Facilities financed by the Series 2002D-I Lease and the related Series 2002D-1 Facility Site may be released from the lien of such Lease if after the release of the Facility or Facilities the total construction cost of the remaining 2002D-I Facilities subject to the lien of the Series 2002D-I Lease exceeds the remaining principal portion of the Basic Lease Payments payable under the Series 2002D-I Lease. The Series 2002D-I Facilities and the related Series 2002D-1 Facility Sites released under this Section 9.1 shall be deemed to be paid and the Series 2002D-I Facilities and the related Series 2002D-1 Facility Sites shall vest in the School Board.

The Corporation hereby appoints the School Board as its agent to prepare and file or record, in appropriate offices and such documents as may be necessary to cause record title to such Series 2002D-1 Facilities and the related Series 2002D-1 Facility Sites to vest in the School Board, free and clear of all encumbrances except Permitted Liencances. The Corporation agrees to immediately execute all instruments necessary to vest good and marketable title to such Facilities and the related Series 2002D-1 Facility Sites in the School Board subject only to Permitted Liencances. The Series 2002D-I Lease shall then be modified to remove the Series 2002D-1 Facility Site or Series 2002D-1 Facilities related to the released Series 2002D-1 Facility or Series 2002D-1 Facilities, as provided herein. The Corporation shall execute the execution of such instruments by the Trustee as may be necessary to effect the conveyance described herein.

K. References in the Series 2002D Assignment Agreement to the Series 2002D Certificates shall be deemed to include any and all Series of Certificates now or hereafter issued and outstanding as may be payable from payments made by the School Board pursuant to the Series 2002D-I Lease.

L. Effective Date. Schedule 2002D-1, as amended and restated as of December 1, 2017, shall be effective on December 26, 2017.

IN WITNESS WHEREOF, the Trustee has caused this Amended and Restated Schedule 2002D-1 to be executed in its corporate name by its duly authorized officer, and the Corporation has caused this Amended and Restated Schedule 2002D-1 to be executed in its name by its duly authorized members or officers, and the School Board has caused this Amended and Restated Schedule 2002D-1 to be executed in its name by its duly authorized members or officers as of the day and year first written above.

[SEAL]
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: Charles G. Nielsen
Vice President

PALM BEACH SCHOOL BOARD LEASING CORP.

By: Michael J. Hurle
Assistant Secretary

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: Robert M. Avossa, Jr.D.
Secretary

[SEAL]
SCHEDULE 2002D-2
dated as of December 1, 2002,
as Amended and Restated as of March 1, 2005
as Amended and Restated as of August 10, 2005
as Amended and Restated as of September 13, 2006
as Amended and Restated as of May 1, 2012
as further Amended and Restated as of June 1, 2012
as further Amended and Restated as of February 1, 2014
as further Amended and Restated as of May 1, 2015
as further Amended and Restated as of June 1, 2015
and as further Amended and Restated as of December 1, 2017
to the
Master Lease Purchase Agreement dated as of
November 1, 1994

Among
The Bank of New York Mellon Trust Company, N.A.
(successor in interest to NationsBank of Florida, N.A.)
as Trustee and Assignee of
Palm Beach School Board Leasing Corp.
as Lessor (the "Trustee")

and

Palm Beach School Board Leasing Corp.
(the "Corporation")

and

The School Board of Palm Beach County, Florida,
as Lessee (the "School Board")

THIS AMENDED AND RESTATED SCHEDULE 2002D-2 (the "Schedule") is hereby entered into as of December 1, 2017, under and pursuant to that certain Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease") pursuant to which the Corporation has agreed to lease purchase unto the School Board and the School Board has agreed to lease purchase from the Corporation, subject to the terms and conditions of the Master Lease incorporated herein, the Series 2002D-2 Facilities herein described. The Trustee, as assignee of the Corporation, hereby demises, leases and subleases to the School Board, and the School Board hereby hires, takes, leases and subleases from the Trustee, the Series 2002D-2 Facilities described herein. The Master Lease with respect to this Schedule and as modified and supplemented hereby, is referred to herein as the "Series 2002D-2 Lease". All terms and
unpaid or otherwise unamortized or unsecured hereby are incorporated herein by reference.

1. Definitions. For purposes of the Series 2002D-2 Lease the following terms have the meaning set forth below, all terms not otherwise defined herein shall have the respective meanings set forth in the Master Lease, or in the Trust Agreement, including the Series 2012A Supplemental Trust Agreement with respect to the Series 2012A Certificates, the Series 2012B Supplemental Trust Agreement with respect to the Series 2012B Certificates, the Series 2015A Supplemental Trust Agreement, the Series 2015A Certificates, and the Series 2015A Supplemental Trust Agreement with respect to the Series 2015A Certificates, as applicable.

"Assignment Agreement" shall mean the Series 2002D-2 Assignment Agreement dated as of December 1, 2002, between the Corporation and the Trustee.

"Certificates" or "Series of Certificates" shall mean, collectively, (i) the portion of the Series 2012A Certificates evidencing a portion of the Basic Lease Payments due under the Series 2000-2D-2 Lease, (ii) the portion of the Series 2012B Certificates representing a portion of the Basic Lease Payments due under the Series 2000-2D-2 Lease, (iii) the portion of the Series 2012A Certificates evidencing a portion of the Basic Lease Payments due under the Series 2000-2D-2 Lease, (iv) the portion of the Series 2017A Certificates evidencing a portion of the Basic Lease Payments due under the Series 2000-2D-2 Lease.

"Assignment Date" for the Series 2002D-2 Lease is December 1, 2002.

"Continuing Disclosure Certificate" shall mean, in each case (a) the Continuing Disclosure Certificate, dated May 1, 2012, executed and delivered by the School Board in connection with the issuance of the Series 2012A Certificates and (b) the Continuing Disclosure Certificate, dated December 26, 2017, executed and delivered by the School Board and Executives Division of Assured Guaranty Assurance Company, LLC, in connection with the issuance of the Series 2017A Certificates.

"Initial Purchase" with respect to the Series 2012A Certificates shall mean Base of America Preferred Funding Corporation, a Delaware corporation.

"Issuer Payment Rate" shall mean the lesser of (1) the spread from time to time by Bearing Group Bank, N.A. "Prime" rate as a principal office in the City of New York, its prime rate at times being indexed, or (2) the applicable rate on the Series 2012A Certificates, and (i) the maximum rate permissible under applicable laws or similar laws limiting interest rates. The Interest Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event our Office ceases to announce the Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as the 2012D Swap Policy Provider shall specify.

"Lease" as defined in Section 301 of Article 7 of the Public Authority Finance Corporation Act shall mean the Lease Agreement, as defined in the Master Lease.

"Lease Payments" shall mean the amounts, if any, to be paid by the School Board pursuant to the Master Lease.


"Series 2012A Supplemental Trust Agreement" shall mean the Series 2012A Supplemental Trust Agreement dated as of June 1, 2012 between the Corporation and the Trustee.

"Series 2012B Supplemental Trust Agreement" shall mean the Series 2012B Supplemental Trust Agreement dated as of June 1, 2012 between the Corporation and the Trustee.

"Series 2015A Supplemental Trust Agreement" shall mean the Series 2015A Supplemental Trust Agreement dated as of May 1, 2015 between the Corporation and the Trustee.

"Series 2017A Supplemental Trust Agreement" shall mean the Series 2017A Supplemental Trust Agreement dated as of December 1, 2017 between the Corporation and the Trustee.

"Swap Policy Provider" shall mean Citibank, N.A.

"Swap Policy Providers" shall mean Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof, in its capacity as the provider of the 2002CD Swap Policy.

"Swap Policy Provider" shall mean Citibank, N.A.

"Series 2017B Trust Agreement" shall mean the Series 2017B Supplemental Trust Agreement dated as of December 1, 2017 between the Corporation and the Trustee.


"Series 2012A Certificates" shall mean the $20,083,009 original aggregate principal amount Certificates of Participation, Series 2012A, dated as of May 1, 2012 under the Trust Agreement evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Series 2012A Trust Certificates" shall mean the Series 2012A Supplemental Trust Agreement dated as of May 1, 2012 between the Corporation and the Trustee.

"Series 2015A Trust Certificates" shall mean the Series 2015A Supplemental Trust Agreement dated as of May 1, 2015 between the Corporation and the Trustee.

"Series 2017A Trust Certificates" shall mean the Series 2017A Supplemental Trust Agreement dated as of December 1, 2017 between the Corporation and the Trustee.

"Series 2017B Trust Certificates" shall mean the Series 2017B Supplemental Trust Agreement dated as of December 1, 2017 between the Corporation and the Trustee.

"Series 2000-2D-2 Lease" shall mean the Lease Agreement, as defined in the Master Lease.

"Series 2002D-2 Lease" shall mean the Lease Agreement, as defined in the Master Lease.

"Series 2002D-2 Leases" shall mean the Lease Agreement, as defined in the Master Lease.

"Series 2002D-2 Lease Agreement" shall mean the Lease Agreement, as defined in the Master Lease.

"Series 2012A" as used in this Supplemental Trust Agreement shall mean the Series 2012A Certificates of Participation, Series 2012A, as defined in the Master Lease, and as supplemented by the Master Lease. payments of Series 2012A Certificates to the Trustee, for Lighting and Heating Rate and as otherwise required.

"Series 2012B" as used in this Supplemental Trust Agreement shall mean the Series 2012B Certificates of Participation, Series 2012B, as defined in the Master Lease, and as supplemented by the Master Lease. payments of Series 2012B Certificates to the Trustee, for Lighting and Heating Rate and as otherwise required.
the Series 2012A Facilities lease purchased in the following amounts from the proceeds of the Series 2012B Certificate:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$116,505,950.00</td>
<td>$24,348,930.00</td>
</tr>
</tbody>
</table>

(d) Series 2012A Certificate. Pursuant to the provisions of Section 402 of the Series 2012A Supplemental Trust Agreement the Trustee deposited the following amounts attributable to the Series 2012A-2 Facilities lease purchased in the following amounts from the proceeds of the Series 2012A Certificate:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,378,251.39</td>
<td>5,648,41</td>
</tr>
</tbody>
</table>

Series 2017B Certificates. Pursuant to the provisions of Section 402 of the Series 2017B Supplemental Trust Agreement the Trustee deposited the following amounts attributable to the Series 2017B-2 Facilities lease purchased in the following amounts from the proceeds of the Series 2017B Certificate:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,737,939.00</td>
<td>52,825.41</td>
</tr>
</tbody>
</table>

5. Basic Lease Payments. (a) The principal portion of the Basic Lease Payments, the Lease Payment rates for the principal portion (June 30 of each year, commencing June 30, 2001) and the remaining principal portion with respect to the Series 2002D-2 Facilities lease purchased, which amounts are represented by the portion of the Certificates attributable to such Facilities, are set forth in Exhibit B attached hereto. The principal portion of Basic Lease Payments set forth in Exhibit B shall be no less than the principal payments with respect to the principal of the Certificates relating to the Series 2002D-2 Facilities, and shall only be amended in the event of (i) a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by such portion of the Certificates, and (ii) a change to the mandatory sinking fund prepayments in accordance with Section 502 of the Series 2012B Supplemental Trust Agreement in connection with a change in the method of calculation of the Series 2012B lease payments, and (iii) an extension of the term of the Certificate, to the extent any such amendment would not result in a material increase in the payment of Series 2012B lease payments. The Series 2012B Certificate, relating to the Series 2012B-2 Facilities shall be payable on each June 30 and December 30. The Series 2012B Interest shall be payable on the dates set forth in part (b) of the definition of Lease Payment Date, as applicable for the Interest Rate Period, or Periods from time to time. The amount of the Series 2012B Interest due on each Lease Payment Date shall be the actual interest accruing commencing on the applicable Interest Accrual Date and ending on the last day preceding the next applicable Interest Payment Date, calculated at the applicable rate or rates then in effect determined in accordance with the Series 2012B Supplemental Trust Agreement or the Trust Agreement, as applicable.

(b) The Series 2015A Interest set forth on Exhibit C is intended to reflect interest at a rate of 2.250% per annum, calculated on the basis of a 360-day year consisting of twelve thirty-day months. In the event that the Series 2015A Interest set forth on Exhibit C is inconsistent with such interest rate, Exhibit C and the Series 2015A Interest set forth on Exhibit C will be revised to reflect such interest rate.

(c) Upon the occurrence of a Termination Date, the rate applicable to the Series 2015A Interest will be increased in order to provide Lease Payments sufficient to pay the portion of the Series 2015A Interest allocable to the Series 2015D Lease at an interest rate as described in Section 302.2(e) of the Series 2015A Supplemental Trust Agreement.

(d) The interest portion of the Basic Lease Payments represented by the Series 2012B Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 215.44, Florida Statutes, since the Series 2017B Certificates were rated within the three highest rating categories by a nationally recognized rating service.

6. Additional Lease Payments. Additional Lease Payments with respect to the Series 2002D-1 Lease and Series 2002D-2 Lease consist of the following:

Series 2012A Certificate. Additional Lease Payments with respect to the Series 2012A Certificate consist of a pro rata portion of the following amounts to be paid with respect to both the Series 2002D-1 Lease and the Series 2002D-2 Lease, consisting of the following:

1. Trustee Fees:
   - Acceptance Fee of $1,005. Annual fee of $3,505, payable annually in advance. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

2. Trustee Expenses:
   - Expenses to be billed at cost. Legal fee for Trustee counsel at closing of $1,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

The fees set forth above for Trustee services include services under Schedules 2002D-1 and 2002D-2.

Series 2013B Certificates. Additional Lease Payments with respect to the Series 2013B Certificate consist of a pro rata portion of the following amounts to be paid with respect to both the Series 2002D-1 Lease and the Series 2002D-2 Lease, consisting of the following:

1. Trustee Fees:
   - Acceptance Fee of $1,005. Annual fee of $3,505, payable annually in advance. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

2. Trustee Expenses:
   - Expenses to be billed at cost. Legal fee for Trustee counsel at closing of $3,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.

Any payment due to (i) the 2002D Swap Provider under the 2002D Interest Rate Exchange Agreement and (ii) any other payments due pursuant to any other Hedge Agreement.

Series 2015A Certificate. Additional Lease Payments with respect to the Series 2015A Certificate consist of a pro rata portion of the following amounts to be paid with respect to both the Series 2002D-1 Lease and the Series 2002D-2 Lease, consisting of the following:

1. Trustee Fees:
   - Acceptance Fee of $1,005. Annual fee of $3,505, payable annually in advance. An additional fee will be imposed in the event that a guaranteed investment contract is executed plus all associated costs thereof.

2. Trustee Expenses:
   - Expenses to be billed at cost. Legal fee for Trustee counsel at closing of $3,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.

Amounts payable pursuant to the Continuing Covenant Agreement dated 1/1/2015 between the Board and Wells Fargo Municipal Capital Strategies, L.L.C.

The fees set forth above for Trustee services include services under Schedules 2002D-1 and 2002D-2.
Fees:

Series 2012B Certificates

Additional Lease Payments with respect to the Series 2012B Certificates consist of a pro rata portion of the following amounts to be paid with respect to the Series 2012B-1 Lease, the Series 2002B-1 Lease and the Series 2013B-1 Lease, consistent of the following:

1. Trustee Fees: The acquisition fee of $1,000, annual fee of $3,500, payable annually in advance.
2. Trustee Expenses: The Trustee Counsel fee of $5,500, expenses at closing to billed at cost. Thereafter, reasonable costs and expenses pursuant to the Merlin Lease or Trust Agreement.
3. Trustee Agent Fees: The Annual fee of $500, payable annually in advance.

7. Prepayment Provisions:
In addition on or in lieu of the prepayment provisions of Section 7.2 of the Master Lease, the principal portion of the Basic Lease Payments due as provided in Section 6 of Schedule 2012B-2 are subject to the following prepayment provisions:

A. Optional Prepayment

Series 2012A Certificates

(i) The principal portion of Basic Lease Payments due on June 30, 2022 (to be paid to Series 2012A Certificate Holders on August 1, 2022) shall not be subject to prepayment at the option of the School Board.

(ii) The principal portion of Basic Lease Payments due on June 30, 2022 (to be paid to Series 2012A Certificate Holders on August 1, 2022) shall be subject to prepayment at the School Board's written request thereon, at par value, and at the prices set forth below, and in such amounts and of such maturities (stated sinking fund prepayment dates as maturities for such purpose) as the School Board may direct, prior to the Series 2012B Interest accrued and at par value of the principal portion of the Basic Lease Payments represented thereby, without premium, plus interest accrued to the Prepayment Date.

Years from Conversion Date until end of Long-Term Rate Period

<table>
<thead>
<tr>
<th>First Day of Prepayment Period (in months)</th>
<th>Prepayment Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than Fifteen</td>
<td>104% declining by 1% on the next anniversary of the Conversion Date and thereafter at 100%</td>
</tr>
<tr>
<td>More than ten but not more than Fifteen</td>
<td>101% declining by 1% on the next anniversary of the Conversion Date and thereafter at 100%</td>
</tr>
<tr>
<td>More than seven but not more than ten</td>
<td>100% declining by 1% on the next anniversary of the Conversion Date at and thereafter at 100%</td>
</tr>
<tr>
<td>More than four but not more than seven</td>
<td>100% declining by 1% on the next anniversary of the Conversion Date and thereafter at 100%</td>
</tr>
<tr>
<td>Four or fewer</td>
<td>Not Callable</td>
</tr>
</tbody>
</table>

Notwithstanding any provision in the Series 2012B Lease, this Schedule 2012B may be amended or extended, as a Conversion Date upon the request of the School Board, to change the prepayment provisions applicable during a Long-Term Rate Period to such prepayment provisions as may be recommended by the Rating Agency affecting, to then current market practices and acceptable to the School Board provided the School Board provides a Favorable Opinion to the Trustee.

During any period in which Series 2012B Principal is calculated at the applicable interest rate for Delayed Floating Refinancing Certificates, such Series 2012B Principal is subject to optional prepayment upon request of the School Board or in part in any period on any Business Day at a Prepayment Price equal to the Series 2012B Principal represented thereby, without premium, plus the Series 2012B Interest represented thereby accrued to the Prepayment Date.

(v) As during any period in which Series 2012B Principal is determined at an Index Floating Rate, the Series 2012B Principal is subject to optional prepayment upon request of the School Board or in part in any period on any Business Day at a Prepayment Price equal to the Series 2012B Principal represented thereby, without premium.

Series 2013B Certificates

(i) During any period in which Series 2012B Interest is determined at a Daily Rate or Weekly Rate, the Series 2012B Principal is subject to optional prepayment at any time upon request of the School Board or in part in any such amounts and from such dates as the School Board shall direct, at a price equal to the Series 2013B Principal to be prepaid, without premium, plus the Series 2012B Interest accrued with respect to such prepaid principal portion to the Prepayment Date.

(ii) During any period in which Series 2013B Interest is determined at a Certificate Interest Rate Term or Rate, the Series 2012B Principal is subject to optional prepayment upon request of the School Board or in part in any such amounts and from such dates as the School Board shall direct, at a price equal to the Series 2012B Principal to be prepaid, without premium, plus the Series 2012B Interest accrued with respect to the principal prepaid portion to the Prepayment Date.

(iii) During any period in which Series 2012B Principal is determined at a Long-Term Rate, the Series 2012B Principal is subject to optional prepayment upon request of the School Board or in part in any such amounts and from such dates as the School Board shall direct, at a price equal to the Series 2012B Principal to be prepaid, without premium, plus the Series 2012B Interest accrued with respect to the principal prepaid portion to the Prepayment Date.

(iv) During any period in which Series 2012B Principal is determined at a Long-Term Rate, the Series 2012B Principal is subject to optional prepayment upon request of the School Board or in part in any such amounts and from such dates as the School Board shall direct, at a price equal to the Series 2012B Principal to be prepaid, without premium, plus the Series 2012B Interest accrued with respect to the principal prepaid portion to the Prepayment Date.

B. Extraordinary Prepayment

Series 2012A Certificates

(i) Section 7.2(a) and (b) of the Master Lease shall not apply to the Series 2012A Certificates.

(ii) The principal portion of Basic Lease Payments due under the Series 2002D-2 Lease represented by the Series 2012A Certificates shall be subject to prepayment in the event the Series 2002D-2 Lease terminates prior to payment in full of all of the Basic Lease Payments, to the extent the Trustee has money available for such purpose pursuant to the Series 2012A Trust Agreement, to the extent and subject to the limitations provided in Section 7.2 of the Master Lease.

Series 2012B Certificates

B-1447435/4
G. Remedies Upon Non-appropriation or Default. For purposes of the Series 2002D-2 Lease only, Section 3.6 of the Master Lease shall not apply and, in its place, the following shall govern:

Section 3.6 No Surrender of Series 2002D-2-1 Facilities.

(A) Upon the termination of the Series 2002D-2 Lease Term prior to the payment of all Lease Payments scheduled thereunder or without the payment of the then applicable Purchase Option Price of the Series 2002D-2 Facilities, or (B) as provided in Section 8.2 of the Master Lease upon the occurrence of an event of default, then the Purchase Option Price of the Series 2002D-2 Facilities, shall become immediately due and payable, but only from the School Board’s current or other funds authorized by law and appropriated for such purpose as provided in Section 3.1 of the Master Lease. The Corporation’s sole remedy (other than rights and remedies it may have at law against the School Board for its loss and expenses, for compensation damages or profits suffered below in the occurrence of an event of Default) as provided in Section 8.1 of the Master Lease) shall be to seek a judgment against the School Board for the unpaid balance of the Purchase Option Price, which judgment shall be enforceable solely against the School Board’s legally available assets.

Notwithstanding the obligations of the School Board to pay the Purchase Option Price of the Series 2002D-2 Facilities, the School Board shall be under no obligation to transfer possession of and/or title to the Series 2002D-2 Facilities, to the Corporation, and the Corporation shall have no right under the Series 2002D-2 Lease to involuntary depose the School Board of the use and enjoyment of said title to any of the Series 2002D-2 Facilities, and the Corporation hereby irrevocably waives any right to specific performance, the School Board’s covenants upon such termination of the Lease Term.

Upon the termination of the Lease Term as a result of a default by the School Board, the Corporation shall have, in addition to the rights and remedies described above, the right to recover and be compensated for damages, including any fees and expenses of the Corporation incurred in recovering such damages, as are suffered by the Corporation or the Trustee as a result of the School Board’s failure to pay the unpaid balance of the Purchase Option Price on time.

II. Continuing Covenants. For purposes of the Series 2002D-2 Lease, the School Board hereby covenants and agrees that it will comply with and carry out all of the provisions of the respective Contingent Bailment Certificate. Notwithstanding any other provision of the Series 2002D-2 Lease, failure of the School Board to comply with the Continuing Covenants shall not be considered an Event of Default; however, the Trustee, upon being indemnified to its satisfaction, and, upon being indemnified to its satisfaction, it may, at its absolute discretion, accept any portion of the Closing Fund as security for the obligations of the School Board under the Series 2002D-2 Certificate, and the Master Lease shall not be deemed in default.

b. Other Special Provisions.

A. Representations. (1) The School Board hereby certifies its representations, warranties and covenants set forth in Section 2.10 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2002D-2, and all references therein to the Facilities shall include the Series 2002D-2 Facilities. The Corporation hereby certifies its representations, warranties and covenants set forth in Section 2.11 of the Master Lease, except all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2002D-2 and all references therein to the Facilities shall include the Series 2002D-2 Facilities.

(2) The Corporation hereby represent that the Master Lease is in effect and that it is not a lease to the extent the Corporation is in the possession of the property for the purpose of using the property as provided in the Master Lease.

D. Supplemental Provisions Required by Initial Purchaser:

(1) The School Board shall provide to the Initial Purchaser within two thousand seventy-five (2,075) days of the end of each fiscal year of the School Board during the term hereof, a copy of its audited financial statements for such fiscal year, provided, however, if the audit is being conducted by the Auditor General, the financial statement shall be provided within fifteen (15) days after they are available.

(2) The School Board, the Trustee and the Corporation, and its purchase of the Series 2002A Certificate and ancillary materials, the Initial Purchaser, waive trial by jury in any controversy or claim arising out of or relating to the Series 2002D-2 Lease or the Series 2002A Certificate. In any judicial proceeding, any prevailing party shall be entitled to recover its attorney’s fees (including any appeal) from the other party.

(3) Pursuant to Section 504 of the Master Trust Agreement, the Initial Purchaser shall direct and control all remedies on default or an event of non-appropriation pursuant to the Master Lease with respect to the Series 2002A Certificate.

F. Reserved.

Section 9.11 of the Master Lease:

For purposes of the Series 2002D-2 Lease, Section 9.11 of the Master Lease shall not apply. The School Board hereby represents and warrants that it has taken no action and covenants that it will take no action to implement the provisions of Section 9.11 of the Master Lease.

Section 6.4 of the Master Lease:

For purposes of the Series 2002A-1 Lease, Section 6.4 of the Master Lease shall read as follows:

SECTION 6.4 Substitution of Facilities. To the extent permitted by law, the Corporation may, by means of a Purchase Agreement, sell or assign at any time (x) any leasehold, (y) all or any portion of the Series 2002A-1 Facilities, and (z) any Lease Agreement between the Corporation and the School Board, in connection with the substitution of facilities, subject to the provisions of this Section 6.4.

The consideration to be paid for the substitution of facilities shall be determined by a Board or committee of the Corporation, or a committee of the School Board, and the consideration paid shall be for the satisfaction of the School Board over the Schedule 2002A-1 Lease as a whole in accordance with the terms thereof, and the substituted facilities shall be deemed to be released to the Corporation and to bind the substituted lessee thereunder in connection with the substitution of facilities.

The Corporation shall have the right to make such substitutions, and the substituted lessee shall be entitled to the benefits and obligations of the substituted lease agreement, and the substituted lease agreement shall be deemed to be made between the Corporation and the substituted lessee, subject to the terms and conditions of the substituted lease agreement.

The substituted facilities shall be deemed to be substituted for the facilities released by the substituted lessee, and the substituted lessee shall be entitled to all rights, powers and remedies of the substituted lessee, and the substituted lessee shall be deemed to be substituted for the substituted lessee under the substituted lease agreement.

The substituted lessee shall be deemed to be substituted for the substituted lessee under the substituted lease agreement, and the substituted lessee shall be entitled to all rights, powers and remedies of the substituted lessee, and the substituted lessee shall be deemed to be substituted for the substituted lessee under the substituted lease agreement.

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For purposes hereof, "fair market value" shall be determined on the basis of an M31 appraisal performed by an appraiser jointly selected by the School Board and the Trustee.

J. Notice of Amendments. The School Board shall provide written notice to each Rating Agency at least 15 days in advance of the execution of any amendments to the Series 2002D-2 Lease, the Trust Agreement, or the Series 2002D Assignment Agreement.

K. Section 9.4 of the Master Lease. The following provisions shall become effective upon execution of the Schedule, the Corporation and the Trustee of the Schedule 2002D-2 and the consent of the holders of a majority in principal amount of the Outstanding Certificates or with the consent of a Credit Facility Issuer, if any, in lieu of the consent of the holders of the Certificates if insured. Pursuant to the Series 2017B Certificate shall consist entirely of holders of the Series 2017B Certificates.

For purposes of the Series 2002D-2 Lease, Section 9.4 of the Master Lease shall read as follows:

SECTION 9.4. Amendments. The terms of this Master Lease and any Schedule, shall not be amended, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee. Except as otherwise provided herein, the consent of the holders of at least a majority in principal amount of Outstanding Certificates who are affected by such waiver, alteration, modification, supplement or amendment shall be required. With respect to insured Certificates, the related Credit Facility Issuer, if any, shall consent in lieu of the consent of the holders of Certificates it insures. Notwithstanding the foregoing, a Schedule may be amended without obtaining the consent of the holders of the affected Certificates or a Credit Facility Issuer, if any, for the purpose of (1) adding a legal description of the permitted encumbrances for a Facility Site which has already been designated in such Schedule, (2) adding additional Facilities to be financed under such Schedule, (3) substituting Facilities in accordance with Section 6.4 hereof, or (4) releasing a Facility Site or portion thereof if such Facility Site or Facility Site or portion thereof has been released from the Master Lease in accordance with the provisions thereof.

L. The School Board, the Trustee and the Corporation, and by its purchase of the Series 2015A Certificates and assignee thereof, the Initial Purchaser, waive trial by jury in any controversy or claim arising out of or relating to the Series 2002D-2 Lease or the Series 2015A Certificates. In any action proceeding the prevailing party shall be entitled to recover its attorney's fees (including on appeal) from the other party.

M. References in the Series 2002D Assignment Agreement to the Series 2002D Certificates shall be deemed to include any and all Series of Certificates now or hereafter issued and outstanding as may be payable from payments made by the School Board pursuant to the Series 2002D-2 Lease.

N. Effective Date. Schedule 2002D-2, as amended and restated as of December 1, 2017, shall be effective as of December 24, 2011.

IN WITNESS WHEREOF, the Trustee has caused this Amended and Restated Schedule 2002D-2 to be executed in corporate name by its duly authorized officer, and the Corporation has caused this Amended and Restated Schedule 2002D-2 to be executed in its name by its duly authorized members or officers, and the School Board has caused this Amended and Restated Schedule 2002D-2 to be executed in its name by its duly authorized members or officers of the day and year first written above.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: Charles G. Nelson
    Vice President

[SEAL]

Palm Beach School Board

Leasing Corp.

By: Michael J. Burke
    Assistant Secretary

[SEAL]

The Board of Palm Beach County, Florida

By: Robert M. Avron, Ph.D.
    Chairman

C-32
SCHEDULE 2007B
dated as of March 1, 2007
As Amended and Restated as of April 1, 2008, July 1, 2011, October 1, 2015
And as Further Amended and Restated as of December 1, 2017
to the
Master Lease Purchase Agreement dated as of
November 1, 1994

Among
The Bank of New York Mellon Trust Company, N.A.
(successor in interest to NationsBank of Florida, N.A.)
as Trustee and Assignee of
Palm Beach School Board Leasing Corp., as Lessor
(the “Trustee”)

and

Palm Beach School Board Leasing Corp.
(the “Corporation”)

and

The School Board of Palm Beach County, Florida, as Lessee
(the “School Board”)

THIS AMENDED AND RESTATED SCHEDULE 2007B (the “Schedule 2007B”) is hereby entered into as of December 1, 2017 (the “Schedule”), under and pursuant to that certain Master Lease Purchase Agreement dated as of November 1, 1994 (the “Master Lease”) pursuant to which the Corporation has agreed to lease purchase unto the School Board and the School Board has agreed to lease purchase from the Corporation, subject to the terms and conditions of the Master Lease incorporated herein, the Series 2007B Facilities herein described. The Trustee, as Assignee of the Corporation, hereby demises, leases and subleases to the School Board, and the School Board hereby hires, takes, leases and subleases from the Trustee, the Series 2007B Facilities and the Series 2007B Facility Sites described herein, together with the rights described in clauses (i), (ii) and (iii) of Section 1 in the Series 2007B Ground Lease (hereinafter defined). The Master Lease with respect to this Schedule 2007B as modified and supplemented hereby, is referred to herein as the “Series 2007B Lease”). All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

Section 1. Definitions. For purposes of the Series 2007B Lease the following terms have the meaning set forth below. All terms used herein and not otherwise defined herein shall have the meanings given to them in the Master Lease or the Trust Agreement, including the Series 2011A Supplemental Trust Agreement with respect to the Series 2011A Certificates, the
“Series 2013C Supplemental Trust Agreement” shall mean the Series 2013C Supplemental Trust Agreement dated as of October 1, 2013, between the Corporation and the Trustee, pursuant to which the Series 2013C Certificates are issued.

“Series 2013B Certificates” shall mean the Certificates of Participation, Series 2013B evidencing Undivided Proportional Interests of the Owners thereof in Basic Lease Payments to be made by the School Board of Palm Beach County, Florida, as Lessor, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessee, issued in the original principal amount of $62,970,000.

“Series 2013B Interest” shall mean the interest portion of Basic Lease Payments represented by the Series 2013B Certificates.

“Series 2013B Principal” shall mean the principal portion of Basic Lease Payments represented by the Series 2013B Certificates.

Section 2. Lease Term.

The total of all Lease Terms of the Series 2007B Lease is expected to be approximately twenty-five (25) years and five (5) months consisting of an “Original Term” of approximately twenty (20) months from the Commencement Date through and including June 30, 2007, and twenty-four (24) Renewal Terms of twelve (12) months each, from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2007 and ending June 30, 2032, and the Last Renewal Term of approximately one (1) month from July 1, 2012 through and including August 1, 2012, provided that on such date no Certificates are Outstanding under the Trust Agreement. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.


A general description and the estimated costs of the Series 2007B Facilities lease purchased under the Series 2007B Lease are described in Exhibit D hereto. The School Board reserves the right to subdivide or otherwise subdivide the facilities set forth herein, in accordance with the requirements of the Master Lease.

Section 4. Series 2007B Facility Sites Ground Leased to the Corporation and Permitted Uses.

The legal descriptions of the Series 2007B Facilities (or Substitutes thereof) based on the corporate and permitted uses described herein, together with any additional land specifically described in the Master Lease, are set forth in Exhibit H hereto. Substitutions may be made in accordance with the requirements of the Master Lease and the Series 2007B Ground Lease.

Section 5. Application of Certain Proceeds of Series 2011A Certificates.

Series 2011A Certificates. Pursuant to the provisions of Section 402 of the Series 2011A Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2011A Facilities lease purchased hereunder in the following accounts from the proceeds of the Series 2011A Certificates:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>$131,284.60</td>
<td>Series 2011A Cost of Insurance Account</td>
</tr>
<tr>
<td>$11,197,862.99</td>
<td>Series 2011A Deposit Trust Fund</td>
</tr>
</tbody>
</table>

Series 2011C Certificates. Pursuant to the provisions of Section 602 of the Series 2011C Supplemental Trust Agreement, the Trustee deposited the following sums attributable to the Series 2011C Facilities lease purchased hereunder in the following accounts from the proceeds of the Series 2011C Certificates:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>$29,501.66</td>
<td>Series 2011C Cost of Insurance Account</td>
</tr>
<tr>
<td>$71,110,001.15</td>
<td>Series 2011C Deposit Trust Fund</td>
</tr>
</tbody>
</table>

Section 6. Basic Lease Payments.

1. (a) The principal portion of the Basic Lease Payments, the Basic Lease Payments (June 30 and June 30) and the consisting principal portion with respect to the Series 2007B Facilities lease purchased and the deposits attributable to such Facilities set forth in Exhibit D hereto. The Emoluments for the Basic Lease Payments shall be made on the terms and dates set forth in Exhibit E hereto. Substitutions may be made in accordance with the terms of the Master Lease.

2. (a) The Series 2011A Interest shall be payable on the date set forth in par (b) of the definition of “Basic Lease Payments” for the Interest Rate Period or Periods therein, as the case may be. The amount of the Series 2011A Interest to be paid on each Basic Lease Payment shall be the
actual interest accruing on the Series 2011A Principal during an Auction Period or portion thereof with respect to ABS and with respect to all other Interest Rate Periods, during the last day preceding the next applicable Interest Payment Date, calculated at the applicable rate or rates then in effect determined in accordance with the Series 2011A Supplemental Trust Agreement or as provided in the Series 2011A Supplemental Trust Agreement with respect to Provider Certificates. Unless and until converted into one or more different Interest Rate Periods, the Series 2011A Interest shall be calculated at a Long-Term Rate as determined in accordance with Section 2011A A of the Series 2011A Supplemental Trust Agreement. At the election of the School Board in accordance with the provisions of the Series 2011A Supplemental Trust Agreement, prepayment calculation of the Series 2011A Interest may be converted to a Daily Rate, Certificate Interest Term Rate, Long-Term Rate, Weekly Rate, Index Floating Rate or an Auction Rate.

(c) The Series 2015C Interest shall be payable on the date(s) set forth in part (c) of the definition of a Payment Date or the date(s) set forth in part (d) of the definition of a Payment Date.

(d) (i) The interest portion of the Basic Lease Payments represented by the Series 2011A Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 23.85 Florida Statutes, since the Series 2011A Certificates on their date of issue were rated within the three highest rating categories by a nationally recognized rating service.

(ii) The interest portion of the Basic Lease Payments represented by the Series 2015C Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 23.85, Florida Statutes, since the Series 2015C Certificates on their date of issue were rated within the three highest rating categories by a nationally recognized rating service.

(iii) The interest portion of the Basic Lease Payments represented by the Series 2017D Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 23.85, Florida Statutes, since the Series 2017D Certificates on their date of issue were rated within the three highest rating categories by a nationally recognized rating service.


Additional Lease Payments with respect to the Series 2011A Certificates consist of the following amounts to be paid with respect to the Series 2011A Lease, except as otherwise provided herein, by the School Board on the following dates:

1. Trustee Fees: Acceptance Fee of $1,000. Annual fee for $9,000, payable annually in advance.
2. Trustee Expenses: Expenses to be billed at cost. Legal fees and expenses for Trustee counsel shall be paid at the rate of $4,000.
3. Liquid Provider Fees: While a Liquid Provider exists, a fee shall be payable to the Liquid Provider.

Section 8. Prepayment Provisions. In lieu of the prepayment provisions of Section 7.2 of the Master Lease, the prepayment provisions for the Basic Lease Payments due as provided in Section 6 of this Series 2017B Certificates is subject to the following prepayment provisions:

Series 2011A Certificates

(a) Daily Rate or Weekly Rate. During any period in which Series 2011A Interest is determined at a Daily Rate or Weekly Rate, the Series 2011A Principal is subject to optional prepayment at any time upon request of the School Board in whole or in part at any time or date as determined by the School Board at its discretion, at a price equal to the Series 2011A Principal to be prepaid, without premium, plus the Series 2011A Interest accrued with respect to such prepaid principal portion to the Prepayment Date.

(b) Certificate Interest Term Rate. During any period in which Series 2011A Interest is determined at a Certificate Interest Term Rate or Rates, the Series 2011A Principal is subject to optional prepayment upon request of the School Board on the date occurring the last day of any Certificate Interest Term in the amount of the Series 2011A Principal represented by the Series 2011A Certificates subject to the related Certificate Interest Term Rate to be prepaid at a price equal to the Series 2011A Principal to be prepaid, without premium, plus the Series 2011A Interest accrued with respect to such prepaid principal portion to the Prepayment Date.

(c) Long-Term Rate. During any period in which Series 2011A Principal is determined at a Long-Term Rate and represented by Series 2011A Certificate certificates maturing on August 1, 2012, it is subject to optional prepayment during the initial Long-Term Rate Period, provided, however, Series 2011A Principal is represented by Series 2011A Certificates maturing on August 1, 2012, in subject to optional prepayment prior to its stated maturity upon request of the School Board in whole or in part on the day occurring the last day of such initial Long-Term Rate Period at a Prepayment Price equal to the Series 2011A Principal represented by the Series 2011A Certificates to be prepaid, without premium, plus the Series 2011A Interest represented by the Series 2011A Certificates to be prepaid accrued to the Prepayment Date.

Series 2017B Certificates

Additional Lease Payments with respect to the Series 2017B Certificates consist of the following amounts to be paid with respect to the Series 2017B Lease, except as otherwise provided herein, by the School Board on the following dates:

1. Trustee Fees: Acceptance fee of $1,000, payable annually in advance.
2. Trustee Expenses: Expenses to be billed at cost. Legal fees and expenses for Trustee counsel shall be paid at the rate of $3,850.

Series 2017B Certificates

Additional Lease Payments with respect to the Series 2017B Certificates consist of the following amounts to be paid with respect to the Series 2017B Lease, except as otherwise provided herein, by the School Board on the following dates:

1. Trustee Fees: Acceptance fee of $1,000, payable annually in advance.

Lease Payments shall be designated by the School Board to be prepaid, at the Prepayment Price equal to the principal portion of Basic Lease Payments represented by the Series 2011A Certificates or portion thereof to be prepaid, plus the interest accrued to the Prepayment Date.

(c) Except as provided in subsection (a) and (b) above, during any period in which Series 2011A Principal is determined at a Long-Term Rate, the Series 2011A Principal is subject to optional prepayment upon request of the School Board in whole or in part, during any period occurring the last day of any Long-Term Rate Period, at a Prepayment Price equal to the Series 2011A Principal to be prepaid, without premium, plus the Series 2011A Interest accrued with respect to the prepaid principal portion to the Prepayment Date, and (d) in the case of the prices set forth below and in such amounts and of such maturities (including refund prepayment dates as may be specified by the School Board) the School Board may direct, during any period in which Series 2011A Interest is determined at a Long-Term Rate and represented by Series 2011A Certificates, the acceptability of such prepayment for inclusion in any series of Basic Lease Payments as may be specified by the School Board.

Section 9. Bondholders' Rights. In the event the School Board shall fail to pay any funds or to provide any services due to the Bondholders, the Bondholders may pursue any available remedy in any court ofcompetent jurisdiction.
the prepayment upon request
Elementary
any other provisions
extraordinary without the
optional as Option Price
Index possession
purposes
the Gladeview Elementary Modernization Project
(a)
the prepayment provisions set forth in Section 7.2-B(1) and Section 5.4-0 of the Master Lease shall not apply to Basic Lease Payments represented by the Series 2011C Certificates

B. No Surrender of Gladeview Elementary Modernization Project.

(1) The Gladeview Elementary Modernization Project is being financed with proceeds on deposit in the Series 2007B Acquisition Account and by proceeds on deposit in the Series 2007A Acquisition Account.

(2) Notwithstanding any provisions in the Series 2007B Lease to the contrary, in lieu of the extraordinary prepayment provisions of Section 5.4-0 of the Master Lease, the amount that would be allocable to the Certificates that were subjected to the extraordinary prepayment provisions of Section 5.4-0 of the Master Lease shall be used instead in accordance with the following:

Said Net Proceeds shall either (1) be applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of this Series 2011B Lease as fully as if they were the originally Issued Series 2007B Facilities or (2) at the direction of the School Board, upon delivery of the Trustee of an Event of Default, and at the discretion of the School Board, to be applied to the Loan with respect to the Series 2011B Lease.


A. Representations.

(1) The School Board hereby confirms its representations, covenants and warranties set forth in Sections 2.10 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Series 2011C Lease and all references therein to the Facilities shall include the Series 2011C Facilities, and except as otherwise provided below. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Series 2011C Lease and all references therein to the Facilities shall include the Series 2011C Facilities, and except as otherwise provided below.

(2) The Corporation hereby represents that the Master Lease is in effect and that to the knowledge of the Corporation there are no defaults on the date of execution of this Schedule 2011C Lease under any Lease, Guaranty or the Trust Agreement.

(3) The School Board hereby represents, covenants and warrants that adequate water, sanitary sewer, gas, storm sewer utilities, electric power, telephone and other utilities are available to the Series 2011C Facility Sites, or the cost of making them available is included in the School Board's acquisition and construction budget for the Series 2011C Facility Sites.

B. Section 3.2(d) of the Master Lease.

For purposes of the Series 2007B Lease, Section 3.2(d) of the Master Lease shall be as follows:

(1) Upon the completion of acquisition and construction of the Facilities financed under a particular Lease and payment of all Costs of such Facilities or upon the termination of the Lease Term of a particular Lease pursuant to Section 4.1, the amounts, if any, deposited in the Acquisition Account for the Series of Certificates shall be transferred to the Loan Account for such Series, to be applied to principal Payments, as provided, however, that if, upon delivery of the Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Facilities financed under a particular Lease (including the fixtures of the School Board) to acquire any component of such Facilities, there shall remain in the related Acquisition Account an amount greater than the amount of Basic Lease Payments netting out during the immediately following Fiscal Year under such Lease, such amount shall be retained in the Acquisition Account for the Series of Certificates relating to such Facilities and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the related Lease as fully as if they were the originally Issued Facilities provided, however, at the direction of the School Board, upon delivery to the Trustee of a Transfer Order, such Net Proceeds shall be applied to the Loan with respect to the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments netting out during the immediately following Fiscal Year under such Lease.

C. Continuing Disclosures.

(1) The School Board hereby covenants and agrees to comply with the terms and provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Series 2007B Lease, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be construed as an Event of Default, however, provided, it has been satisfactorily indemnified in accordance with Section 502 of the Master Trust Agreement as follows: The Corporation and the Trustee may (and, at the request of any Participant, the Seller or the Holders of a Note) execute and deliver a Continuing Disclosure Certificate containing such information concerning the Series 2007B Lease as the Corporation or the Trustee may require.

(2) Option B - Deposit to Lease Payment Account or Acquisition Account. Provided, however, if the School Board has determined that its operation have not been materially affected and that it is in the best interest of the School Board to pay the Operating Costs of the Facilities as
changed, destroyed or condemned, that the School Board shall not be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are (1) less than ten percent (10%) of the Releasing Principal Portion of the Basic Lease Payments relating to such Facilities and (2) equal to or less than the amount of the Basic Lease Payments due in the immediately following Fiscal Year under such Lease, then such Net Proceeds may, at the option of the School Board, (b) be deposited in the Basic Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) hereof or (d) deposited in the Acquisition Account for the Series of Certificates relating to such Facilities and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the related Lease as fully as if they were the originally leased Facilities. If the Net Proceeds are (1) equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities as calculated at the greater of the amount of Basic Lease Payments due in the immediately following Fiscal Year under such Lease, then such Net Proceeds shall be deposited in the Acquisition Account for the Series of Certificates relating to such Facilities and applied to pay the Costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the related Lease as fully as if they were the originally leased Facilities provided, however, in the case of the School Board, upon delivery to the Trustees of the Certificate (or a successor in interest) a Certificate of Acceptance of such Net Proceeds, such Net Proceeds shall be deposited in the Basic Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) hereof.

G. Section 6.4 of the Master Lease. The following provision shall become effective upon execution by the School Board, the Corporation, and the Trustees of this Schedule 2007B and the consent of the holders of a majority in principal amount of the Outstanding Certificates representing an interest in the Basic Lease Payments made under this Schedule 2007B. Proceeds of the Series 2007B Certificates shall constitute an additional payment to holders of the Series 2017B Certificates.

For purposes of the Series 2007B Lease, Section 6.4 of the Master Lease shall read as follows:

SECTION 6.4. Substitution of Facilities. To the extent permitted by law, or after the Completion Date the School Board may substitute for any Facilities other facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of individually equal utility as the Facilities to be replaced and meet the requirements of Section 3.9 hereof, (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved by the State Department of Education. In addition to the consent permitted by law, prior to the completion date the School Board may replace one or more Facilities to be acquired, constructed and installed under this Schedule if the Facilities are to be acquired, constructed and installed in each case, free and clear of all liens and encumbrances, except Permitted Encumbrances.

For purposes hereof, "fair market value" shall be determined on the basis of an independent appraisal prepared by the District.

H. Section 9.4 of the Master Lease. The following provision shall become effective upon execution by the School Board, the Corporation and the Trustees of this Schedule 2007B and the consent of the holders of a majority in principal amount of the Outstanding Certificates or with the consent of a Credit Facility Issuer, if any, in lieu of the consent of the holders of the Certificates it issues. Proceeds of the Series 2007B Certificates shall constitute an addition to the holders of the Series 2017B Certificates.

SECTION 9.4. Amendments. The terms of this Master Lease and any Schedule shall not be altered, amended, modified or supplemented in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustees. Except as otherwise provided herein, the consent of the holders of at least a quorum in principal amount of Outstanding Certificates is required for any amendment of the terms of this Lease. Without limiting the foregoing, a Schedule may be amended without obtaining the consent of the holders of the affected Certificates or a Credit Facility Issuer, if such amendments are made, (1) for the purpose of (a) adding a lending covenant to the related Credit Facility Issuer, if any, in lieu of the consent of the holders of the Certificate it issues. Proceeds of the Series 2017B Certificates shall constitute an additional payment to holders of the Series 2017B Certificates.

The Corporation hereby appoints the School Board as its agent to prepare and file in appropriate offices such documents as may be necessary to cause record title to such Series 2007B Facilities and the related Series 2007B Facility Sites to vest in the School Board, free and clear of all encumbrances except Permitted Encumbrances. The Corporation agrees to indemnify and save harmless the School Board, the Corporation and the Trustees of this Schedule 2007B and the related Series 2007B Certificates from all costs, fees and expenses (including legal fees) incurred in the performance of any of the Corporation's or the School Board's duties hereunder.

I. Effective Date. Schedule 2007B, as amended and restated as of December 1, 2017, shall be effective as of December 26, 2017.
IN WITNESS WHEREOF, the Trustee and the Corporation have each caused this Amended and Restated Schedule 2007B to be executed in its corporate name by its duly authorized officer, and the School Board has caused this Amended and Restated Schedule 2007B to be executed in its name by its duly authorized members or officers, all as of the day and year first written above.

Palm Beach School Board Leasing Corp.

By: Michael J. Burke
Assistant Secretary

By: Chuck Shaw
President

The School Board of Palm Beach County, Florida

Attest:

By: Robert M. Avossa, Ed.D.
Secretary

By: Chuck Shaw
Chairman

The Bank of New York Mellon Trust Company, N.A., as Trustee

By: Charles G. Nelson
Vice President

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SERIES 2002D-1
GROUND LEASE

Dated as of December 1, 2002

BETWEEN

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

AND

PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessee

(Series 2002D-1 Facility Sites)
SERIES 2002D-1 GROUND LEASE
(Series 2002D Facility Sites)
THIS SERIES 2002D-1 GROUND LEASE dated as ofDecember 1, 2002, between
THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, (the "School Board")
acting as the goveming body of the School District of Palm Beach County, Florida (the
"Districf), as Lessor and the PALM BEACH SCHOOL BOARD LEASING CORP. (the
"Corporation"), a not-for-profit corporation organized and existing under and pursuant to
Chapter 617 and Section 237.40, Florida Statutes, as Lessee.

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EXHIBIT A SERIES 2002D-1 FACILITY SITES

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WITNESSETH:
WHBREAS, the School Board has the power, under Section 230.23(2) Florida Statutes,
as amended, to receive, purchase, acquire, lease, sell, hold, transmit and convey title to real and
personal property for educational purposes, and under Section 230.23(9) Florida Statutes, as
amended, to enter into leases or lease-purchase agreements of grounds and educational facilities,
or of educational facilities for school purposes; and

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WHEREAS, the Corporation has the authority to acquire educational facilities by lease or
deed for the benefit ofthe School Board; and
WHEREAS, the Corporation is a "private corporation" within the meamng of Section
230.23(9)(b)6, Florida Statutes, as amended, and is a "direct support organization" within the
meaning of Section 237,40, Florida Statutes, as amended; and
WHEREAS, in order to carry out its powers and authority to acquire facilities and
equipment, the School Board and the Corporation have entered into a Master Lease Purchase
Agreement dated as ofNovember 1, 1994 (as the same may be amended and supplemented from
time to time, the "Master Lease"); and
WHEREAS, the School Board is the owner of certain real property located in Palm
Beach County, Florida, and described in Exhibit A attached hereto (which real property, together
with all buildings, structures and improvements now or hereafter erected or situated thereon, any
easements or other rights or privileges in adjoining property inuring to the fee simple owner of
such land by reason of ownership of such land, and all fixtures, additions, alterations or
replacements thereto, now or hereafl:er located in, on or used in cormection with or attached or
made to such land is hereinafter referred to as a "Series 2002D-1 Facility Site" or, in the case of
separate parcels, such parcels are herein collectively referred to as the "Series 2002D-1 Facility
Sites"); and
WHEREAS, the School Board desires to lease-purchase one or more particular
educational facilities to be located on the Series 2002D-1 Facility Sites (individually and
collectively, the "Series 2002D-1 Facilities"), pursuant to Schedule 2002D-1 to the Master Lease
(which schedule, upon being executed and delivered by the School Board and the Corporation,

Lease Payments to be made by the School Board, as lessee, pursuant to the Series 2002D-1
Lease and the Series 2002D-2 Lease (the Series 2002D-1 Lease and the Series 2002D-2 Lease
being collectively referred to as the "Series 2002D Leases") and (c) directing the Tmstee to hold
the proceeds of sale of the Series 2002D Certificates in tmst subject to application only to pay
the costs of acquisition and constmction ofthe Series 2002D-1 Facilities and the costs ofthe
Series 2002D-2 Facilities (as defined in the Tmst Agreement) (collectively, the "Series 2002D
Facilities"); and

together with the terms and provisions of the Master Lease, constitutes a separate lease, as the
same may be amended or supplemented from time to time, the "Series 2002D-1 Lease"); and
WHEREAS, it is anticipated that a portion of the Series 2002D-1 Facilities may be
attached to one or more existing structures ofthe School Board adjacent to the Series 2002D-1
Facility Sites; may be dependent upon adjacent property ofthe School Board for pedestrian and
vehicular ingress, egress and access to and from and between the Series 2002D-1 Facility Sites
and the public roads adjoining the adjacent property ofthe School Board ("Access"); and may
further be dependent upon the School Board's adjacent property for utility and other services
which would be necessary for the full use and enjoyment ofthe Series 2002D-1 Facility Sites
including, but not limited to, drainage, sewer and water service, electric, telephone and gas
service and parking of vehicles (collectively, "Services"); and

WHEREAS, each Series 2002D Certificate represents an undivided proportionate interest
in the principal portion ofthe Basic Lease Payments set forth on Schedules 2002D-1 and 2002D2 due and payable on the maturity date or earlier prepayment date of the Series 2002D
Certificates and in the interest portion of the Basic Lease Payments set forth on Schedules
2002D-1 and 2002D-2 due and payable semiannually, to and including such maturity date or
earlier prepayment date; and

WHEREAS, the Corporation desires to acquire from the School Board, pursuant to this
Series 2002D-1 Ground Lease, and the School Board is willing to grant to the Corporation, the
right to utilize the adjacent property of the School Board to the extent reasonably necessary for
Access and for the Services, and the Corporation and the School Board desire to provide for the
structural attachment of certain of the Series 2002D-1 Facilities to the adjacent property of the
School Board; and

WHEREAS, the Corporation will assign to the Tmstee all ofits right, title and interest in
and to this Series 2002D-1 Ground Lease, the Series 2002D Leases and the Series 2002D-1
Lease Payments (except for certain indemnification rights and the right of the Corporation to
hold title to the Series 2002D-1 Facilities and to receive notices), pursuant to the Series 2002D
Assignment Agreement dated as of December 1, 2002 (as the same may be amended or
supplemented from time to time, the "Series 2002D Assignment Agreement"); and

WHEREAS, the ground leasing ofthe Series 2002D-1 Facility Sites, the sub-leasing of
the Series 2002D-1 Facility Sites back to the School Board and the lease-purchase financing and
construction of the Series 2002D-1 Facilities are herein collectively referred to as the "Series
2002D-1 Project"; and

WHEREAS, the School Board intends for the Series 2002D Leases to remain in full force
and effect until August 1, 2028, which is at least 31 days after the last Lease Payment Date for
the Series 2002D Facilities, unless sooner terminated in accordance with the terms provided
therein; and

WHEREAS, the School Board has on October 16, 2002, after due notice as required by
law, held an open, public meeting on the proposal of entering into this Series 2002D-1 Ground
Lease, at which meeting a copy ofthis Series 2002D-1 Ground Lease in final form was available
for inspection and review by the public; and

WHEREAS, the School Board intends for this Series 2002D-1 Ground Lease to remain in
fiill force and effect until the tennination ofthe Lease Term, as provided below.
NOW, THEREFORE, the School Board and the Corporation accordingly hereby
covenant and agree as follows:

WHEREAS, provisions for the payment of the cost of acquiring and constructing the
Series 2002D-1 Facilities have been made by (a) establishing a trust pursuant to the Master Trust
Agreement dated as ofNovember 1, 1994, as supplemented by a Series 2002D Supplemental
Tmst Agreement dated as of December 1, 2002 (as the same may be fiirther amended or
supplemented from time to time, the "Trust Agreemenf), between the Corporation and The
(successor by acquisition to NationsBank of Florida, N.A.), Jacksonville, Florida, as Tmstee (the
"Trustee"), and inevocably assigning to the Trustee without recourse all of the Corporation's
right, title and inteirest in and to this Series 2002D-1 Ground Lease and the Series 2002D-1 Lease
and one other lease to be entered into contemporaneously herewith (the "Series 2002D-2 Lease",
as defined in the Tmst Agreement), except for certain rights to indemnification, to hold title to
the Series 2002D-1 Facilities and to receive notices, (b) directing the Trustee for such tmst to
execute and deliver to the public certificates of participation (the "Series 2002D Certificates")
evidencing undivided proportionate interests of the Owners thereof in the right to receive Basic

Section 1.
Lease of Series 2002D-1 Facility Sites.
Subject to Pennitted
Encumbrances (as described in Exhibit A attached hereto and made a part hereof), the School
Board hereby demises and leases the Series 2002D-1 Facility Sites, more particularly described
in Exhibit A, to the Corporation, and the Corporation hereby hires, takes and leases the Series
2002D-1 Facility Sites from the School Board, for the term, at the rental and on the conditions
herein set forth. Such demising and leasing shall include the following rights:
(i)
The right to utilize the adjacent property of the School Board for Access
and for the Services reasonably necessary to the full use and enjoyment of the Series
2002D-1 Facility Sites; provided that the locations on the adjacent property ofthe School
Board utilized for such purposes shall be reasonably agreed upon by the Corporation and

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the Trastee as assignee of the Corporation (the cost of such Appraisal to be paid by the Trustee). If the Lease Term of the Series 2002-1 Ground Lease expires prior to the termination of the terms of the Series 2002-1 Lease, the School Board and the Corporation shall enter into an arrangement whereby the Corporation is to the extent appropriate to maintain and repair such common structural elements (at the cost of the Corporation and the Corporation shall not be required to remove the School Board from the Series 2002-1 Facilities for the continued use, benefit and enjoyment of the Series 2002-1 Facilities, thereby avoiding, as and for rental for the Series 2002-1 Facility Sites, the Corporation shall pay to the School Board as and for rental for the Series 2002-1 Facility Sites, the School Board grants to the Corporation the right and option to extend beyond the Lot Line, the right therefor is hereby reserved.

(ii) The Series 2002-1-1 Lease shall not give rise to any obligation to pay interest on the moneys received in such year from the exercise of the remedies permitted by the Series 2002-1 Lease prior to the date of termination of the Lease Term of the Series 2002-1-1 Lease (including 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 in anticipation of the Corporation from the exercise of the remedies permitted under the Series 2002-1-1 Lease during the preceding twelve months prior to said July 1) to the extent such payments are not made on or before the due date therefor, as hereinafter provided, in the same manner as provided for payment of any other amounts described in Section 504 of the Trust Agreement.

(iii) If, at any time during the Lease Term of the Series 2002-1-1 Lease, 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 in anticipation of the Corporation from the exercise of the remedies permitted under the Series 2002-1-1 Lease during the preceding twelve months prior to said July 1 exceeds the principal and interest portion of Basic Lease Payments under the Series 2002-1-1 Lease payable for the Series 2002-1-1 Lease prior to the date of termination of the Lease Term of the Series 2002-1-1 Lease, the fair market rental due in such year shall remain due and payable and shall not be reduced or discontinued from year to year and shall be paid in any future year to the extent such payments are not made on or before the due date therefor, as hereinafter provided.

(iv) 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 in anticipation of the Corporation from the exercise of the remedies permitted under the Series 2002-1-1 Lease during the preceding twelve months prior to said July 1) to the extent such payments are not made on or before the due date therefor, as hereinafter provided, in the same manner as provided for payment of any other amounts described in Section 504 of the Trust Agreement.

(v) If the Lease Term of the Series 2002-1-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.18 of the Master Lease, the Corporation shall pay the School Board and for rental for the Series 2002-1-1 Lease, the Series 2002-1-1 Lease shall not give rise to any obligation to pay interest on moneys received in such year from the exercise of the remedies permitted under the Series 2002-1-1 Lease during the preceding twelve months prior to said July 1) to the extent such payments are not made on or before the due date therefor, as hereinafter provided.

(vi) If the Lease Term of the Series 2002-1-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.18 of the Master Lease, the Corporation shall pay the School Board and for rental for the Series 2002-1-1 Lease, the fair market rental due in such year shall remain due and payable and shall not be reduced or discontinued from year to year and shall be paid in any future year to the extent such payments are not made on or before the due date therefor, as hereinafter provided.

(vii) If the Lease Term of the Series 2002-1-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.18 of the Master Lease, the Corporation shall pay the School Board and for rental for the Series 2002-1-1 Lease, the fair market rental due in such year shall remain due and payable and shall not be reduced or discontinued from year to year and shall be paid in any future year to the extent such payments are not made on or before the due date therefor, as hereinafter provided.
Section 5. Use of Series 2002D-1 Facility Sites; Assignments and Subleases. The Corporation may use the Series 2002D-1 Facility Sites for any lawful purpose; however, the parties agree that the Series 2002D-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 7.1, that the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto or any of their respective successors or assigns shall be responsible for any cost, expense, loss, charge or expense with respect to the failure of any obligations hereunder to be performed.

Section 6. Right of Entry. Unless the Series 2002D-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 7.1 or for any other reason, the School Board may enter upon the Series 2002D-1 Facility Sites at all times during the term of this Series 2002D-1 Ground Lease or of the leasehold estate hereby created with the fee estate in the Series 2002D-1 Facility Sites, in order to discharge or remove any unsecured, adverse, or superior lien or encumbrance, and for any other purpose necessary or convenient for the preservation thereof, without any notice or hearing, and shall be entitled to make any repairs, improvements or changes necessary for the preservation thereof.

Section 7. Default. In the event the Corporation shall be in default in the performance of any of its obligations hereunder, the School Board, at its option upon not less than thirty (30) days prior written notice to the Corporation, will execute, cause to be recorded, and deliver to the Corporation a deed in trust conveying to the School Board, or to whomsoever it may direct, all of the Corporation's interests in the Series 2002D-1 Facility Sites and any interest therein, and the fee estate in the Series 2002D-1 Facility Sites, together with all improvements thereon. The School Board shall have the right for any of its duly authorized representatives to enter upon the Series 2002D-1 Facility Sites for any purpose, to make any repairs, improvements or changes necessary for the preservation thereof.

Section 8. Quiet Enjoyment. The Corporation at all times during the term of this Series 2002D-1 Ground Lease shall have the right to possession and quiet entry, and shall be entitled to make any repairs, improvements or changes necessary for the preservation thereof, without any notice or hearing, and shall be entitled to make any repairs, improvements or changes necessary for the preservation thereof.

Section 9. Lien. Unless the Series 2002D-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 7.1, that the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto or any of their respective successors or assigns shall be responsible for any cost, expense, loss, charge or expense with respect to the failure of any obligations hereunder to be performed.

Section 10. Condemnation. In the event that any person, public or private, shall take upon any portion of the Series 2002D-1 Facility Sites, the School Board shall have the right to make any repairs, improvements or changes necessary for the preservation thereof.

Section 11. Record of Condemnation. The Corporation shall record the deed in trust conveying to the School Board all of the Corporation's interests in the Series 2002D-1 Facility Sites, and all documents evidencing any claim of the School Board against the Corporation, in the records in which the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto or any of their respective successors or assigns shall be responsible for any cost, expense, loss, charge or expense with respect to the failure of any obligations hereunder to be performed.

Section 12. Amendment. Any amendment made to this Series 2002D-1 Ground Lease without the prior written consent of the School Board and the Corporation shall be void; any such amendment must be in writing and signed by both parties, the School Board and the Corporation.

Section 13. Notice of Default. If the Corporation shall be in default in the performance of any of its obligations hereunder, the School Board shall have the right to give the Corporation written notice of such default, and if such default is not cured within thirty (30) days after receipt of such notice, the School Board may enter upon the Series 2002D-1 Facility Sites at all times during the term of this Series 2002D-1 Ground Lease for any purpose, to make any repairs, improvements or changes necessary for the preservation thereof.
leasehold estate in the Series 2002D-1 Facilities created under the Series 2002D-1 Lease or by reason of the fact that the Corporation is the owner of the leasehold estate in the Series 2002D-1 Facility Sites created hereby and is the owner of the fee title in the Series 2002D-1 Facilities as provided in the Series 2002D-1 Lease.

Section 15. Notices. All notices, certificates, requests or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid to the following addresses, or to such other address or addresses as shall be designated by the parties in writing:

Corporation:
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board:
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

Treasurer:
The Bank of New York
900 New York Avenue
New York, NY 10022
Attention: Corporate Trust Department

Series 2002D-1 Credit Facility Issuer:
Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022
Attention: Managing Director - Surveillance

Section 16. Severability. In the event any provision of this Series 2002D-1 Ground Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 17. Applicable Law. This Series 2002D-1 Ground Lease shall be governed by and construed in accordance with the laws of the State of Florida.

Section 18. Execution in Counterparts. This Series 2002D-1 Ground Lease may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

Section 19. Memorandum of Lease. Simultaneously with the execution of this Series 2002D-1 Ground Lease, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to this Series 2002D-1 Ground Lease. Said Memorandum of Lease shall not in any circumstances be deemed to charge or otherwise to affect any of the obligations or provisions of this Series 2002D-1 Ground Lease. Upon the termination of the Series 2002D-1 Ground Lease as provided in Section 2 hereof, the Memorandum of Lease shall be appropriately amended.

Section 20. No Personal Liability. No covenant or agreement contained in this Series 2002D-1 Ground Lease shall be deemed to be the covenant or agreement of any member of the School Board or the Corporation or any officer, employee or agent of the School Board or the Corporation, or of any intermediate entity in an individual capacity, and neither the members of the School Board or the Corporation executing this Series 2002D-1 Ground Lease nor any employee, officer, agent of the School Board or the Corporation shall in any circumstances be deemed to be personally liable or accountable by reason of the execution or delivery thereof.

Section 21. Third Party Beneficiary. The Series 2002D Credit Facility Issuer shall be deemed to be a third party beneficiary of this Series 2002D-1 Ground Lease.

IN WITNESS WHEREOF, the Corporation has caused this Series 2002D-1 Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers and the School Board has caused this Series 2002D-1 Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By

Chairman

Attest

[SEAL]

THOMAS E. LYNCH, SECRETARY

PALM BEACH SCHOOL BOARD LEASING CURE

By

President

Attest

[SEAL]

ART JOHNSON, SECRETARY

STATE OF FLORIDA )
COUNTY OF PALM BEACH )

GIVEN under my hand and seal this 7th day of January, 2003.

NOTARY PUBLIC, STATE OF FLORIDA

[Handwritten Notary Signatures]
EXHIBIT A TO SERIES 2002D-1 GROUND LEASE
SERIES 2002D-1 FACILITY SITES

A. Legal Description of Real Estate

A parcel of land situated in the Northeast one-quarter (NE 1/4) of Section 34, Township 42 South, Range 43 East, Palm Beach County, Florida, more particularly described as follows:

Commencing at the northeast corner of said Northeast one-quarter (NE 1/4) of Section 34; thence south 0°00'00" east along said section line 915.00 feet to the Point of Beginning; thence north 89°53'34" east along the northerly right-of-way line of Military Trail; thence north 28°35'27" east along said right-of-way line, a distance of 912.57 feet to the Point of Beginning; thence north 50°07'39" east along said right-of-way line, a distance of 512.99 feet; thence north 00°00'00" east along said right-of-way line, a distance of 1470 feet to the point of beginning.

Containing 5.10 acres more or less.

DECORA RENTAL MIDDLE SCHOOL (98-GG)

A parcel of land being a portion of the southeast quarter (SW 1/4) of Section 12, Township 47 South, Range 42 East, Palm Beach County, Florida, more particularly described as follows:

Commencing at the southeast corner of said Southwest Quarter (SW 1/4) of Section 12; thence south 01°18'55" east along the south line of said section 12, a distance of 261.21 feet; thence south 01°18'55" west, 959.35 feet; thence south 01°18'55" south, 210.68 feet; thence north 01°18'55" north, 360.00 feet; thence north 01°18'55" east, 593.21 feet to the Point of Beginning.

Containing 1.51 acres, more or less.

PARCEL NO. 2

A parcel of land being a portion of the southwest quarter (SW 1/4) of Section 12, Township 47 South, Range 42 East, Palm Beach County, Florida, more particularly described as follows:

Commencing at the northwest corner of said Southwest Quarter (SW 1/4) of Section 12; thence south 01°18'55" east along the south line of said section 12, a distance of 570.49 feet; thence north 01°18'55" north, 593.21 feet; thence north 01°18'55" north, 261.21 feet; thence south 01°18'55" south, 409.85 feet; thence south 88°41'05" west, 343.36 feet; thence south 01°18'55" south, 409.85 feet; thence south 88°41'05" west, 261.21 feet to the point of beginning afore described.

Containing 0.68 acres, more or less.

H.L. Watkins Middle School Modernization

Beginning at a point in line parallel to and 310 feet northerly from (measured at right angles to) the East West Quarter Section Line of Section 16, Township 43 South, Range 43 East, Palm Beach County, Florida, said point being on the northerly right-of-way line of Lantana Road (as now laid out and in use), a distance of 310 feet, thence north 01°18'55" west, 495.93 feet; thence south 88°41'05" west, 345.36 feet; thence north 01°18'55" east, 210.68 feet; thence north 88°41'05" south, 360.00 feet; thence north 01°18'55" east, 593.21 feet to the point of beginning.

Containing 3.517 acres, more or less.
The parcel of land in Section 22, Township 43 South, Range 43 East, in the Town of Palm Beach, Palm Beach County, Florida, described as follows:

Beginning at a point in the north line of Block "A" of Royal Park Addition, according to the revised Plat therefor, recorded in Plat Book 4, Page 1, Public Records of Palm Beach County, Florida, at a distance of 225 feet easterly, measured along said north line, from the northerly corner of Lot 8 of said block "A" of Royal Park Addition, said southerly corner of said Lot 8, being a point in the easterly right-of-way line of Cocoanut Row, as now set out and in use, thence southerly, running at an angle with the north line of Royal Park Addition, measured from said easterly corner, of 148.37 feet, more or less, to a point in the southerly right-of-way line of Seaview Avenue, as shown on the Plat of Poinciana Park 3rd Addition, Recorded in Plat Book 8, Page 72, Public Records of Palm Beach County, Florida; thence southerly along said southerly right-of-way line, a distance of 88 feet; thence northerly at right angles to said southerly right-of-way line of Seaview Avenue to the point of intersection with aforementioned north line of Royal Park Addition, thence westerly along the aforementioned north line of Royal Park Addition 77 feet; more or less, to the point of beginning.

PARCEL NO. 4

Lot 9, Block "A", of Royal Park Addition to the Town of Palm Beach, according to Plat recorded in Plat Book 6, Page 1, as recorded in the Public Records of Palm Beach County, Florida, and land situate, lying and being in Palm Beach County, Florida.

PARCEL NO. 5

The north 75 feet of lot 8, Block "A", Royal Park Addition, to the Town of Palm Beach, Florida according to the Plat recorded in Plat Book 4, Page 1, as recorded in the Public Records of Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida.

PARCEL NO. 6

Being a part of Lot 8, Block "A" of Royal Park Addition to the Town of Palm Beach, Florida according to the Plat recorded in Plat Book 4, Page 1, as recorded in the Public Records of Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida.

Beginning at a point in the northerly right-of-way of Royal Palm Way at the intersection of the easterly line of Coconut Row and extending thence easterly along the said northerly line of Royal Palm Way, 100 feet to the westerly line of Lot No. 5, thence northerly along the said westerly line of Lot No. 5, 140 feet; thence westerly a line parallel with the first herein described line and 140 feet distant therefrom to the easterly line of Coconut Row, thence southerly along the easterly line of Coconut Row, 140 feet to the point of beginning.

PARCEL NO. 7

A part of Lot 8 of Block "A", of Royal Park Addition to the Town of Palm Beach, Florida, according to the Plat recorded on file in the Office of the Clerk of the Circuit Court in and for Palm Beach County, Florida, being more particularly described as follows:

Beginning at a point in the west line of said Lot 8, and the east line of Coconut Road, a distance of 177.5 feet from the southwest corner of said Lot 8; thence northerly parallel with the north and south lines of said Lot 8, a distance of 100 feet to the east line of said Lot 8; thence northerly along the east line of said Lot 8, a distance of 37.7 feet; thence westerly parallel with the north and south lines of said Lot 8, a distance of 100 feet to the west line of said Lot 8; thence southerly along the west line of said Lot 8 and the east line of said Coconut Row, a distance of 37.7 feet to the point of beginning.

PARCEL NO. 8

A part of Lot 8 in Block "A", Royal Park Addition to the Town of Palm Beach, Florida, according to the revised Plat recorded in Plat Book 4, Page 1, as recorded in the Public Records of Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida.

Beginning at a point in the west line of said Lot 8 and the east line of Coconut Road, a distance of 140 feet north of the southwest corner of said Lot 8; thence northerly parallel with the north and south lines of said Lot 8, a distance of 100 feet to the east line of said Lot 8; thence northerly along the east line of said Lot 8, a distance of 37.7 feet; thence westerly parallel with the north and south lines of said Lot 8, a distance of 100 feet to the west line of said Lot 8; thence southerly along the west line of said Lot 8 and the east line of said Coconut Row, a distance of 37.7 feet to the point of beginning.

PARCEL NO. 9

A part of Lot 8 in Block "A", Royal Park Addition to the Town of Palm Beach, Florida, according to the revised Plat recorded in Plat Book 4, Page 1, as recorded in the Public Records of Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida.

Beginning at a point in the west line of said Lot 8 and the east line of Coconut Road, a distance of 140 feet north of the southwest corner of said Lot 8; thence northerly parallel with the north and south lines of said Lot 8, a distance of 100 feet to the east line of said Lot 8; thence northerly along the east line of said Lot 8, a distance of 37.7 feet; thence westerly parallel with the north and south lines of said Lot 8, a distance of 100 feet to the west line of said Lot 8; thence southerly along the west line of said Lot 8 and the east line of said Coconut Row, a distance of 37.7 feet to the point of beginning.

A strip of land for road right-of-way in the East 1/2 of the East 1/2 of the NW 1/4 of Section 19, Township 44 South, Range 43 East, being more particularly described as follows:

The Point of beginning being the southwest corner of Lot 35, Block 1, VILLAGE OF PALM SPRINGS, Plat No. 2, as recorded in Plat Book 25, Pages 48, 49 and 50, Public Records of Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida; being more particularly described as follows:

Beginning at a point in the west line of said Lot 35, a distance of 109.51 feet from the southwest corner of said Lot 35, thence northerly along the south line of said Lot 35 and Lot 24, a distance of 126.05 feet to a point; thence northerly on South 29°19' 59" West a distance of 77.79 feet to the Point of Beginning.

AND

The south 15 feet of Lot 35 and the south 15 feet of Lot 33, 32, 31, 30 and 29, all of Block 1, of the said Plat of VILLAGE OF PALM SPRINGS, Plat No. 2, recorded in Plat Book 25, Pages 48, 49 and 50.

Containing 3,516.8 acres, more or less.

Roosevelt Elementary School Modernization

A parcel of land in Section 16, Township 43 South, Range 43 East, Palm Beach County, Florida, more particularly described as follows:

Beginning at the Northwest corner of Section 16, Township 43 South, Range 43 East, said line being the line between Government Line 2 and 3, a distance of 889.92 feet to a point; thence South 88°29' 01" East a distance of 772.96 feet, more or less, to point of intersection with Section Line, thence South 29°19' 59" West a distance of 77.79 feet to the Point of Beginning.

Containing 9,123 acres, more or less.

Palm Springs Elementary School Modernization

Lot 1 through 39 inclusive, Block 2, and Lots 1 through 19 inclusive, Block 1; and all of the public right-of-way appurtenant to the plat identified below and designated as 'Highway Drive, VILLAGE OF PALM SPRINGS, Plat No. 2', according to the plat thereof on file in the office of the Clerk of the Circuit Court in and for Palm Beach County, Florida, recorded in Plat Book 23, Pages 49, 50 and 51.

LESS AND EXCEPT

Palm Beach Public Elementary School Modernization

Lot 2 through 29, inclusive, and a portion of Melbourne Avenue of "Melbourne Park" as recorded in Plat Book 23, Page 19 of the Public Records of Palm Beach County, Florida, and said parcel having been described by Towns of Lantana Road District K-11-61, dated April 29, 1961, being in Section 4, Township 43 South, Range 43 East, Town of Lantana, Palm Beach County, Florida, being more particularly described as follows:

Commencing at the southwest corner of said Section 4 and the centerline of Pine Street; thence NW 3°19' 32" W along the centerline of Pine Street; thence NW 1°26' 23" S along the south boundary line of said Revised Map of Royal Park to the point of beginning.

Containing 1,75 acres, more or less.
West Lake Worth Area Middle School (98-11)

A parcel of land lying in Section 36, Township 44 South, Range 47 East, Palm Beach County, Florida, and being more particularly described as follows:

Commencing at the northwest corner of said Section 36, thence run along said westly boundary of said Section 36, S02°21′45″E a distance of 676.63 to the Point of Beginning.

Thence S86°53′42″W a distance of 389.54 feet to the point of curvature of a curve concave to the right-of-way line of Haverhill Road Extension, and the Point of Beginning of the herein described parcel of land,

Thence SW79°39′42″W a distance of 617.03 feet; thence N82°93′50″E a distance of 211.06 feet; thence N85°57′42″E a distance of 366.60 feet; thence N50°22′41″W a distance of 50.06 feet; thence S02°02′21″W a distance of 39.62 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″W a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet; thence N86°53′42″E a distance of 166.60 feet; thence S02°02′21″W a distance of 39.62 feet.

Containing 25.805 acres more or less.

Together with an Easement to flow and drain surface water as set forth in Official Record Book 16716, Page 149.

R.L. Watkins Middle School Modernization

1. None

La Costa Elementary School Modernization


2. Easement in favor of Florida Power & Light Company recorded in Official Record Book 1179, Page 602.


H.L. Watkins Middle School Modernization

1. Easement recorded in Official Record Book 1428, Page 581.

2. Subsurface reservations recorded by South Florida Land and Timber Corporation in Deed Book 642, Page 356, and that certain Modification Agreement and Grant, pertaining to the release of surface exploratory rights, recorded in Official Record Book 312, Page 342.


West Palm Area Middle School (98-2G) updated 12/3/03

1. Right of First Refusal and Option to Purchase Agreement recorded in Official Record Book 15770, Page 215 as modified by Subordination and Standstill Agreement recorded in Official Record Book 1905, Page 903.

2. Rights of the Lake Worth Drainage District acquired pursuant to Chancery Case No. 407 as recorded in Official Record Book 4695, Page 751, Official Record Book 5695, 1145, Official Record Book 6495, Page 1543 and Official Record Book 6865, Page 1554.

3. Easement in favor of the City of Boca Raton recorded in Official Record Book 4093, Page 962.


5. Ingress/Egress Easements recorded in Official Record Book 10286, Page 311 and Official Record Book 10286, Page 324 as modified by Modification recorded in Official Record Book 13758, Page 1160.


7. Easement Agreement recorded in Official Record Book 10286, Page 189 and Conveyance Easement recorded in Official Record Book 11432, Page 1441 as modified by Disclaimer and Termination recorded in Official Record Book 17758, Page 1147.
4. Reservations in favor of the Lake Worth Drainage District recorded in Deed Book 613, Page 399 and partially released in Release recorded in Deed Book 1030, Page 599.

5. Reservations in favor of the Trustees of the Internal Improvement Trust Fund recorded in Deed Book 645, Page 303.

6. Reservations in favor of the Lake Worth Drainage District recorded in Deed Book 652, Page 396 and partially released in Release recorded in Deed Book 1030, Page 601.


10. Easement in favor of Lake Worth Drainage District recorded in Official Record Book 16962, Page 1332.

Note: All recording references contained herein are in the Public Records of Palm Beach County, Florida.
SERIES 2007B
GROUND LEASE

Dated as of March 1, 2007

BETWEEN

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

AND

PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessee

(Series 2007B Facility Sites)
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**EXHIBIT A**

| SERIES 2007B FACILITY SITES |

**NOTE**

- WHEREAS, the Corporation desires to acquire from the School Board, pursuant to the Series 2007B Ground Lease, and the School Board is willing to grant to the Corporation, the right to utilize the adjacent property of the School Board, to construct and operate a public school for educational purposes, and under Section 4(14)(c) of the Florida Statutes, in order to allow both schools to enter into a lease-purchase agreement of greater and additional facilities, of all educational facilities for school purposes and:

**WITNESS WHEREOF**

- THE SERIES 2007B GROUND LEASE dated as of March 1, 2007, between THE SCHOOLS BOARD OF PALM BEACH COUNTY, Florida (the “School Board”), as lessor, and the PALM BEACH COUNTY BOARD LEASING CORPORATION (the “Corporation”), a non-profit public corporation organized and existing under and pursuant to Chapter 617 and Section 617.453, Florida Statutes, as lessee (capitalized terms used, but not defined, herein shall have the meanings assigned thereto in the hereinbefore described Trust Agreement).

WHEREAS, the School Board has the power, under Section 101.47(1), Florida Statutes, to enter into lease, loan, mortgage, or convey title in real and personal property for educational purposes, and under Section 4(14)(c), Florida Statutes, to enter into lease-purchase agreements of greater and additional facilities, of all educational facilities for school purposes.

WHEREAS, the Corporation has the authority to acquire educational facilities by lease or deed for the benefit of the School Board; and

WHEREAS, the Corporation is a “private corporation” within the meaning of Section 101.47(1), Florida Statutes, as amended, and is a “trustee organization” within the meaning of Section 101.47(1), Florida Statutes, as amended, and

WHEREAS, in order to carry out its poverty and stability to acquire facilities and equipment, the School Board and the Corporation have entered into a Master Lease and Purchase Agreement dated as of November 1, 1994 (as the same may be amended and supplemented from time to time, the “Master Lease”); and,

WHEREAS, the School Board, pursuant to the Series 2007B Ground Lease, and the School Board is willing to grant to the Corporation, the right to utilize the property of the School Board, to construct and operate a public school for educational purposes, and under Section 4(14)(c) of the Florida Statutes, in order to allow both schools to enter into a lease-purchase agreement of greater and additional facilities, of all educational facilities for school purposes and:

NOW, THEREFORE, the School Board and the Corporation accordingly covenant and agree as follows:

1. **Section 1. Lease of Series 2007B Facility Sites.** Subject to Permitted Encumbrances (as described in Exhibit A, attached hereto and made a part hereof), the School Board hereby transfers and assigns to the Corporation, all right, title and interest in and to the Series 2007B Facility Sites, which were previously conveyed and delivered by the School Board and the Corporation, together with the terms and provisions of the Master Lease, constituting

2. **Series 2007B Ground Lease (Series 2007B Ground Lease).**

3. **WITNESS WHEREOF**

- THE SERIES 2007B GROUND LEASE dated as of March 1, 2007, between THE SCHOOLS BOARD OF PALM BEACH COUNTY, Florida (the “School Board”), as lessor, and the PALM BEACH COUNTY BOARD LEASING CORPORATION (the “Corporation”), a non-profit public corporation organized and existing under and pursuant to Chapter 617 and Section 617.453, Florida Statutes, as lessee (capitalized terms used, but not defined, herein shall have the meanings assigned thereto in the hereinbefore described Trust Agreement).

WHEREAS, the School Board has the power, under Section 101.47(1), Florida Statutes, to enter into lease, loan, mortgage, or convey title in real and personal property for educational purposes, and under Section 4(14)(c), Florida Statutes, to enter into lease-purchase agreements of greater and additional facilities, of all educational facilities for school purposes and:

WHEREAS, the Corporation has the authority to acquire educational facilities by lease or deed for the benefit of the School Board; and

WHEREAS, the Corporation is a “private corporation” within the meaning of Section 101.47(1), Florida Statutes, as amended, and is a “trustee organization” within the meaning of Section 101.47(1), Florida Statutes, as amended, and

WHEREAS, in order to carry out its poverty and stability to acquire facilities and equipment, the School Board and the Corporation have entered into a Master Lease and Purchase Agreement dated as of November 1, 1994 (as the same may be amended and supplemented from time to time, the “Master Lease”); and,

WHEREAS, the School Board, pursuant to the Series 2007B Ground Lease, and the School Board is willing to grant to the Corporation, the right to utilize the property of the School Board, to construct and operate a public school for educational purposes, and under Section 4(14)(c) of the Florida Statutes, in order to allow both schools to enter into a lease-purchase agreement of greater and additional facilities, of all educational facilities for school purposes and:

NOW, THEREFORE, the School Board and the Corporation accordingly covenant and agree as follows:

1. **Section 1. Lease of Series 2007B Facility Sites.** Subject to Permitted Encumbrances (as described in Exhibit A, attached hereto and made a part hereof), the School Board hereby transfers and assigns to the Corporation, all right, title and interest in and to the Series 2007B Facility Sites, which were previously conveyed and delivered by the School Board and the Corporation, together with the terms and provisions of the Master Lease, constituting

2. "WITNESS WHEREOF"
notwithstanding the foregoing, the Series 2007B Ground Lease may be terminated by the School Board at any time after the date of the Initial Term or any renewal term, which date is at least one (1) year after the date of termination of the Series 2007B Lease, upon ten (10) days prior written notice to the Corporation, or upon payment of the Purchase Option Price, pursuant to Section 7.2, to the Series 2007B Facility, and full performance and satisfaction of the Corporation’s obligations under the Series 2007B Lease, or upon the provision for payment of a Lease Payment pursuant to the Series 2007B Lease pursuant to Section 7.3 of the Master Lease, together in each case of payment of the sum of $1.00. This Series 2007B Ground Lease may hereby be nullified as to the Series 2007B Facility and the School Board, with the right to recover the purchase price paid by the Corporation for the Series 2007B Facility, if the Corporation, at its option, shall elect to terminate the Series 2007B Ground Lease by paying the sum of $1.00 to the School Board, in each case of payment of the sum of $1.00.

(b) From and after the date on which the Lease Term shall have been terminated as a result of non-assignment or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay to the Series 2007B Facility under the Series 2007B Lease an amount determined by an M.A.P. appraiser to be the fair market rental for the Series 2007B Facility (the "Appraiser"), which Appraiser shall be prepared by an appraiser selected by the Trustee as an agent of the Corporation (the cost of which Appraisal to be paid by the Corporation) and such Appraiser shall be a real estate expert in the appropriate market area and the Appraiser shall use similar methods as set forth in Article 1(b) of the Master Lease Agreement, provided, however, that such fair market rental and the payment thereof shall be subject to the following adjustments and conditions:

(1) The Corporation or any Permitted Transferee may assign or transfer any or all of the Series 2007B Facility Sites for which any purchase price is paid under the Series 2007B Lease to another person or entity providing that the assignment or transfer and such assignment or transfer shall be in compliance with the terms of this Series 2007B Lease.

(2) If the Corporation or any Permitted Transferee transfers all or a portion of the Series 2007B Facility Sites, the lease assigned hereunder shall be terminated as to such Series 2007B Facility Sites that have been transferred and the School Board shall have the right to make arrangements for the purchase of any portion of the Series 2007B Facility Sites and shall be entitled in the event of such purchase to terminate this Series 2007B Lease.

(3) The Corporation shall have the right at any time to modify or amend this Series 2007B Lease to correct any errors or omissions that may be found in this Series 2007B Lease and shall be entitled to modify or amend this Series 2007B Lease to conform with any applicable laws, regulations, ordinances, orders or agreements of any governmental authority or any regulatory body.
Section 10. Condemnation. In the event that any person, public or private, shall by virtue of eminent domain or condemnation proceedings, or by subpoena, in law or in equity, or at any time during the Generation Lease Term acquire title to the Series 2007B Faculty Sites:

(a) So long as the Series 2007B Lease is in effect, the Net Proceeds resulting therefrom shall be applied to the Master Lease.

(b) After the end of the Lease Term of the Series 2007B Lease, (i) if such person acquires title to such a substantial portion of the Series 2007B Facility Sites that the Corporation determines that it cannot economically make use of the residue thereof for the lawful purposes intended or permitted by this Series 2007B Ground Lease, each acquisition of title or payment of such claim shall terminate the Generation Lease Term, effective as of the date on which the condemning party (or person) accomplished or caused the taking of possession of each such claim, or applicable, and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests may appear; and (ii) if such person acquires title to a portion of the Series 2007B Facility Sites such that the Corporation determines that it cannot economically make use of the residue thereof for the purposes intended by this Series 2007B Ground Lease, then the Series 2007B Ground Lease shall continue in full force and effect and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests appear.

Section 11. Translation Certificates. The School Board, at any time and from time to time, may provide that (i) thirty (30) days prior written notice from the Corporation, will exercise, acknowledge and deliver to the Corporation, or to its representative, a written, statement of the parties certifying that the Series 2007B Ground Lease is unenforceable (or if there have been any modifications, identifying the same), that this Series 2007B Ground Lease is in full force and effect and that there is no default hereunder (or, if so, specifying the default). It is understood that any such certificates may be relied upon by any Person.

Section 12. Amendments. No provisions may be added to this Series 2007B Ground Lease without the prior written consent of the Trustee and the Series 2007B Credit Facility Issuer. Notwithstanding the foregoing, this Series 2007B Ground Lease may be amended without the prior written consent of the Trustee and the Series 2007B Credit Facility Issuer for the purpose of adding or modifying a legal description or the permitted encumbrances for any designated Series 2007B Faculty Site. Copies of all amendments shall be provided to each Rating Agency, as defined in the Trust Agreement, without official consent pursuant to Section 12(1) or Section 703 of the Trust Agreement.

Section 13. Binding Effect. This Series 2007B Ground Lease shall be for the benefit of and be binding upon the Corporation, the Trustee and the holders, and assigns of, and all Persons then holding under any of the Proprietors and holders, and assigns provided, however, that the Trustee is entitled to the benefits of the provisions hereof.

Section 14. No Merger of Leasehold Estate. There shall be no merger of this Series 2007B Ground Lease or this leasehold estate hereby created with any lease, tenancy at will, or any subsequent possession by, the person, firm, corporation, or other legal entity which created any such lessor herein or elsewhere, the person or firm or corporation or other legal entity which created any such lessee herein or elsewhere, the person or firm or corporation or other legal entity which created any such lessee herein or elsewhere, the person or firm or corporation or other legal entity which created any such lessee herein or elsewhere, the person or firm or corporation or other legal entity which created any such lessee herein or elsewhere, the person or firm or corporation or other legal entity which created any such lessee herein or elsewhere, the person or firm or corporation or other legal entity which created any such lessee herein or elsewhere.

Section 15. Notice. All notices, certificates, requests or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or when transmitted, certified mail, prepaid to the following addresses, or to such other address or addresses as shall be designated by the parties as hereinafter:

Corporation: 2340 Forest Hill Boulevard West Palm Beach, Florida 33406 Attention: President
School Board: 3340 Forest Hill Boulevard West Palm Beach, Florida 33406 Attention: Superintendent of Schools


Street: 2007B

Section 16. Severability. In the event any provision of this Series 2007B Ground Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding that such provision cannot be rendered effective or rendered enforceable in any other provision hereof.
STATE OF FLORIDA }  
COUNTY OF PALM BEACH }  

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereof duly authorized, signed, sealed with the said seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation, and as their own free and voluntary act, for the use and purposes therein set forth.

GIVEN under my hand and notarial seal this day of March, 2007.

Notary Public
State of Florida

EXHIBIT A

SERIES 2007B FACILITY SITES

A. DESCRIPTION OF REAL ESTATE

CARVER MIDDLE ADDITION

A portion of the Southeast one-quarter (SE ¼) of Section 13, Township 46 South, Range 42 East, lying within the City of Delray Beach, Palm Beach County, Florida, more particularly described as follows:

Commence the Northwest corner of the Southeast one-quarter (SE ¼) of Section 13, Township 46 South, Range 42 East, 

Thence 50°25'24"E along the west line of the Southeast one-quarter (SE ¼) of said Section 13, for a distance of 300.00 feet; 

Thence 89°50'00"E along the centerline of Barwick Road, for a distance of 300.00 feet; 

Thence 50°43'38"E along the south line of the Lake Worth Drainage District Canal L-33, as recorded in Official Record Book 872 at Page 6-2 of the Public Records of Palm Beach County, Florida, for a distance of 100.00 feet; 

Thence 166°57'49"W for 381.35 feet to the Point of Beginning.

B. HAGEN ROAD ELEMENTARY MODERNIZATION

Being a portion of Tracts 73, 74, 87 and 88, Block 55, Palm Beach Farms Company Plat No. 3, as recorded in Plat Book 2, Page 45 through 54, Public Records of Palm Beach County, Florida, more particularly described as follows:

Commence at the Southeast corner of said Tract 85, Thence North 00°22'00" West, along the East line of said Tract 85, a distance of 32.50 feet;
Thence South 89°36'29" West, a distance of 25.00 feet to a point on the west end of the line of Hagen Ranch Road as described in Deed Book 1113, Page 23, of the Public Records, and the Point of Beginning of the herein described parcel;

Thence South 89°36'24" West, a distance of 392.50 feet;

Thence North 00°23'36" West, a distance of 956.01 feet;

Thence North 89°37'08" East, a distance of 597.50 feet to a point on said west end of the line of Hagen Ranch Road;

Thence South 00°22'06" East, along said west end of the line of a distance of 955.96 feet to the Point of Beginning.

LAKE WORTH MIDDLE ADDITION

A portion of the North 266 feet of the South 200 feet of the South Half of the Southeast Quarter (SW 1/4) of Section 16, Township 44 South, Range 43 East, lying West of the Seaboard Airline Railway, less railroad right of way, less and except the West 100 feet of said North 266 feet, being more particularly described as follows:

Commence at the intersection of the East right of way line of the Lake Worth Drainage District E. 4 Canal and East line being 100 feet East of the West line of Section 16, Township 44 South, Range 43 East, thence South 88°29'27" East along the Northwest line of the South 266 feet of the South Half (1/4) of the Southeast Quarter (SW 1/4) of said Section 16, for a distance of 124.26 feet;

Thence South 01°10'05" West, a distance of 20.92 feet to the Point of Beginning;

Thence South 88°29'57" East a distance of 374.54 feet;

Thence South 01°10'05" West, a distance of 110.20 feet;

Thence North 88°29'57" West, a distance of 374.54 feet;

Thence North 01°10'05" East, a distance of 113.29 feet to the Point of Beginning.

Stated lands situate in the City of Lake Worth, Palm Beach County, Florida.

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Thence southerly, at right angles to the preceding course, a distance of 161.37 feet, more or less to a point in the South line of said Section 7;

Thence westerly along said South line of said Section 7 a distance of 92.06 feet, more or less, to a point in a line parallel to and 60 feet southeasterly thereon, measured at right angles to, the southerly extension of the immediately above described course;

Thence westerly, along said parallel line, a distance of 171.19 feet, more or less, to a point in a line parallel to and 110 feet westerly thereon, measured at right angles to, the westerly extension of the line of the Florida East Coast Railway;

Thence southerly, along said parallel line, a distance of 696.74 feet, more or less, to a point in said North line of the South 680 feet of said Section 7;

Thence easterly, along said North line a distance of 79.1 feet, more or less, to the Point of Beginning.

WELLINGTON HIGH AUDITORIUM

Being a portion of Parcel "A" as described to the east of Greenview Shores No. 3 of Wellington (Vol. 1113, Page 122) in the Public Records of Palm Beach County, Florida and being more particularly described as follows:

Commence at the southeast corner of said Parcel "A"; thence North 00°23'24" West, a distance of 63.22 feet;

Thence South 89°36'29" West, a distance of 500.00 feet;

Thence continue South 89°36'29" West, a distance of 1,129.77 feet;

Thence North 00°23'24" West, along a line 136.25 feet east of (as measured at right angles) and parallel with the west line of said Tracts 12 and 21, a distance of 215.19 feet, to the Point of Beginning of the herein described parcel;

Commence at the southeast corner of said Parcel "A"; thence North 00°23'24" West, a distance of 215.19 feet, to the Point of Beginning of the herein described parcel;

Thence North 89°36'29" East, a distance of 215.13 feet;

Thence South 89°36'29" East, a distance of 47.06 feet;

Thence South 89°36'29" East, a distance of 95.00 feet;

Thence South 89°36'29" East, a distance of 42.00 feet;

Thence West a distance of 19.00 feet;

Thence South a distance of 47.00 feet to the Point of Beginning.

WEST BOYNTON ELEMENTARY (4-8)

A portion of Tracts 9 through 12 and Tracts 21 through 24, Block 54, Palm Beach Farms Company Plat No. 2, according to the Plat thereof, recorded as Plat Book 5, Pages 41 through 54, of the Public Records, Palm Beach County, Florida, being more particularly described as follows:

Commence at the southwest corner of said Tract 24; thence North 00°23'24" West, a distance of 63.22 feet;

Thence South 89°36'29" West, a distance of 500.00 feet;

Thence continue South 89°36'29" West, a distance of 1,129.77 feet;

Thence North 00°23'24" West, along a line 136.25 feet east of (as measured at right angles) and parallel with the west line of said Tracts 12 and 21, a distance of 215.19 feet, to the Point of Beginning of the herein described parcel;

Commence at the southwest corner of said Tract 24; thence North 00°23'24" West, a distance of 215.19 feet, to the Point of Beginning of the herein described parcel;

Thence North 89°36'29" East, a distance of 215.13 feet, to the Point of Beginning of the herein described parcel;

Thence South 89°36'29" East, a distance of 47.06 feet;

Thence South 89°36'29" East, a distance of 95.00 feet;

Thence South 89°36'29" East, a distance of 42.00 feet;

Thence West a distance of 19.00 feet;

Thence South a distance of 47.00 feet to the Point of Beginning.

PALM BEACH GARDENS ELEMENTARY MODERNIZATION

A Panel of land lying in Section 7, Township 43 South, Range 43 East, Palm Beach County, Florida, being more particularly described as follows:

Beginning at the intersection of the South line of said Section 7 with the centerline of the right of way of 4th Avenue (now S. Beach Drive), as shown on Plan No. 1, Palm Beach Gardens Eau Palm Beach Gardens Eau recorded in Plat Book 26, Pages 188 and 189, of the Public Records of Palm Beach County, Florida;

Thence northerly along the northerly extension of said centerline of the right of way of 4th Avenue, a distance of 409.75 feet;

Thence easterly, parallel to the South line of said Section 7, a distance of 609.91 feet, more or less, to a point in a line parallel to and 50 feet westerly from (measured at right angles to) the westerly right of way line of the Florida East Coast Railway;

Thence southerly, along said parallel line, a distance of 703.16 feet;

Thence westerly, at right angles to said parallel line a distance of 103.37 feet, more or less, to a point in the south line of said Section 7;

Thence westerly, along the south line of said Section 7, a distance of 95.00 feet, more or less, to the Point of Beginning.

Subject to an easement for road right of way purposes over the southerly 40 feet and over the westerly 10 feet thereof and to an easement for drainage purposes over a strip of land 20 feet in width between parallel lines, the curvature line of said easement being parallel to and 10 feet westerly from (measured at right angles to) the westerly right of way line of the Florida East Coast Railway.

And Let the following described parcel described in Right of Way Deed recorded in Official Records Book 619, Page 578.

A parcel of land lying in Section 7, Township 43 South, Range 43 East, City of Palm Beach Gardens, Palm Beach County, Florida more particularly described as follows:

Beginning at a point in the center line of the South 440 feet of said Section 7 with a distance of 30.33 feet; thence southerly and 50 feet westerly from, measured at right angles to, the westerly right of way line of the Florida East Coast Railway;

Thence southerly, along said parallel line, a distance of 700.18 feet.

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Thence southwest, along the arc of said curve, through a central angle of 48° 28' 16", a distance of 28.77 feet, to a point of tangency;

Thence 54° 15' 59" W, a distance of 44.05 feet to the beginning of a tangent curve, concave to the north and having a radius of 70.00 feet;

Thence southwest along the arc of said curve, through a central angle of 45° 00' 00", a distance of 54.98 feet;

Thence N89° 25' 01" W, a distance of 55.89 feet;

Thence S00° 14' 59" W, a distance of 28.67 feet;

Thence S89° 25' 01" W, a distance of 207.00 feet;

Thence S00° 14' 59" W, a distance of 571.14 feet;

Thence S89° 25' 01" W, a distance of 306.15 feet to the Point of Beginning.

Z.

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9. Easement as shown in Lee Penda's recorded in Official Record Book 25113, Page 283 and Agreed Order of Taking recorded in Official Record Book 12744, Page 1840.

10. Right of Way for small lateral ditches recorded in Deed Book 49, Page 122, and Deed Book 55, Page 411.

11. Covenants as shown in deed recorded in Official Record Book 20287, Page 1279.


LAKE WORTH MIDDLE ADDITION

1. Reservations contained in Deed Book 735, Page 532.

2. Easements Recorded in Official Record Book 6679, Page 705.

Palm Beach Gardens Elementary Modernization

1. Easement in favor of FPL recorded in Official Record Book 1756, Page 351.

2. Easement in favor of FPL recorded in Official Record Book 7087, Page 818.

3. Easements for right of way over the South 40 and West 30 recorded in Official Record Book 747, Page 258.

Wellington High Auditorium


2. Reservations in favor of the Everglades Drainage District now known as the South Florida Water Management District recorded in Deed Book 801, Page 162.

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B. PERMITTED ENCUMBRANCES

Carver Middle Addition

1. Reservations in favor of the Lake Worth Drainage District recorded in Deed Book 666, Page 97 and partially released in Deed Book 1204, Page 647.

2. Reservations in favor of the Lake Worth Drainage District recorded in Deed Book 693, Page 46.

3. Reservations in favor of the Lake Worth Drainage District recorded in Deed Book 723, Page 260.

4. Resolution fixing setback requirements in Deed Book 1115, Page 608.

5. Drainage easement recorded Deed Book 704, Page 1867.


Hagen Road Elementary Modernization

1. Boundary lines as shown on Plat in Plat Book 2, Page 45.

2. Reservations to the Trustees of the Internal Improvement Fund recorded in Deed Book 375, Page 109.

3. Reservations to the Trustees of the Internal Improvement Fund recorded in Deed Book 175, Page 72.

4. Reservations to the Trustees of the Internal Improvement Fund recorded in Deed Book 375, Page 216.

5. Easement in favor of FPL recorded in Official Record Book 3401, Page 179.

6. Easement in favor of FPL recorded in Official Record Book 3406, Page 1758.

7. Right of Way from small lateral ditches in favor of other tracts as shown in Official Record Book 3894, Page 1894.

West Boynton Elementary (83-2)

1. Restrictions, conditions and easements as contained on the Plat of The Palm Beach Farms Company Plat No. 3 recorded in Plat Book 2, Page 46.

2. Reservations in favor of the Everglades Drainage District, as set forth in Deed recorded in Deed Book 780, Page 194, as further affected by Release of Reservations No. 16008 recorded in Official Record Book 17533, Page 1862, and by Non-Use Commitment No. 16046 which releases the right of entry, as recorded in Official Record Book 17533, Page 1795, as altered by Corrective Release recorded in Official Record Book 17648, Page 426.

3. Easement Die in favor of the Lake Worth Drainage District recorded in Official Record Book 17670, Page 720.

4. Drainage Easement in favor of Palm Beach County recorded in Official Record Book 17665, Page 1149.

Note: All recording information is from the Public Records of Palm Beach County, Florida, unless otherwise specified.
FIRST AMENDMENT
Dated as of April 1, 2008
TO
SERIES 2007B GROUND LEASE
Dated as of March 1, 2007

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

AND
THE BANK OF NEW YORK TRUST COMPANY, N.A., (successor in interest to National Bank of Florida, N.A.), as Trustee and Assignee of PALM BEACH SCHOOL BOARD LEASING CORP., as Lessee

(Series 2007B Facility Site)

This First Amendment, dated as of April 1, 2008 (the “First Amendment”), to the Series 2007B Ground Lease, dated as of March 1, 2007 (the “Original Series 2007B Ground Lease”) and as amended by the First Amendment, the Series 2007B Ground Lease (as defined in the Series 2007B Ground Lease) is made, among the parties hereto, by which:

1. Pursuant to paragraph 6(a) of the Series 2007B Ground Lease, the parties hereto hereto further amend the Series 2007B Ground Lease to designate the Series 2007B Ground Lease as the following, to the extent applicable:

   a. The Series 2007B Ground Lease hereinafter amended shall be referred to as the “First Amendment,” “this First Amendment,” “the Ground Lease”, “this Ground Lease,” and “the Series 2007B Ground Lease,” as the case may be.

2. All terms and conditions of the Series 2007B Ground Lease shall remain in full force and effect except as otherwise set forth herein.

IN WITNESS WHEREOF, the School Board has caused the First Amendment to Series 2007B Ground Lease to be executed in its name and to be sealed with the public seal of the School District of Palm Beach County, Florida, and the Bank of New York Trust Company, N.A., has caused the First Amendment to Series 2007B Ground Lease to be executed in its name and to be unofficially acknowledged by its authorized officers.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: [Signature]
Chairman

THE BANK OF NEW YORK TRUST COMPANY, N.A., as Trustee

By: [Signature]
Vice President

Exhibit 5

STATE OF FLORIDA
COUNTY OF PALM BEACH

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William C. Athletic, an Attorney, personally known to me to be the true and only person whose name is and who has been duly authorized to act on the part of the School Board of Palm Beach County, Florida, and to whom the power of execution of the Series 2007B Ground Lease is hereby granted, has caused the First Amendment to Series 2007B Ground Lease to be signed, sealed, acknowledged, and delivered in the presence of me, and I do hereby certify that the sealing, acknowledgment, and delivery were duly done.

WITNESS my hand, official seal, and facsimile official seal of the County and State hereunto annexed this 5th day of March, 2008.

[Signature]
Notary Public

STATE OF FLORIDA
COUNTY OF PALM BEACH

[Name of Notary Public, Title, Stamp or Type in Description]

[Notary’s Signature]
Notary Public

Type of Identification (If Any)
EXHIBIT A

LEGAL DESCRIPTION OF SERIES 2007F FACILITY SITE RELEASED
HAGEN ROAD ELEMENTARY MODERNIZATION

Being a portion of Tracts 73, 74, 75 and 76, Block 55, Palm Beach Farms Company Plat No. 3, as recorded in Plat Book 3, Pages 41 through 64, Public Records, Palm Beach County, Florida, being more particularly described as follows:

Commence at the Southeast corner of said Tract 75, Tracts North 89°36'50" West, along the East line of said Tract 74 to a distance of 951.81 feet; Thence South 00°23'06" East, a distance of 592.50 feet, to a point on said West Right-of-Way line of Hagen Ranch Road, Tracts North 89°36'50" West, a distance of 951.81 feet, Tracts North 89°36'50" West, a distance of 951.81 feet, Tracts North 89°36'50" West, a distance of 951.81 feet to a point on said West Right-of-Way line of Hagen Ranch Road, Thence South 00°23'06" East, along said West Right-of-Way line of Hagen Ranch Road; Thence North 89°37'08" East, a distance of 595.00 feet to the Point of Beginning.

EXHIBIT B

LEGAL DESCRIPTION OF SERIES 2007F FACILITY SITE ADDED
HAGEN ROAD ELEMENTARY MODERNIZATION

Being a portion of Tracts 73, 74, 75 and 76, Block 55, Palm Beach Farms Company Plat No. 3, as recorded in Plat Book 3, Pages 41 through 64, Public Records, Palm Beach County, Florida, being more particularly described as follows:

Commence at the Southeast corner of said Tract 75, Tracts North 89°36'50" West, along the East line of said Tract 74, a distance of 591.18 feet; Thence South 00°23'06" East, a distance of 592.50 feet, to a point on the West Right-of-Way line of Hagen Ranch Road as described in Deed Book 113S, Page 29, said Public Records, and the point of beginning of the herein described parcel; Thence South 89°36'50" West, a distance of 592.50 feet, Thence North 00°23'06" West, a distance of 595.00 feet, Thence North 89°36'50" West, a distance of 955.96 feet to the Point of Beginning.

SECOND AMENDMENT

Dated as of July 1, 2011
TO SERIES 2007F GROUND LEASE
Dated as of March 1, 2007

BETWEEN

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

AND

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (successor in interest in NationsBank of Florida, N.A.), as Trustee and Assignee of PALM BEACH SCHOOL BOARD LEASING CORP., as Lessee

(Series 2007F Facility Site)
This Second Amendment, dated as of July 1, 2011 (the "Second Amendment"), to the Series 2007B Ground Lease dated as of March 1, 2007 (the "Original Series 2007B Ground Lease"), as amended as of April 1, 2008, and as amended by this Second Amendment, the Series 2007B Ground Lease) between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA (the "School Board"), acting as the governing body of the School District of Palm Beach County, Florida (the "District"), in favor of, and in favor of, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (as successor to Noteworthy Bank of Partin, N.A.) (the "Trustee"), as Trustee and Assignee pursuant to a Series 2007B Assignment Agreement dated as of March 1, 2007 (the "Series 2007B Assignment Agreement") of Palm Beach School Board Leasing Corp. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 49, Florida Statutes, as hereinafter amended, and the parties hereto, agree:

NOW, THEREFORE, the parties hereto mutually agree to the following amendments to the Series 2007B Ground Lease, as previously amended:

1. Section 2 of the Series 2007B Ground Lease is hereby amended to extend the Ground Lease Term through August 1, 2037.

2. The School Board and Trustee acknowledge that the Trustee is acting on behalf of the holders of the 5.5% Series 2011A Certificate and any other Certificates representing a proportionate interest in a portion of the Basic Lease Payments payable under the Series 2007B Lease, and may, under certain circumstances assign the Series 2007B Ground Lease to a Permitted Transferee.

This Second Amendment may be executed in several counterparts, each of which shall be an original and all of which taken together shall have the same effect.

Each as amended by this Second Amendment, the Series 2007B Ground Lease shall remain in full force and effect and the parties hereto, by their execution hereof, hereby ratify and confirm the Series 2007B Ground Lease.

In Witness Whereof, the School Board has caused this Second Amendment to Series 2007B Ground Lease to be executed in its name and in its behalf by its duly authorized officials and the Trustee has caused this Second Amendment to Series 2007B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officials, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: Frank A. Barbieri, Jr., Esq.

Chancellor

In Witness Whereof, the Bank has caused this Second Amendment to Series 2007B Ground Lease to be executed in its name and in its behalf by its duly authorized officials and the Trustee has caused this Second Amendment to Series 2007B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officials, all as of the date first above written.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: Janet R. Scott

Vice President

IN WITNESS WHEREOF, the School Board has caused this Second Amendment to Series 2007B Ground Lease to be executed in its name and in its behalf by its duly authorized officials and the Trustee has caused this Second Amendment to Series 2007B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officials, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: Frank A. Barbieri, Jr., Esq.

Chancellor

IN WITNESS WHEREOF, the Bank has caused this Second Amendment to Series 2007B Ground Lease to be executed in its name and in its behalf by its duly authorized officials and the Trustee has caused this Second Amendment to Series 2007B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officials, all as of the date first above written.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: Janet R. Scott

Vice President

STATE OF FLORIDA

COUNTY OF PALM BEACH

The undersigned, a Notary Public as used in the said County in the State aforesaid, do hereby certify that Frank A. Barbieri, Jr., Esq., and William F. Malone, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively, of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and again acknowledged that they, being throughly duly authorized, signed, sealed, with the seal of said School Board, and delivered the said instrument, the free and voluntary act of said School Board and as their own free and voluntary act, for the usual and proper purposes their aforesaid.

WITNESS my hand and official seal in the County and State last aforesaid, this 5th day of June, 2011.

[Signature]

Notary Public

STATE OF FLORIDA

COUNTY OF PALM BEACH

The undersigned, a Notary Public as used in the said County in the State aforesaid, do hereby certify that Frank A. Barbieri, Jr., Esq., and William F. Malone, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively, of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and again acknowledged that they, being throughly duly authorized, signed, sealed, with the seal of said School Board, and delivered the said instrument, the free and voluntary act of said School Board and as their own free and voluntary act, for the usual and proper purposes their aforesaid.

WITNESS my hand and official seal in the County and State last aforesaid, this 5th day of June, 2011.

[Signature]

Notary Public

C-57
The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Janalee R. Scott, personally known to me to be the same person whose is a Vice President of The Bank of New York Mellon Trust Company, N.A., as Trustee, a national banking association organized under the laws of the United States of America, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereunto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for uses and purposes therein set forth.

WITNESS my hand and official seal in the County and State last aforesaid this 25th Day of June, 2011.

[Signature]

NOTARY PUBLIC
STATE OF FLORIDA
COUNTY OF DUVAL

[Stamp or Personally known to me, or
Produced identification
(Type of identification produced)]

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MASTER TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

NATIONS BANK OF FLORIDA, N.A.,
as Trustee

Dated as of November 1, 1994
CERTIFICATES; TERMS AND PROVISIONS

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DEFINITIONS AND RULES OF CONSTRUCTION

ARTICLE II
RULES OF CONSTRUCTION

ARTICLE III
AGREEMENT; DECLARATION OF TRUST; REPRESENTATIONS

ARTICLE IV
EMULATION AND ADMINISTRATION OF FUNDS AND ACCOUNTS; PERMANENT CANCELLATION

ARTICLE V
COVENANTS, DEPARTURE AND LIMITATIONS OF LIABILITY

ARTICLE VI
CONTROLLING THE TRUSTEE

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ARTICLE VIII
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to time in accordance with the terms hereof and of the Schedule
describing such facilities; and

WHEREAS, pursuant to Section 2.2 of the Master Lease, the
Corporation, with the consent of the School Board, has the right to
assign all of the terms, conditions and other provisions of the Leases
(except for its right to inalienability under Section 2.7 of the
Master Lease), to the Corporation, by its duly authorized delegate,
under Section 6.1 of the Master Lease and its right to receive notices
under the Master Lease nothing in the Master Lease shall preclude
the receipt of Basic Lease Payments (as hereinafter defined) due under
such leases; and

WHEREAS, the Corporation has requested the Trustee to issue
from time to time separate certificates of Certificates of Participation
substantially in the form of Exhibit A hereto (the "Certificate") to
hold and receive Basic Lease Payments due under the Basic Lease,
and to receive Basic Lease Payments due under the Leases created
by one or more particular Schedules and certain rights of the Corporation
under such Leases; and

WHEREAS, upon receipt by the Trustee from the Corporation of
the corresponding Assignment Agreement and satisfaction of the
conditions set forth in Section 10.6 hereof, the Trustee shall issue a
Certificate of Certificates that shall correspond to the Leases or
Leases created by a particular Schedule or Schedules; and

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

"Board of Directors" shall mean the Board of Directors of the
Corporation;

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

"Capitalized Incurred Costs" shall mean any Capitalized Incurred
Costs established pursuant to section 4.1 hereof and in any
Supplemental Trust Agreement;

"Certificate or Certificates" shall mean the certificates of
participation described in Section 10.6 (other than a Business Day
in each calendar week, except for advances made by it for any of the above items or for other
costs incurred and for work done by it in connection with
Facilities, (iv) functioning of or improvements, or other
Costs of Issuance Subaccount shall mean a Costs of
Issuance Subaccount established pursuant to Section 4.1 of
this Trust Agreement and may be in connection with the
acquisition, construction and installation of Facilities; (vi)
creditors, builders, contractors, vendors and suppliers for the
acquisition, construction and installation of Facilities, (vii)
who are authorized or required to be closed, or a day on which
the New York Stock Exchange is closed;

"certificate delivered to the Trustee signed on behalf of the School
Board by a written certificate delivered to the Trustee signed on behalf of
the Corporation by the Chairperson of the Board of Directors
containing the specimen signature of each such person;

"Chairperson" shall mean the Chairperson of the School Board

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

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

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

"Costs of Issuance Subaccount" shall mean a Costs of
Issuance Subaccount within a Capitalized Incurred Costs established under Section
4.1 hereof and in any Supplemental Trust Agreement in connection
with the acquisition, construction and installation of Facilities;

"Credit Facility" shall mean, with respect to a Series of
Certificates, the letter of credit, insurance policy, guaranty, surety
bond, letter of credit, insurance policy, guaranty, surety
bond, or other financial instrument, in connection with the
obligations of the School Board to make Basic Lease Payments relating to such Certificates.
the proceeds of a Series of Certificates, consisting of
investment in real property, any buildings and improvements, and all equipment, fixtures and furnishings which are to be built, installed or established on such buildings or improvements, and all appurtenances thereto and therein, all as set forth on a Schedule or Schedules from time to time.

"Facility Site" shall mean the real property (together with any buildings erected or situated thereon, any easements or other rights or privileges in adjoining property interest in any such land by reason of appurtenances thereto and interests therein, all as set forth in the Trust Agreement and in any Supplemental Trust Agreement; and (ii) amounts paid to the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

"Investment Agreement" shall mean an agreement for the investment of moneys invested. (a) The rate of interest on any such obligation is sufficient, as verified by a nationally recognized independent public accounting firm, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate. (b) Pre-refunded Municipal Obligations meeting the requirements of this subsection (2) hereof may not be used as permitted investments without price written approval of Standard & Poor's Ratings Group.

"Investment Agreements approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested. (a) Any other investment agreed to in writing by the Board.

"Lease" shall mean each separate Schedule to the Master Lease executed and delivered by the School Board and the Corporation, together with the form of lease and amendments thereto. "Lease Payment Account" shall mean any Lease Payment Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement.

"Lease Payment Date" shall mean, with respect to each Lease, such date set forth on the corresponding schedule designated as a lease payment date in the corresponding lease agreement. "Lease Payment Date" shall mean the date set forth on the corresponding schedule designated as a lease payment date in the corresponding lease agreement.

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

"Additional Lease Payments" shall mean, with respect to each Lease, all amounts payable by the School Board pursuant to the terms of a Lease, including Basic Lease Payments, Additional Lease Payments and Supplemental Payments.
"Lease Term" shall mean, with respect to each Lease, the period from the date of a Lease through the end of the then current Fiscal Year plus each annual or lessee renewal period thereafter during which such Lease is maintained in effect in accordance therewith, with the maximum number of renewals being specified in the Schedule corresponding to such Lease.

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

"Net Proceeds" shall mean, with respect to one or more Facilities financed under a Lease, proceeds from any insurance, condemnation, performance bond, Federal or State flood disaster assistance or any other financial guaranty other than a Credit Facility issued by a Qualified Financial Institution or a Reserve Account Letter of Credit/Insurance Policy, paid with respect to such Facilities remaining after payment in full of all amounts due under the Lease, including attorneys' fees incurred in the collection thereof; and, with respect to insurance, to the extent that the School Board elects to self-insure under Section 5.b. of the Master Lease, any moneys payable from any self-insurance.

"Notice by Mail" shall mean a written notice meeting the requirements of this Trust Agreement mailed by first-class mail to the Certificate holders, at the addresses shown on the register maintained by the Trustee.

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

"Outstanding" when used with reference to the Certificates, shall mean, as of any date hereafter, Certificates thereunder which have not been cancelled or surrendered for payment or prepayment under this Trust Agreement except:

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

(ii) Certificates (as portions of Certificates) for the payment or prepayment of which the principal portion or Purchase Price thereof, as the case may be, with interest to the date of maturity or Purchase Price Date, shall be held in trust under this Trust Agreement and set aside for such payment or prepayment (as the case may be) (in whole or in part) (security or Purchase Price Date), provided that if such Certificates for the payment or prepayment of which the principal portion or the interest portion of Basic Lease Payments is due and owing under the Lease relating to such Facility, including, for purposes of this Trust Agreement a Reserve Account Letter of Credit/Insurance Policy, is substituted for such Certificates, then such Reserve Account Letter of Credit/Insurance Policy, together with the reserve or insurance fund established pursuant to Section 401 hereof and in any Supplemental Trust Agreement, shall be deemed to be Outstanding Certificates for purposes of this Trust Agreement;

(iii) Certificates in Lieu of or in substitution for such Certificates or for the payment or prepayment of Basic Lease Payments represented by such Certificates and guarantee agreements issued by a Qualified Financial Institution pursuant to Section 401 of the Trust Agreement and in any Supplemental or amendatory of this Trust Agreement.

(ii) Certificates in Lieu of or in substitution for such Certificates or for the payment or prepayment of Basic Lease Payments represented by such Certificates and guarantee agreements issued by a Qualified Financial Institution pursuant to Section 401 of the Trust Agreement and in any Supplemental or amendatory of this Trust Agreement.

"Net Proceeds" shall mean, with respect to any Facility financed under a Lease, all amounts from time to time deposited in the Reserve Account for such Facility, together with the reserve or insurance fund established pursuant to Section 401 hereof and in any Supplemental Trust Agreement, together with accrued interest thereon, if any.

"Net Proceeds" shall mean, with respect to any Certificate theretofore or thereupon prepayment or extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a Series of Certificates Outstanding shall be made pursuant to Section 311 hereof or pursuant to any Supplemental Trust Agreement.

"Net Proceeds" shall mean, with respect to any Certificate theretofore or thereupon prepayment or extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a Series of Certificates Outstanding shall be made pursuant to Section 311 hereof or pursuant to any Supplemental Trust Agreement.

"Net Proceeds" shall mean, with respect to any Certificate theretofore or thereupon prepayment or extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a Series of Certificates Outstanding shall be made pursuant to Section 311 hereof or pursuant to any Supplemental Trust Agreement.

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ARTICLE II
ASSIGNMENT; DECLARATION OF TRUST; REPRESENTATIONS

201. Assignment Agreements. The Corporation shall assign and transfer to the Trustee its rights under each Ground Lease and such Lease agreement to and under the provisions and in the corresponding Assignment Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee shall assume and deliver such Series of Certificates evidencing an undivided proportionate interest of the Certificate holders in Basic Lease Payments under the corresponding Lease.

202. Declaration of Trust by Trustee. The Trustee hereby declares that it holds and will hold the Trust Estate conferred on it by the Corporation hereunder upon the trust and in accordance with the provisions of this Trust Agreement, evidencing an undivided proportionate interest of the Certificate holders, as more particularly set forth in Section 205 hereof.

203. Representations. In the Master Lease, the School Board has agreed to acquire, construct and install the Facilities as agent for the Corporation pursuant to specifications prepared by the School Board and that the School Board will be responsible for the retaining of contracts for the acquisition, construction and installation of the Facilities.

204. Description and Estimated Costs of the Facilities. The description of the Facilities to be acquired, constructed and installed and leased by the School Board from the Corporation pursuant to the Master Lease set forth in the Schedule to the Master Lease hereof shall be deemed to be a complete and accurate description of the Facilities to be acquired, constructed and installed by the School Board from the Corporation pursuant to the Master Lease and such Schedule and the estimated costs of such Facilities shall be set forth in the Schedule to the Master Lease hereof.

205. Conditions Precedent Satisfied. Each party hereto represents with respect to itself that all acts, conditions and things required by law to exist, happen or be performed precedent to and in connection with the execution and delivery of this Trust Agreement have been performed or will be performed prior to and in connection therewith.

ARTICLE III
CERTIFICATES; TERMS AND PROVISIONS

301. Authorization of Certificates. (a) The number of Series of Certificates which may be created under this Trust Agreement is not limited. The aggregate principal amount of Certificates of each Series which may be issued, authorized and delivered under this Trust Agreement is not limited except as set forth in the Supplemental Trust Agreement, creating such Series.

(b) The Certificates issuable under this Trust Agreement shall be issued in such Series as may from time to time be created in accordance with the provisions hereof. Such Series shall be designated "Certificates of Participation, Series _______" and shall be issued as authorized by the Corporation at the request of the Corporation and with such appropriate particular designations added or incorporated in the title or titles for the Certificates of any particular Series as the Board may determine and as may be necessary to distinguish such Certificates from the Certificates of any other Series.

302. Execution and Delivery of Certificates. Each Series of Certificates shall be authorized by the Corporation at the request of the Corporation and executed and delivered to the Corporation for the purpose of (i) financing the acquisition, construction and equipping of such Facilities, (ii) financing the cost of completing the acquisition, construction, installation and equipping of such Facilities, (iii) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities, (iv) paying or providing for the payment of the principal and interest portion of the Basic Lease Payments with respect to or at the Purchase Option Price of all or a portion of the Facilities financed from the proceeds of any Series of Certificates therefor hereunder executed and delivered, (v) creating a Reserve Account in an amount equal to the Reserve Account Requirement applicable thereto, (vi) capitalizing the Interest portion of Basic Lease Payments during construction and (vii) paying the Costs of Issuance applicable thereto.

Each Series of Certificates shall be substantially in the form set forth in Exhibit A hereof, with such appropriate variations, omissions and insertions as may be necessary or appropriate to conform to the provisions of this Trust Agreement, including any one of a bank whereby only a system as described in Section 307 hereof. All Certificates may be endorsed therein such legend or text as may be necessary or appropriate to conform to any applicable rule and regulations of any governmental authority or of any securities exchange on which the Certificates may be listed or any usage or requirement of law with respect thereto.

303. Terms of Series of Certificates. Certificates may be issued and delivered at any time and from time to time in one or more Series, upon such terms and conditions as may be permitted by law, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates and as more particularly set forth in Section 305 hereof.

(a) shall be dated, shall represent interest at a rate not in excess of the maximum rate then permitted by applicable law (calculated on the basis of a 365 day year consisting of twelve 30 day months), and shall be payable and interest thereon at such time or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates and as more particularly set forth in Section 305 hereof.

(b) shall be payable, as to the principal portion, Paydown Price, if any, and increase portion of such Series of Certificates, at such place, in lawful money of the United States of America and may have such registration privileges and such exchange privileges as may be provided in the Supplemental Trust Agreement creating such Series of Certificates and as more particularly set forth in Section 305 hereof.

(c) shall have such particular designations added to their face and shall be in such form and denomination, as provided in the Supplemental Trust Agreement creating such Series of Certificates.

(d) shall be limited as to the maximum principal amount thereof which may be delivered by the Trustee or which may be at any time Outstanding, as provided in the Supplemental Trust Agreement creating such Series of Certificates.

(e) may contain provisions for the prepayment thereof at such Paydown Price or Paydown Prices, if any, from time to time, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates.

(f) may have provisions requiring mandatory payments for the purchase and sinking fund payment of such Series of Certificates, in such amounts, at such times or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease, as shall be set forth in such Supplemental Trust Agreement.

(g) may contain such other provisions and such other special terms and conditions, not contrary to the provisions hereof, as may be provided in such Supplemental Trust Agreement;
shall be payable free and answerable to the Trust Estate, but solely to the extent provided in and subject to the limitations of Section 305 hereof.

304. Conditions precedent to delivery of a Series of Certificates. The Trustee shall execute and deliver one or more Series of Certificates for the purposes not for fee in Section 303, but only if the Trustee has been provided by the purchaser or purchasers thereof as requested and authorized by the Corporation in accordance with the provisions of this Section 304.

Prior to the delivery of the Trustee of any Series or Certificates there shall have been received by the Trustee:

(a) A Supplemental Trust Agreement providing for the terms and conditions upon which they shall be executed and delivered by the Trustee.

(b) An executed counterpart of a corresponding schedule to the Master Lease or amended Schedule in the case of Certificates issued for the purpose of disposing of Basic Lease Payments under the provisions of Section 6.1; and

(c) An executed Assignment Agreement, effective on or before the date of execution and delivery of such Series of Certificates.

305. Distribution of Trust Estate. The proceeds from the Trust Estate shall be distributed to the Trustee and the Corporation for the purposes described in Section 302(b) above), or as may be required under Section 6.1 of the Master Lease.

306. Execution. The Certificates shall be executed in the name of, and by, the Trustee, solely as trustee under the Trust Agreement and not in its individual capacity, by the manual signature of any Authorized Signatory of the Trustee.

307. Negotiability, Transfer and Registration.

(a) The Trustee shall maintain, at its designated corporate trust office, an office or agency for the accommodation of all Certificate Holders as of any particular time, and the Trustee shall, upon request of the School Board, furnish such information to the School Board.

(b) Each Certificate shall be transferable only upon the register maintained by the Trustee, by the Certificate Holder or by his attorney or by his legal representative in such form as shall be satisfactory to the Trustee, the Corporation and the School Board, and the transfer shall be free of any lien, encumbrance or restriction of any kind and for all purposes, and all such payments so made to any Certificate Holder or upon his order shall be valid and effective against the Trust Estate, the Trustee and the Corporation and the School Board shall not be affected by any notice to the contrary.

(c) The person in whose name any Certificate shall be registered upon the register maintained by the Trustee, by the Certificate Holder or by his attorney or legal representative shall be deemed to be the owner of such Certificate and to have the same right, title and interest therein as the original Certificate Holder or his assignee, and the Trustee shall not be required or under any obligation to any Certificate Holder or any assignee thereof to divide any Certificate, to issue any fractional Certificate or to issue certificates of a denomination different from the Certificate being transferred, or to cancel any Certificate surrendered to the Trustee.

308. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Certificates or registering the transfer thereof as provided in Section 307 hereof is exercised by or on behalf of a Certificate Holder, such Certificate shall be exchanged for an equal aggregate principal amount of Certificates of like Series and with the like terms and conditions.

(a) A written order to the Trustee by an Authorized Corporation Representative to execute and deliver the Series of Certificates now herein authorized to be delivered against payment to the Trustee of a specified sum;

(b) Certified copies of resolutions of the Corporation and the School Board authorizing the issuance of such Series of Certificates;

(c) Evidence of approval of the related Lease by the State Department of Education, or an opinion of Special Tax Counsel to the effect that such approval is not required;

(d) Such other documents and opinions as may be provided for in the Supplemental Trust Agreement referred to in subparagraph (a) hereof, including one or more Ground Lease Certificates or Ground Lease Interests if authorized by the Corporation in accordance with the provisions of the Supplemental Trust Agreement as provided in paragraph 305 hereof.

(e) Upon the occurrence and continuance of an Event of Default which requires a Credit Facility Issuer to make payments thereunder, a written order to the Trustee by an Authorized Corporation Representative to make such payments or to issue such Series of Certificates as required by the Corporation; and

(f) Upon the occurrence and continuance of an Event of Default which requires the School Board to make payments thereunder, an order of the Board to the Trustee to make such payments or to issue such Series of Certificates as required by the Corporation.
311. Privilege of Prepayment and Prepayment Price. Certificates subject to prepayment pursuant to Section 313 hereof shall be prepaid at such time or times and upon such terms as the Trust Agreement may be prepaid, upon notice given as provided in this Article III, at such times, at such Prepayment Price and upon such terms as specified in this Article III or the Supplemental Trust Agreement authorizing the issuance of such Certificate.

312. Prepayment. Whenever by the terms of this Trust Agreement the Certificates are required to be prepaid, the Trustee shall select the Certificates to be prepaid in accordance with the provisions of Section 313 hereof. The Trustee shall select a Series of Certificates and, in selecting portions of such Certificates for prepayment, after interest accrued and unpaid to the Prepayment Date, in accordance with the terms of this Article III.

313. Selection of Certificates to be Prepaid. It shall be the discretion of the Trustee to select those Certificates of the Series to be prepaid, which Certificates or portions of Certificates shall be prepaid by the Trustee in the manner provided in Section 314, the Prepayment Price of the Certificates, or portions thereof shall be paid. If, on the Prepayment Date, moneys for the payment of the Prepayment Price shall cease to accrue and become payable. The Trustee shall mail a copy of such notice, pursuant to Section 314 hereof, to each Certificate holder, but any defect in the notice to a particular Certificate holder shall not affect the validity of the prepayment of such Certificate.

314. Notice of Prepayment. When prepayment of Certificates is required pursuant to Section 313 hereof, the Trustee shall give notice of the prepayment to such Certificate holders as are entitled to receive such notice, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, pursuant to Section 314 hereof, to each Certificate holder, but any defect in the notice to a particular Certificate holder shall not affect the validity of the prepayment of such Certificate.

315. Payment of Prepaid Certificates. Notice having been given in the manner provided in Section 314, the payment of the Certificate shall become due and payable on the Prepayment Date as designated at the Prepayment Price, plus the interest portion accrued and unpaid to the Prepayment Date, and, upon presentation and surrender thereof at the Office of the Trustee, the Trustee shall pay to the Certificate holder, or his agents as custodian (which may be the Trustee serving in the capacity of such custodian) the principal amount of the Certificate or portions thereof so called for, in accordance with the terms of this Article III.

316. Cancellation of Certificates. All Certificates paid or prepaid, either in whole or in part, or portions thereof, shall be delivered to the Trustee when such payment or prepayment has been made, and such Certificates shall thereupon be irredeemably cancelled and destroyed.

Upon the cancellation and deletion of any Certificates by the Trustee, the Trustee shall execute a certificate of cancellation in duplicate by the signature of one of its authorized officers describing the Certificates so cancelled, and executed certificates shall be filled with the School Board and the Corporation and the other parties hereto for recordation.
ARTICLE IV
ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND ACCOUNTS; PAYMENT OF CERTIFICATES

401. Establishment of Project Fund. There is hereby established with the Trustee a special and separate fund, to be called the 'Project Fund.' The Trustee shall keep the Project Fund separate and apart from all other funds and moneys held by it. Within such fund, the Trustee shall establish pursuant to each Supplemental Trust Agreement as necessary, the following accounts and subaccounts for each Series of Certificates: (a) an Acquisition Account; (b) a Capitalized Interest Account; (c) a Prepayment Account; (d) a Lease Payment Account; (e) a Cost of Issuance Account; (f) an Acceptor Account; (g) a Purchase Account; (h) a Master Lease Account; (i) a Prepayment Account; (j) a Master Lease Account; (k) an Issuer Account; (l) a School Board Account; and (m) an Escrow Account for each Project in the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates corresponding to each such Project. The Trustee may create additional Accounts and subaccounts as any Supplemental Trust Agreement, at the request of the School Board, shall require, and each such account and subaccount shall be designated by the Trustee with the Series of Certificates to which it relates.

On the date of delivery of each Series of Certificates the Trustee shall deposit the proceeds thereof as provided in the Supplemental Trust Agreement authorizing such Series of Certificates.

402. Acquisition Account.

(a) There shall be paid into each Acquisition Account, in the amounts required to be so paid by the provisions of the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(b) Pursuant to an election by the School Board under Section 4.4(a) of the Master Lease, in respect with respect to any Facilities, may be deposited into the Acquisition Account established under the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(c) The Cost (less than the Cost of Issuance) of the Facilities comprising each Project shall be paid from the amounts on deposit in the related Acquisition Account. Actual amounts paid shall be recorded against the related Transaction. After payment is made pursuant to a requisition for such Project, the proceeds shall be released from the Acquisition Account based on the provisions of the Supplemental Trust Agreement authorizing the related Series of Certificates.

403. Capitalized Interest Account.

(a) The Trustee shall establish a Capitalized Interest Account for each Series of Certificates at a price of par plus interest accrued to the date of delivery of such Series of Certificates.

(b) Pursuant to an election by the School Board under Section 4.4(b) of the Master Lease, in respect with respect to any Facilities, may be deposited into the Capitalized Interest Account established under the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Capitalized Interest Account relates.

(c) Payments of interest shall be made by the Trustee in accordance with the related Supplemental Trust Agreement authorizing the issuance of the Series of Certificates corresponding to each such Project. The Trustee may create additional Accounts and subaccounts as any Supplemental Trust Agreement, at the request of the School Board, shall require, and each such account and subaccount shall be designated by the Trustee with the Series of Certificates to which it relates.

404. Lease Payment Accounts.

(a) In addition to the amounts required to be deposited in a Lease Payment Account pursuant to Sections 431, 402 and 406 herein, and except as provided in Section 408 herein, basic Lease Payments for the Facilities financed under a Lease shall be deposited by the Trustee in the related Lease Payment Account immediately upon receipt. The Trustee shall pay out of such Lease Payment Account, in order of priority, to the related Credit Facility Issuer the amount necessary to make payments in accordance with the related Lease Agreement and the related Credit Facility Agreement.

(b) Pursuant to an election by the School Board under Section 4.4(c) of the Master Lease, in respect with respect to any Facilities, may be deposited into the Lease Payment Account established under the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Lease Payment Account relates.

(c) Payments of principal and interest shall be made by the Trustee in accordance with the related Supplemental Trust Agreement authorizing the issuance of the Series of Certificates corresponding to each such Project. The Trustee may create additional Accounts and subaccounts as any Supplemental Trust Agreement, at the request of the School Board, shall require, and each such account and subaccount shall be designated by the Trustee with the Series of Certificates to which it relates.

405. Reserve Accounts.

Pursuant to the Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established
and maintained a separate Reserve Account to secure the payment of the principal and/or installment portion of the Basic Lease Payments related to such Series of Certificates. Each such Reserve Account shall secure only the Series of Certificates for which it has been established.

(a) The Reserve Account shall be maintained by the Trustee at the Reserve Account Letter of Credit/Insurance Policy Letter of Credit Issuer and shall be established in accordance with Section 405. The Reserve Account shall be maintained, by the Trustee, at a Letter of Credit Issuer that is acceptable to the School Board, or it may be maintained in accordance with the provisions of Section 405(b) hereof. The Reserve Account shall be funded by an amount equal to the difference between the principal portion of the Basic Lease Payments represented by such Series next coming due, and the related Reserve Account Requirement applicable thereto. The Reserve Account shall be subject to withdrawal at any time upon written notice to the School Board of the amount required to pay the Basic Lease Payments represented by such Series in accordance with the terms and provisions of the related Series of Certificates.

(b) Any amounts on deposit in a Reserve Account in excess of the Reserve Account Requirement applicable thereto shall be transferred to the Lease Payment Account as provided in Section 409 hereof. Any amounts on deposit in a Reserve Account in excess of the Reserve Account Requirement applicable thereto shall be transferred to the Lease Payment Account as provided in Section 409 hereof.
subject to the provisions of Section 305(a) hereof, in the order of such installments of such interest portion or principal portion of any, required to be paid to the Treasury Department of the United States under the Code.

Fifth: To the payment of any ground rent or other amounts therefor and payable under the corresponding Ground Lease, if any.

(b) If, at the election of a Credit Facility Issuer, an Event of Default has occurred or is deemed to have occurred, the Trustee shall give notice to the persons entitled thereto of all installments of the interest then due and also of the foregoing, and may use the proceeds thereof, in accordance with the applicable Supplemental Trust Agreement.

Except as otherwise provided in Section 305(a) hereof, in the case of partial payment of Basic Lease Payments, the Trustee shall apply such amount in accordance with the provisions of this Trust Agreement for any purpose provided in this Section.
of this Section, such moneys shall be applied by the Trustee at such time and from time to time, as the Trustee in its sole discretion shall determine, upon due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on a Loan Payment Date unless the Trustee shall determine that more suitable upon which such application is to be made, and upon such date interest on the amount of moneys so paid on such date shall cease to accrue. The Trustees shall give such notice as it may deem appropriate of the application of any such date.

104. Account and Reports.

(a) The Trustees shall keep a copy of this Trust Agreement and all Supplemental Trust Agreements and proper books of record and account in which complete and correct accounts shall be made of its transactions relating to each Project and each account established under this Trust Agreement, which shall be subject to the inspection of the Corporation and the School Board during normal business hours and upon such notice and on such day as shall be reasonably required by the Corporation or the School Board.

(b) The Trustees shall advise the Corporation and the School Board promptly after the end of each month of its trans- actions during such month relating to each Account held by it under this Trust Agreement.

105. Liability to Certificate Holders for Payment. Except as otherwise provided in this Trust Agreement, the Trustees shall have no obligation or liability to the Certificate holders with respect to the School Board's obligation to pay Basic Lease Payments when due, or with respect to the performance by the School Board of any other obligations made by it in the Master Lease. The Trustees shall not be liable or responsible for the failure of the Corporation or the School Board or of any of its employees or agents to make any collections or deposits or to perform any act required by the terms of the leases or of the Master Lease. The Trustees shall bear no responsibility or liability for the correctness of any records or reports and shall be entitled to rely upon any request, consent, order, certificate, report, opinion, bond or other evidence in respect thereof be therein specifically set forth in this Trust Agreement.

602. Trustee Acceptance of Duties.

(a) The Trustees shall waive any right to give bond or security hereunder.

(b) The Trustees shall accept any evidence of the due and proper performance of the obligations assumed by the Trustees under this Trust Agreement by the Corporation in good faith and in accordance herewith.

(c) The Trustees shall not be required to give bond or security hereunder in respect of the execution of said powers or otherwise in respect of this Trust Agreement.

603. Evidence on Which Trustee May Act.

(a) The Trustees, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, or other paper or document furnished to it pursuant to any provision of this Trust Agreement or in connection with any instrument in writing upon any such instrument reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties, the Trustees shall be under no obligation or liability whatever in connection with or arising out of any Lease or the existence, functioning, furnishing, alteration, improvement, extension, or transfer shall be made in accordance with the provisions of this Trust Agreement. The Trustees shall not be liable or responsible for the correctness of any records or reports and shall be entitled to rely upon any request, consent, order, certificate, report, opinion, bond or other evidence in respect thereof be therein specifically set forth in this Trust Agreement.

604. Authorization for the Corporation and the School Board.

(a) The Trustees shall have no responsibility in respect of the due execution or acknowledgment of this Trust Agreement by the Corporation, the validity or sufficiency of this Trust Agreement, or the validity or the Certificates of the Issuing Chartered.

(b) The Trustees shall be under no obligation to institute any suit or to undertake any remedial proceeding in the Event of a default in the payment of any Lease Payment Date unless the Trustee shall determine that more suitable upon which such application is to be made, and upon such date interest on the amount of moneys so paid on such date shall cease to accrue. The Trustees shall give such notice as it may deem appropriate of the application of any such date.

105. Account and Reports.

(a) The Trustees shall keep a copy of this Trust Agreement and all Supplemental Trust Agreements and proper books of record and account in which complete and correct accounts shall be made of its transactions relating to each Project and each account established under this Trust Agreement, which shall be subject to the inspection of the Corporation and the School Board during normal business hours and upon such notice and on such day as shall be reasonably required by the Corporation or the School Board.

(b) The Trustees shall advise the Corporation and the School Board promptly after the end of each month of its trans- actions during such month relating to each Account held by it under this Trust Agreement.

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603. Evidence on Which Trustee May Act.

(a) The Trustees, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, or other paper or document furnished to it pursuant to any provision of this Trust Agreement or in connection with any instrument in writing upon any such instrument reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties, the Trustees shall be under no obligation or liability whatever in connection with or arising out of any Lease or the existence, functioning, furnishing, alteration, improvement, extension, or transfer shall be made in accordance with the provisions of this Trust Agreement. The Trustees shall not be liable or responsible for the correctness of any records or reports and shall be entitled to rely upon any request, consent, order, certificate, report, opinion, bond or other evidence in respect thereof be therein specifically set forth in this Trust Agreement.

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(b) The Trustees shall be under no obligation to institute any suit or to undertake any remedial proceeding in the Event of a default in the payment of any Lease Payment Date unless the Trustee shall determine that more suitable upon which such application is to be made, and upon such date interest on the amount of moneys so paid on such date shall cease to accrue. The Trustees shall give such notice as it may deem appropriate of the application of any such date.

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(a) The Trustees shall keep a copy of this Trust Agreement and all Supplemental Trust Agreements and proper books of record and account in which complete and correct accounts shall be made of its transactions relating to each Project and each account established under this Trust Agreement, which shall be subject to the inspection of the Corporation and the School Board during normal business hours and upon such notice and on such day as shall be reasonably required by the Corporation or the School Board.

(b) The Trustees shall advise the Corporation and the School Board promptly after the end of each month of its trans- actions during such month relating to each Account held by it under this Trust Agreement.

106. Liability to Certificate Holders for Payment. Except as otherwise provided in this Trust Agreement, the Trustees shall have no obligation or liability to the Certificate holders with respect to the School Board's obligation to pay Basic Lease Payments when due, or with respect to the performance by the School Board of any other obligations made by it in the Master Lease. The Trustees shall not be liable or responsible for the failure of the Corporation or the School Board or of any of its employees or agents to make any collections or deposits or to perform any act required by the terms of the leases or of the Master Lease. The Trustees shall bear no responsibility or liability for the correctness of any records or reports and shall be entitled to rely upon any request, consent, order, certificate, report, opinion, bond or other evidence in respect thereof be therein specifically set forth in this Trust Agreement.

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(b) The Trustees shall accept any evidence of the due and proper performance of the obligations assumed by the Trustees under this Trust Agreement by the Corporation in good faith and in accordance herewith.

(c) The Trustees shall not be required to give bond or security hereunder in respect of the execution of said powers or otherwise in respect of this Trust Agreement.

603. Evidence on Which Trustee May Act.

(a) The Trustees, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, or other paper or document furnished to it pursuant to any provision of this Trust Agreement or in connection with any instrument in writing upon any such instrument reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties, the Trustees shall be under no obligation or liability whatever in connection with or arising out of any Lease or the existence, functioning, furnishing, alteration, improvement, extension, or transfer shall be made in accordance with the provisions of this Trust Agreement. The Trustees shall not be liable or responsible for the correctness of any records or reports and shall be entitled to rely upon any request, consent, order, certificate, report, opinion, bond or other evidence in respect thereof be therein specifically set forth in this Trust Agreement.

604. Authorization for the Corporation and the School Board.

(a) The Trustees shall have no responsibility in respect of the due execution or acknowledgment of this Trust Agreement by the Corporation, the validity or sufficiency of this Trust Agreement, or the validity or the Certificates of the Issuing Chartered.

(b) The Trustees shall be under no obligation to institute any suit or to undertake any remedial proceeding in the Event of a default in the payment of any Lease Payment Date unless the Trustee shall determine that more suitable upon which such application is to be made, and upon such date interest on the amount of moneys so paid on such date shall cease to accrue. The Trustees shall give such notice as it may deem appropriate of the application of any such date.
by a certificate of an Authorized School Board representative, and such certificate shall be full evidence for any action taken or suffered in good faith under the provisions of this Trust Agreement upon the faith thereof, but in the discretion the Trustee may in lieu thereof accept other evidence of such fact or matter as in his judgment shall require such further or additional evidence as it may deem reasonable.

(c) Except as otherwise expressly provided herein, any request, order, notice, or other direction required or permitted to be furnished pursuant to any provision of this Trust Agreement, by the certificate of an Authorized School Board representative, and may act as depository, trustee, or agent for any action, willful misconduct or negligent failure to act. However, in no event shall the Trustee be liable to any party: (i) for any loss or injury occasioned by his reliance on any certificate hereunder and may join in any action which any action, willful misconduct or negligent failure to act. However, in no event shall the Trustee be liable to any party: (i) for any loss or injury occasioned by his reliance on any certificate hereunder and may act as depository, trustee, or agent for any committee or body of certificate holders or other obligations of the School Board as freely as if it were not Trustee hereunder.

(2) The Trustee shall not be answerable or accountable except for the performance of its duties and obligations as are specifically set forth in this Trust Agreement and except for its own willful misconduct or negligence. The resigning Trustee shall be sufficient evidence in the name of the Certificate holder. The Trustee may not be removed or be discharged of the duties and obligations created by this Trust Agreement by giving less than 60 days written notice to the Corporation, and the holders of all Certificates outstanding, specifying the date when such resignation shall take effect, and the date by which the Trustee is to be succeeded. The Trustee, before accepting the office, shall have the written request of the Corporation, the School Board, or the Trustee, and shall be authorized by the Corporation or the School Board so authorized. The Trustee shall be liable to any party: (i) for any loss or injury occasioned by his reliance on any certificate hereunder and may join in any action which any certificate holder has executed, by an instrument or concurrent instruments in writing signed, and acknowledged by such certificate holders as are necessary to effect such conveyance or assignment. In the event that no successor has been appointed or if the Trustee is not able to appoint a successor Trustee by the Holders of a majority in principal amount of each Series of Certificates then Outstanding, the Trustee may be removed at any time after the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be removed with or without cause by the Holders of a majority in principal amount of each Series of Certificates then Outstanding, in accordance with Section 5.7 of the Master Lease. After the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be removed with or without cause by the Holders of a majority in principal amount of each Series of Certificates then Outstanding, in accordance with Section 5.7 of the Master Lease. After the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be removed with or without cause by the Holders of a majority in principal amount of each Series of Certificates then Outstanding, in accordance with Section 5.7 of the Master Lease.

16. Merger or Consolidation. Any company into which the Trustee may be merged or converted or into which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may be sold or leased, or any successor Trustee resulting from any merger, conversion or consolidation to which the Trustee shall be a party, shall be the successor to the Trustee without the execution of any conveyance or assignment of any of the Trustee's property or rights, or the performance of any further act. The Trustee shall not have been executed, any successor Trustee may execute such certificates so executed; and in case any of the said Certificates shall be transferred to any other person, shall be deemed to be executed by the Trustee in accordance with Section 408 hereof. The Trustee may execute any powers and perform any duties required in this Trust Agreement, and may accept the office on reasonable and customary terms and conditions.

17. Notice of Removal. Upon the written request of a majority in principal amount of each Series of Certificates then Outstanding, such removal shall take effect, and such resignation shall take effect upon the written request of the Corporation, the School Board, or the Trustee, and shall be authorized by the Corporation or the School Board so authorized. The Trustee shall not have been executed, any successor Trustee may execute such certificates so executed; and in case any of the said Certificates shall be transferred to any other person, shall be deemed to be executed by the Trustee in accordance with Section 408 hereof. The Trustee may execute any powers and perform any duties required in this Trust Agreement, and may accept the office on reasonable and customary terms and conditions.

18. Appointment of Successor Trustee. In case any trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a bankrupt or made a party to any action, or shall be adjudged a 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outstanding and any recision of Indebtedness shall intervene, on behalf of Certificate holders or the Related Credit Facility Issuer in any judicial proceeding to which the Corporation is a party and which in the opinion of the Trustee and its attorneys would have a substantial bearing on the interests of Certificate holders. The rights and obligations of the Trustee under this Section are subject to the appointment of a Receiver.

14. Third party beneficiaries. Each Credit Facility Issuer is hereby expressly recognized as a third party beneficiary of this Trust Agreement and, subject to the effect and the Credit Facility Issuer is properly bound by any notice, request or written consent to enforce the obligations to the Credit Facility Issuer hereunder of the Corporation, the Board of the School Board to the Trustee and the Corporation in accordance with law and without prejudice to any right, power, privilege or remedy of the Trustee hereunder may be modified or amended, with the written consent of the Corporation and of the Holders of the Certificates hereunder, may be made by a Supplemental Trust Agreement entered into between the Trustee and the Corporation with the written consent given, as provided in Section 709 hereof for the purpose of consent or other action or any calculation of Outstanding Certificates under this Section, no such modification or amendment shall be effective as provided in this Section, unless such calculation be filed. The fact that a certificate has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee as proof of the obligations of the Trustee without its written consent thereto. The Trustee and the Corporation and of the Holders of the Certificates hereunder may be modified or amended at any time after the filing thereof is on file with the Trustee. At any time after the Holders of the required percentages in principal amount of the Certificates have consented, such modifications or amendments without the consent of the Holders of the Certificates specified in Section 702 and Section 703 hereof.

703. Consent of Certificate Holders. The Trustee and the Corporation at the expiration of the Master Lease as long as the Master Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder, may be made by a Supplemental Agreement as theretofore in effect, or by its attorneys, without prejudice to any right, power, privilege or remedy of the Trustee hereunder.
the School Board shall furnish the Trustee a certificate of an Authorized School Board Representative, stating the manner in which such Certificates are to be paid in accordance with this Section 801 and stating such maturity or stated maturity of each of such Certificates.

(b) If the principal portion or Prepayment Price of all Certificates, if applicable, and the interest portion due or to become due thereon, shall be paid in accordance with the terms of such Certificates and in this Trust Agreement, and all amounts owing thereunder shall have been paid, then the pledge of the Trust Estate and all agreements contained herein shall, to the extent thereof, be deemed discharged and satisfied. In such event, the Trustee shall cause statements for such period or periods for which the same may be required to be prepared and filed with the School Board and, upon the request of the School Board, shall cause the same to be transmitted to the Trustee. The Trustee shall pay over or deliver to the School Board all moneys or securities held by it pursuant to this Trust Agreement, together with the principal portion or Prepayment Price, if applicable, and interest portion due or to become due thereon, as the case may be, in such manner as the Trustee shall determine, if any such moneys, Certificates or other securities shall then be held by it. Such cash shall be paid over to the School Board as received by the Trustee, and interest earned from such reinvestment shall be paid over to the School Board free and clear of any trust, lien, pledge or assignment securing said Trusteeship, and in that case upon demand of the Holder of any Certificate or Holder of such Credit Facility, so long as such Credit Facility remains outstanding.

7.3 of the Master Lease or otherwise) shall be deemed to have been paid in accordance with the terms of such Certificates and in this Trust Agreement, and all amounts owing thereunder shall have been paid, then the pledge of the Trust Estate and all agreements contained herein shall, to the extent thereof, be deemed discharged and satisfied. In such event, the Trustee shall cause statements for such period or periods for which the same may be required to be prepared and filed with the School Board and, upon the request of the School Board, shall cause the same to be transmitted to the Trustee. The Trustee shall pay over or deliver to the School Board all moneys or securities held by it pursuant to this Trust Agreement, together with the principal portion or Prepayment Price, if applicable, and interest portion due or to become due thereon, as the case may be, in such manner as the Trustee shall determine, if any such moneys, Certificates or other securities shall then be held by it. Such cash shall be paid over to the School Board as received by the Trustee, and interest earned from such reinvestment shall be paid over to the School Board free and clear of any trust, lien, pledge or assignment securing said Trusteeship, and in that case upon demand of the Holder of any Certificate or Holder of such Credit Facility, so long as such Credit Facility remains outstanding.

7.3 of the Master Lease or otherwise) shall be deemed to have been paid in accordance with the terms of such Certificates and in this Trust Agreement, and all amounts owing thereunder shall have been paid, then the pledge of the Trust Estate and all agreements contained herein shall, to the extent thereof, be deemed discharged and satisfied. In such event, the Trustee shall cause statements for such period or periods for which the same may be required to be prepared and filed with the School Board and, upon the request of the School Board, shall cause the same to be transmitted to the Trustee. The Trustee shall pay over or deliver to the School Board all moneys or securities held by it pursuant to this Trust Agreement, together with the principal portion or Prepayment Price, if applicable, and interest portion due or to become due thereon, as the case may be, in such manner as the Trustee shall determine, if any such moneys, Certificates or other securities shall then be held by it. Such cash shall be paid over to the School Board as received by the Trustee, and interest earned from such reinvestment shall be paid over to the School Board free and clear of any trust, lien, pledge or assignment securing said Trusteeship, and in that case upon demand of the Holder of any Certificate or Holder of such Credit Facility, so long as such Credit Facility remains outstanding.
868. Notices. Other than as otherwise specified herein, all notices, requests, demands, or other communications between the parties hereto or any subsequent or assigns shall be given in accordance with the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in any manner satisfactory to the Trustee, which may nevertheless be proved by the register maintained by the Trustee.

(b) The ownership of Certificates and the amount, number and other identification, and date of holding the same shall be proved by the register maintained by the Trustee.

(c) Any request or consent by the holder of any Certificate shall bind all future holders of such Certificate or any Certificates issued in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the School Board, the Corporation or the Trustee in accordance therewith.

803. Monetary Hold for Particular Certificates. Subject to Section 802(h) hereof, the amounts held by the Trustee for the payment of such Certificates, if the amount due on any date with respect to such Certificate shall, on and after the date of deposit of such payment, be set off on its books held in trust by it for the holders of the Certificates entitled thereto.

804. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject during normal business hours and upon reasonable prior notice to the inspection of the School Board and the Corporation, and any Certificate holder and their agents and their representatives, any of whom may at their own expense take copies thereof.

834. Parties Interest Herein. Subject to Section 814, nothing herein, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Corporation, the Trustee and the Holders of the Certificates, any rights, privileges or immunities under or by reason hereof or by law. All covenants, stipulations, promises and agreements herein contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the School Board, the Corporation, the Trustee and the Holders of the Certificates.

835. Severability. If any one or more of the covenants or agreements provided in this Trust Agreement on the part of the Corporation to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Trust Agreement.

893. Recording and Filing. The School Board shall be responsible for the recording and filing of instruments or documents of further assurance, if any, as may be required by law in order to effectively convey the interests contemplated by this Trust Agreement.

Notice shall also be given by the School Board to the Rating Agencies of the occurrence of any one or more of the following: (i) the appointment of a new or replacement Trustee or any change in the name or identity of a Credit Facility Issuer, (ii) the prepayment or defeasance of any Credit Facility, (iii) the prepayment or defeasance of any Credit Facility, (iv) a material modification of or amendment to this Trust Agreement, (v) the Mortgage Loan, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility.

894. Binding on Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties, the Certificate holders and each Credit Facility Issuer and their respective successors and assigns.

895. Captions. Captions preceding the text of the several Articles and Sections hereof, and the Table of Contents, are inserted for convenience of reference and shall not constitute a part of this Trust Agreement or affect its meaning, construction or effect.

896. Legal Holidays. Unless otherwise provided herein if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Trust Agreement, is not a Business Day such payment may be made or act performed or right exercised at the next succeeding Business Day with the same effect and as it would on the nominal date provided herein, and no interest shall accrue on such payments for the period after such date.

897. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.
IN WITNESS WHEREOF, the parties have executed this Master Trust Agreement by their duly authorized officers as of the date and year first written above.

Palm Beach School Board Leasing Corp.,

By: C. Monica Uhlhorn
Secretary

Michael J. Marra, personally known to me to be the same person whose name is, as Assistant Vice President of NationsBank of Florida, N.A., a national banking association, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being hereby duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarized seal this 5th day of November, 1994.

Notary Public
State of Florida
County of Palm Beach

Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary, of Palm Beach School Board Leasing Corp., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being hereby duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarized seal this 5th day of November, 1994.

Notary Public
State of Florida
County of Palm Beach

Michael J. Marra
Assistant Vice President

STATE OF FLORIDA
COUNTY OF PALM BEACH

I, Carmen M. Zepf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Michael J. Marra, personally known to me to be the same person whose name is, as Assistant Vice President of NationsBank of Florida, N.A., a national banking association, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being hereby duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 5th day of November, 1994.

Notary Public
State of Florida
County of Palm Beach

Jody Gleason
Assistant Vice President

FORM OF CERTIFICATE OF PARTICIPATION

Evidencing an Undivided Proportionate Interest of the Owner Named in Basic Lease Payments to be Made by THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessee.

INTEREST RATE MOVEMENT DATE ISSUE DATE CUSIP NO.

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

THIS IS TO CERTIFY THAT the registered owner named above is the owner of this Certificate of Participation, Series ______ Lease, its right to hold title to the Series ______ Lease and its right to receive notice under the Master Lease including its rights to receive

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Basic Lease Payments thereunder, with respect to the Series Facilities identified in said Schedule No. (the "Series Facilities").

The registered holder of this Certificate ("Certificate Holder") is entitled to receive, subject to the terms of the Master Lease and the Trust Agreement (hereafter defined), on the maturity date specified above (the "Maturity Date"), unless prepaid prior thereto as provided herein, a sum specified above, representing the portion of the Basic Lease Payments designated as principal and interest due on such date, and to receive on February 1 and August 1 of each year, commencing on the date hereof, the amount representing interest thereon due on the Maturity Date or the date of prepayment, whichever is earlier, the internal portion of the Basic Lease Payments designated as interest due on such date. Said amounts are payable in lawful money of the United States of America. The portion representing principal portion and prepayment price shall be payable at the designated corporate trust office of the Trustee and the amounts representing interest portion shall be payable by check or draft of the Trustee mailed to the registered owner at the address as shown on the registration books maintained by the Trustee as of the day of the month in which such payment occurs in full. Such interest portion may be paid by wire transfer to the registered owner of $1,000,000 or more upon their request in writing received at least 10 days prior to any payment date.

The Basic Lease Payments are payable from funds appropriated by the School Board for such purpose from current or other funds authorized by law and regulations of the State of Florida Department of Education. The School Board is not legally required to appropriate moneys for this purpose. Neither the School Board, nor the District, the State of Florida, nor any political subdivision thereof shall be obligated to pay, except from appropriated funds, any sums due thereunder and any sums due under the Series Lease from any source of any nature whatsoever. All obligations of the District, the State of Florida, nor any political subdivision thereof shall be paid and discharged as provided for in the Trust Agreement for the purpose of securing the Certificates, and the agreements and covenants of the School Board in the Series Lease and the Trust Agreement, but only to the extent that the Series Lease and the Trust Agreement are on file at the principal corporate trust office of the Trustee as of the date of payment, whichever is earlier, the internal portion of the Basic Lease Payments designated as interest due on such date. Said amounts are payable in lawful money of the United States of America. The portion representing principal portion and prepayment price shall be payable at the designated corporate trust office of the Trustee and the amounts representing interest portion shall be payable by check or draft of the Trustee mailed to the registered owner at the address as shown on the registration books maintained by the Trustee as of the day of the month in which such payment occurs in full. Such interest portion may be paid by wire transfer to the registered owner of $1,000,000 or more upon their request in writing received at least 10 days prior to any payment date.

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Back of Certificate

Capitalized terms used herein but not otherwise defined herein shall have the meanings given to such terms in the Trust Agreement.

All amounts payable by the Trustee with respect to this Certificate shall be paid and paid for with respect to the Series Lease are on file at the principal corporate trust office of the Trustee as of the date of prepayment, whichever is earlier, the internal portion of the Basic Lease Payments designated as interest due on such date. Said amounts are payable in lawful money of the United States of America. The portion representing principal portion and prepayment price shall be payable at the designated corporate trust office of the Trustee and the amounts representing interest portion shall be payable by check or draft of the Trustee mailed to the registered owner at the address as shown on the registration books maintained by the Trustee as of the day of the month in which such payment occurs in full. Such interest portion may be paid by wire transfer to the registered owner of $1,000,000 or more upon their request in writing received at least 10 days prior to any payment date.

Reference is hereby made to the further provisions of this Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth herein.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and changes required by the Constitution and laws of the State of Florida and the Trust Agreement, have been performed by the School Board and to have been performed precedent to and in connection with the execution and delivery of this Certificate have occurred and have been performed in full. This Certificate is a negotiable instrument and is payable to the registered owner hereof upon presentation and acceptance hereof.

In witness whereof, this Certificate has been executed by the authorized signatory of the Trustee, to be authenticated by the Trustee.

NATIONAL BANK OF FLORIDA, N.A., as Trustee

U/F

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The Certificates shall be delivered in registered form in the denominations of $1,000 or any integral multiple thereof. The Certificates, upon surrender thereof with a written instrument of transfer satisfactory to the Trustee, duly authorized in writing may, at the option of the Certificate Holder of such Certificate Holder's duly authorized attorney. Upon the transfer to the Trustee of any portion of the principal amount of the Certificates corresponding to the due dates of the principal portion of Basic Lease Payments due upon the registry books, but any defect in the notice to a particular Certificate Holder shall not affect the validity of the portions thereof to be prepaid as set forth opposite such period in the following table, plus the interest accrued to the Prepayment Date.

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<th>Prepayment Period</th>
<th>Final Maturity</th>
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<td>1994A</td>
<td>1994B</td>
</tr>
<tr>
<td>August 1, through July 31, 1993</td>
<td>1994A, 1994B</td>
</tr>
<tr>
<td>August 1, through July 31, 1994</td>
<td>1994A, 1994B</td>
</tr>
<tr>
<td>August 1, and thereafter</td>
<td>1994A, 1994B</td>
</tr>
</tbody>
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Any Certificate to be prepaid shall be in the principal amount of $5,000 or an integral multiple thereof. Such notice shall specify the respective portions of the principal amount thereof to be prepaid, and in the case of Certificate to be prepaid in part only, such notice shall also specify the respective portions of the principal amount thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable upon the Certificate so prepaid shall be paid from the amount then on hand in the Series 1994A Account.

The Certificates shall be subject to prepayment in whole or in part at any time and if in part, in inverse order of maturity or on a proportional basis, as shall be designated by the School Board and by lot within a maturity in such manner as the School Board shall determine to be fair and equitable, in an amount equal to the principal portion of Basic Lease Payments prepaid under the Series 1994A, as a Prepayment Price of par plus the Interest accrued to the Prepayment Date, if (A) there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to the Series 1994A Facilities, as a result of damage, destruction or condonlization of any portion of the Series 1994A Facilities and an election is made by the School Board under Section 5.4(b) of the Master lease to apply the amount of the prepayment to the principal portions of Basic Lease Payments relating to the Series 1994A Facilities and represented by the Certificates, or (B) when there shall remain in the Series 1994A Account an amount greater than the amount of Basic Lease Payments due in the immediately following Fiscal Year under the Series 1994A Leases, upon delivery by the School Board of a Certificate of Authorization indicating completion of the acquisition, construction, installation and payment of all costs of the Series 1994A Facilities.

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 ONE (TEN)
- TEN ORTEN
- TEN OR TEN

Additional abbreviations may also be used though not in the above list.
EXHIBIT B

REQUISITION NO. _____

$ __________

CERTIFICATES OF PARTICIPATION SERIES

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

TO: NationsBank of Florida, N.A.

This Requisition is made pursuant to Section 402(c) to pay Costs of the Series Facilities.

The Trustee is hereby directed to pay sums out of the Series Acquisition Account as follows:

Name & Address of Payee Purpose of Payment Amount

TOTAL $ __________

The undersigned hereby certifies that (a) each obligation, item of cost or expense herein has been properly incurred, (b) each obligation, item of cost or expense herein is an item of the Cost of the Series Facilities and has not been the basis of any previous withdrawal, and (c) such payment will not cause the balance remaining in the Series Acquisition Account after such payment to be less than the amount necessary to pay the remaining estimated Costs to be paid from the Series Acquisition Account, or sufficient other moneys are available therefor.

Dated: __________

Authorized School Board Representative

EXHIBIT C

REQUISITION NO. _____

$ __________

CERTIFICATES OF PARTICIPATION SERIES

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

TO: NationsBank of Florida, N.A.

This Requisition is made pursuant to Section 402(d) to pay Costs of Issuance of the Certificates.

The Trustee is hereby directed to pay sums out of the Cost of Issuance Subaccount in the Series Acquisition Account as follows:

Name Purpose of Payment Amount

TOTAL $ __________

The undersigned hereby certifies that each payment obligation has been properly incurred, is a Cost of Issuance and has not been the basis of a previous withdrawal.

Dated: __________

Authorized School Board Representative

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SERIES 2017B SUPPLEMENTAL TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
(successor in interest to NationsBank of Florida, N.A.),
as Trustee

Dated as of December 1, 2017
such real property (the “Series 2002D-1 Facility Sites”) and leased the improvements thereon; and

WHEREAS, the Corporation has entered into a Master Trust Agreement dated as of November 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 and sale of series of Certificates of Participation to the public from time to time, representing undivided proportionate interests in the principal portion of the Debt Service Fund and installment payments to be made by the School Board under the Master Lease and Schedule Schedules relating to such series of Certificates; and

WHEREAS, to provide funds for the acquisition and/or construction of the Series 2002B-1 Facilities, Certificates of Participation, Series 2002B-1 were issued in the aggregate principal amount of $191,215,000 (the “Series 2002B-1 Certificates”) pursuant to the Master Lease, as supplemented by the Series 2002B-1 Supplemental Trust Agreement dated as of December 1, 2002 (the Trust Agreement as so supplemented, the “Series 2002B-1 Trust Agreement”); and

WHEREAS, the Corporation assigned substantially all of its interest in the Series 2002B-2 Ground Lease and the Original Series 2002B-2 Lease to the Trustee pursuant to a Series 2002B-2 Assignment Agreement dated as of March 1, 2007; and

WHEREAS, the School Board refinanced its obligations under the Series 2002B-2 Trust Agreement, with its designated corporate trust office in Jacksonville, Florida, as trustee (the “Trustee”), providing for the issuance and sale of series of Certificates of Participation issued under the Master Trust Agreement (the “Certificates”), which shall be secured by and be payable from Basic Lease Payments to be made by the School Board pursuant to the Master Lease and related Schedules; and

WHEREAS, the Series 2002B-2 Trust Agreement was further amended and restated as of May 1, 2015 (the “Series 2015A Supplemental Trust Agreement”), by and between the Corporation and the Trustee, providing for the issuance of Certificates of Participation, Series 2015A (the “Series 2015A Certificates”) in an aggregate principal amount of $20,085,000 pursuant to the Trust Agreement, as supplemented by the Series 2015A Supplemental Trust Agreement, evidencing undivided proportionate interests of the owners thereof in a portion of the Basic Lease Payments to be made by the School Board pursuant to the Master Lease as supplemented by the Series 2015A Supplemental Trust Agreement; and

WHEREAS, the Series 2015A Supplemental Trust Agreement was further amended and restated as of March 1, 2017 (the “Series 2017B Supplemental Trust Agreement”), by and between the Corporation and the Trustee, providing for the issuance of Certificates of Participation, Series 2017B (the “Series 2017B Certificates”) in an aggregate principal amount of $19,455,000 pursuant to the Trust Agreement, as supplemented by the Series 2017B Supplemental Trust Agreement, evidencing undivided proportionate interests of the owners thereof in a portion of the Basic Lease Payments to be made by the School Board pursuant to the Master Lease as supplemented by the Series 2017B Supplemental Trust Agreement; and

WHEREAS, the Corporation assigned substantially all of its interest in the Series 2002D-1 Ground Lease and the Series 2002D-1 Lease to the Trustee pursuant to a Series 2002D Assignment Agreement dated as of December 1, 2002; and

WHEREAS, the School Board refinanced a portion of its obligations under the Series 2002D Leases by amending and restating Schedule 2002D-1 and 2002D-2 and issuing Certificates of Participation, Series 2005A (the “Series 2005A Certificates”) in an aggregate principal amount of $124,685,000 pursuant to the Trust Agreement, as supplemented by the Series 2005A Supplemental Trust Agreement, evidencing undivided proportionate interests of the owners thereof in a portion of the Basic Lease Payments to be made by the School Board pursuant to the Master Lease as supplemented by the Series 2002D Leases, payable equally and ratably with the Series 2005A Certificates; and

WHEREAS, the School Board refinanced an additional portion of its obligations under the Series 2002D Leases by amending and restating Schedule 2002D-1 and Schedule 2002D-2 and issuing Certificates of Participation, Series 2012A (the “Series 2012A Certificates”) in an aggregate principal amount of $55,709,500 pursuant to the Trust Agreement, as supplemented by the Series 2012A Supplemental Trust Agreement, evidencing undivided proportionate interests of the owners thereof in a portion of the Basic Lease Payments to be made by the School Board pursuant to the Master Lease as supplemented by the Series 2002D Leases, payable equally and ratably with the Series 2012A Certificates; and

WHEREAS, the School Board refinanced an additional portion of its obligations under the Series 2002D Leases and refinanced, on a forward basis, the Series 2005A Certificates by amending and restating Schedule 2002D-1 and Schedule 2002D-2 and issuing Certificates of Participation, Series 2015A (the “Series 2015A Certificates”) in an aggregate principal amount of $106,315,000 pursuant to the Trust Agreement, as supplemented by the Series 2015A Supplemental Trust Agreement, evidencing undivided proportionate interests of the owners thereof in a portion of the Basic Lease Payments to be made by the School Board pursuant to the Master Lease as supplemented by the Series 2015A Supplemental Trust Agreement.
by the Series 2002D Lease, payable equally and ratably with the Series 2012A Certificates and the Series 2012B Certificates; and

WHEREAS, as a result of current favorable market conditions for obligations such as the School Board’s obligations under Schedule 2002D-1, Schedule 2002D-2 and Schedule 2007B, the School Board has decided to refinance a portion of its obligations under (1) the Original Series 2002D Leases by further amending and restating the Series 2002D Leases (the “Amended and Restated Series 2002D Leases”); and (2) the Original Series 2007B Lease by further amending and restating the Original Series 2007B Lease (the “Amended and Restated Series 2007B Lease”); and

WHEREAS, pursuant to the provisions of Section 7.3 of the Master Lease and Section 3(2) of the Master Trust Agreement, the Corporation and the School Board may direct the Trustee to issue refunding Certificates; and

WHEREAS, to accomplish such refinancing the Corporation is entering into this Series 2017B Supplemental Trust Agreement providing for the issuance of refunding Certificates of Participation Series 2017B (the “Series 2017B Certificates”), to advance refund the Series 2011A Certificates maturing on August 1 in the years 2022 through 2025, inclusive, currently outstanding in the amount of $26,660,000 (the “Refunded Series 2011A Certificates”), and the Series 2012A Certificates maturing on August 1, 2028, currently outstanding in the amount of $18,290,000 (the “Refunded Series 2012A Certificates”) and together with the Refunded Series 2011A Certificates, the “Refunded Certificates”), which Series 2017B Certificates will represent undivided proportionate interests in the principal portion and interest portion of a portion of the basic lease payments to be made under the (i) Series 2002D Leases, payable equally and ratably with the Series 2012A Certificates which remain outstanding after the refunding of the Refunded Series 2012A Certificates, the portion of the Series 2012B Certificates and the portion of the Series 2015A Certificates, representing a portion of the Basic Lease Payments due under the Series 2002D Leases, and (ii) Series 2007B Lease, payable equally and ratably with the Series 2012A Certificates which remain outstanding after the refunding of the Refunded Series 2012A Certificates, the portion of the Series 2012B Certificates and the portion of the Series 2015A Certificates, representing a portion of the Basic Lease Payments due under the Series 2002D Leases, and (iii) Series 2007B Lease, payable equally and ratably with the portion of the Series 2015C Certificates representing a portion of the Basic Lease Payments due under the Series 2007B Lease and equally and ratably with the Series 2011A Certificates which remain outstanding after the refunding of the Refunded Series 2011A Certificates; and

WHEREAS, a portion of the proceeds of the Series 2017B Certificates will be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the “Escrow Agent”) under an Escrow Deposit Agreement (the “Escrow Deposit Agreement”) to be entered into by the School Board and the Escrow Agent, and invested in Government Obligations (as defined therein) until used to prepay the Refunded Certificates on the respective prepayment dates at a prepayment price equal to 100% of the principal portion of Basic Lease Payments represented by the Refunded Certificates and to pay interest on the Refunded Certificates until such prepayment dates; and

WHEREAS, all things necessary to make the Series 2017B Certificates, when executed by the Trustee and issued as provided herein and in the Master 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 2017B Supplemental Trust Agreement, and the creation, execution and issuance of the Series 2017B Certificates subject to the terms thereof, have in all respects been duly authorized.

NOW, THEREFORE, THIS SERIES 2017B SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:

ARTICLE I
DEFINITIONS

SECTION 101. DEFINITIONS. Words and terms that are defined in the Master 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 defined in the Master Trust Agreement or elsewhere defined in this Series 2017B Supplemental Trust Agreement, the following words and terms as used herein shall have the following meaning unless the context or use indicates another or different meaning or intent:

“Amended and Restated Series 2002D-1” shall mean that certain Schedule 2002D-1 dated as of December 1, 2002, to the Master Lease dated as of March 1, 2007, as amended and restated as of December 1, 2017, by and among the School Board, the Corporation and the Trustee as assignee of the Corporation.

“Amended and Restated Series 2002D-2” shall mean that certain Schedule 2002D-2 dated as of December 1, 2002, to the Master Lease dated as of March 1, 2007, as amended and restated as of December 1, 2017, by and among the School Board, the Corporation and the Trustee as assignee of the Corporation.

“Amended and Restated Series 2007B” shall mean that certain Schedule 2007B to the Master Lease dated as of March 1, 2007, as amended and restated as of December 1, 2017, by and among the School Board, Corporation and the Trustee as assignee of the Corporation.

“Business Day” shall mean a day other than (a) a Saturday, Sunday or day on which banks in the State of New York or banks located in each of the cities in which the designated corporate trust office of the Trustee is located are required or authorized by law or executive order to close for business, and (b) a day on which the New York Stock Exchange is closed.

“Closing Date” shall mean the date of delivery of the Series 2017B Certificates to the Series 2017B Underwriter against payment therefor.

“Disclosure Agreement” shall mean that certain Disclosure Dissemination Agreement, dated December 26, 2017, by and between the School Board and Digital Assurance Certification, L.L.C., executed and delivered in connection with the issuance of the Series 2017B Certificates.

“Interest Payment Date” shall mean (a) each February 1 and August 1, commencing August 1, 2018, (b) with respect to any Series 2017B Certificates which are to be prepaid, any date on which such prepayment is made, and (c) the applicable Maturity Date.

ARTICLE II
THE SERIES 2017B CERTIFICATES

SECTION 201. AUTHORIZATION OF SERIES 2017B CERTIFICATES.

(a) There is hereby created a Series of Certificates to be issued under the Trust Agreement to be known as “Certificates of Participation, Series 2017B, Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor”. The Series 2017B Certificates shall be issued for the purpose of (i) providing for the payment of the principal and interest portions of Basic Lease Payments represented by the Refunded Certificates and (ii) paying Costs of Issuance of the Series 2017B Certificates.

(b) The Series 2017B Certificates shall be dated as of the Closing Date and shall also show the date of authentication thereof. The Series 2017B Interest shall be payable from the Interest Payment Date next preceding the date of execution and delivery to which payment has been made or provided for, unless a Series 2017B Certificate is issued prior to the first Interest Payment Date, in which case the Series 2017B Certificate shall represent the right to receive interest from the Closing Date. The Series 2017B Certificates shall initially be issued in the aggregate principal amount of $41,945,000, shall mature on August 1 in the years and in the principal amounts set forth below, and shall represent the right to receive interest at the annual rates, calculated on the basis of a 360-day year comprised of twelve 30-day months, set forth opposite such dates and amounts respectively:

Year (August 1) | Principal Amount | Interest Rate
--- | --- | ---
2022 | $6,355,000 | 5.000%
2023 | 6,365,000 | 5.000%
2024 | 6,690,000 | 5.000%
2025 | 5,625,000 | 5.000%
2026 | 16,930,000 | 5.000%

(c) The Series 2017B Principal due at maturity or upon prepayment thereof, whichever is earlier, shall represent undivided proportionate interests in a portion of the principal portion of the Basic Lease Payments due on each of the Lease Payment Dates set forth in the (i) Series 2002D-1 Lease and the Series 2002D-2 Lease, payable equally and ratably with the Series 2012A Certificates which remain outstanding after the refunding of the Refunded Series 2012A Certificates, and the portion of the Series 2012B Certificates and the portion of the Series 2015A Certificates, representing a portion of the Basic Lease Payments due under the Series 2002D-1 Lease and the Series 2002D-2 Lease, and (ii) the Series 2007B Lease, payable equally and ratably with the Series 2011A Certificates which remain outstanding after the refunding of the Refunded Series 2011A Certificates and the Series 2015C Certificates representing a portion of the Basic Lease Payments due under the Series 2007B Lease.

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The principal and interest portions of Basic Lease Payments represented by the Series 2017B Certificates shall be payable directly to Cede & Co. in care of DTC. Disbursement of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to beneficial owners, and by DTC Participants and Indirect Participants and beneficial owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

The Series 2017B Certificates shall initially be issued in the form of one fully registered Series 2017B Certificate for each maturity (and for each interest rate within a maturity) and shall be held in such form until maturity. Individuals may purchase beneficial interests in the amount of $5,000 or integral multiples thereof in book-entry only form, without certified Series 2017B Certificates, through DTC Participants and Indirect Participants.

DURING THE PERIOD FOR WHICH Cede & CO. IS REGISTERED OWNER OF THE SERIES 2017B CERTIFICATES, ANY NOTICE TO BE PROVIDED TO ANY REGISTERED OWNER WILL BE PROVIDED TO Cede & Co. DTC SHALL BE RESPONSIBLE FOR NOTICE TO DTC PARTICIPANTS AND DTC PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO INDIVIDUAL PURCHASERS OF BENEFICIAL INTERESTS.

The School Board and the Trustee have entered into a Blanket Issuer Letter of Representations with DTC providing for such book-entry only system. Such agreement may be terminated at any time by either DTC or the School Board. In the event of such termination, the School Board shall select another securities depository. If the School Board does not replace DTC, the Trustee will register and deliver to the Beneficial Owners replacement Series 2017B Certificates in the form of fully registered Series 2017B Certificates in denominations of $5,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

SECTION 202. ISSUANCE OF SERIES 2017B CERTIFICATES.

The Series 2017B Certificates shall be the certificates of the documents referred to in Section 304 of the Master Trust Agreement and the payment of the purchase price therefor.

ARTICLE III
PREPAYMENTS

SECTION 301. OPTIONAL PREPAYMENT.

(a) The Series 2017B Certificates shall not be subject to prepayment at the option of the School Board.

SECTION 302. EXTRAORDINARY PREPAYMENT.

The Series 2017B Principal shall be subject to prepayment in the event the Series 2007B Lease terminates prior to payment in full of all of the Basic Lease Payments due thereunder, to the extent the Trustee has moneys available for such purpose pursuant to this Series 2017B Trust Agreement and the Series 2007B Lease, to the extent and subject to the limitations provided in Section 402 of the Master Trust Agreement as if it were proceeding under Section 602 of the Master Trust Agreement. The School Board to comply with the Disclosure Agreement shall not be considered an Event of Default; however, provided it has been satisfactorily indemnified in accordance with Section 602 of the Master Trust Agreement as if it were proceeding under Section 602 of the Master Trust Agreement, the Trustee, upon being indemnified to a satisfaction satisfactory to it (and, upon being indemnified to its satisfaction, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Series 2017B Certificates, shall) or any owner of the Series 2017B Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School Board to comply with its obligations under the Series 2007B Lease. For purposes of this Section, “Beneficial Owner” means any person which (a) has the power, direct or indirect, to vote or consent with respect to, or to dispose of, or ownership of any of Series 2017B Certificates (excluding persons holding Series 2017B Certificates through nominees, depositaries or other intermediaries), or (b) is treated as the owner of any Series 2017B Certificates for federal income tax purposes.

ARTICLE V
MISCELLANEOUS PROVISIONS RELATING TO SERIES 2017B CERTIFICATES

SECTION 501. CONTINUING DISCLOSURE. Pursuant to the Series 2002D-1 Lease, the Series 2002D-2 Lease and the Series 2007B Lease, the School Board has undertaken all responsibility for compliance with continuing disclosure requirements, and the Corporation shall have no liability to the owners of the Series 2017B Certificates or any other person with respect to the Rule. Notwithstanding any other provision of the Trust Agreement, failure of the School Board to comply with the Disclosure Agreement shall not be considered an Event of Default; however, provided it has been satisfactorily indemnified in accordance with Section 602 of the Master Trust Agreement as if it were proceeding under Section 402 of the Master Trust Agreement, and the Trustee, upon being indemnified to a satisfaction satisfactory to it (and, upon being indemnified to its satisfaction, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Series 2017B Certificates, shall) or any owner of the Series 2017B Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the School Board to comply with its obligations under the Series 2007B Lease. For purposes of this Section, “Beneficial Owner” means any person which (a) has the power, direct or indirect, to vote or consent with respect to, or to dispose of, or ownership of any of Series 2017B Certificates (excluding persons holding Series 2017B Certificates through nominees, depositaries or other intermediaries), or (b) is treated as the owner of any Series 2017B Certificates for federal income tax purposes.
SECTION 502. PROVISIONS OF MASTER TRUST AGREEMENT NOT OTHERWISE MODIFIED. Except as expressly modified or amended hereby, the Master Trust Agreement shall remain in full force and effect. To the extent of any conflict between the terms of the Master Trust Agreement and this Series 2017B Supplemental Trust Agreement, the terms hereof shall control.

SECTION 503. COUNTERPARTS. This Series 2017B 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 504. 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 2017B Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 505. LAWS. This Series 2017B Supplemental Trust Agreement shall be construed and governed in accordance with the laws of the State of Florida, without giving effect to principles of conflict of laws.

SECTION 506. NO BROKER CONFIRMATIONS. With respect to the Series 2017B Certificates, the Corporation and the School Board hereby agree that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered or made available by the Trustee.

IN WITNESS WHEREOF, the parties have executed this Series 2017B Supplemental Trust Agreement by their duly authorized officers as of the date and year first written above.

(Signature Page to Follow)
SERIES 2002D
ASSIGNMENT AGREEMENT

BETWEEN

PALM BEACH SCHOOL BOARD LEASING CORP.

AND

THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.
as agent for The Bank of New York
(successor by acquisition to NationsBank of Florida, N.A.)
As Trustee

Dated as of December 1, 2002
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1.01 The School Board of Palm Beach County, Florida (the "School Board"), and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (the same may be amended or supplemented from time to time, the "Master Lease") and have assigned Schedules 2002D-1 and 2002D-2 thereto, each dated as of December 1, 2002, which Master Lease together with each separate schedule constitutes a separate lease (individually, the "Series 2002D-1 Lease" and the "Series 2002D-2 Lease"; collectively, the "Series 2002D Leases") for the purpose with respect to certain improvements and certain educational facilities being financed and have entered into a Series 2002D-4 Ground Lease dated as of December 1, 2002 (the same may be amended or supplemented from time to time, the "Series 2002D-4 Ground Lease"), with respect to the Series 2002D-2 Facilities Site hereinafter defined.

1.02 Pursuant to the Series 2002D Leases, the School Board and the Corporation have agreed that (i) there shall be acquired, constructed, installed and equipped for lease-purchase to the School Board certain educational facilities and improvements as described in Schedule 2002D-2 to the Master Lease (the "Series 2002D-4 Facilities"), such facilities being located on certain lands described in Schedule 2002D-2, (ii) which improvements are hereinafter collectively referred to as the "Series 2002D-2 Facility Sites" and (iii) there shall be acquired, constructed, installed and equipped for lease-purchase to the School Board certain improvements and certain educational facilities being financed and have entered into a Series 2002D-4 Ground Lease dated as of December 1, 2002 (the same may be amended or supplemented from time to time, the "Series 2002D-4 Ground Lease"), with respect to the Series 2002D-4 Ground Lease Payment to be paid by the School Board for the Series 2002D-4 Leases (referred to hereinafter, the "Series 2002D-4 Lease Payments"). The School Board has agreed to lease-purchase the Series 2002D-4 Facilities from the Corporation.

1.03 The Corporation and the Trustee have entered into a Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2002D Supplemental Trust Agreement dated as of December 1, 2002 (as the same may be further amended or supplemented from time to time, the "Master Trust Agreement") which Master Lease together with each separate schedule constitutes a separate lease (individually, the "Series 2002D-1 Lease" and the "Series 2002D-2 Lease"; collectively, the "Series 2002D Leases") for the purpose with respect to certain improvements and certain educational facilities being financed and have entered into a Series 2002D-4 Ground Lease dated as of December 1, 2002 (the same may be amended or supplemented from time to time, the "Series 2002D-4 Ground Lease"), with respect to the Series 2002D-2 Facilities Site hereinafter defined.

2.01 The Corporation is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with corporate powers and authority to own its property and carry on its business as now being conducted, and is qualified whenever necessary to transact its obligations under the Series 2002D-3 Ground Lease, the Series 2002D Loans, the Trust Agreement and this Agreement.

2.02 With respect to the sale, assignment and conveyance of the rights and interests contemplated hereunder to the Trustee, the Corporation represents, warrants and covenants to the Trustee, and the Trustee and the Series 2002D Certificate holders that, upon the date of execution of this Agreement, the Master Trust Agreement and the effective date of the sale, assignment and conveyance of the Corporation's rights under the Series 2002D-3 Ground Lease and the Series 2002D Loans, the facts stated below are true and correct:

A. The Corporation is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with corporate powers and authority to own its property and carry on its business as now being conducted, and is qualified whenever necessary to transact its obligations under the Series 2002D-3 Ground Lease, the Series 2002D Loans, the Trust Agreement and this Agreement.

B. The Corporation has full power, authority and legal right to enter into and perform the obligations under the Series 2002D-3 Ground Lease, the Series 2002D Loans, the Trust Agreement and this Agreement; the execution, delivery and performance of the Series 2002D-3 Ground Lease, the Series 2002D Loans, the Trust Agreement and this Agreement by the Corporation have been duly authorized by all necessary corporate actions on the part of the Corporation, and all required approvals and consents have heretofore been obtained and remain in full force and effect.

C. The execution, delivery and performance of the Series 2002D-3 Ground Lease, the Series 2002D Loans, the Trust Agreement and this Agreement do not contravene any provisions of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it or any of its property is bound or any constitutional or statutory provision, or order, rule, regulation, decree or ordinance of any Federal or State court, government or governmental body having jurisdiction over the Corporation or any of its properties and by which the Corporation or any or any of its property is bound.

D. The Corporation is in no default under any agreement or instrument to which the Corporation is a party or by which it or any of its property is bound, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it or any of its property is bound.
E. The Series 2002D-1 Ground Lease and the Series 2002D Leases delivered to the Trustee are duly executed duplicate originals and, together with all Exhibits thereto, comprise the entire writing, obligation and agreement between the Corporation and School Board respecting the Series 2002D-1 Facility Sites and the Series 2002D Faculties.

F. The Corporation has complied and will at all times hereafter comply with and shall perform its obligations under the Series 2002D-1 Ground Lease, the Series 2002D Leases, the Trust Agreement and this Agreement.

G. Except as disclosed in the Offering Statements dated December 12, 2002, there is no pending or, to the knowledge of the Corporation, announced active suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency in any way affecting the ability of the Corporation to perform its obligations under the Series 2002D-1 Ground Lease, the Series 2002D Leases, the Trust Agreement and this Agreement.

H. The Series 2002D-1 Ground Lease and the Series 2002D Leases being herein assigned are free and clear of all liens, security interests and encumbrances arising through any act or omission of the Corporation or any person claiming by, through or under it, except the rights of the Corporation under the Series 2002D-1 Ground Lease and the Series 2002D-1 Facility Sites and the Series 2002D-1 Leases are vested in the Corporation.

3.03 Except as otherwise set forth in Section 2.04, from and after the date of delivery to the Trustee of this Agreement, the Corporation shall have no further rights or interests under the Series 2002D-1 Ground Lease or any Series 2002D Lease Payments or other monies due with respect thereto to become due under the Series 2002D Leases.

3.04 The Corporation agrees to reserve and deliver to the Trustee upon request by the Trustee, any documents deemed necessary by the Trustee to further evidence or perfect the assignment and conveyance herein made with respect to the Series 2002D-1 Ground Lease and the Series 2002D-1 Leases.

3.05 The Corporation hereby irrevocably waives and appoints the Trustee, its successors and assigns, as its lawful attorney, with full power of substitution and substitution, to collect and to sue on behalf of the Corporation in the name of the Corporation or otherwise, in any court or any other jurisdiction, to recover any moneys due for any Series 2002D Lease Payments or other amounts due under the Series 2002D Leases or any part thereof, to withhold or accept any claims, suits or proceedings pertaining to or arising out of the Series 2002D Leases upon any terms, all without the consent of the Corporation; and, further, to take possession of and to endorse in the name of the Corporation any instruments for the payment of moneys required as evidence of the Series 2002D Leases Payments or other amounts due under the Series 2002D Leases.

3.06 The Corporation agrees that it will authorize and direct the School Board to pay to the Trustee, its successors and assigns, all Series 2002D Lease Payments and all other amounts coming due thereunder or that the Series 2002D Leases will not be renewed as a result of any event of non-appropriation under the Series 2002D Leases, the Corporation shall notify the Trustee of such fact in writing no later than five Business Days after such event of non-appropriation occurs.

3.07 Upon request of the Trustee, the Corporation agrees to cooperate in the Trustee's efforts to collect and cause to be remitted to the Trustee any Series 2002D Lease Payments or other amount.

3.08 In the event the Corporation receives notice from the School Board that it will exercise its option under Section 7.2 of the Master Lease to prepay the Series 2002D Lease Payments to become due thereunder or that the Series 2002D Leases will not be renewed as a result of any event of non-appropriation under the Series 2002D Leases, the Corporation shall notify the Trustee of such fact in writing no later than five Business Days after such exercise.

3.09 This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.


4.01 The assignment contained in this Agreement is to be non-recourse with respect to the Corporation and the Corporation shall have no liability to the Trustee, or any Certificate holders hereunder with respect to the occurrence of any event of default by the School Board under the Series 2002D Leases unless such default consists of failure to pay moneys, breach of covenant or otherwise, provided, however, that nothing contained in this Section 4 shall excuse the Corporation from performance of its obligations under Section 2.04 through 2.08 hereof.

4.02 All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and of any trustee, officer, employee or agent of the parties hereto in their respective capacities, and no recourse shall be had for the assignment effected by Sections 2.04 and 2.05 hereof or for any claims based thereon under this Agreement against any trustee, officer, employee or agent of the parties hereto.

[Remainder of Page Intentionally Left Blank]
The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as President and Secretary, respectively of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 3rd day of January, 2003.

NOTARY PUBLIC, STATE OF FLORIDA

[Signature]

[ Seal of Office]

[Name of Notary Public, Print, Stamp or Type as Commissioned]

[ Personally known to me, or Q

[ Produced identification:]

[ DID take an oath, or Q DID NOT take an oath.]

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The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Sheryl Lear, personally known to me to be the same person whose name is, as Authorized Signatory of The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York, as Trustee, a bank organized under the laws of the State of New York, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereunto duly authorized, signed on behalf of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 3rd day of January, 2003.

NOTARY PUBLIC, STATE OF FLORIDA

[Signature]

[ Seal of Office]

[Name of Notary Public, Print, Stamp or Type as Commissioned]

[ Personally known to me, or Q

[ Produced identification:]

[ DID take an oath, or Q DID NOT take an oath.]

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SERIES 2007B
ASSIGNMENT AGREEMENT

BETWEEN

PALM BEACH SCHOOL BOARD LEASING CORP.

AND

THE BANK OF NEW YORK TRUST COMPANY, N.A.
(successor in interest to NationsBank of Florida, N.A.)
As Trustee

Dated as of March 1, 2007
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SERIES 2007A ASSIGNMENT AGREEMENT

This SERIES 2007A ASSIGNMENT AGREEMENT (this "Agreement"), made and entered into as of this 1st day of February, 2007, by and between the PALM BEACH GARDENS BOARD OF COUNTY COMMISSIONERS, a body politic and corporate created under the laws of the State of Florida ("Corporation"), and THE BANK OF NEW YORK TRUST COMPANY, N.A., Jacksonville, Florida ("Trustee"), witnesseth that, in the joint and mutual exercise of their powers, and in consideration of $0.00 and other good and valuable covenants and conditions hereinafter contained, the parties hereby meet and agree as follows:

Section 1. Rescission

1.01 The Corporation has no right, title or interest in the Trust, or in the Series 2007A General Lease, or in the Series 2007A Lease, or in any right to it, and no right, title or interest herein assigned. Said assignment is made without any further consideration or restrictions, being voluntary, and is not intended to be in any way a mortgage, or other security agreement of any nature whatsoever, and the Corporation will hereby transfer and assign to the Trustee, to the Trustee's successors and assigns, all rights to the Series 2007A General Lease and the Series 2007A Lease, the Trustee to execute an instrument to evidence such assignment.

2.01 The Corporation hereby assigns and transfers all rights, title and interest in the Trust and its property, which assigned interest has been acquired, and all other words, phrases, clauses and sentences contained herein, in, to, and for the benefit of the holder of the Series 2007A Certificate, to be issued under the Trust Agreement, and the Beneficiary, and has executed Schedule 2007A to the Master Lease, a Memorandum of which was recorded on the 1st day of February, 2007, in Official Records Book 2007A, at Page 1, in the Office of the Public Records of Palm Beach County, Florida, and has entered into a Series 2007A Lease, a Memorandum of which was recorded on the 1st day of February, 2007, in Official Records Book 2007A, at Page 1, in the Office of the Public Records of Palm Beach County, Florida, and is assigned to the Trustee as of the date hereof.

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of this Agreement, the Corporation shall have no further rights or interest under the Series 2007B Perpetual Bonds upon the occurrence or payment of any of the events set forth in Article 4 of the Series 2007B Lease.

2.04 The Corporation agrees to execute and deliver to the Trustee upon the request of the Trustee, any documents deemed necessary by the Trustee to further evidence or perfect the assignment and conveyance herein made with respect to the Series 2007B Ground Lease and the Series 2007B Lease.

2.05 The Corporation hereby irrevocably constitutes and appoints the Trustee, its successors and assigns, as its lawful attorney, with full power of substitution and ratification, to collect and enforce on behalf of the Corporation the terms of the Corporation's obligations under the Series 2007B Lease Payments or other amounts due under the Series 2007B Lease, in any manner, without the consent of the Corporation, and, further, to take possession of and to administer in the name of the Corporation any Instrument previously held by the Corporation for the payment of amounts related to the Series 2007B Lease Payments or other amounts due under the Series 2007B Lease.

2.06 The Corporation agrees that it will authorize and direct the School Board to pay to the Trustee, its successors and assigns, all Series 2007B Lease Payments and other amounts coming due under the Series 2007B Lease.

2.07 Upon request of the Trustee, the Corporation agrees to cooperate in the Trustee's efforts to collect and enforce the Series 2007B Lease Payments or other amounts due under the Series 2007B Lease.

3.01 This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

3.02 No provision of this Agreement shall be construed to be punishable by applicable laws shall be construed to be held invalid only to the extent of such prohibition, and shall be deemed amended to the extent required by such laws.

3.03 This Agreement may not be amended without the prior written consent of the parties hereto and their respective successors and assigns.

3.04 This Agreement shall be binding upon and home to the benefit of the parties hereto and their respective successors and assigns.

3.05 This Agreement may be severally assigned by any of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Series 2007B Assignment Agreement on the date and by the respective signatures and seals of the day and year first written above.

[SEAL]

PALM BEACH SCHOOL BOARD LEASING CORP.

By: William Graham
President

THE BANK OF NEW YORK TRUST COMPANY, N.A.

By: L. B. Boll
Rutledge & Boll, Vice President

STATE OF FLORIDA
COUNTY OF PALM BEACH

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William Graham and L. B. Boll, personally known to me to be the persons whose names are, respectively, President and Vice President, respectively, of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida non-profit corporation, subscribed to the foregoing instrument, approved and executed on this day in proper and generally acknowledged form, being solemnly sworn and signed, sealed with the seal of said corporation, and delivered the said instrument to the true and voluntary act of said corporation and as their true free and voluntary act for the uses and purposes therein set forth.

Owen enter my hand and seal and date this 17th day of March, 2007.

[SEAL]

NOTARY PUBLIC, STATE OF FLORIDA

Evelyn Williams

State of Florida, before me, personally known to me, the undersigned officer, was sworn.

Type of Identification Produced
STATE OF FLORIDA

COUNTY OF PALM BEACH

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Barbara Buck, personally known to me to be the same person whose name is, as Vice President of The Bank of New York Trust Company, N.A., as Trustee, a national banking association organized under the laws of the United States of America, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereof duly authorized, signed on behalf of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this

[Notary Public]

[Name of Notary Public, Print, Stamp or Type as Commissioned]

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[Type of Identification Produced]

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APPENDIX D

FORM OF CO-SPECIAL TAX COUNSEL OPINION
APPENDIX D

PROPOSED FORM OF CO-SPECIAL TAX COUNSEL OPINION

On the date of issuance of the Series 2017B Certificates in definitive form, Greenberg Traurig, P.A., and Edwards & Feanny, P.A., Co-Special Tax Counsel, propose to render an approving opinion in substantially the following form.

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

Re: $41,945,000 Certificates of Participation, Series 2017B Evidencing Undivided Proportionate Interests of the Owners Thereof in Basic Lease Payments to be Made by The School Board of Palm Beach County, Florida, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor

Ladies and Gentlemen:

We have acted as co-special tax counsel in connection with the issuance of $41,945,000 aggregate principal amount of Certificates of Participation, Series 2017B, evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor (the “Series 2017B Certificates”), and in connection with the Master Lease Purchase Agreement described below. In that capacity, we have reviewed the Master Lease Purchase Agreement dated as of November 1, 1994 (the “Master Lease”), between The School Board of Palm Beach County, Florida (the “School Board”), and Palm Beach School Board Leasing Corp. (the “Corporation”); Schedule 2002D-1 and Schedule 2002D-2, each dated as of December 1, 2002, as amended and restated as of December 1, 2017 (“Schedule 2002D-1” and “Schedule 2002D-2”, respectively), and Schedule 2007B dated as of March 1, 2007, as amended and restated as of December 1, 2017 (“Schedule 2007B”), each attached to the Master Lease and executed by the School Board, the Corporation and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the “Trustee”) and as assignee of the Corporation (Schedule 2002D-1 and Schedule 2002D-2, together with the Master Lease being hereinafter collectively referred to as the “Series 2002D Leases”, and Schedule 2007B, together with the Master Lease being hereinafter referred to as the “Series 2007B Lease”); the Series 2002D-1 Ground Lease dated as of December 1, 2002, as amended to date, between the

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School Board and the Corporation; the Series 2007B Ground Lease dated as of March 1, 2007, as amended to date, between the School Board and the Corporation; the Series 2002D Assignment Agreement dated as of December 1, 2002 and the Series 2007B Assignment Agreement dated as of March 1, 2007, each between the Corporation and the Trustee; the Master Trust Agreement, dated as of November 1, 1994, as supplemented by a Series 2017B Supplemental Trust Agreement, dated as of December 1, 2017 (collectively, the “Trust Agreement”), between the Corporation and the Trustee; the form of the Series 2017B Certificates; and various other related documents and certificates. The Series 2017B Certificates are payable from a portion of the Basic Lease Payments made pursuant to the Series 2002D Leases equally and ratably with the Unrefunded Series 2012A Certificates, the Series 2012B Certificates and the portion of the Series 2015A Certificates allocable to the Series 2002D Leases, and the Series 2007B Lease equally and ratably with the Unrefunded Series 2011A Certificates and the Series 2015C Certificates allocable to the Series 2007B Lease.

The Basic Lease Payments are payable from funds appropriated by the School Board from current and other funds authorized by law and regulations of the Department of Education of the State of Florida. The School Board is not legally required to appropriate money for such purpose. None of the School Board, the School District of Palm Beach County, Florida (the “District”), the State of Florida, or any political subdivision thereof shall be obligated to pay, except from appropriated funds, any sums due under the Series 2002D Leases and the Series 2007B Lease from any source of taxation, and the full faith and credit of the School Board and the District is not pledged for payment of such sums due thereunder and such sums do not constitute an indebtedness of the School Board or the District within the meaning of any constitutional or statutory provision or limitation.

As to questions of fact material to our opinion, we have relied upon the representations of the School Board contained in the Series 2002D Leases and the Series 2007B Lease and in the certified proceedings and other certifications of officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Series 2002D Leases and the Series 2007B Lease have been duly authorized, executed and delivered by the School Board and, assuming due authorization, execution and delivery by the Corporation, constitutes the valid and legally binding agreement of the School Board enforceable in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting generally the enforcement of creditors’ rights or by the exercise of judicial discretion in accordance with general principles of equity.

2. The Series 2017B Certificates evidence an undivided proportionate interest of the owners thereof in the Basic Lease Payments to be made by the School Board pursuant to the Series 2017B Certificates are payable from a portion of the Basic Lease Payments made pursuant

3. Under existing statutes, regulations, rulings and court decisions, subject to the assumptions stated in the following paragraph, the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017B Certificates is excludable from gross income for federal income tax purposes. Furthermore, the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017B Certificates is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest portion of the Basic Lease Payments is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the receipt or accrual of the interest portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017B Certificates, or the ownership or disposition of the Series 2017B Certificates. Furthermore, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2017B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an Event of Default thereunder.

In rendering the opinion in the preceding paragraph, we have assumed continuing compliance by the School Board with the requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder that must be met after the issuance of the Series 2017B Certificates in order that the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017B Certificates be and remain excludable from gross income for federal income tax purposes. The School Board’s failure to meet such requirements may cause the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017B Certificates to be included in gross income for federal income tax purposes retroactively to the commencement date of the Series 2017B Certificates. The School Board has covenanted to comply with such requirements.

4. The Series 2017B Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017B Certificates are not subject to taxation under the laws of the State of Florida, except as to estate taxes and taxes under Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined therein; provided, however, that no opinion is expressed with respect to tax consequences under the laws of the State of Florida of any payments received with respect to the Series 2017B Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.
We express no opinion regarding the perfection or priority of the lien on the Trust Estate (as defined in the Trust Agreement). Further, we express no opinion regarding tax consequences arising with respect to any payments received with respect to the Series 2017B Certificates other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

GREENBERG TRAURIG, P.A.
EDWARDS & FEANNY, P.A.
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DISCLOSURE DISSEMINATION AGENT AGREEMENT

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

$41,945,000
Certificates of Participation, Series 2017B

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated December 26, 2017, is executed and delivered by The School Board of Palm Beach County, Florida (the “School 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 captioned certificates (the “Certificates”) and in order to provide certain continuing disclosure with respect to the Certificates (hereinafter defined) 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”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the School Board through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the School Board or anyone on the School Board’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

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 MSRB (as hereinafter defined).

“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 School 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 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, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the School 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 Finance Officer of the District, or such other person as the School 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 School Board pursuant to Section 9 hereof.

“District” means the School District of Palm Beach County, Florida.

“Failure to File Event” means the School Board’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shutdown of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“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, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.
“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule.

“Obligated Person” means the School Board, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Certificates (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that certain Offering Statement prepared by the School Board in connection with the Certificates, as described on Exhibit A.

“Trustee” means the institution identified as such in the document under which the Certificates were issued.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports. (a) The School 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 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 the MSRB via EMMA not later than January 15 of each fiscal year of the District, commencing January 15, 2019. 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 School 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 School 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 Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern Time on the Annual Filing Date (or, if such Annual Filing
Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the School Board irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the School Board are prepared but not available prior to the Annual Filing Date, the School 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 Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the School Board pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. “Principal and interest payment delinquencies;”

2. “Non-Payment related defaults, if material;”

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, IRS notices or events affecting the tax status of the security;”

7. “Modifications to rights of securities holders, if material;”

8. “Certificate calls, if material;”

9. “Defeasances;”
10. “Release, substitution, or sale of property securing repayment of the securities;”

11. “Rating changes;”

12. “Tender Offers;”

13. “Bankruptcy, insolvency or receivership or similar event of the Obligated Person;”

14. “Merger, consolidation or acquisition of the Obligated Person, if material;”

15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the School Board pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”

2. “change in obligated person;”

3. “notice to investors pursuant to bond documents;”

4. “certain communications from the Internal Revenue Service;”

5. “secondary market purchases;”

6. “bid for auction rate or other securities;”

7. “capital or other financing plan;”

8. “litigation/enforcement action;”

9. “change of tender agent, remarketing agent, or other on-going party;”

10. “derivative or other similar transaction;” and

11. “other event-based disclosures;”
(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the School Board pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. “quarterly/monthly financial information;”
2. “change in fiscal year/timing of annual disclosure;”
3. “change in accounting standard;”
4. “interim/additional financial information/operating data;”
5. “budget;”
6. “investment/debt/financial policy;”
7. “information provided to rating agency, credit/liquidity provider or other third party;”
8. “consultant reports;” and
9. “other financial/operating data."

(viii) provide the School 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 School 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 and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year. The District’s fiscal year commences on July 1 and ends on the immediately succeeding June 30.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.
SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the School Board, including, to the extent not set forth in the CAFR (as hereinafter defined):

1. Updates of information in the Offering Statement relating to:
   b. Revenue sources and current and historical millage levels as described under the headings “OPERATING REVENUES OF THE DISTRICT” and “AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS,” “AD VALOREM TAX PROCEDURES,” AND “AD VALOREM TAXATION,” consisting of the tables entitled “Assessed Valuation of Taxable Property,” “County-Wide Ad Valorem Millage Rates,” “Property Tax Levies and Collections,” and “Principal Property Tax Payers.”

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 School Board for the prior fiscal year, prepared in accordance with generally accepted auditing standards, and Government Auditing Principles issued by the Comptroller General of the United States. If the School Board’s Audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 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 when they become available. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

(c) The School Board’s Comprehensive Annual Financial Report (“CAFR”) for the immediately preceding Fiscal Year. If the School Board’s CAFR is not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain the Superintendent’s Annual Financial Report (Unaudited) for the immediately prior Fiscal Year and the CAFR shall be filed in the same manner as the Annual Report when it becomes
available. The CAFR will be provided in the same manner as the Audited Financial Statements pursuant to Section 2(d).

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 School Board is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final offering statement, it must be available from the MSRB. The School 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 with respect to the Certificates constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the interest portion of Basic Lease Payments represented by the Certificates, or other material events affecting the tax-exempt status of the interest portion of Basic Lease Payments represented by the Certificates;
7. Modifications to rights of Certificate holders, if material;
8. Certificate calls, if material, and tender offers;
9. defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates, if material;
11. Rating changes on the Certificates;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a
proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The School Board shall, in a timely manner not in excess of ten (10) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the School 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 two (2) business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the School Board determines that a Notice Event has occurred), 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) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which should be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information, (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).
(c) If the Disclosure Dissemination Agent has been instructed by the School 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 MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the School Board shall indicate the full name of the Certificates and the 9-digit CUSIP numbers for the Certificates as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The School 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 School Board, and that the duties and responsibilities of the Disclosure Dissemination Agent do not extend to providing legal advice regarding such laws. The School 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 Filing.

(a) The School Board may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB, from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the School Board as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The School Board may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the School Board as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.
(c) The parties hereto acknowledge that the School Board is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the School 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, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the School Board chooses to include any information in any Annual Report, Annual Financial Statement, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that which is specifically required by this Disclosure Agreement, the School Board shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the School 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 School 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 School Board has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The School 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 School Board or DAC, the School 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 School 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 School Board.

SECTION 10. Remedies in Event of Default. In the event of a failure of the School 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 School 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 School Board and shall not be deemed to be acting in any fiduciary capacity for the School Board, the Holders of the Certificates or any other party. The Disclosure Dissemination Agent shall have no responsibility for the School 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 School Board has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the School 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 shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. If the School 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 School Board.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the School 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 School 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 School 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 School Board. No such amendment shall become effective if the School 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 School 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.

[Remainder of Page Intentionally Left Blank]
The Disclosure Dissemination Agent and the School 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 PALM BEACH COUNTY, FLORIDA**

By: ________________________________
   Chuck Shaw
   Chairman
EXHIBIT A

NAME AND CUSIP NUMBERS OF CERTIFICATES

Name of Issuer: THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
Obligated Persons: The School Board of Palm Beach County, Florida
Name of Certificate Issue: $41,945,000 Certificates of Participation, Series 2017B
Date of Issuance: December 26, 2017
Date of Offering Statement: December 20, 2017
Initial CUSIP Numbers: See below
EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

Obligated Persons: The School Board of Palm Beach County, Florida

Name of Certificate Issue: $41,945,000 Certificates of Participation, Series 2017B

Date of Issuance: December 26, 2017

Date of Offering Statement: December 20, 2017

NOTICE IS HEREBY GIVEN that the School Board has not provided an Annual Report with respect to the above-named Certificates as required by the Disclosure Agreement, dated December 26, 2017, between the School Board and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The School Board 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 School Board

________________________________________

cc: The School Board of Palm Beach County, Florida
   Obligated Person
EXHIBIT C-1

EVENT NOTICE COVER SHEET

This cover sheet and accompanying “event notice” will be sent to the Municipal Securities Rulemaking Board pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

School Board’s and/or Other Obligated Person’s Name:
The School Board of Palm Beach County, Florida

Name of Certificate Issue: $41,945,000 Certificates of Participation, Series 2017B
School Board’s Six-Digit CUSIP Number: 696550
Nine-Digit CUSIP Number(s) of the Certificates to which this event notice relates:

Initial
CUSIP No.

Number of pages of attached material event notice: _____

Description of Notice Event (Check One):

1. ___Principal and interest payment delinquencies
2. ___Non-Payment related defaults, if material
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, IRS notices or events affecting the tax status of the Certificates
7. ___Modifications to rights of Certificate holders, if material
8. ___Certificate calls, if material
9. ___Defeasances
10. ___Release, substitution, or sale of property securing repayment of the Certificates, if material
11. ___Rating changes
12. ___Tender offers
13. ___Bankruptcy, insolvency or receivership or similar event of the Obligated Person
14. ___Merger, consolidation or acquisition of the Obligated Person, if material
15. ___Appointment of a successor or additional trustee, or the change of name of a trustee, if material

___Failure to provide annual financial information as required [C6]
I hereby represent that I am authorized by the School 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]____________________________________________________

Date:______________________________
EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary event disclosure” will be sent to the Municipal Securities Rulemaking Board, pursuant to the Disclosure Dissemination Agent Agreement dated December 26, 2017, between the School Board and DAC.

School Board’s and/or Other Obligated Person’s Name:
The School Board of Palm Beach County, Florida

Name of Certificate Issue: $41,945,000 Certificates of Participation, Series 2017B

School Board’s Six-Digit CUSIP Number: 696550

Nine-Digit CUSIP Number(s) of the certificates to which this event notice relates:

Initial
CUSIP No.

Number of pages of attached material event notice: _____

____ Description of Voluntary Event Disclosure (Check One):

1. ______“amendment to continuing disclosure undertaking;”
2. ______“change in obligated person;”
3. ______“notice to investors pursuant to bond documents;”
4. ______“certain communications from the Internal Revenue Service;”
5. ______“secondary market purchases;”
6. ______“bid for auction rate or other securities;”
7. ______“capital or other financing plan;”
8. ______“litigation/enforcement action;”
9. ______“change of tender agent, remarketing agent, or other on-going party;”
10. ______“derivative or other similar transaction;” and
11. ______“other event-based disclosures.”

I hereby represent that I am authorized by the School Board or its agent to distribute this information publicly: Signature:

____________________________________
Employer: Digital Assurance Certification, L.L.C. Address: ________________
________________________
City, State, Zip Code: ________________________________
Voice Telephone Number: [C9] ________________________________

Date: __________________

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EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary financial disclosure” will be sent to the Municipal Securities Rulemaking Board, pursuant to the Disclosure Dissemination Agent Agreement dated December 26, 2017, between the School Board and DAC.

School Board’s and/or Other Obligated Person’s Name:
The School Board of Palm Beach County, Florida

Name of Certificate Issue: $41,945,000 Certificates of Participation, Series 2017B

School Board’s Six-Digit CUSIP Number: 696550

Nine-Digit CUSIP Number(s) of the certificates to which this event notice relates:

Initial
CUSIP No.

Number of pages of attached material event notice: _____

_____ Description of Voluntary Financial Disclosure (Check One):

  1. _____“quarterly/monthly financial information;”
  2. _____“change in fiscal year/timing of annual disclosure;”
  3. _____“change in accounting standard;”
  4. _____“interim/additional financial information/operating data;”
  5. _____“budget;”
  6. _____“investment/debt/financial policy;”
  7. _____“information provided to rating agency, credit/liquidity provider or other third party;”
  8. _____“consultant reports;” and
  9. _____“other financial/operating data.”

I hereby represent that I am authorized by the School Board or its agent to distribute this information publicly:

Signature: ____________________________________________

_____________________________ Title: [C7]

Employer: Digital Assurance Certification, L.L.C.  Address: [C8]

City, State, Zip Code: ____________________________________________

Voice Telephone Number: [C9]____________________________________

Date: ______________________

Name: [C6] ____________________________________________

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