

In the opinion of Greenberg Traurig, P.A. and Edwards & Feanny, P.A., Co-Special Tax Counsel, assuming continuing compliance with certain tax covenants and the accuracy of certain representations of the School Board, under existing statutes, regulations, rulings and court decisions, the portion of the Basic Lease Payments designated and paid as interest to the Series 2017A Certificate holders will be excludable from gross income for federal income tax purposes. The portion of the Basic Lease Payments designated and paid as interest to the Series 2017A Certificate holders will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest 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 2017A Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder. See "TAX TREATMENT" herein for a description of certain other federal tax consequences of ownership of the Series 2017A Certificates. Co-Special Tax Counsel is further of the opinion that the Series 2017A Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017A 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 2017A Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

\$147,850,000

**CERTIFICATES OF PARTICIPATION,
SERIES 2017A**



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

Dated: Date of Delivery

Due: August 1, as shown on the inside cover

The Certificates of Participation, Series 2017A (the "Series 2017A Certificates") offered hereby evidence undivided proportionate interests in a portion of the Basic Lease Payments (as defined herein) to be made by The School Board of Palm Beach County, Florida (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District") pursuant to a Master Lease Purchase Agreement, dated as of November 1, 1994 (the "Master Lease") with the Palm Beach School Board Leasing Corp. (the "Corporation"), as amended and supplemented by (i) Schedule 2001A-1, as amended and restated as of October 1, 2017 ("Schedule 2001A-1," and together with the Master Lease, the "Series 2001A-1 Lease"), (ii) Schedule 2001A-2, as amended and restated as of October 1, 2017 ("Schedule 2001A-2," and together with the Master Lease, the "Series 2001A-2 Lease," and collectively with the Series 2001A-1 Lease, the "Series 2001A Leases") and (iii) Schedule 2002C, as amended and restated as of October 1, 2017 ("Schedule 2002C," and together with the Master Lease, the "Series 2002C Lease"), each providing for the lease purchase financing and refinancing of certain educational facilities by the School Board, as described herein. Schedule 2001A-1, Schedule 2001A-2 and Schedule 2002C are collectively referred to herein as the "Transaction Lease Schedules." The Series 2001A Leases and the Series 2002C Lease are collectively referred to herein as the "Transaction Leases."

The Series 2017A Certificates are being issued as fully registered Certificates pursuant to the provisions of a Master Trust Agreement, dated as of November 1, 1994, as amended and supplemented by a Series 2017A Supplemental Trust Agreement, dated as of October 1, 2017, each between the Corporation and The Bank of New York Mellon Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), Jacksonville, Florida, as trustee (the "Trustee"). The interest portion of the Basic Lease Payments represented by the Series 2017A Certificates is payable on August 1 and February 1 of each year, commencing February 1, 2018 (each a "Payment Date") by check or draft of the Trustee mailed to the Series 2017A Certificate owner of record at the address shown on the registration records maintained by the Trustee as of the fifteenth day of the month (whether or not a business day) next preceding each Payment Date. The Series 2017A Certificates are being issued in denominations of \$5,000 or any integral multiple thereof and will initially be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). Purchasers of the Series 2017A Certificates (the "Beneficial Owners") will not receive physical delivery of the Series 2017A Certificates. Ownership by the Beneficial Owners of the Series 2017A Certificates will be evidenced through a book-entry only system of registration. As long as Cede & Co. is the registered owner as nominee of DTC, payment of the principal portion and interest portion of the Basic Lease Payments represented by the Series 2017A Certificates will be made directly to Cede & Co., which will in turn remit such payments to the DTC Participants for subsequent disbursement to the Beneficial Owners.

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 2017A Certificates, the initial Beneficial Owners of the Series 2017A Certificates shall be deemed to have consented to such amendments. See "CERTAIN AMENDMENTS TO THE MASTER LEASE AND THE TRANSACTION LEASE SCHEDULES" and "APPENDIX D - CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement," "- Form of Schedule 2001A-1," "- Form of Schedule 2001A-2" and "- Form of Schedule 2002C" herein.

The Series 2017A Certificates are not subject to optional or extraordinary prepayment prior to maturity. See "THE SERIES 2017A CERTIFICATES - Prepayment" herein.

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

SEE THE INSIDE COVER FOR CERTAIN ADDITIONAL INFORMATION RELATING TO THE TRANSACTION LEASES AND THE SERIES 2017A 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 2017A Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida and Edwards & Feanny, P.A., Miami, Florida, Co-Special Tax Counsel, and certain other conditions. Nabors, Giblin & 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 for the School Board and the Corporation by the District's Office of General Counsel. PFM Financial Advisors LLC, Orlando, Florida, is acting as Financial Advisor to the School Board. It is expected that the Series 2017A Certificates will be available for delivery in New York, New York through the offices of DTC on or about October 11, 2017.

Wells Fargo Bank, National Association, Municipal Products Group

ADDITIONAL INFORMATION

The Series 2017A Certificates are being issued to provide funds for the purposes of (i) refunding, on a current basis, all of the School Board's outstanding Certificates of Participation, Series 2007C and (ii) paying certain costs of issuance with respect to the Series 2017A Certificates.

The initial terms of the Series 2001A Leases commenced on April 1, 2001 and continued through and including June 30, 2001, have been automatically renewed annually to date and are automatically renewable annually through August 1, 2026, unless sooner terminated as described herein. The initial term of the Series 2002C Lease commenced on May 15, 2002 and continued through and including June 30, 2002, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2027, 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 2017A 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 2017A 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**

\$147,850,000 Serial Series 2017A Certificates

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial</u> <u>CUSIP No.</u> ⁽¹⁾
2020	\$12,805,000	5.00%	1.07%	110.831	696550B35
2021	3,740,000	5.00	1.19	114.132	696550B43
2022	3,990,000	5.00	1.38	116.773	696550B50
2023	15,020,000	5.00	1.54	119.142	696550B68
2024	15,830,000	5.00	1.73	120.906	696550B76
2025	16,740,000	5.00	1.90	122.387	696550B84
2026	38,730,000	5.00	2.06	123.562	696550B92
2027	40,995,000	5.00	2.16	124.972	696550C26

⁽¹⁾ CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is provided for convenience of reference only. The School Board, the Financial Advisor and the Underwriter and their agents take no responsibility for the accuracy of such data.

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THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BOARD MEMBERS

District 2 - Chuck Shaw, Chairman
District 7 - Debra Robinson, M.D., Vice Chairman
District 1 - Barbara McQuinn
District 3 - Karen 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.
Miami, Florida

Edwards & Feanny, P.A.
Miami, Florida

CO-DISCLOSURE COUNSEL

Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

Janet C. Moreira, Esquire
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.

UPON ISSUANCE, THE SERIES 2017A 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 2017A 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 2017A 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 2017A Certificates are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

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.

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

\$147,850,000

CERTIFICATES OF PARTICIPATION, SERIES 2017A
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 \$147,850,000 aggregate principal amount of Certificates of Participation, Series 2017A (the "Series 2017A Certificates"). The Series 2017A 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 2017A 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 2017A Supplemental Trust Agreement dated as of October 1, 2017 (the "Series 2017A 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 2017A Certificates, the initial Beneficial Owners (as defined herein) of the Series 2017A Certificates shall be deemed to have consented to such prospective amendments. See "CERTAIN AMENDMENTS TO THE MASTER LEASE AND THE

TRANSACTION LEASE SCHEDULES" and "APPENDIX D - CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement," "- Form of Schedule 2001A-1," "- Form of Schedule 2001A-2" and "- Form of Schedule 2002C" herein.

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The following table provides a summary of the Leases expected to be in effect following delivery of the Series 2017A 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.

Lease	Related Facilities	Final Renewal Term Ending Date	Related Series of Certificates	Principal Amount Outstanding
Series 2000A	Series 2000A	August 1, 2025	Series 2014B	\$ 139,390,000
Series 2001A ⁽¹⁾	Series 2001A-1 and Series 2001A-2	June 30, 2026	Series 2015A	34,610,000 ⁽⁶⁾
Series 2002A ⁽²⁾	Series 2002A-1 and Series 2002A-2	August 1, 2027	Series 2017A	62,205,000 ⁽⁷⁾
Series 2002B	Series 2002B	August 1, 2027	Series 2015A	5,295,000 ⁽⁶⁾
Series 2002C	Series 2002C	August 1, 2027	Series 2011C	1,355,000
Series 2002D ⁽³⁾	Series 2002D-1 and Series 2002D-2	August 1, 2028	Series 2014A	115,350,000
Series 2003A	Series 2003A	August 1, 2021	Series 2015A	10,550,000 ⁽⁶⁾
Series 2003B	Series 2003B	August 1, 2029	Series 2017A	85,645,000 ⁽⁷⁾
Series 2004A-1	Series 2004A-1	August 1, 2029	Series 2012B	101,990,000
Series 2004-QZAB	Series 2004-QZAB	April 29, 2020	Series 2012A	20,085,000
Series 2005-QZAB	Series 2005-QZAB	December 15, 2020	Series 2015A	11,100,000 ⁽⁶⁾
Series 2006A	Series 2006A-1	August 1, 2031	Series 2011D	15,325,000
Series 2007A-1	Series 2007A-1	August 1, 2031	Series 2003B	124,295,000
Series 2007B	Series 2007B	August 1, 2032	Series 2012C	59,965,000
Series 2007E ⁽⁴⁾	Series 2007E-1 and Series 2007E-2	August 1, 2032	Series 2004-QZAB	441,356
Series 2010A ⁽⁵⁾	Series 2010A	August 1, 2032	Series 2005-QZAB	430,513
Total			Series 2015B	138,790,000
			Series 2014C	33,280,000
			Series 2015D	113,250,000 ⁽⁸⁾
			Series 2015C	62,970,000
			Series 2011A	44,520,000
			Series 2015D	108,390,000 ⁽⁸⁾
			Series 2010A	67,665,000
				<u>\$1,356,896,869</u>

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

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

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

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

(6) The listed principal amounts represent the approximate principal portion of the Series 2015A Certificates allocated to each of the Series 2001A Leases, Series 2002A Leases, Series 2002C Lease and the Series 2002D Leases.

(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. Reflects the refunding of all of the outstanding Series 2007C Certificates with proceeds of the Series 2017A Certificates. See "PURPOSE OF THE SERIES 2017A CERTIFICATES" and "PLAN OF REFUNDING" herein.

(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.

The Series 2003B Certificates, the Series 2004-QZAB Certificates, the Series 2005-QZAB Certificates, the Series 2010A Certificates, the Series 2011A Certificates, the Series 2011C Certificates, the Series 2011D Certificates, the Series 2012A Certificates, 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 and the Series 2015D Certificates are collectively referred to herein as the "Outstanding Certificates." The Series 2000A Lease, the Series 2002A Leases, the Series 2002B Lease, the Series 2002D Leases, 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-1 Lease, the Series 2007A-1 Lease, the Series 2007B 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 also authorized the issuance of not-to-exceed \$52,000,000 aggregate principal amount of Certificates of Participation, Series 2017B (the "Series 2017B Certificates") in order to refund a portion of the School Board's outstanding Certificates of Participation, Series 2011A (the "Series 2011A Certificates") and Certificates of Participation, Series 2012A (the "Series 2012A Certificates"). A separate Offering Statement describing the Series 2017B Certificates will be prepared and disseminated in connection therewith. 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, related to the applicable Interest Rate Exchange Agreement related thereto. See "EXPECTED ISSUANCE OF OTHER CERTIFICATES" and "SECURITY FOR THE SERIES 2017A CERTIFICATES - Interest Rate Exchange Agreements" herein.

The Facilities currently leased by the School Board under the Master Lease constitute approximately 37% of all gross square feet of educational facilities space in the District. See "THE MASTER LEASE FACILITIES," "THE SERIES 2001A 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 2001A-1, as amended and restated as of October 1, 2017 ("Schedule 2001A-1," and together with the Master Lease, the "Series 2001A-1 Lease"), (ii) Schedule 2001A-2, as amended and restated as of October 1, 2017 ("Schedule 2001A-2," and together with the Master Lease, the "Series 2001A-2 Lease," and collectively with the Series 2001A-1 Lease, the "Series 2001A Leases") and (iii) Schedule 2002C, as amended and restated as of October 1, 2017 ("Schedule 2002C," and together with the Master Lease, the "Series 2002C Lease"), each providing for the lease purchase financing and refinancing of certain educational facilities by the School Board, as described herein. Schedule 2001A-1, Schedule 2001A-2 and Schedule 2002C are collectively referred to herein as the "Transaction Lease Schedules." The Series 2001A Leases and the Series 2002C Lease are collectively referred to herein as the "Transaction Leases."

The initial term of the Series 2001A-1 Lease commenced on April 1, 2001 and continued through and including June 30, 2001, has been automatically renewed annually to date and is

automatically renewable annually through August 1, 2026, unless sooner terminated as described herein. Subject to the Board's right to substitute facilities, the Facilities being lease purchased under the Series 2001A-1 Lease includes seven elementary schools, three elementary school replacements and a high school classroom addition (the "Series 2001A-1 Facilities"). See "THE TRANSACTION LEASES" and "THE REFINANCED FACILITIES - The Series 2001A-1 Facilities."

The initial term of the Series 2001A-2 Lease commenced on April 1, 2001 and continued through and including June 30, 2001, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2026, unless sooner terminated as described herein. Subject to the Board's right to substitute facilities, the Facilities being lease purchased under the Series 2001A-2 Lease includes land acquisition and a portable classroom replacement program (the "Series 2001A-2 Facilities," and together with the Series 2001A-1 Facilities, the "Series 2001A Facilities"). See "THE TRANSACTION LEASES" and "THE REFINANCED FACILITIES - The Series 2001A-2 Facilities."

The initial term of the Series 2002C Lease commenced on May 15, 2002 and continued through and including June 30, 2002, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2027, unless sooner terminated as described herein. Subject to the Board's right to substitute facilities, the Facilities being lease purchased under the Series 2002C Lease includes two elementary schools, a high school, modernization of a high school, modernization to an elementary school, an addition to Village Academy and an addition/HVAC upgrade to an elementary school (the "Series 2002C Facilities"). The Series 2001A-1 Facilities, Series 2001A-2 Facilities and Series 2002C Facilities are collectively referred to herein as the "Refinanced Facilities." See "THE TRANSACTION LEASES" and "THE REFINANCED FACILITIES - The Series 2002C Facilities."

The School Board currently holds title to all of the sites on which the Series 2001A-1 Facilities are located (the "Series 2001A-1 Facility Sites"). Pursuant to the Series 2001A-1 Ground Lease dated as of April 1, 2001, as amended (the "Series 2001A-1 Ground Lease"), the School Board is leasing the Series 2001A-1 Facility Sites to the Corporation for an initial term which commenced on April 1, 2001 and ends on August 1, 2031, subject to Permitted Encumbrances (as defined in the Series 2001A-1 Ground Lease), and subject to earlier termination or extension as set forth therein. See "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Series 2001A-1 Ground Lease."

The School Board currently holds title to all of the sites on which the Series 2002C Facilities are located (the "Series 2002C Facility Sites"). Pursuant to the Series 2002C Ground Lease dated as of May 15, 2002, as amended (the "Series 2002C Ground Lease," and together with the Series 2001A-1 Ground Lease, the "Transaction Ground Leases"), the School Board is leasing the Series 2002C Facility Sites to the Corporation for an initial term which commenced on May 15, 2002 and ends on August 1, 2032, subject to Permitted Encumbrances (as defined in the Series 2002C Ground Lease), and subject to earlier termination or extension as set forth therein. See "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Series 2002C Ground Lease."

Pursuant to the Series 2001A Assignment Agreement dated as of April 1, 2001 (the "Series 2001A Assignment"), between the Corporation and the Trustee, the Corporation has

irrevocably assigned to the Trustee for the benefit of the owners of the portion of the Series 2017A Certificates allocable to the Series 2001A Leases, the portion of the Certificates of Participation, Series 2015A (the "Series 2015A Certificates") allocable to the Series 2001A Leases and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2001A Leases (e.g., a Series of Certificates issued to refund the portion of the Series 2017A Certificates or the portion of the Series 2015A Certificates allocable to the Series 2001A Leases) substantially all of its right, title and interest in and to the Series 2001A-1 Ground Lease and the Series 2001A Leases including the right to receive the Basic Lease Payments and all other amounts due under the Series 2001A Leases, as herein described. See "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Series 2001A Assignment."

Pursuant to the Series 2002C Assignment Agreement, dated as of May 15, 2002 (the "Series 2002C Assignment," and together with the Series 2001A 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 portion of the Series 2017A Certificates allocable to the Series 2002C Lease and the portion of the Series 2015A Certificates allocable to the Series 2002C Lease and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2002C Leases (e.g., a Series of Certificates issued to refund the portion of the Series 2017A Certificates or the portion of the Series 2015A Certificates allocable to the Series 2002C Lease) substantially all of its right, title and interest in and to the Series 2002C Ground Lease and the Series 2002C Lease including the right to receive the Basic Lease Payments and all other amounts due under the Series 2002C Lease, as herein described. See "APPENDIX D - CERTAIN LEGAL DOCUMENTS - The Series 2002C Assignment."

Brief descriptions of the District, the School Board, the Corporation and the Refinanced Facilities are included in this Offering Statement together with summaries of certain provisions of the Series 2017A 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 Centurion Parkway, Jacksonville, Florida 32256, or to the District at 3300 Forest Hill Boulevard, Suite A-334, West Palm Beach, Florida 33406-5813, Office of the Treasurer. Capitalized terms used herein and not otherwise defined will have the meanings given them in "APPENDIX D - CERTAIN LEGAL DOCUMENTS."

PURPOSE OF THE SERIES 2017A CERTIFICATES

The Series 2017A Certificates are being issued for the principal purposes of (i) providing funds sufficient to prepay all of the outstanding Series 2007C Certificates (the "Refunded Certificates") and thereby refinance a portion of the costs of the Refinanced Facilities and (ii) paying costs associated with the issuance of the Series 2017A Certificates. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

PLAN OF REFUNDING

The Refunded Certificates are subject to optional prepayment on or about November 4, 2017, 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 2017A Certificates, a portion of the proceeds of the Series 2017A Certificates 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"), which funds will be 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 date 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 Integrity Public Finance Consulting, LLC, Jacksonville, Florida, independent certified public accountants described herein under the heading "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of the arithmetic computation showing the adequacy of the proceeds of the Series 2017A Certificates 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 " above have been verified by Integrity Public Finance Consulting, LLC, Jacksonville, Florida.

EXPECTED ISSUANCE OF OTHER CERTIFICATES

Subject to satisfaction of certain conditions, the School Board has also authorized the issuance of not-to-exceed \$52,000,000 aggregate principal amount of Certificates of Participation, Series 2017B (the "Series 2017B Certificates"). The proceeds of the Series 2017B Certificates will be used for the principal purposes of refunding a portion of the Series 2011A Certificates and Series 2012A Certificates. A separate Offering Statement describing the Series 2017B Certificates will be prepared and disseminated in connection therewith. The Series 2002D Leases and Series 2007B Lease will be further amended and restated in connection with the issuance of the Series 2017B Certificates. At this time, there is no assurance that conditions precedent to the issuance of the Series 2017B Certificates will be satisfied and therefore the expected issuance of such Series 2017B Certificates is not reflected in this Offering Statement. However, if issued, the issuance of the Series 2017B Certificates is expected to result in annual debt service savings to the School Board.

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. If offered via public sale, separate Offering Statements describing such Certificates will be prepared and disseminated in connection therewith. Such transactions, if and when undertaken, may result in an increase in debt service to the School Board. However, the School Board does not expect such transactions to adversely affect its ability to make Basic Lease Payments under the Transaction Leases or the Current Leases. See "SECURITY FOR THE SERIES 2017A CERTIFICATES - Interest Rate Exchange Agreements" herein.

THE SERIES 2017A CERTIFICATES

General

The Series 2017A 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 2017A Certificates will initially be issued exclusively in "book-entry" form and ownership of one fully registered Series 2017A 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 2017A Certificates are payable in the manner set forth under "THE SERIES 2017A CERTIFICATES - Book-Entry Only System" herein. Individual purchases of the Series 2017A Certificates will be made in increments of \$5,000 or integral multiples thereof.

The principal portion of Basic Lease Payments represented by the Series 2017A 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 2001A Leases, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2001A Leases and (ii) the Series 2002C Lease, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2002C Lease. The interest component of Basic Lease Payments represented by the Series 2017A Certificates is payable on February 1 and August 1 of each year, commencing on February 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 2017A Certificates under (i) the Series 2001A Leases, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2001A Leases and (ii) the Series 2002C Lease, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2002C Lease. The interest portion of the Basic Lease Payments represented by the Series 2017A 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 2017A 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 2017A Certificates, the interest portion of the Basic Lease Payments represented by the Series 2017A 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 2017A 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 2017A Certificates are not subject to optional prepayment prior to maturity.

No Extraordinary Prepayment in the Event of Termination of the Transaction Leases. The Series 2017A Certificates are not subject to extraordinary 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.

No Extraordinary Prepayment in the Event of Damage, Destruction or Condemnation of the Refinanced Facilities. The Series 2017A 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.

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 2017A Certificates. The Series 2017A 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 2017A 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 2017A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2017A Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2017A 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 2017A 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 2017A Certificates, except in the event that use of the book-entry system for the Series 2017A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2017A 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 2017A 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 2017A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017A 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 2017A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2017A Certificates, such as prepayments, defaults, and proposed amendments to the Series 2017A financing documents. For example, Beneficial

Owners of Series 2017A Certificates may wish to ascertain that the nominee holding the Series 2017A 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017A 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 2017A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series 2017A 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 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 2017A 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 2017A 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 2017A 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 2017A 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 2017A 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 2017A Certificates will be printed and delivered to DTC.

SECURITY FOR THE SERIES 2017A CERTIFICATES

General

The Series 2017A 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 2001A Leases, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2001A Leases and (ii) the Series 2002C Lease, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2002C Lease. The Series 2017A Certificates are secured by and payable from the Trust Estate established for the Series 2017A 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 2017A 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 2017A 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 2001A-1 Facilities (but not the Series 2001A-2 Facilities) and the Series 2002C 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 2001A-1 Facilities will be applied to the payment of the portion of the Series 2017A Certificates allocable to the Series 2001A-1 Lease, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2001A-1 Lease, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2001A-1 Lease. Any proceeds of any such disposition of the Series 2002C Facilities will be applied to the payment of the portion of the Series 2017A Certificates allocable to the Series 2002C Lease, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2002C Lease, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2002C Lease. **The School Board may not be dispossessed of the Series 2001A-2 Facilities or any personal property financed or refinanced, in whole or in part, with proceeds of Certificates.** See "THE REFINANCED FACILITIES" herein for a description of the Refinanced Facilities against which the Trustee may exercise rights on behalf of the Owners of the Series 2017A 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 2001A Supplemental Trust Agreement, dated as of April 1, 2001 and the Series 2002C Supplemental Trust Agreement, dated as of May 15, 2002, provides for the establishment and maintenance of a Series 2001A Lease Payment Account and Series 2002C Lease Payment Account for deposit of Basic Lease Payments appropriated and paid under the Series 2001A Leases and Series 2002C 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 AGENCY THEREOF IS OBLIGATED TO PAY, EXCEPT FROM SCHOOL BOARD 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 THEREUNDER, AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. NONE OF THE CORPORATION, THE TRUSTEE OR ANY CERTIFICATE HOLDER MAY COMPEL THE LEVY OF ANY AD VALOREM TAXES BY THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF TO PAY ANY SUMS, INCLUDING THE BASIC LEASE PAYMENTS, DUE UNDER THE TRANSACTION LEASES. SEE "RISK FACTORS" HEREIN.

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 2001A-2 Facilities), but including the Series 2001A-1 Facilities and the Series 2002C Facilities to the Trustee for sale or re-letting of the Trustee's interest. The proceeds of any such disposition of the Series 2001A-1 Facilities will be applied to the payment of the portion of the Series 2017A Certificates allocable to the Series 2001A-1 Lease, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2001A-1 Lease, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2001A-1 Lease. The proceeds of any such disposition of the Series 2002C Facilities will be applied to the payment of the portion of the Series 2017A Certificates allocable to the Series 2002C Lease, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2002C Lease, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2002C Lease. **The School Board may not be dispossessed of the Series 2001A-2 Facilities or any personal property financed or refinanced, in whole or in part, with proceeds of Certificates.** Except as herein provided, in no event will owners of the Series 2017A 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 2017A 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 D - 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 2017A 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 2017A Certificates and in connection therewith remove all or a portion of the Refinanced Facilities 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 being purchased or, to the extent permitted by law, by substituting other Facilities for the Refinanced Facilities to be released. In such event, Series 2017A Certificates representing an interest in the prepaid Basic Lease Payments would be paid on the next available date for paying the Series 2017A Certificates. No such partial payment of the Series 2017A 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 2017A 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 2017A 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 2001A-1 and Schedule 2002C allowing for the release of Series 2001A-1 Facilities and/or Series 2002C Facilities and the related Facility Site, 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 2017A Certificates

There is no Reserve Account for the Series 2017A 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 D - CERTAIN LEGAL DOCUMENTS - The Master Trust Agreement."

Interest Rate Exchange Agreements

2002B Interest Rate Exchange Agreement/2014A Interest Rate Exchange Agreement. In connection with the Certificates of Participation, Series 2002B (the "Series 2002B Certificates"), the School Board entered into an International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement with Citigroup Financial Products Inc. ("CFPI"), formerly Salomon Brothers Holding Company Inc. (together with all schedules and confirmations thereto, the "2002B Interest Rate Exchange Agreement"). In general, the 2002B Interest Rate Exchange Agreement provides, subject to the terms and conditions thereof, for payment by the School Board to CFPI of a fixed rate of interest of 4.22% and for payment by CFPI to the School Board of interest at a variable rate based on the Securities Industry and Financial Markets Association (formerly BMA) Municipal Swap Index (the "SIFMA Index"), or subsequent to an Alternate Floating Rate Date (as defined in the 2002B Interest Rate Exchange Agreement), at a variable rate based on 67% of "USD LIBOR-BBA," in each case based on an initial notional amount of \$115,350,000 which declines simultaneously with the scheduled amortization of the related Series 2002B Certificates. The scheduled payments of the School Board when due pursuant to the 2002B Interest Rate Exchange Agreement were guaranteed by a financial guaranty insurance policy (the "2002B Swap Policy") issued by Financial Security Assurance Inc., now known as Assured Guaranty Municipal Corp. ("AGM"). On January 31, 2014, the Series 2002B Certificates were refunded with a portion of the proceeds of the Series 2014A Certificates and the 2002B 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 2002B 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 which may result in an increase in the Basic Lease Payments under the related Leases. 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, 2016 attached as Appendix B hereto and Notes 10 and 11 to the District's annual financial report (unaudited) for the Fiscal Year ended June 30, 2017 attached as Appendix C 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 which may result in an increase in the Basic Lease Payments under the related Leases. 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, 2016 attached as Appendix B hereto and Notes 10 and 11 to the District's annual financial report (unaudited) for the Fiscal Year ended June 30, 2017 attached as Appendix C 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 which may result in an increase in the Basic Lease Payments under the related Lease. 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, 2016 attached as Appendix B hereto and Notes 10 and 11 to the District's annual financial report (unaudited) for the Fiscal Year ended June 30, 2017 attached as Appendix C 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 the 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 D - 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 2017A Certificates, the initial Beneficial Owners of the Series 2017A Certificates, through their purchase of the Series 2017A Certificates, shall be deemed to have consented to the amendments set forth in the Amendment to the Master Lease. Upon their issuance, the Series 2017A Certificates will represent approximately 10.9% of the Certificates Outstanding for purposes of the consent to the Amendment to the Master Lease. As described under "EXPECTED ISSUANCE OF OTHER CERTIFICATES" herein, the School Board has authorized the refunding of certain of its other outstanding Certificates. In connection with such refundings, if undertaken, the School Board will also obtain the consent of the owners of the refunding Certificates. If all such refundings are undertaken, approximately 40.0% of all Certificates Outstanding (including the Series 2017A Certificates) will have consented to the amendment set forth in 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, each of Schedule 2001A-1 and Schedule 2002C 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 2001A-1 Facilities and/or Series 2002C 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 and the related Facility Sites 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 a Transaction Lease Schedule from holders of not less than a majority in principal amount of Certificates then Outstanding representing an interest in such Transaction Lease Schedule, such amendments will become effective. See "APPENDIX D - CERTAIN LEGAL DOCUMENTS - Form of Schedule 2001A-1" and "- Form of Schedule 2002C" 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 D - CERTAIN LEGAL DOCUMENTS - Form of Amended and Restated Schedule 2001A-1," "- Form of Amended and Restated Schedule 2001A-2" and "- Form of Schedule 2002C" for the specific amendments.

At the time of issuance of the Series 2017A Certificates, the initial Beneficial Owners of the Series 2017A Certificates, through their purchase of the Series 2017A Certificates, shall be deemed to have consented to the amendments set forth in the Transaction Lease Schedules. The Series 2017A Certificates will represent approximately 64.3% of the Certificates Outstanding under the Series 2001A Leases. As such, the amendments set forth in Schedule 2001A-1 and Schedule 2001A-2 will become effective immediately upon the issuance of the Series 2017A Certificates. The Series 2017A Certificates will represent approximately 89.0% of the Certificates Outstanding under the Series 2002C Lease. As such, the amendments set forth in Schedule 2002C will become effective immediately upon the issuance of the Series 2017A Certificates.

Purchasers of the Series 2017A Certificates should carefully review the proposed amendments. See "APPENDIX D - CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement," "- Form of Schedule 2001A-1," "- Form of Schedule 2001A-2" and "- Form of Schedule 2002C." 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 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 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 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 2001A-1 Facilities and Series 2002C Facilities (other than certain designated Facilities such as the Series 2001A-2 Facilities), to the Trustee for the benefit of the Owners of the Certificates which financed or refinanced such Facilities.

THE REFINANCED FACILITIES

The Series 2001A-1 Facilities

The Series 2001A-1 Project consists of the lease purchase financing and refinancing of the acquisition and construction of the Series 2001A-1 Facilities, the lease of the Series 2001A-1 Facility Sites by the School Board to the Corporation pursuant to the Series 2001A-1 Ground Lease and the sublease of the Series 2001A-1 Facility Sites back to the School Board. All of the Facilities under the Series 2001A-1 Lease are located within the District. The School Board holds title to all of the Series 2001A-1 Facility Sites. See also, "-Substitution of Refinanced Facilities" below.

Frontier Elementary School (96-B), Freedom Shores Elementary School (97-M), Crosspointe Elementary School (98-I), Benoist Farms Elementary School (96-D), Discovery Key Elementary School (96-L), Sunrise Park Elementary School (96-H), Royal Palm Beach Elementary School (96-J). Seven new elementary schools located in various areas throughout the District. Each of the schools has 115,368 gross square feet and a recommended student capacity of 970. The schools provided enrollment relief for adjacent elementary schools. Each of the schools has six kindergarten classrooms, 18 primary classrooms, 10 intermediate classrooms, seven ESE classrooms, ESE resource room, two supplementary instruction rooms, observation room, two time-out rooms, music, art, two skills labs, physical education storage, covered play area, six regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. These schools opened in Fiscal Years 2002 and 2003.

Boca Raton Elementary School Replacement and Pleasant City Elementary School (98-N). These schools, located in the southern and eastern part of Palm Beach County, respectively, in the City of West Palm Beach, have 71,049 gross square feet and a recommended student capacity of 490. These schools provided enrollment relief for adjacent elementary schools. These schools have four kindergarten classrooms, nine primary classrooms, four intermediate classrooms, four ESE classrooms, ESE resource room, two supplementary instruction rooms, observation room, music, art, one skills lab, physical education storage, covered play area, three regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. These schools opened in Fiscal Year 2003.

Forest Hill Elementary School Modernization/Replacement. This school, located in the central part of Palm Beach County in the Village of Wellington area, has 114,000 gross square feet and a recommended student capacity of 970. The school provided enrollment relief for adjacent elementary schools. The school has six kindergarten classrooms, 18 primary classrooms, 10 intermediate classrooms, seven ESE classrooms, ESE resource room, two supplementary instruction rooms, observation room, two time-out rooms, music, art, two skills labs, physical education storage, covered play area, six regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. This school opened in Fiscal Year 2003.

Lake Worth High School Classroom Addition. The addition to this school, located in the eastern part of Palm Beach County in the City of Lake Worth, has 30,226 gross square feet and a recommended student capacity of 540. The building allowed for the removal of portable classrooms at the school. The building has 18 general classrooms and opened in Fiscal Year 2003.

The Series 2001A-2 Facilities

Set forth below is a brief, general description of the Series 2001A-2 Facilities. The Series 2001A-2 Facilities are not subject to surrender or disposition by the Trustee.

Permanent Component Construction Replacement Project. This portion of the Series 2001A-2 Facilities consists of the acquisition and construction of concrete modular buildings containing approximately 115,200 square feet with 100 classrooms, restrooms and common interior corridors that replaced certain existing portable classrooms in the District, miscellaneous construction throughout the District to extend the useful lives of certain existing educational facilities, and the addition of new student stations.

The Series 2001A-2 Facilities also included site acquisition for future educational facilities.

The Series 2002C Facilities

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

Village Academy Addition. This classroom addition was constructed on the campus of the Village Academy in the City of Delray Beach. It has a recommended student capacity of 330 and increased the size of the facility by 26,040 square feet. The addition added 10 general classrooms, two ESE classrooms, two skills labs, four resource rooms, teacher planning and administration. This school opened in July 2003.

Equestrian Trails Elementary School (02-S). This school, located in the western part of Palm Beach County, has 122,000 gross square feet and a student capacity of 970. The school provided enrollment relief for adjacent elementary schools. The school has six kindergarten classrooms, 18 primary classrooms, 10 intermediate classrooms, four ESE classrooms, two ESE resource rooms, two supplementary instruction rooms, music, art, three skills labs, physical education storage, covered play area, six regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. This school opened in August 2003.

Diamond View Elementary School (01-R). This school, located in the western part of Palm Beach County, has 22,000 gross square feet and a student capacity of 970. The school

provided enrollment relief for adjacent elementary schools. The school has six kindergarten classrooms, 18 primary classrooms, 10 intermediate classrooms, four ESE classrooms, two ESE resource rooms, two supplementary instruction rooms, music, art, three skills labs, physical education storage, covered play area, six regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. This school opened in August 2003.

Forest Hill High School Modernization. This school, located in the central part of Palm Beach County in the City of West Palm Beach, has a student capacity of 1,814. The project included approximately 238,000 of new construction and 31,000 square feet of remodeled space. The modernized school has 30 general classrooms, seven science demonstration classrooms, drivers education, five skills labs, seven regular resource rooms, 10 ESE classrooms, four ESE resource rooms, four supplementary instruction rooms, art, music, gymnasium, vocational labs, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, auditorium, textbook storage and equipment storage. This school opened in August 2004.

U.B. Kinsey/Palmview Elementary School Modernization. This project encompassed the partial replacement and modernization of an elementary school, which is located in the central part of Palm Beach County in the City of West Palm Beach. The modernized school has seven kindergarten classrooms, 10 primary classrooms, seven intermediate classrooms, five ESE classrooms, five resource rooms, two supplementary instruction rooms, music, art, two skills labs, physical education storage, covered play area, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. Remaining classrooms were remodeled. FFE for this project was financed by the Series 2002A Certificates of Participation. The modernized school has a student capacity of 750. This school opened in August 2004.

West Boca Raton Community High School (01-LLL). This school, located in the southern part of Palm Beach County, has a student capacity of 1,821 with a core capacity of 2,516. This new school has 24 general classrooms, 11 science demonstration classrooms, drivers education, four skills labs, nine regular resource rooms, seven ESE classrooms, three ESE resource rooms, three supplementary instruction rooms, art, music, gymnasium, career education labs, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, auditorium, textbook storage and equipment storage. This school opened in August 2004.

Panther Run Elementary School Addition and HVAC Replacement. This school, located in the western part of Palm Beach County, included approximately 45,339 gross square feet and 370 student stations for an overall total of 964 student stations. To address class size reduction and plan for special program needs, the addition has four kindergarten classrooms, eight primary classrooms, six intermediate classrooms, two skills development labs, four resource rooms, three ESE classrooms, administration, student services, food services, library media center, multipurpose, physical education, stage, and custodial space. This project also includes the complete replacement of the HVAC system, removal of existing individual room ventilators, repairs to wall and casework, new chillers, ductwork and controls. The acoustical ceilings will be replaced and new energy efficient lighting will be installed. This school opened in 2006.

Substitution of Refinanced Facilities

The following reflects the amendments to Section 6.4 of the Master Lease set forth in Schedule 2001A-1 and Schedule 2002C. See "CERTAIN LEGAL DOCUMENTS – Master Lease" for the current provision and "CERTAIN LEGAL DOCUMENTS - Form of Schedule 2001A-1" and "- Form of Schedule 2002C" 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 2001A-1 Facilities and the Series 2002C Facilities.

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)

Series 2000A Facilities

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 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 (98-GG)
South Olive Elementary School modernization
Jaega Middle School (98-EE)

Series 2002D-1 Facilities

Osceola Creek Middle School (99-HH)
Don Eastridge High Tech Middle School (98-GG)
H.L. Watkins Middle School modernization
Lantana Elementary School modernization
Palm Beach Public Elementary School modernization
Palm Springs Elementary School modernization
Roosevelt Elementary School modernization
Tradewinds Middle School (98-II)

Series 2002D-2 Facilities*

Site Acquisition
Portable replacement program

Series 2002-QZAB Facilities*

Furniture and equipment for designated Qualified Zone Academies

Series 2003A Facilities

William T. Dwyer addition
Seminole Ride High School (02-NNN)

Series 2003B Facilities

Furniture and equipment for designated Qualified Zone Academies
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 2007A-1 Facilities

Gladeview Elementary School modernization
Rosenwald Elementary School modernization
Westward Elementary School modernization
Site Acquisition

Series 2007B Facilities

Carver Middle School addition
Hagen Road Elementary School modernization
Lake Worth Middle School addition

Series 2007B Facilities

Palm Beach Gardens Elementary School modernization
Wellington High School Auditorium
Sunset Palms Elementary School

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

Series 2010A Facilities

Galaxy Elementary modernization
Gove Elementary modernization

*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 2017A Certificates, together with other legally available funds, are expected to be used as follows:

Estimated Sources:

Par Amount of Series 2017A Certificates	\$147,850,000.00
Plus: Bond Premium	<u>31,879,655.05</u>
Total Sources of Funds	<u>\$179,729,655.05</u>

Estimated Uses:

Refunding of Refunded Certificates ⁽¹⁾	\$178,699,900.64
Series 2017A Costs of Issuance ⁽²⁾	439,285.86
Underwriter's Discount	<u>590,468.55</u>
Total Uses of Funds	<u>\$179,729,655.05</u>

⁽¹⁾ To be applied to refund the Refunded Certificates. See "PLAN OF REFUNDING" herein.

⁽²⁾ Includes counsel fees, financial advisor fees and other costs of issuance.

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CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES⁽¹⁾

Estimated payment requirements on the Outstanding Series 2003B, QZAB, 2010A, 2011A, 2011C, 2011D and 2012A Certificates are as follows:

Certificate Year Ending August 1	Series 2003B Certificates ⁽²⁾	QZAB Certificates ⁽³⁾	Series 2010A Certificates ⁽⁴⁾	Series 2011A Certificates	Series 2011C Certificates	Series 2011D Certificates	Series 2012A Certificates
2018	\$5,667,852	\$254,747	\$142,097	\$2,061,169	\$1,378,577	\$4,839,580	\$1,004,250
2019	5,667,852	254,747	6,549,525	7,691,169		4,842,496	1,004,250
2020	5,675,658	254,747	9,532,531	7,690,319		4,837,244	1,004,250
2021	8,790,045	107,628	9,116,158	7,841,769		1,708,956	1,004,250
2022	10,650,124		8,699,785	7,961,819			2,799,250
2023	10,626,424		8,283,412	7,679,319			914,500
2024	10,615,101		7,867,398	7,686,863			914,500
2025	10,583,008		7,222,727	6,285,325			914,500
2026	10,565,360						914,500
2027	10,545,164						914,500
2028	10,528,805						19,204,500
2029	84,134,377						
2030							
2031							
2032							
Total⁽⁵⁾	\$184,049,770	\$871,869	\$57,413,633	\$54,897,752	\$1,378,577	\$16,228,276	\$30,593,250

⁽¹⁾ Reflects the refunding of the Refunded Certificates with proceeds of the Series 2017A Certificates. See "PURPOSE OF THE SERIES 2017A CERTIFICATES" AND "PLAN OF REFUNDING" herein.

⁽²⁾ 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 2017A CERTIFICATES – Interest Rate Exchange Agreements – 2003B Interest Rate Exchange Agreement" herein.

⁽³⁾ 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.

⁽⁴⁾ 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%).

⁽⁵⁾ Totals may not add due to rounding.

CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES

Estimated payment requirements on the Outstanding Series 2012B, 2012C, 2014A, 2014B, 2014C, 2015A, 2015B, 2015C and 2015D Certificates are as follows:

Certificate Year Ending August 1	Series 2012B Certificates ⁽¹⁾	Series 2012C Certificates	Series 2014A Certificates ⁽²⁾	Series 2014B Certificates	Series 2014C Certificates	Series 2015A Certificates	Series 2015B Certificates	Series 2015C Certificates	Series 2015D Certificates
2018	\$10,683,480	\$6,739,250	\$8,397,240	\$21,761,000	\$1,664,000	\$20,371,186	\$14,019,500	\$3,148,500	\$29,997,000
2019	5,093,720	6,738,000	15,630,953	21,687,250	1,664,000	19,421,922	14,020,500	3,148,500	15,411,250
2020	5,020,080	6,742,400	15,543,975	21,531,500	1,664,000	6,089,628	14,018,750	3,148,500	15,407,500
2021	11,135,080	6,738,400	15,590,059	21,547,000	1,664,000	9,821,658	14,023,500	3,148,500	15,410,750
2022	8,462,100	6,743,000	15,573,312	21,468,750	1,664,000	9,811,164	14,018,500	3,148,500	15,410,000
2023	11,096,580	6,739,750	15,557,312	21,379,500	1,664,000		14,023,250	3,148,500	15,409,750
2024	11,033,900	6,740,250	15,545,030	21,300,500	1,664,000		14,021,250	3,148,500	15,414,250
2025	10,821,660	6,738,750	15,476,967	21,194,250	1,664,000		14,021,750	3,148,500	16,122,500
2026	10,831,880	6,739,750	15,492,816		1,664,000		14,018,500	3,148,500	34,768,500
2027	10,737,600	6,737,500	15,576,256		1,664,000		14,020,500	3,148,500	34,772,750
2028	53,778,240	6,741,500			9,554,000		14,021,250	3,148,500	26,879,750
2029		6,735,750			9,554,500		14,024,500	3,148,500	26,881,000
2030					9,555,250		14,023,750	28,618,500	26,878,000
2031					8,825,250		14,022,750	9,615,000	27,608,250
2032								31,248,000	10,442,250
Total ⁽³⁾	<u>\$148,694,320</u>	<u>\$80,874,300</u>	<u>\$148,283,920</u>	<u>\$171,869,750</u>	<u>\$54,129,000</u>	<u>\$65,515,558</u>	<u>\$196,298,250</u>	<u>\$107,263,500</u>	<u>\$326,813,500</u>

⁽¹⁾ 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 2017A CERTIFICATES - Interest Rate Exchange Agreements - 2002D Interest Rate Exchange Agreement (2005)" herein.

⁽²⁾ 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.

⁽³⁾ Totals may not add due to rounding.

COMBINED CERTIFICATE PAYMENT SCHEDULE

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

Certificate Year Ending August 1	Series 2017A Certificates				
	Principal Component	Interest Component	Subtotal	Outstanding Certificates ⁽¹⁾	Total ⁽²⁾
2018		\$5,955,069	\$5,955,069	\$132,129,427	\$138,084,497
2019		7,392,500	7,392,500	128,826,133	136,218,633
2020	\$12,805,000	7,392,500	20,197,500	118,161,082	138,358,582
2021	3,740,000	6,752,250	10,492,250	127,647,754	138,140,004
2022	3,990,000	6,565,250	10,555,250	126,410,304	136,965,554
2023	15,020,000	6,365,750	21,385,750	116,522,297	137,908,047
2024	15,830,000	5,614,750	21,444,750	115,951,183	137,395,933
2025	16,740,000	4,823,250	21,563,250	114,193,938	135,757,188
2026	38,730,000	3,986,250	42,716,250	98,143,806	140,860,056
2027	40,995,000	2,049,750	43,044,750	98,016,770	141,061,520
2028				143,856,546	143,856,546
2029				144,478,628	144,478,628
2030				79,075,500	79,075,500
2031				60,071,250	60,071,250
2032				41,690,250	41,690,250
Total	<u>\$147,850,000</u>	<u>\$56,897,319</u>	<u>\$204,747,319</u>	<u>\$1,645,174,867</u>	<u>\$1,849,922,186</u>

⁽¹⁾ See "CERTIFICATE PAYMENT SCHEDULES I & II FOR OUTSTANDING CERTIFICATES."

⁽²⁾ Totals may not add due to rounding.

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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 D - 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." 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 2017A 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 D - CERTAIN LEGAL DOCUMENTS - The Master Lease" and " - Form of Schedule 2001A-1," " - Form of Schedule 2001A-2" and " - Form of Schedule 2002C."

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 Series 2001A Leases and the Series 2001C Lease, the Corporation is leasing to the School Board, and the School Board is leasing from the Corporation, the related Refinanced Facilities. The initial terms of the Series 2001A Leases commenced on April 1, 2001 and continued through and including June 30, 2001, have been automatically renewed annually to date and are automatically renewable annually through August 1, 2026, unless sooner terminated as described herein. The initial term of the Series 2002C Lease commenced on May 15, 2002 and continued through and including June 30, 2002, has been automatically renewed annually to date and is automatically renewable annually through August 1, 2027, 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 December 30, 2017, and thereafter on June 30 and December 30 of each year, the Lease Payment Dates preceding each Series 2017A Certificate Payment Date, the School Board is required to pay to the Trustee the Basic Lease Payment allocable to the Series 2017A Certificates due on such date, which amount corresponds to the amount due to Series 2017A Certificate holders on the next succeeding Series 2017A 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 2017A 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 2001A-1 and Schedule 2002C. 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 2017A 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 Series 2001A Leases and the Series 2002C Lease, including the right to receive Basic Lease Payments thereunder, has been absolutely and unconditionally assigned by the Corporation to the Trustee for the benefit of the owners of the Series 2017A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2001A Leases and the Series 2002C Lease, respectively. The School Board has consented to such assignment.

Lease Covenants

Under the Series 2001A Leases and the Series 2002C Lease, the School Board is responsible for the acquisition, construction and installation of the related 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 2001A-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 2017A 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 2001A-1 Facilities will be applied to the payment of the portion of the Series 2017A Certificates allocable to the Series 2001A-1 Lease, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2001A-1 Lease, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2001A-1 Lease. The proceeds of any such disposition of the Series 2002C Facilities will be applied to the payment of the portion of the Series 2017A Certificates allocable to the Series 2002C Lease, equally and ratably with the portion of the Series 2015A Certificates allocable to the Series 2002C Lease, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2002C Lease. With respect to the Transaction Leases and Series 2017A Certificates, the School Board may not be dispossessed of the Series 2001A-2 Facilities or any personal property financed or refinanced, in whole or in part, with the proceeds of the Series 2017A Certificates. See "RISK FACTORS - Limitation Upon Disposition; Ability to Sell or Relet." IN NO EVENT WILL OWNERS OF THE SERIES 2017A 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 2017A 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 D - 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 will produce sufficient amounts to pay the Series 2017A Certificates. Federal income tax status of payments made to Series 2017A 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 2017A 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 2017A 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 2017A Certificates. The credit of the Corporation is not material to any of the transactions contemplated in this Offering Statement. No financial information concerning the Corporation has been included herein, nor is it contemplated that any such financial information will be included in any future Offering Statement relating to the sale of any Additional Certificates or other obligations of the School Board or the Corporation.

THE DISTRICT

General

The District is organized under Section 4, Article IX, of the Constitution of Florida and Chapter 1001, Florida Statutes. The District is the twelfth 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

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

⁽¹⁾ Unweighted, includes adults.

⁽²⁾ Excludes outgoing transfers. Includes adults.

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

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FTE Growth

The Full-Time Equivalent (FTE) Enrollment for School Years 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

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-2017</u>
Grades K-3	46,724	49,192	49,923	49,956	48,722
Grades 4-8	62,330	63,254	64,407	65,617	66,997
Grades 9-12	49,702	47,369	48,451	48,944	50,067
Exceptional Education	1,490	1,356	1,301	1,280	1,297
Vocational Education	1,726	4,208	4,205	4,226	4,158
At Risk Programs	15,824	14,906	15,202	16,268	18,083
Total	<u>177,797</u>	<u>180,285</u>	<u>183,489</u>	<u>186,291</u>	<u>189,324</u>
Percentage Change	1.55%	1.40%	1.78%	1.53%	1.63%

⁽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.

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:

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

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:

Instructional	13,381
Instructional Support Services	2,147
Central Support Services	4,790
Administrative Support Services	1,510
Community Services	230
Total	<u>22,058</u>

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

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

* Contract has expired. Florida law requires operating under the expired contract until a new contract has been negotiated and approved.

Accreditation

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

Budget Process

Florida law requires the Board to adopt in each Fiscal Year a tentative budget and a final budget, each of which is required to be balanced with available funds. The Superintendent, with input from staff, principals, 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. The tentative budget for Fiscal Year 2017-18 was adopted by the School Board on July 25, 2017. 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 three 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, 2016" and "APPENDIX C - EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL FINANCIAL REPORT (UNAUDITED) 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.

The School District of Palm Beach County, Florida				
General Fund Revenue Sources⁽¹⁾				
Fiscal Year Ended June 30	Federal Funds⁽²⁾	State Funds	Local Funds⁽³⁾	Total Revenue⁽⁴⁾
2017 ⁽⁵⁾	\$7,987,000	\$528,776,000	\$1,034,568,000	\$1,571,331,000
2016	3,205,000	476,079,000	1,032,082,000	1,511,366,000
2015	8,635,000	486,006,000	949,839,000	1,444,480,000
2014	8,477,000	507,171,000	873,155,000	1,388,803,000
2013	7,194,000	427,605,000	858,732,000	1,293,531,000
2012	6,534,000	332,062,000	905,960,000	1,244,556,000

⁽¹⁾ Rounded.

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

⁽³⁾ Excludes transfers from other funds.

⁽⁴⁾ Does not include transfers in.

⁽⁵⁾ Unaudited figures.

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, 2016 (audited), June 30, 2017 (unaudited) 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⁾

	For the Fiscal Years Ended June 30				
	Audited			Unaudited	Budget
	2014	2015	2016	2017 ⁽²⁾	2018 ⁽³⁾
Beginning Fund Balance:	\$133.3	\$111.8	\$117.1	\$127.3	\$138.6
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	70.8	62.7
Transfers In	106.8	91.4	89.4	90.3	110.9
Total Local Sources and Other Financing Sources:	\$979.9	\$1,046.1	\$1,121.5	\$1,124.8	\$1,138.8
State Sources:					
FL Educ. Finance Pro. & Lottery	\$266.7	\$242.4	\$232.7	\$277.4	\$321.1
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					
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	0.2
Total Expenditures	\$1,517.1	\$1,535.4	\$1,590.7	\$1,650.3	\$1,723.7
Excess of Revenues Over (Under) Expenditures	\$(21.5)	\$5.3	\$10.1	\$11.3	\$0.0
Ending Fund Balance					
Nonspendable	\$9.6	\$9.0	\$6.0	\$8.0	\$7.1
Restricted	28.2	28.1	18.3	20.4	18.9
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
Total Expenditures & Fund Balance	\$1,628.9	\$1,652.5	\$1,718.0	\$1,788.9	\$1,862.3

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Unaudited figures.

⁽³⁾ 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.

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

	2014	2015	2016	2017 ⁽¹⁾	Budget 2018 ⁽²⁾
Beginning Fund Balance:					
Beginning Fund Balance	\$217.2	\$139.3	\$87.1	\$111.2	\$180.2
Revenues:					
Local Sources					
Ad Valorem Taxes	\$202.9	\$216.3	\$241.1	\$258.4	\$273.8
Local Sales Tax	-	-	-	62.7	119.2
Interest Income and other	2.1	24.7	9.6	8.5	6.4
Total Local Sources	<u>\$205.0</u>	<u>\$241.0</u>	<u>\$250.7</u>	<u>\$329.6</u>	<u>\$399.4</u>
Miscellaneous Federal Through State:	-	-	-	-	-
State Sources:					
Capital Outlay distributed to District	\$1.2	2.0	3.1	4.8	4.8
Public Education Capital Outlay	-	3.4	2.7	5.5	2.7
Other	5.3	4.8	3.3	5.6	3.7
Total State Sources	<u>\$6.5</u>	<u>10.2</u>	<u>\$9.1</u>	<u>\$15.9</u>	<u>\$11.2</u>
Total Revenues	<u>\$211.5</u>	<u>\$251.2</u>	<u>\$259.8</u>	<u>\$345.5</u>	<u>\$410.6</u>
Adjustments to Fund Balance	-	-	-	-	-
Total Revenues and Fund Balance	\$428.7	\$390.5	\$346.9	\$456.7	\$590.8
Other Financing Sources (Uses):					
Transfers out	(\$236.9)	(\$237.7)	(\$243.9)	(\$238.7)	(\$282.1)
Transfers in	-	-	14.6	0.1	0.2
Proceeds from Sale of Capital Assets	-	-	-	0.2	-
Proceeds from Capital Leases	14.0	-	28.3	-	19.6
Proceeds from Insurance Loss Recoveries	-	-	-	-	-
Proceeds from Issuance of Short-Term Debt	-	-	-	-	19.1
Proceeds from Issuance of Long-Term Debt	-	-	-	-	188.4
Total Other Financing Sources (Uses)	<u>(\$222.9)</u>	<u>(\$237.7)</u>	<u>(\$201.0)</u>	<u>(\$238.4)</u>	<u>(\$54.8)</u>
Total Revenues, Other Financing Sources and Fund Balance	\$205.8	\$152.8	\$145.9	\$218.3	\$536.0
Expenditures:					
Land	-	\$1.1	\$0.1	-	\$9.3
Buildings	\$36.6	\$28.9	3.8	\$0.1	22.0
Improvements	5.1	7.4	1.6	2.3	8.9
Other Capital Outlay	24.8	28.3	29.2	35.7	245.8
Debt Service	-	-	-	-	-
Total Expenditures	<u>\$66.5</u>	<u>\$65.7</u>	<u>\$34.7</u>	<u>\$38.1</u>	<u>\$286.0</u>
Excess of Revenues Over (Under) Expenditures	\$145.0	\$185.5	\$225.1	\$307.4	\$124.6
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(\$77.9)</u>	<u>(\$52.2)</u>	<u>\$24.1</u>	<u>\$69.0</u>	<u>\$69.8</u>
Ending Fund Balance:	<u>\$139.3</u>	<u>\$87.1</u>	<u>\$111.2</u>	<u>\$180.2</u>	<u>\$250.00</u>

⁽¹⁾ Unaudited figures.

⁽²⁾ 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**

	General Obligation	Non-Self Supporting Revenue Debt
DIRECT DEBT⁽¹⁾		
<u>Capital Leases</u>		
2014		\$ 4,264
2015		8,602
2015A		5,034
2016		5,585
<u>State of Florida⁽²⁾</u>		
State Board of Education Capital Outlay Bonds, Series 2009-A		400
State Board of Education Capital Outlay Bonds, Series 2010-A		7,775
State Board of Education Capital Outlay Bonds, Series 2011-A		2,790
State Board of Education Capital Outlay Bonds, Series 2014-B		431
TOTAL DIRECT DEBT	\$ 0	\$34,881
	Governmental Activities	Business-Type Activities
	General Obligation	Non-Ad Valorem Revenue Bonds
OVERLAPPING DEBT (COUNTY)		Revenue Bonds
Total General Obligations Bonds	\$122,760	
Total Non-Ad Valorem Revenue Bonds		\$793,081
Total Revenue Bonds		\$238,388
TOTAL COUNTY DIRECT DEBT	\$122,760	\$793,081
TOTAL DISTRICT DIRECT DEBT	0	0
TOTAL DIRECT AND OVERLAPPING DEBT	\$122,760	\$238,388

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2016; Annual financial Report of the School Board of Palm Beach County, Florida (June 30, 2017).

⁽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.	Population (2016)	1,443,810
2.	Net Taxable Valuation (2017 tax year) ⁽¹⁾	\$190,165,751,792
3.	Direct General Obligation Debt	\$0
	a) As a Percent of Taxable Valuation	0%
	b) Per Capita	\$0
4.	Direct and Overlapping General Obligation Debt	\$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, 2016" and Note 10 to "APPENDIX C - EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR 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.

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 \$83.0 million (unaudited), 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 (unaudited).

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 (unaudited) 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 2016-17 contributions relative to the fiscal year 2015-16 contributions of all participating members. At June 30, 2016, the District's proportion was 2.325% (unaudited), which was an increase 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 (unaudited) 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, 2015. 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. As of June 30, 2016, the District's proportionate share was 3.246% (unaudited), 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, 2016 and APPENDIX C hereto, including Management's Discussion and Analysis, Note 12 to the Basic Financial Statements and the Required Supplementary Information, to the District's annual financial report (unaudited) 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 \$141.6 million as of July 1, 2016. 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 \$11.8 million as of June 30, 2016. 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 \$107.5 million as of June 30, 2016, which reflects the District's approximately \$6.8 million contribution towards its OPEB liability during Fiscal Year 2015-16. 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, 2016, which are attached hereto as Appendix B and Note 13 and the Required Supplementary Information to the District's unaudited

financial statements for the Fiscal Year ended June 30, 2017, which are attached hereto as Appendix C.

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 (unaudited), 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 (unaudited) 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 (unaudited) 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 (unaudited) 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.

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

Operating Millage	District Levy	Description	Max
Required Local Effort	4.263 mills	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	4.263 mills
Prior Period RLE Adjustment	0.008 mills	Non-voted; not to exceed amount established annually by the State	0.008 mills
Current Operating Discretionary Millage	0.748 mills	Non-voted; not to exceed amount established annually by the State Legislature	0.748 mills
Additional Operating Millage (Voter Approved)	0.250 mills	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.	0.250 mills

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 increased from \$960,757,689 for Fiscal Year 2015-16 to \$959,905,840 (unaudited) 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 (unaudited) 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 (unaudited) 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 2016 Survey, the week during which the Department of Education determines compliance with class size maximums, the District had 100% of the schools in compliance. The District expects to be in compliance with the class size requirements for Fiscal Year 2017-18.

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 (unaudited) 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 (unaudited) 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.

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:

Capital Outlay Millage	District Levy	Description	Max
Local Option Millage	1.500 ⁽¹⁾ mills	Non-voted millage for capital outlay and maintenance purposes.	1.500 mills
Capital Outlay Discretionary Millage	0.000 mills	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)	0.250 mills

⁽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 (unaudited) 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). However, 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. The School Board has voted to expend funds to determine whether to join such lawsuit, or file its own suit. 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 challenging those provisions of HB 7069 and seeking declaratory and injunctive relief. 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 lawsuit. 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.

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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 2017A 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 2017A Certificates**

Net Taxable Assessed Valuation (FY 2018)⁽¹⁾	\$190,165,751.79
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
<i>FY2018 Millage Levy Required to Satisfy Maximum Annual Basic Lease Payments Represented by the Outstanding Certificates and the Series 2017A Certificates</i>	
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
<i>Sharing of the Local Option Millage Levy with Eligible District Charter Schools - Impact of HB 7069</i>	
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
<i>Local Option Millage Levy Available After Basic Lease Payments and Charter School Payments</i>	
Minimum Revenue Remaining from the Local Option Millage Levy	\$261,472,782 ⁽⁷⁾
Minimum Remaining Millage Levy	0.641 mills ⁽⁷⁾
Total Minimum Revenue Anticipated from Remaining Local Option Millage Levy	\$116,994,154 ⁽⁷⁾

⁽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."

⁽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.

⁽⁶⁾ Estimated. Reflects adopted State fiscal year 2017-18 budget allocation.

⁽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 waterfronts, 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.

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

Fiscal Year Ended June 30	Gross Assessed Value ⁽¹⁾	Total Taxable Value for Operating Millages	% Taxable to Total Assessed Value
2018 ⁽²⁾	\$251,910,372	\$190,165,752	75.49%
2017	237,451,187	178,613,927	75.22
2016	217,610,910	165,191,584	75.91
2015	192,619,660	149,734,529	77.74
2014	171,664,590	138,310,329	80.57
2013	163,011,694	132,719,029	81.42

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

⁽²⁾ Preliminary certified figures. Prior to adjustments on appeals from taxpayers.

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2015 for Fiscal Years ending June 30, 2013-2016. Fiscal Years 2016-2018 figures provided by Palm Beach County, Florida Property Appraiser.

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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).

	Fiscal Year Ended June 30					
	2013	2014	2015	2016	2017	2018
General Fund						
Required Local Effort ⁽¹⁾	5.280	5.088	5.096	5.014	4.572	4.271
Discretionary ⁽²⁾	0.952	0.977	0.998	0.998	0.998	0.998
Subtotal	6.232	6.065	6.094	6.012	5.570	5.269
Debt Service	0.000	0.000	0.000	0.000	0.000	0.000
Capital Improvement ⁽³⁾	1.546	1.521	1.500	1.500	1.500	1.500
Total Millage Levy	7.778	7.586	7.594	7.512	7.070	6.769

⁽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.

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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

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

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2016.

The following table sets forth the amounts billed and collected for 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
(In Thousands)**

Fiscal Year Ended June 30	Property Taxes Levied	Current Tax Collections	Total Tax Collections	Percent of Current Tax Collected To Property Taxes Levied ⁽¹⁾
2017	\$993,288	\$956,591	\$961,414	96.31%
2016	991,543	955,613	960,894	96.38
2015	900,204	878,413	879,543	97.58
2014	838,852	806,691	810,669	96.17
2013	827,105	795,917	802,185	96.23
2012	874,162	840,529	847,399	96.15
2011	885,348	848,596	859,191	95.85

⁽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.

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2016. Fiscal Year 2017 figures provided by the School District of Palm Beach County, Florida.

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.

**Palm Beach County, Florida
Principal Property Tax Payers
September 30, 2016**

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

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2016.

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 would 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 will take 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 and Assessment of Renewable Energy Devices Upon all Real Property. In the August 2016 primary election, the voters in the State approved a constitutional amendment exempting the assessed value of certain renewable energy devices from the ad valorem tax on tangible personal property and prohibiting certain renewable energy devices from being considered when calculating the assessed value of all real property, not just real property used for residential purposes as provided for in HB 277 described above. This constitutional amendment will take effect on January 1, 2018 and expire on December 31, 2037.

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 the 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. 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. 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 \$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 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. At this time, the outcome of such suit (or any other suits, if and when filed) 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 calculating 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 education 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; and (viii) establishes the Schools of Hope Revolving Loan Program to help schools of hope cover school building construction and startup costs. As described above, various provisions of HB 7069, including the establishment of "schools of hope" are expected to be subject to legal challenge by The School Board of Broward County, Florida and other school boards 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 HICMO 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 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 2017A Certificates is subject to certain risks and each prospective purchaser of Series 2017A 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 2017A 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.

THE LIKELIHOOD THAT THE TRANSACTION LEASES WILL BE TERMINATED AS THE RESULT OF AN EVENT OF NON-APPROPRIATION IS DEPENDENT UPON CERTAIN FACTORS THAT ARE BEYOND THE CONTROL OF THE SERIES 2017A CERTIFICATE HOLDERS, INCLUDING THE CONTINUING FUTURE UTILITY OF THE REFINANCED FACILITIES AND OTHER FACILITIES OF THE SCHOOL BOARD AND CHANGES IN POPULATION OR DEMOGRAPHICS WITHIN THE DISTRICT.

Limitation Upon Disposition; Ability to Sell or Relet

Following an event of default under the Transaction Leases or non-appropriation of funds, the Trustee as assignee of the Corporation may take possession of the Series 2001A-1 Facilities and/or Series 2002C Facilities (but not the Series 2001A-2 Facilities) and sell or re-let the leasehold interests therein. The Trustee's ability to actually achieve such a disposition of such Series 2001A-1 Facilities and/or Series 2002C Facilities is limited by its inability to convey fee simple title to the Series 2001A-1 Facilities and/or Series 2002C Facilities and by the governmental nature of the Series 2001A-1 Facilities and/or Series 2002C 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 2001A-1 Facilities and/or Series 2002C 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 2001A-1 Facilities and/or Series 2002C Facilities will produce sufficient amounts to make timely payments of the principal and interest portions due on the outstanding Series 2017A 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 2017A 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 2017A 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 2017A 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 2001A-1 Facilities and Series 2002C Facilities but excluding certain designated facilities (such as the Series 2001A-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 2017A 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 2001A-1 Facilities and Series 2002C Facilities will produce sufficient amounts to pay the outstanding Series 2017A 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 2017A 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

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

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. Subject to clarification and the possibility of Congressional action, issuers of Direct-Pay Bonds face reductions of up to 6.9 percent for payments during federal fiscal year 2017, which ends September 30, 2017. 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 2016-17 (through September 30, 2017), the School Board anticipates its aggregate expected QSCB Issuer Subsidy of \$1,755,907 to be reduced by 6.9% (which equates to a \$121,158 reduction), resulting in a corresponding increase in interest costs for the District that must be paid from other revenue sources. 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 remarketed 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 remarketed for a prolonged period of time.

Risks Related to Interest Rate Exchange Agreements

The School Board is subject to certain risks under the 2014A Interest Rate Exchange Agreement, 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 2014A Interest Rate Exchange Agreement and 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 "EXPECTED ISSUANCE OF OTHER CERTIFICATES" and "SECURITY FOR THE SERIES 2017A 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 renewable 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. See "CERTAIN AMENDMENTS TO MASTER LEASE AND SCHEDULE 2001A" 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 preliminary 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. As such, the District does not expect any adverse impact on its ability to make Basic Lease Payments under the Master Lease.

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 2017A 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 2017A 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 2017A 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 33 Whitehall Street, New York, New York 10004, (212) 908-0500. Certain information and materials concerning the Series 2017A Certificates, the School Board and the District were furnished to Moody's and Fitch by the District. If in its judgment circumstances so warrant, any rating service may raise, lower or withdraw its rating or outlook. If a downward change or withdrawal occurs, it could have an adverse effect on the resale price of the Series 2017A 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 2017A 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 E. 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. Co-Special Tax Counsel and Co-Disclosure Counsel will receive fees for services provided in connection with the issuance of the Series 2017A Certificates, which fees are contingent upon the issuance of the Series 2017A 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 2017A Certificates are being purchased by Wells Fargo Bank, National Association, Municipal Products Group (the "Underwriter") at an aggregate purchase price of \$179,139,186.50 which represents the \$147,850,000.00 aggregate principal amount of the Series 2017A Certificates, plus bond premium of \$31,879,655.05 and less an Underwriter's discount of \$590,468.55. The Underwriter's obligations are subject to certain conditions precedent, and it will be obligated to purchase all of the Series 2017A Certificates if any Series 2017A Certificates are purchased. The Series 2017A Certificates may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

TAX TREATMENT

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 2017A Certificates in order that the interest portion of the Basic Lease Payments represented by the Series 2017A 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 2017A Certificate holders to be included in gross income for Federal income tax purposes retroactively to the date of execution and delivery of the Series 2017A 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 2017A 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 2017A Certificates substantially in the form set forth in Appendix E.

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 2017A Certificates will be excludable from gross income for Federal income tax purposes. The interest portion of the Basic Lease Payments represented by the Series 2017A 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 2017A 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 2017A 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 2017A Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017A 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 2017A 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 2017A Certificate holders or the ownership or disposition of the Series 2017A Certificates. Prospective purchasers of Series 2017A Certificates should be aware that the ownership of Series 2017A

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 2017A 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 2017A 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 2017A Certificates, (iii) the inclusion of the interest portion of the Basic Lease Payments represented by the Series 2017A 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 2017A 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 2017A Certificates in determining whether a portion of such benefits are included in gross income for Federal income tax purposes.

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of the interest portion of Basic Lease Payments represented by the Series 2017A Certificates, adversely affect the market price or marketability of the Series 2017A Certificates, or otherwise prevent the holders from realizing the full current benefit of the status of the interest represented thereby. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Series 2017A Certificates. If enacted into law, such legislative proposals could affect the market price or marketability of the Series 2017A Certificates. Prospective purchasers of the Series 2017A 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 2017A 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 2017A Certificates. Purchasers of the Series 2017A Certificates should consult their own tax advisers regarding their particular tax status or other tax considerations resulting from ownership of the Series 2017A Certificates.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Series 2017A 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 2017A 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 2017A Certificates, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Series 2017A Certificates and proceeds from the sale of Series 2017A Certificates. Any amount so withheld would be refunded

or allowed as a credit against the federal income tax of such owner of Series 2017A Certificates. This withholding generally applies if the owner of Series 2017A 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 2017A 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 2017A 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 advisors 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 2017A 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 2017A Certificates. The fees of the Financial Advisor are contingent upon the issuance of the Series 2017A 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, 2016, 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 2017A Certificates.

Audited financial statements for the Fiscal Year ended June 30, 2017 are not available as of the date hereof. Excerpted pages from the Superintendent's Annual Financial Report (Unaudited) of The School Board of Palm Beach County, Florida for the Fiscal Year ended June 30, 2017 are also appended hereto as Appendix C as part of this Offering Statement. The figures in such report are not audited and are subject to change during the auditing process.

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 2017A Certificate holders to execute and deliver a Disclosure Dissemination Agent Agreement (the "Disclosure Agreement") on the date of initial issuance of the Series 2017A 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 2017A 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 2017A 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 F. 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 F - FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT" to be dated and delivered at the time of issuance of the Series 2017A 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 2017A 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 2017A Certificates, no party other than the School Board is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the aforementioned Rule. The 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.

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 2017A Certificates.

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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
Chuck Shaw, Chairman

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

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APPENDIX A

INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

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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.

**Population Growth
2007 - 2016**

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

N/A=Not Available

Source: U.S. Department of Commerce, Bureau of the Census.

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

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

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 2012-2015

Age Group	2012*	2013*	2014*	2015*
0-19	299,583	300,555	300,767	302,089
20-44	388,486	390,309	391,733	398,371
45-64	354,271	357,877	360,119	364,873
65+	292,625	296,911	307,619	313,084

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

	Average Monthly Employment		Percent of Total	
	2014	2015	2014	2015
All Industries	484,480	506,028	100.00%	100.00%
Agriculture	6,411	6,362	1.32	1.26
Mining	72	71	0.01	0.01
Utilities	1,531	2,029	0.32	0.40
Construction	27,774	30,294	5.73	5.99
Manufacturing	16,167	17,094	3.34	3.38
Wholesale Trade	19,924	21,045	4.11	4.16
Retail Trade	74,088	77,683	15.29	15.35
Transportation and Warehousing	8,537	8,695	1.76	1.72
Information	9,968	9,896	2.06	1.96
Finance	22,400	23,113	4.62	4.57
Real Estate	14,634	15,268	3.02	3.02
Professional Services	39,461	40,651	8.15	8.03
Management Companies	9,361	10,152	1.93	2.01
Administrative and Waste Services	44,661	46,952	9.22	9.28
Education	9,916	10,244	2.05	2.02
Health Care	77,558	81,112	16.01	16.03
Arts, Entertainment and Recreation	17,192	17,220	3.55	3.40
Accommodation and Food Services	61,212	63,834	12.63	12.61
Other Services	23,294	24,183	4.81	4.78

Source: University of Florida Bureau of Economic and Business Research, Florida Statistical Abstract 2016.

Note: Percentages may not equal due to rounding.

Palm Beach County
Annual Average Labor Force and Unemployment Estimates
2007-2016

Year	Civilian Labor Force	Unemployment Rates		
		Palm Beach County	Florida	United States
2007	626,062	4.4%	4.9%	4.9%
2008	628,411	6.8	5.4	5.3
2009	615,500	10.7	6.3	6.2
2010	645,737	11.0	7.2	7.4
2011	652,697	10.0	8.5	8.1
2012	660,994	8.5	10.0	8.9
2013	672,574	7.2	11.1	9.6
2014	685,142	5.9	10.4	9.3
2015	690,078	5.1	6.3	5.8
2016	710,513	4.8	4.0	4.6

* Not Available.

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.

	No. of Employees
Palm Beach County School Board.....	21,656
Palm Beach County Government.....	11,587
Tenet Healthcare Corp.....	4,595
NextEra Energy (Florida Power & Light).....	4,005
Hospital Corporation of America (HCA).....	3,476
Veterans Health Administration	2,700
Florida Atlantic University	2,529
Boca Raton Regional Hospital.....	2,500
Jupiter Medical Center.....	2,195
Bethesda Memorial Hospital	2,150

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2016.

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:

**Building Permit Activity
County of Palm Beach, Florida
(Dollars in Thousands)
2007 - 2016**

Calendar Year	Single and Multi-Family	Residential Valuation
2007	2,264	504,192
2008	1,196	340,385
2009	634	186,886
2010	768	215,254
2011	1,049	278,202
2012	1,580	411,211
2013	2,055	553,779
2014	1,987	595,492
2015	2,136	619,229
2016	2,458	671,339

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016.

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Banking

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

Total Bank Deposits (in thousands)

Fiscal Year	Commercial Banks	Federal Savings and Loan Associations
2007	\$25,313,000	\$12,603,000
2008	26,760,000	9,501,000
2009	31,813,000	7,217,000
2010	32,093,000	6,499,000
2011	32,136,000	5,773,000
2012	33,720,000	3,296,000
2013	36,761,000	2,362,000
2014	38,274,000	2,295,000
2015	42,750,000	2,285,000
2016	46,859,000	2,284,000

Source: Federal Deposit Insurance Corporation internet address www2.fdic.gov/sod.

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APPENDIX B

**EXCERPTED INFORMATION FROM THE COMPREHENSIVE FINANCIAL
STATEMENTS OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED JUNE 30, 2016



2016



3300 FOREST HILL BOULEVARD
WEST PALM BEACH, FLORIDA

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RSM US LLP

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, 2016, 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, 2016, 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.

THE POWER OF BEING UNDERSTOOD
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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 28, 2016, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RSM US LLP

West Palm Beach, Florida
November 28, 2016

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The School District of Palm Beach County, Florida's (the "District") discussion and analysis is designed to provide an objective and easy to read analysis of the District's financial activities for the fiscal year ended June 30, 2016, 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 \$0.031 billion, or 2.4%, from \$1.280 billion to \$1.311 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. The increase is partially related to a net pension credit to expense related to GASB #68 pension accounting. Enrollment at district schools increased 1%, approximately 1,670 students (while charter school enrollment increased 6.7%, approximately 1,290 students).
- The District's total long-term debt decreased by \$33.7 million or 1.9% primarily due to debt repayments of \$63.5 million and refunding / defeased transactions of \$15.4 million, offset by an increase in negative fair value of hedging derivative instruments of \$16.9 million and loan proceeds of \$28.3 million (discussed in Notes 10 and 11).
- Total revenues increased by \$104.0 million or 5.5%, from \$1.883 billion to \$1.987 billion when compared to the prior year.
 - General revenue accounted for \$1.428 billion, or 71.9%, of all revenues and increased \$89.2 million or 6.7%. This increase is primarily attributed to property tax increase of \$106.5 million (mainly due to 10.1% increase in property values and \$7.1 million additional tax collections for prior years) partially offset by a \$9.8 million decrease in the Florida Education Finance Program (FEFP) revenue and a \$7.5 million decrease in non-recurring revenue.
 - Program specific revenue in the form of charges for services, grants and contributions accounted for \$558.9 million, or 28.1% of all revenues and increased \$14.7 million or 2.7%. The increase is primarily attributed to an increase in reimbursements for school lunch and breakfast programs, increase in Class Size Reduction revenue, and an increase in Afterschool Program fees.
- Total expenses increased \$91.1 million from \$1.865 billion to \$1.956 billion. The increase in expenditures is due primarily to raises given to employees mid-year 2015 and full year 2016, an increase in the amount passed through to charter schools of \$14.2 million, additional \$43.2 million in interest and write-offs associated with debt refunding transactions entered into to reduce future debt service payments.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- The District's governmental funds reported combined fund balances of \$390.7 million.
 - The General Fund (the primary operating fund), reflected on a current financial resources basis, ended the year with a fund balance of \$127.3 million. Of this amount, \$50.0 million is classified as unassigned that is available to cover unanticipated financial needs and includes the Board approved contingency, \$53.0 million is classified as assigned, \$18.3 million is classified as restricted and \$6.0 million is classified as nonspendable. During the current year, General Fund revenues (including other financing sources) exceeded expenditures (including other financing uses) by \$10.1 million, primarily due to higher than anticipated staff vacancies, and less than expected charter school enrollment and terminal leave payout.
 - Debt Service funds ended the year with a fund balance of \$124.3 million and is restricted to cover debt service payments. Other Debt Service fund, a major fund, has a restricted fund balance of \$122.6 million, and the remaining debt service funds which are included with the non-major governmental funds have a restricted fund balance of \$1.7 million.
 - Capital Project funds ended the year with a fund balance of \$111.2 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 \$40.1 million, and the remaining capital funds which are included with the non-major governmental funds have \$42.2 million restricted fund balance and \$28.9 million assigned fund balance.
 - Special Revenue funds ended the year with a fund balance of \$28.0 million, of which \$23.8 million is restricted to child nutrition costs, and \$4.2 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.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Figure 1, 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.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 on page 76.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Government-Wide

The District's net position was \$1.311 billion at June 30, 2016. The largest portion of the District's net position, \$1.761 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 (\$237.7 million) represents resources that are subject to external restrictions on how they may be used.

Table 1

	Summary of Net Position Governmental Activities (in thousands)			
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percentage Change
Current and other assets	\$ 673,057	\$ 594,033	\$ 79,024	13.3%
Capital assets (net)	3,370,622	3,453,561	(82,939)	(2.4%)
Total assets	4,043,679	4,047,594	(3,915)	(0.1%)
Accumulated Decrease in Fair Value of Hedging Derivatives	91,076	74,213	16,863	22.7%
Deferred Loss on Debt Refunding	68,131	102,998	(34,867)	(33.9%)
Pension Related	159,861	117,012	42,849	36.6%
Total Deferred Outflows of Resources	319,068	294,223	24,845	8.4%
Current and other liabilities	308,677	276,294	32,383	11.7%
Long-term liabilities	2,639,322	2,517,444	121,878	4.8%
Total liabilities	2,947,999	2,793,738	154,261	5.5%
Pension Related	104,152	267,633	(163,481)	
Total Deferred Inflows of Resources	104,152	267,633	(163,481)	0.0%
Net position:				
Net investment in Capital Assets	1,760,930	1,816,219	(55,289)	(3.0%)
Restricted	237,692	207,160	30,532	14.7%
Unrestricted (deficit)	(688,026)	(742,933)	54,907	7.4%
Total net position	\$ 1,310,596	\$ 1,280,446	\$ 30,150	2.4%

Capital assets (net) decreased \$82.9 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.

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016****Table 2**

Summary of Changes in Net Position
Governmental Activities
(in thousands)

	June 30, 2016	June 30, 2015	Increase (Decrease)	Percentage Change
Revenues:				
Program revenue:				
Charges for services	\$ 53,493	\$ 47,906	\$ 5,587	11.7%
Operating grants and contributions	491,973	480,756	11,217	2.3%
Capital grants and contributions	13,432	15,585	(2,153)	(13.8%)
General revenue:				
Property taxes	1,201,557	1,095,063	106,494	9.7%
Grants and contributions not restricted	180,622	197,265	(16,643)	(8.4%)
Investment earnings	3,493	2,299	1,194	51.9%
Other general revenue	41,938	43,741	(1,803)	(4.1%)
Total revenues	<u>1,986,508</u>	<u>1,882,615</u>	<u>103,893</u>	5.5%
Functions/Programs Expenses				
Instruction	1,062,354	1,030,417	31,937	3.1%
Instructional support services	170,617	168,660	1,957	1.2%
Board	6,634	6,606	28	0.4%
General administration	10,089	9,033	1,056	11.7%
School administration	97,556	94,125	3,431	3.6%
Facilities acquisition and construction	14,750	20,846	(6,096)	(29.2%)
Fiscal services	6,805	5,677	1,128	19.9%
Food services	81,095	77,063	4,032	5.2%
Central services	15,646	14,928	718	4.8%
Student transportation services	48,223	45,795	2,428	5.3%
Operation and maintenance of plant	194,129	191,642	2,487	1.3%
Administrative technology services	7,916	7,022	894	12.7%
Community services	40,980	36,538	4,442	12.2%
Interest on long-term debt	90,428	47,229	43,199	91.5%
Unallocated depreciation/amortization	109,136	109,653	(517)	(0.5%)
Total expenses	<u>1,956,358</u>	<u>1,865,234</u>	<u>91,124</u>	4.9%
Change in net position	30,150	17,381	12,769	73.5%
Net Position - beginning	<u>1,280,446</u>	<u>1,263,065</u>	<u>17,381</u>	1.4%
Net Position - ending	<u>\$ 1,310,596</u>	<u>\$ 1,280,446</u>	<u>\$ 30,150</u>	2.4%

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 2015.

As reported in the Statement of Activities, the cost of all of the governmental activities this year was \$1.956 billion. Some costs were paid by those who benefited from the programs (\$53.5 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$505.4 million). The District paid for the remaining "public benefit" portion of the governmental activities with

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

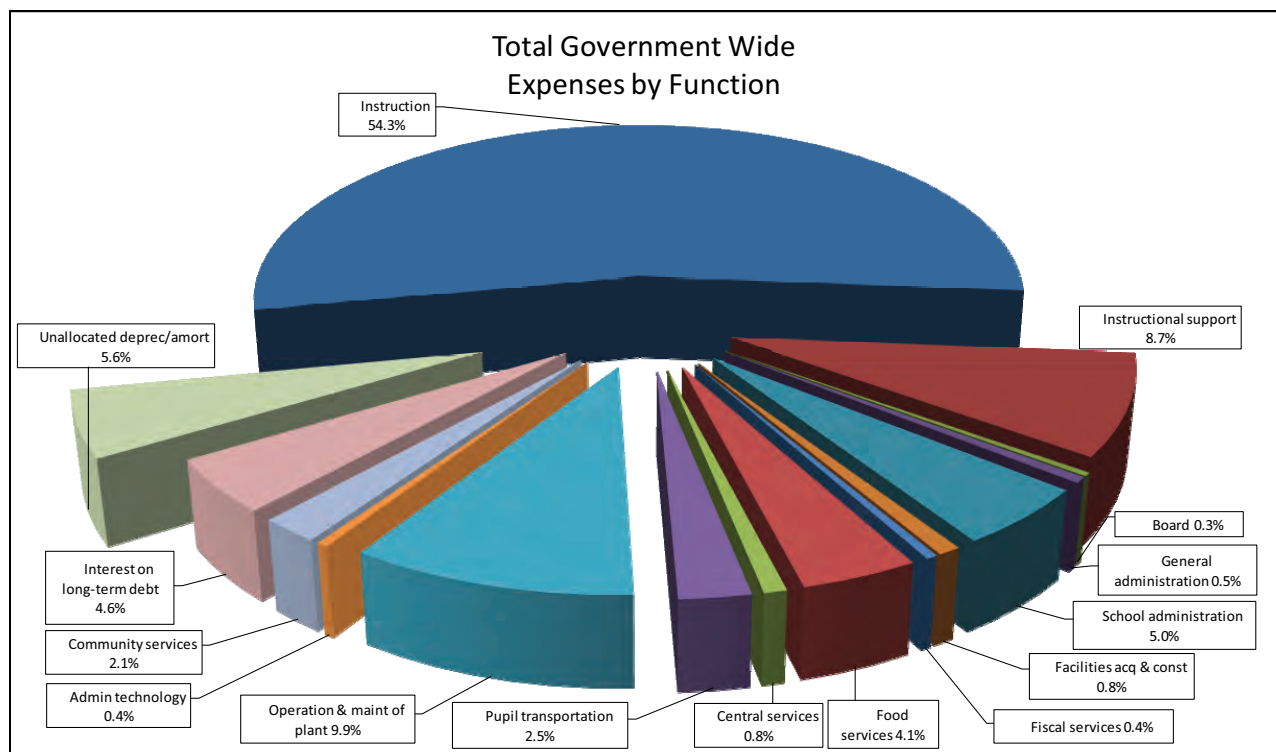
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

\$1.2 billion in property taxes, \$180.6 million in grants and contributions not restricted to specific programs, \$3.5 million in investment earnings, and \$41.9 million in other general revenue.

Property taxes increased \$106.5 million or 9.7%, which is primarily attributed to a 10% increase in property values as well as a \$7.1 million higher collection of prior year taxes than in fiscal year 2015.

Grants and contributions not restricted decreased \$16.6 million or 8.4%, which is primarily related to a decrease of \$9.7 million in FEFP revenue. FEFP revenue decreased mainly due to increase in required local effort provided by property taxes.

The pie chart below represents total expenditures classified by function.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

As of June 30, 2016 the District's governmental funds reported a combined fund balance of \$390.7 million, which is an increase of \$64.2 million or 19.7% 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 \$127.3 million which is an increase of \$10.1 million or 8.6%. The increase is primarily due to higher than anticipated staff vacancies and less than expected charter school enrollment and terminal leave payouts. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$50.0 million.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

The COPS Debt Service Fund, another major fund, reported an ending fund balance of \$118.8 million which is an increase of \$27.6 million or 30.3% when compared with prior year. The increase is related to debt service payments the District will need to make in early fiscal year 2017.

The Capital Improvement Fund, another major fund, reported an ending fund balance of \$40.1 million which is an increase of \$14.2 million or 54.7% due to the timing of revenue and capital outlay spending.

Other Governmental Funds, which represent a summarization of all the other non-major governmental funds, ended the year with total fund balance of \$104.5 million, an increase of \$12.2 million or 13.2%. This increase is primarily due to revenue and transfers in exceeding capital spending and transfers out in the current year.

Proprietary Funds

The District's internal service funds reported a combined net position of \$61.7 million. The Health Internal Service Fund ended the year with a net position of \$89.1 million, which is an increase of \$4.5 million or 5.3% over last year due to premiums exceeding claims and other expenses. The District created the Worker's Compensation, General and Auto Liabilities Claim Fund on July 1, 2013. Since proprietary funds use accrual basis accounting, this Fund has a negative net position of \$27.4 million in fiscal year 2016 mainly due to recording the actuarially determined long term claims liabilities in fiscal year 2014. The District has a plan to fund this negative position over a 15 year period.

General Fund Budgetary Highlights

During the year, appropriations decreased \$6.5 million from original budget to final budget. The decrease in appropriations is primarily attributed to capital maintenance projects that were not completed by the end of the year and less than anticipated annual leave payouts.

The General Fund actual expenditures were less than the budgeted appropriations by approximately \$77.3 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, Workforce Development and state categorical programs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As shown in Table 3, on the next page, at June 30, 2016, the District had \$3.371 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 \$83.0 million from last year. The decrease is primarily due to depreciation expense of \$109.0 million exceeding capital spending of \$26.5 million. Capital spending in the current year reflects the acquisition of 125 buses, installation of new air conditioner chillers at 6 locations, and completion of modernization projects for Rosenwald Elementary and Gladeview Elementary.

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 2016, forty-one (41) new schools were built and fifty-eight (58) others were replaced or totally renovated. The Modernization of Rosenwald Elementary was completed in November 2015, and the Modernization of Gladeview Elementary was completed in December 2015. The District continues its effort to provide state-of-the-art facilities for all of its students. Future school renovations and replacements will be scheduled based upon the availability of funding. See Note 7 of the Notes to the Financial Statements for more information on capital assets.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016****Table 3**

Capital Assets at Year End Governmental Activities (in thousands)			
	June 30, 2016	June 30, 2015	Increase (Decrease)
Land	\$ 338,680	\$ 338,593	\$ 87
Construction in progress	1,150	36,433	(35,283)
Improvements other than buildings	58,506	57,898	608
Buildings and fixed equipment	4,173,322	4,135,273	38,049
Furniture, fixtures and equipment	127,183	126,019	1,164
Motor vehicles	116,031	108,143	7,888
AV materials and computer software	41,127	47,791	(6,664)
Less: accumulated depreciation	(1,485,377)	(1,396,564)	(88,813)
Total capital assets, net	<u>\$ 3,370,622</u>	<u>\$ 3,453,586</u>	<u>\$ (82,964)</u>

Long-term Debt

As shown in Table 4, at the end of this year, the District had \$1.776 billion in debt outstanding, which is \$33.7 million lower than last year. The decrease in outstanding debt is due to debt repayments of \$63.5 million, the net impact of refunding transactions and regular amortization, offset in part by a \$28.3 million increase in loans for 185 buses, air conditioner chillers and other equipment, and an increase in derivative instruments of \$16.9 million. See Notes 10 and 11 of the Notes to the Financial Statements for more information on long-term liabilities and derivatives.

Table 4

Long-term Debt Outstanding at Year End Governmental Activities (in thousands)			
	June 30, 2016	June 30, 2015	Increase (Decrease)
Notes / Loans Payable	\$ 31,846	\$ 9,785	\$ 22,061
Capital Outlay Bond Issues	13,713	17,430	(3,717)
Certificates of Participation	1,541,963	1,600,393	(58,430)
Borrowing-Swap Upfront Payment	2,658	2,876	(218)
Derivative Instruments - Hedging	91,076	74,213	16,863
Plus: Issuance Premium	95,002	105,257	(10,255)
Total	<u>\$ 1,776,258</u>	<u>\$ 1,809,954</u>	<u>\$ (33,696)</u>

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, 2016, 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.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Other long-term obligations include liability for compensated absences, estimated claims liability, post-employment benefits, and the new reporting requirement of GASB #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 2017 state budget provided Florida school districts with a disappointing 1.0% increase in funding per student for operating costs. The increase for Palm Beach is slightly higher due to categorical adjustments and local tax levies. District-wide enrollment is expected to increase approximately 1,600 students. 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 tax cuts, Medicaid and higher education.

With limited new funds allocated by the state, the primary goal of this, and future budget cycles, is to optimize existing resources. 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 shape the FY17 budget, which redirects \$14.7 million across all funds to schools and instructional teaching positions, employee raises, increased benefit costs, and strategic initiatives.

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 2017, the .25 mills is expected to generate \$42.9 million in revenue. The revenue is designated for art, music, and physical education instruction, choice programs, and career academies.

The capital budget remains a concern as Florida school districts continue to be seriously impacted by the Legislature's 25% reduction to local capital improvement taxing authority. The District has been unable to present a balanced Capital Budget that meets basic needs. Each year these needs are postponed puts the District in a deeper hole as deferred maintenance projects, unmet technology needs, and school bus replacement becomes more expensive and more critical. The Board recognized the need and placed a question on the November ballot proposing a one-penny Local Government Infrastructure Surtax (LGIS) jointly with the county and municipalities. The taxpayers of Palm Beach County approved the LGIS to be split 50% to the District, 30% to the County, and 20% to municipalities. The District is anticipated to receive \$1.345 billion over the next 10 years. These funds will help the District repair and renovate schools, improve classroom technology, bolster campus security, and replace aging school buses.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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/>

BASIC FINANCIAL STATEMENTS



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET POSITION
JUNE 30, 2016
(amounts expressed in thousands)

	Primary Government Governmental Activities
ASSETS	
Cash, cash equivalents and investments	\$ 598,575
Derivative instrument investments	25
Taxes receivable	23,701
Accounts, deposits and interest receivable	1,151
Due from other governments or agencies	30,571
Inventories	10,208
Restricted assets (cash with fiscal agent)	2,508
Other assets	6,319
Capital assets:	
Land	338,680
Construction in progress	1,150
Improvements other than buildings	58,506
Buildings and improvements	4,173,322
Furniture, fixtures and equipment	127,183
Motor vehicles	116,030
Audio/video materials and software	41,127
Less accumulated depreciation	(1,485,376)
Total capital assets, net of depreciation	3,370,622
TOTAL ASSETS	4,043,680
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated Decreases in Fair Value of Hedging Derivatives	91,076
Deferred Loss on Debt Refunding	68,131
Pension	159,861
TOTAL DEFERRED OUTFLOWS OF RESOURCE	319,068
LIABILITIES	
Accounts and contracts payable	29,880
Accrued payroll and payroll deductions	115,781
Retainage payable on contracts	119
Deposits payable	430
Interest payable	35,672
Unearned revenue	987
Noncurrent liabilities:	
Portion due or payable within one year:	
Loans/note payable	8,361
Bonds payable	2,317
Liability for compensated absences	15,983
Certificates of participation payable	75,205
Borrowing-swap upfront payment	228
Estimated claims	23,714
Portion due or payable after one year:	
Loans/note payable	23,485
Bonds payable	12,858
Liability for compensated absences	167,097
Certificates of participation payable	1,560,298
Borrowing-swap upfront payment	2,430
Derivative instrument - Hedging	91,076
Estimated claims	34,098
Other post-employment benefits obligation	107,486
Net Pension Liability	640,495
TOTAL LIABILITIES	2,948,000
DEFERRED INFLOWS OF RESOURCES	
Pension	104,152
TOTAL DEFERRED INFLOWS OF RESOURCES	104,152
NET POSITION	
Net Investment in capital assets	1,760,930
Restricted for:	
Categorical carryover programs	3,267
Debt service	88,622
Capital projects	100,537
School food service	27,953
Other purposes (See Footnote 14)	17,313
Unrestricted (deficit)	(688,026)
TOTAL NET POSITION	\$ 1,310,596

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, 2016
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Instruction	\$ 1,062,354	\$ 2,335	\$ 314,181	\$ 3,088
Instructional support services	170,617	-	61,011	-
Board	6,634	-	-	-
General administration	10,089	-	3,171	-
School administration	97,556	-	5,664	-
Facilities acquisition and construction	14,750	-	-	3,139
Fiscal services	6,805	-	80	-
Food services	81,095	13,377	70,910	-
Central services	15,646	-	1,043	-
Student transportation services	48,223	820	25,038	-
Operation of plant	124,526	-	5,179	-
Maintenance of plant	69,603	-	-	-
Administrative technology services	7,916	-	217	2,691
Community services	40,980	36,961	5,479	-
Interest on long-term debt	90,428	-	-	4,512
Unallocated depreciation expense	108,978	-	-	-
Amortization expense	156	-	-	-
Total primary government governmental activities	\$ 1,956,356	\$ 53,493	\$ 491,973	\$ 13,430

General revenues:

Taxes:

Property taxes, levied for general purposes

Property taxes, levied for capital projects

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.

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

Primary Government

**Governmental
Activities**

\$	(742,750)
	(109,606)
	(6,634)
	(6,918)
	(91,892)
	(11,611)
	(6,725)
	3,192
	(14,603)
	(22,365)
	(119,347)
	(69,603)
	(5,008)
	1,460
	(85,916)
	(108,978)
	(156)
	<hr/>
	(1,397,460)
	<hr/>

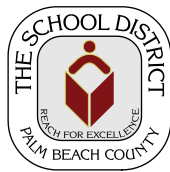
	960,468
	241,089
	180,622
	3,493
	41,938
	<hr/>
	1,427,610
	<hr/>
	30,150
	1,280,446
	<hr/>
\$	1,310,596
	<hr/>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016
(amounts expressed in thousands)

	GENERAL FUND	COPS DEBT SERVICE
ASSETS		
Cash, cash equivalents and investments	\$ 227,679	\$ 118,862
Taxes receivable	18,968	-
Accounts and interest receivable	1,144	7
Due from other governments or agencies	6,025	-
Due from other funds	2,000	-
Inventories	6,040	-
Other assets	-	-
TOTAL ASSETS	<u>261,856</u>	<u>118,869</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts and contracts payable	18,829	76
Accrued payroll and payroll deductions	113,207	-
Due to other funds	-	-
Retainage payable on contracts	-	-
Deposits payable	430	-
Unearned revenue	358	-
TOTAL LIABILITIES	<u>132,824</u>	<u>76</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	1,782	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,782</u>	<u>-</u>
FUND BALANCES		
Nonspendable	6,040	-
Restricted	18,255	118,793
Committed	-	-
Assigned	52,955	-
Unassigned	50,000	-
TOTAL FUND BALANCES	<u>127,250</u>	<u>118,793</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 261,856</u>	<u>\$ 118,869</u>

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

CAPITAL IMPROVEMENT	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 36,508	\$ 98,452	\$ 481,501
4,733	-	23,701
-	-	1,151
-	22,050	28,075
-	-	2,000
-	4,168	10,208
-	53	53
<u>41,241</u>	<u>124,723</u>	<u>546,689</u>
1,083	7,723	27,711
-	9,205	122,412
-	2,000	2,000
25	94	119
-	-	430
-	1,069	1,427
<u>1,108</u>	<u>20,091</u>	<u>154,099</u>
-	103	1,885
<u>-</u>	<u>103</u>	<u>1,885</u>
-	4,168	10,208
40,133	71,401	248,582
-	37	37
-	28,923	81,878
-	-	50,000
<u>40,133</u>	<u>104,529</u>	<u>390,705</u>
<u>\$ 41,241</u>	<u>\$ 124,723</u>	<u>\$ 546,689</u>



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016
(amounts expressed in thousands)

Total Fund Balances - Governmental Funds \$ 390,705

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.

Cost of the assets	4,855,998	
Accumulated depreciation	(1,485,376)	
Total capital assets, net of depreciation		3,370,622

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. 833

Deferred outflow of resources are reported at the fair values of the corresponding hedging derivative instruments in the statement of net position. 91,076

Deferred outflow of resources are reported at net carrying amount for refunding transactions in the statement of net position. 68,131

Deferred outflows of resources related to pensions are recorded in the statement of net position. 159,861

Derivative instruments investments are reported on the statement of net position. 25

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. 5,433

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 assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Assets	122,078	
Liabilities	60,386	
Net position		61,692

Revenues that are unavailable or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 2,325

Deferred inflows of resources related to pensions are recorded in the statement of net position. (104,152)

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	31,846	
Bonds payable	15,175	
Certificates of participation payable	1,635,503	
Borrowing-swap upfront payment	2,658	
Hedging derivative instruments	91,076	
Compensated absences	176,150	
Other post employment benefits	107,380	
Net Pension Liability	640,495	
Accrued interest on long-term debt	35,672	
		(2,735,955)

Total Net Position - Governmental Activities **\$ 1,310,596**

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, 2016
(amounts expressed in thousands)

	GENERAL FUND	COPS DEBT SERVICE
REVENUES:		
Local sources:		
Ad valorem taxes	\$ 960,468	\$ -
Interest income and other	2,142	128
School age child care fees	36,961	-
Food service sales	233	-
Impact fees	-	-
Local grants and other	32,278	-
Total local sources	<u>1,032,082</u>	<u>128</u>
State sources:		
Florida education finance program	232,694	-
Capital outlay and debt service	111	-
Food service	-	-
Class size reduction	212,396	-
Charter School Capital Outlay	-	-
State grants and entitlements	30,878	-
Total state sources	<u>476,079</u>	<u>-</u>
Federal sources:		
Federal grants and entitlements	3,205	-
National school lunch act	-	-
Total federal sources	<u>3,205</u>	<u>-</u>
TOTAL REVENUES	<u>1,511,366</u>	<u>128</u>
EXPENDITURES:		
Current:		
Instruction	1,028,307	-
Instructional support services	115,197	-
Board	6,748	-
General administration	7,428	-
School administration	99,740	-
Facilities acquisition and construction	487	-
Fiscal services	6,591	-
Food services	104	-
Central services	14,991	-
Student transportation services	48,910	-
Operation of plant	126,259	-
Maintenance of plant	70,455	-
Administrative technology services	7,950	-
Community services	40,757	-
Total Current Expenditures	<u>1,573,924</u>	<u>-</u>

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

CAPITAL IMPROVEMENT	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 241,089	\$ -	\$ 1,201,557
659	276	3,205
-	-	36,961
-	13,144	13,377
-	7,725	7,725
-	5,147	37,425
<u>241,748</u>	<u>26,292</u>	<u>1,300,250</u>
-	-	232,694
-	7,651	7,762
-	1,013	1,013
-	-	212,396
-	3,088	3,088
-	5,823	36,701
<u>-</u>	<u>17,575</u>	<u>493,654</u>
-	119,200	122,405
-	69,897	69,897
<u>-</u>	<u>189,097</u>	<u>192,302</u>
<u>241,748</u>	<u>232,964</u>	<u>1,986,206</u>
-	57,817	1,086,124
-	58,497	173,694
-	50	6,798
-	3,171	10,599
-	24	99,764
9,319	5,669	15,475
-	80	6,671
-	81,095	81,199
-	1,033	16,024
-	423	49,333
-	9	126,268
-	-	70,455
-	102	8,052
-	924	41,681
<u>9,319</u>	<u>208,894</u>	<u>1,792,137</u>

(Continued)

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2016
(amounts expressed in thousands)

	GENERAL FUND	COPS DEBT SERVICE
Capital outlay	2,299	-
Debt service:		
Retirement of principal	-	53,495
Interest	29	64,579
Fiscal charges	-	512
TOTAL EXPENDITURES	<u>1,576,252</u>	<u>118,586</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(64,886)</u>	<u>(118,458)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	89,435	145,669
Transfers out	(14,550)	-
Issuance of long-term and refunded debt	-	62,970
Net premium (discount) from issuance of long-term and refunded debt	-	8,541
Payments to refunded debt escrow agent	-	(71,111)
Proceeds from loss recoveries	119	-
Sale of capital assets and other	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>75,004</u>	<u>146,069</u>
NET CHANGE IN FUND BALANCES	10,118	27,611
FUND BALANCES, JULY 1, 2015	<u>117,132</u>	<u>91,182</u>
FUND BALANCES, JUNE 30, 2016	<u>\$ 127,250</u>	<u>\$ 118,793</u>

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

CAPITAL IMPROVEMENT	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
2,511	20,660	25,470
-	9,993	63,488
-	4,692	69,300
-	11	523
<u>11,830</u>	<u>244,250</u>	<u>1,950,918</u>
<u>229,918</u>	<u>(11,286)</u>	<u>35,288</u>
-	23,638	258,742
(215,727)	(28,465)	(258,742)
-	28,338	91,308
-	-	8,541
-	-	(71,111)
-	-	119
-	13	13
<u>(215,727)</u>	<u>23,524</u>	<u>28,870</u>
14,191	12,238	64,158
<u>25,942</u>	<u>92,291</u>	<u>326,547</u>
<u>\$ 40,133</u>	<u>\$ 104,529</u>	<u>\$ 390,705</u>

(Concluded)

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(amounts expressed in thousands)

Total net change in fund balances - governmental funds \$ 64,158

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 (\$108,978) in excess of capitalized capital outlay (\$26,487) in the current period. (82,491)

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	(156)	
Debt Refunding Amortization	(38,073)	
Premium/Discount Amortization	<u>18,796</u>	(19,433)

Investment loss related to derivative instruments reported in the statement of activities that are not reported as revenue in the governmental funds (42)

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 2,325

Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual. (2,144)

Repayment of notes / loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 6,276

Note / Loan proceeds provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (28,338)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 57,212

COPs refunding proceeds (\$71,511) provided current financial resources to governmental funds. COPs refunding payments (\$71,111) are other financing uses in the governmental funds. (400)

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (472)

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	1,426	
Compensated Absences	(2,047)	
Other Post Employment Benefits	(5,454)	
Pension Expense	29,543	
Borrowing-SWAP	218	
Accrued Interest on Long-Term Debt	<u>(1,546)</u>	22,140

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. 11,359

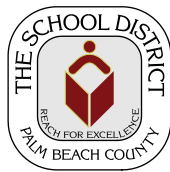
Change in net position of governmental activities **\$ 30,150**

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016
(amounts expressed in thousands)

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 1,012,658	\$ 1,032,083	\$ 1,032,082	\$ 19,425	\$ (1)
State sources	481,167	476,078	476,079	(5,089)	1
Federal sources	6,167	3,205	3,205	(2,962)	-
TOTAL REVENUES	<u>1,499,992</u>	<u>1,511,366</u>	<u>1,511,366</u>	<u>11,374</u>	<u>-</u>
EXPENDITURES:					
Instruction	1,104,674	1,081,920	1,030,667	22,754	51,253
Instructional support services	119,111	121,594	115,611	(2,483)	5,983
Board	7,881	7,715	6,748	166	967
General administration	7,177	7,481	7,428	(304)	53
School administration	97,821	99,873	99,740	(2,052)	133
Facilities acquisition and construction	519	756	487	(237)	269
Fiscal services	6,230	6,987	6,591	(757)	396
Food Services	22	106	104	(84)	2
Central services	14,576	15,520	14,994	(944)	526
Student transportation services	49,055	49,794	48,910	(739)	884
Operation of plant	126,939	127,313	126,259	(374)	1,054
Maintenance of plant	75,703	75,554	70,455	149	5,099
Administrative Technology Services	8,718	8,678	8,171	40	507
Community services	41,447	50,072	41,017	(8,625)	9,055
Debt service	150	138	29	12	109
TOTAL EXPENDITURES	<u>1,660,023</u>	<u>1,653,501</u>	<u>1,577,211</u>	<u>6,522</u>	<u>76,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(160,031)</u>	<u>(142,135)</u>	<u>(65,845)</u>	<u>17,896</u>	<u>76,290</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	92,933	89,435	89,435	(3,498)	-
Transfers out	(34)	(14,550)	(14,550)	(14,516)	-
Proceeds from loss recoveries	-	119	119	119	-
TOTAL OTHER FINANCING SOURCES	<u>92,899</u>	<u>75,004</u>	<u>75,004</u>	<u>(17,895)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (67,132)</u>	<u>\$ (67,131)</u>	<u>9,159</u>	<u>\$ 1</u>	<u>\$ 76,290</u>
FUND BALANCE, JULY 1, 2015 (GAAP BASIS)			<u>117,132</u>		
FUND BALANCE, JUNE 30, 2016 (BUDGETARY BASIS)			126,291		
Adjustment To Conform With GAAP:					
Elimination of encumbrances			<u>959</u>		
FUND BALANCE, JUNE 30, 2016 (GAAP BASIS)			<u>\$ 127,250</u>		

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



THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016
(amounts expressed in thousands)

	Governmental Activities Internal Service Fund
ASSETS	
Current Assets:	
Cash, cash equivalents and investments	\$ 117,074
Due from other agencies	2,496
Total Current Assets	<u>119,570</u>
Noncurrent Assets:	
Restricted cash	2,508
Total Noncurrent Assets	<u>2,508</u>
Total assets	<u><u>\$ 122,078</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 2,169
Accrued payroll and payroll deductions	77
Portion due or payable within one year:	
Estimated unpaid claims	<u>23,714</u>
Total Current Liabilities	<u>25,960</u>
Noncurrent liabilities:	
Portion due or payable after one year:	
Liability for compensated absences	222
Estimated unpaid claims	34,098
Other post-employment benefits obligation	<u>106</u>
Total Noncurrent Liabilities	<u>34,426</u>
Total liabilities	<u>60,386</u>
NET POSITION	
Unrestricted	<u><u>\$ 61,692</u></u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2016
(amounts expressed in thousands)

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES:	
Premium revenue	\$ 207,575
Pharmacy Rebates	10,690
Other operating revenue	1,193
TOTAL OPERATING REVENUES	219,458
OPERATING EXPENSES:	
Salaries	1,168
Benefits	342
Purchased services	449
Claims and other expenses	206,470
TOTAL OPERATING EXPENSES	208,429
OPERATING INCOME	11,029
NONOPERATING REVENUES:	
Interest and other income	330
TOTAL NONOPERATING REVENUES	330
CHANGE IN NET POSITION	11,359
NET POSITION - Beginning of year	50,333
NET POSITION - End of year	\$ 61,692

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, 2016
(amounts expressed in thousands)

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from customers and interfund services provided	\$ 207,575
Cash payments for claims and administration	(205,982)
Cash receipts for pharmacy rebates	10,690
Cash payments for salaries and benefits	(1,500)
Other receipts	1,054
Net cash provided by operating activities	<u>11,837</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and other income	<u>330</u>
Net cash provided by investing activities	<u>330</u>
Net increase in cash and cash equivalents	12,167
Cash and cash equivalents, beginning of year*	<u>107,415</u>
Cash and cash equivalents, end of year*	<u><u>\$ 119,582</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	<u>\$ 11,029</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in due from other agencies	(139)
Decrease in accounts payable	(46)
Increase in payroll and payroll deductions	10
Increase in estimated unpaid claims	983
Total adjustments	<u>808</u>
Net cash provided by operating activities	<u><u>\$ 11,837</u></u>

*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, 2016
(amounts expressed in thousands)

	PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA	AGENCY FUND SCHOOL INTERNAL FUNDS
ASSETS		
Cash, cash equivalents and investments	\$ 267	\$ 17,963
Accounts receivable	<u>-</u>	<u>1,213</u>
TOTAL ASSETS	<u><u>\$ 267</u></u>	<u><u>\$ 19,176</u></u>
LIABILITIES		
Accounts payable	\$ -	\$ 395
Due to student organizations	<u>-</u>	<u>18,781</u>
TOTAL LIABILITIES	<u>-</u>	<u><u>\$ 19,176</u></u>
NET POSITION		
Held in trust for scholarships	<u>267</u>	
TOTAL NET POSITION	<u><u>\$ 267</u></u>	

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(amounts expressed in thousands)

	PRIVATE- PURPOSE TRUST FUND <hr/> FLORIDA FUTURE EDUCATORS OF AMERICA <hr/>
ADDITIONS	
Donations	\$ 32
Interest	1
	<hr/>
TOTAL ADDITIONS	33
	<hr/>
DEDUCTIONS	
Scholarships	125
	<hr/>
TOTAL DEDUCTIONS	125
	<hr/>
CHANGE IN NET POSITION	(92)
NET POSITION - Beginning of year	359
	<hr/>
NET POSITION - End of year	\$ 267
	<hr/> <hr/>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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.

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.

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 are not reported as discretely presented component units in the District's financial statements.

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 most interfund receivables and payables and transfers between funds as well as the transaction associated with its Internal Service Funds.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. 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 in addition to the Bus and Equipment Loans.

Capital Improvement Fund

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

PROPRIETARY FUNDS

The Proprietary Fund is used to account for ongoing organizations and activities, which are operated where the intent is that charges made to users will cover the costs of the services or goods provided. The measurement focus is upon the determination of net income. The only Proprietary Fund that the District has are 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. As of July 1, 2013, the latter fund was created in order to separately report claims instead of consolidating the activity within the General Fund. The negative net position of this fund will be funded over a 15 year period.

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 and certain prepaid items which are recognized when due/paid.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

Accrual

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

Revenue Recognition

State Revenue Sources – Revenues from State sources for current operations are primarily from the Florida Education Finance Program (“FEFP”), administered by the Florida Department of Education (“FDOE”), under the provisions of Chapter 1011, Florida Statutes. 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 – On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received.

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 dated September 11, 2013 the date of the final amendment approved by the Board. Significant dates in the budgeting timetable follow:

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016 for funds under budgetary control have been re-appropriated for the fiscal year 2017 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.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

F. Inventories

Inventories are valued at cost, 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 prepaid 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:

Description	Estimated Lives
Furniture, Fixtures and Equipment	3 – 15 years
Motor Vehicles	5 – 10 years
Audio/Video Materials & Software	3 – 5 years
Buildings and Improvements	15 – 50 years
Improvements Other Than Buildings	15 years
Intangibles	5 years

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).

During the year ended June 30, 2016, management determined that approximately \$23.2 million of deferred outflow of resources – deferred loss on debt refunding from the fiscal year ended June 30, 2015 was miscalculated on the governmental activities financial statements. Management corrected the miscalculation during the fiscal year ended June 30, 2016 by adjusting interest expense on long-term debt in the statement of activities. Management believes that this adjustment does not materially misstate either the current or prior period financial statements.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

On the Government-Wide financial statements Deferred Outflows of Resources activity for fiscal year ended June 30, 2016 is as follows (in thousands):

	Ending Balance June 30, 2015	Increase	Decrease	Ending Balance June 30, 2016
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 74,213	\$ 16,863	\$ -	\$ 91,076
Deferred Loss on Debt Refunding	102,998	-	34,867	68,131
Pension Related - FRS (see footnote 12)	89,297	81,488	57,082	113,703
Pension Related - HIS (see footnote 12)	27,715	35,117	16,674	46,158
Total Outflows of Resources	<u>\$ 294,223</u>	<u>\$ 133,468</u>	<u>\$ 108,623</u>	<u>\$ 319,068</u>

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 \$1.9 million Unavailable Deferred Revenue (\$1.7 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 \$104.2 million as shown below (in thousands):

	Ending Balance June 30, 2015	Increase	Decrease	Ending Balance June 30, 2016
Deferred Inflows of Resources				
Pension Related - FRS (see footnote 12)	\$ 267,633	\$ -	\$ 171,724	\$ 95,909
Pension Related - HIS (see footnote 12)	-	8,243	-	8,243
Total Inflows of Resources	<u>\$ 267,633</u>	<u>\$ 8,243</u>	<u>\$ 171,724</u>	<u>\$ 104,152</u>

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 enters 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. As of July 1, 2013, Workers Compensation, General

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and Auto Claims are reported as an Internal Service Fund. The negative net position will be funded over a fifteen year period.

L. Compensated Absences

Compensated absences are payments to employees for accumulated vacation and sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. 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. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations (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. 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 February 2015, The District adopted GASB *Statement No. 72, Fair Value Measurement and Application* which was effective for the District beginning with its year ending June 30, 2016. GASB 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that was used for the fair value measurements. The adoption of GASB 72 is reflected in Notes 3, 10, and 11.

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In June 2015, GASB Statement No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Not Within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement Nos. 67 and 68*, will be effective for the District beginning with its year ending June 30, 2016, except those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for the District beginning with its year ending June 30, 2017. This Statement will establish requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The adoption of this statement did not impact the District's financial statements.

In June 2015, GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, will be effective for the District beginning with its year ending June 30, 2016. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by the GASB. The Statement also addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of this statement did not impact the District's financial statements.

In December 2015, GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, will be effective for the District beginning with its year ending June 30, 2016. This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals. The adoption of this statement did not impact the District's financial statements.

Recently Issued 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 will not impact 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. Management is currently evaluating the impact of the adoption of this statement on 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. Management of the District is still in the process of determining what effect, if any, GASB 77 will have on the basic financial statements and related disclosures.

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

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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 will 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*. Management is currently evaluating the impact of the adoption of this statement on 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. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

2. AD VALOREM TAXES

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

Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to 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 7.512 mills and the total assessed value on which the 2015-16 levy

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was based was \$176.5 billion. Gross taxes levied were approximately \$1.2 billion. Total revenue, net of discounts, was approximately \$1.2 billion. A portion of the taxes levied for the Local Capital Improvement Capital Project Fund, designated for repairs and maintenance programs are transferred to the General Fund as provided by Chapter 1013, Florida Statutes. For fiscal year 2016, the maintenance transfer amounted to approximately \$79.2 million. Additionally, approximately \$7.1 million was transferred for property insurance; approximately \$3.1 million was transferred for charter school capital outlay bringing the total transfer from capital to approximately \$89.4 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, 2016, the carrying amount of the District's cash deposits was approximately \$306.1 million and the bank balance was approximately \$309.3 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$17.4 million.

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

Cash Equivalents consist of amounts invested in Money Markets, 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 2a7 of the Investment Company Act of 1940. Rule 2a7 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

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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, 2016, the District had the following unrestricted cash and investments with stated maturities that were categorized as Level 1 and Level 2 (amounts in thousands):

	Balance (in thousands)	Fair Value Measurements Using		Effective Duration (years)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	
Investments by Level				
Commercial Paper	\$ 52,067	\$ -	\$ 52,067	0.10
Core Fund Investments				
US Treasury - Notes	30,001	30,001	-	1.98
Federal Agency - Bond/Notes	12,631	-	12,631	1.68
Corporate Notes	6,275	-	6,275	1.37
Municipal Bonds	1,004	-	1,004	1.82
Total Investments by Fair Value Level	101,978	\$ 30,001	\$ 71,977	
Investments Reported at Amortized Cost				
Florida Education Investment				
Trust Fund (FEITF)	123,124			N/A
Money Market Funds	67,328			N/A
Florida Prime	33			0.11
Total Investments Reported at Amortized Cost	190,485			
Total Investments	292,463			
Cash Deposits	306,112			
Total Cash and Investments	\$ 598,575			

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 March, 2017 and June, 2019. As of June 30, 2016, 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.

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PORTFOLIO / INVESTMENTS	FAIR VALUE (in thousands)	PERCENTAGE OF INVESTMENT BALANCE	RATING S&P / MOODY'S
Money Market Funds			
Dreyfus Treasury and Agency	\$ 40,850	6.82%	AAAm/Aaa-mf
Federated Government Obligation	18,544	3.10%	AAAm/Aaa-mf
Fidelity Institutional Government Fund	7,934	1.33%	AAAm/Aaa-mf
Florida Education Investment Trust Fund (FEITF)	123,124	20.57%	AAAm
Florida Prime	33	0.01%	AAAm
Commercial Paper			
Bank of Tokyo	24,994	4.18%	A-1
Fortis	2,090	0.35%	A-1
Rabobank	24,983	4.17%	A-1
Investments in Fixed Income Securities			
US Treasury - Notes/Bill	30,001	5.01%	AA+/Aaa
Toyota Motor Corporation	1,217	0.20%	AA-/Aa3
Berkshire Hathaway	1,428	0.24%	AA/Aa2
IBM Corp	1,213	0.20%	AA-/Aa3
Apple	1,205	0.20%	AA+/Aa1
Chevron	1,212	0.20%	AA-/Aa2
Federally Backed Securities (Fannie Mae, Farmer Mac & Freddie Mac) - Long Term	12,631	2.11%	AA+/Aaa
Municipal Bonds	1,004	0.17%	AA/Aa3
Total Investments	292,463	48.86%	
Plus Cash Deposits	306,112	51.14%	
Total Cash and Investments	\$ 598,575	100.00%	

As of June 30, 2016, 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 "Aa" by Moody's and a minimum long term debt rating of "AA" by Standard & Poor's ("S&P"). The maximum length to maturity for corporate notes shall be three (3) years from the date of purchase. As of June 30, 2016, the District held \$6.3 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 a rating between AA+ and 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, 2016, 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

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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, 2016, the District's investment in fixed income securities was held with a third-party custodian.

4. INVESTMENT DERIVATIVE INSTRUMENTS

The District received an upfront premium 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, 2016, the fair value of the barrier option is approximately \$25,000 in asset position (See Note 11). This is categorized as level 2 investment in accordance with GASB Statement No. 72.

5. DUE FROM OTHER GOVERNMENTS OR AGENCIES

At June 30, 2016, the District had a total of approximately \$30.6 million in Due From Other Governments or Agencies which consisted of the following balances (amount in thousands):

	General Fund	Other Non-major Governmental Funds	Internal Service Fund	Total
Federal and State Sources				
Medicaid*	\$ 2,906	\$ -	\$ -	\$ 2,906
Grant and Entitlements	-	13,739	-	13,739
FEMA	358	6	-	364
Fuel Tax*	-	177	-	177
Local Sources				
Erate*	897	-	-	897
Family Central	906	-	-	906
Impact Fees*	-	7,725	-	7,725
Pharmacy Rebates	-	-	2,404	2,404
Other	958	403	92	1,453
Total Due From Other Governments or Agencies	\$ 6,025	\$ 22,050	\$ 2,496	\$ 30,571

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

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6. INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances at June 30, 2016 (amounts in thousands):

	Interfund Receivables	Interfund Payables
General Fund	\$ 2,000	\$ -
Other Non-Major Governmental Funds	-	2,000
Total Interfund	<u>\$ 2,000</u>	<u>\$ 2,000</u>

The amount payable by the Other 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, 2016 were as follows (amounts in thousands):

Transfer from:	Transfer to:			Total
	General Fund	COPS Debt Service	Other Non-Major Governmental Funds	
Capital Improvement	\$ 81,299	\$ 125,601	\$ 8,827	\$ 215,727
General Fund	-	-	14,550	14,550
Other Non-Major Governmental Funds	8,136	20,068	261	28,465
Total	<u>\$ 89,435</u>	<u>\$ 145,669</u>	<u>\$ 23,638</u>	<u>\$ 258,742</u>

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 relate to amounts transferred to make debt service payments and to fund an adult education capital project.

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7. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 is as follows (amounts in thousands):

	Ending Balance June 30, 2015	Additions and Transfer In	Retirements and Transfers	Ending Balance June 30, 2016
<u>Non-Depreciable Assets:</u>				
Land	\$ 338,593	\$ 87	\$ -	\$ 338,680
Construction in Progress	36,433	2,789	38,072	1,150
Total Non-Depreciable Assets	375,026	2,876	38,072	339,830
<u>Depreciable Assets:</u>				
Improvements Other Than Buildings	57,898	608	-	58,506
Buildings and Improvements	4,135,273	38,563	514	4,173,322
Furniture, Fixtures & Equipment	126,019	7,401	6,237	127,183
Motor Vehicles	108,143	15,090	7,203	116,030
Audio/Video Materials & Software	47,791	21	6,685	41,127
Total Depreciable Assets	4,475,124	61,683	20,639	4,516,168
<u>Less Depreciation For:</u>				
Improvements Other Than Buildings	(27,790)	(3,975)	-	(31,765)
Buildings and Improvements	(1,143,583)	(87,246)	(514)	(1,230,315)
Furniture, Fixtures & Equipment	(98,954)	(8,827)	(5,977)	(101,804)
Motor Vehicles	(82,117)	(6,784)	(7,001)	(81,900)
Audio/Video Materials & Software	(44,120)	(2,146)	(6,674)	(39,592)
Total Accumulated Depreciation	(1,396,564)	(108,978)	(20,166)	(1,485,376)
Capital Assets, Net	\$ 3,453,586	\$ (44,419)	\$ 38,545	\$ 3,370,622

Depreciation expense for the year ended June 30, 2016 of approximately \$109 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 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, 2016 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, 2016, the liability for claims consisted of approximately \$13.0 million, \$12.8 million and \$32.0 million for employee

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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):

	Fiscal Year Ended June 30, 2015	Fiscal Year Ended June 30, 2016
Beginning Balance	\$ 51,836	\$ 56,829
Additions:		
Current year claims and changes in estimates	185,046	195,200
Reductions:		
Claim payments	(180,053)	(194,217)
Ending Balance	<u>\$ 56,829</u>	<u>\$ 57,812</u>

9. SHORT-TERM DEBT

Tax Anticipation Notes

On September 25, 2015 the District issued Tax Anticipation Notes ("TANS"), Series 2015 for \$115.0 million. Note proceeds were used to pay fiscal year 2016 District operating expenditures prior to the receipt of ad valorem taxes. The notes were repaid in January 2016.

Short-term debt activity for the year ended June 30, 2016 was as follows (amounts in thousands):

	Beginning Balance July 1, 2015	Issued	Redeemed	Ending Balance June 30, 2016
Tax anticipation notes	\$ -	\$ 115,000	\$ (115,000)	\$ -
Total short-term debt	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ (115,000)</u>	<u>\$ -</u>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
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FOR THE YEAR ENDED JUNE 30, 2016

10. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2016, is as follows (amounts in thousands):

	Beginning Balance June 30, 2015	Additions	Reductions	Ending Balance June 30, 2016	Amounts Due Within One Year
Governmental Activities:					
Bonds, Notes and Other Payable:					
Notes/Loans Payable	\$ 9,785	\$ 28,338	\$ (6,277)	\$ 31,846	\$ 8,361
Capital Outlay Bond Issue	17,430	-	(3,717)	13,713	2,317
Certificates of Participation	1,600,393	62,970	(121,400)	1,541,963	75,205
Borrowing-Swap Upfront Payment	2,876	-	(218)	2,658	228
Derivative Instruments-Hedging	74,213	16,863	-	91,076	-
	<u>1,704,697</u>	<u>108,171</u>	<u>(131,612)</u>	<u>1,681,256</u>	<u>86,111</u>
Plus Issuance Premium	105,257	8,541	(18,796)	95,002	-
Total Bonds, Notes and Other Payable	<u>1,809,954</u>	<u>116,712</u>	<u>(150,408)</u>	<u>1,776,258</u>	<u>86,111</u>
Other Liabilities:					
Compensated Absences	182,362	16,838	(16,120)	183,080	15,983
Self-Insurance					
Claims and Judgments	56,829	195,200	(194,217)	57,812	23,714
Post Employment Benefits	102,032	12,277	(6,823)	107,486	-
Net Pension Liability	463,708	176,787	-	640,495	-
Total Other Liabilities	<u>804,931</u>	<u>401,102</u>	<u>(217,160)</u>	<u>988,873</u>	<u>39,697</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 2,614,885</u>	<u>\$ 517,814</u>	<u>\$ (367,568)</u>	<u>\$ 2,765,131</u>	<u>\$ 125,808</u>

Notes/Loans Payable

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 a 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.

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A summary of notes/loans payable terms are presented as follows (amounts in thousands):

Bus & Equipment Loans	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2015	Debt Issued	Debt Redeemed	Debt Outstanding June 30, 2016
2014	02/20/14	\$ 14,002	1.235%	08/01/18	\$ 9,785	\$ -	\$ 2,720	\$ 7,065
2015	07/02/15	14,235	1.242%	02/01/20	-	14,236	2,837	11,399
2015 A	10/01/15	7,152	1.274%	08/01/20	-	7,152	720	6,432
2016	03/18/16	6,950	1.255%	02/01/21	-	6,950	-	6,950
		<u>\$ 42,339</u>			<u>\$ 9,785</u>	<u>\$ 28,338</u>	<u>\$ 6,277</u>	<u>\$ 31,846</u>

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

	Principal	Interest	Total Principal and Interest
FY17	\$ 8,361	\$ 361	\$ 8,722
FY18	8,454	267	8,721
FY19	7,115	162	7,277
FY20	5,760	81	5,841
FY21	2,156	18	2,174
	<u>\$ 31,846</u>	<u>\$ 889</u>	<u>\$ 32,735</u>

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):

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2015	Debt Matured	Debt Outstanding June 30, 2016
COBI 2009-A	9/10/2009	\$ 1,655	5.0%	1/1/2019	\$ 755	\$ 170	\$ 585
COBI 2010-A	10/14/2010	9,700	3.5% to 5.0%	1/1/2030	7,575	435	7,140
COBI 2010-A	10/14/2010	1,790	4.0% to 5.0%	1/1/2022	1,410	160	1,250
COBI 2011-A	12/7/2011	5,820	3.0% to 5.0%	1/1/2023	3,415	295	3,120
COBI 2014-B	12/2/2014	4,275	2.0% to 5.0%	1/1/2020	4,275	2,657	1,618
		<u>\$ 23,240</u>			<u>\$ 17,430</u>	<u>\$ 3,717</u>	<u>\$ 13,713</u>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
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The debt service requirements through maturity to the holders of the Capital Outlay Bond Issue are as follows (amounts in thousands):

Year Ended June 30	Principal Capital Outlay Bonds	Interest	Total Principal and Interest
2017	\$ 2,317	\$ 610	\$ 2,927
2018	1,543	494	2,037
2019	1,311	417	1,728
2020	1,177	358	1,535
2021	1,200	300	1,500
2022-2026	3,390	706	4,096
2027-2031	2,775	332	3,107
Total	<u>\$ 13,713</u>	<u>\$ 3,217</u>	<u>\$ 16,930</u>

The District is subject to State Board of Education Administrative Rule 6A-1037(2) that limits the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 2016, the statutory limit for the District was approximately \$17.6 billion, providing additional debt capacity of approximately \$17.6 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.

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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 \$5.1 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.

The Corporation leases facilities and equipment to the District under the Master Lease. The Master Lease is automatically renewable annually unless terminated, in accordance with the provisions of the Master Lease, as a result of default or the failure of the Board to appropriate funds to make lease payments in its final official budget. Failure to appropriate funds to pay lease payments under any lease will, and an event of default under any lease may, result in the termination of all leases. The remedies on default or upon an event of non-appropriation include the surrender of the COP Series 1994A, Series, 1995A, Series 1996A, Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E; QZAB Series 2002, QZAB Series 2004, QZAB Series 2005, and QSCB Series 2010A Facilities by the District and the Trustee's re-letting for the remaining Ground Lease term, or the voluntary sale of the COP Series 1994A, Series 1995A, Series 1996A, Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E; QZAB Series 2002, QZAB Series 2004, QZAB Series 2005, and QSCB Series 2010A, Facilities by the School Board. In either case, the proceeds will be applied against the School Board's obligations under the Master Lease.

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

Certificate Series	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2015	Debt Issued	Debt Matured	Debt Refunded/Defeased	Debt Outstanding June 30, 2016	Ground Lease Term
2002 QZAB	06/11/2002	\$ 950	-	06/11/2016	\$ 950	\$ -	\$ 950	\$ -	\$ -	06/11/2016
2002E (1)	09/01/2002	93,350	4.00%	08/01/2016	14,760	-	12,295	-	2,465	06/30/2016
2003A (2)	06/26/2003	60,865	-	08/01/2015	3,680	-	3,680	-	-	08/01/2021
2003B (3)	06/26/2003	124,295	1.06% **	08/01/2029	124,295	-	-	-	124,295	08/01/2029
2004A (13)	05/04/2004	103,575	-	08/01/2015	3,495	-	3,495	-	-	08/01/2029
2004 QZAB	04/30/2004	2,923	-	04/30/2020	2,923	-	-	-	2,923	04/29/2020
2005 QZAB	12/15/2005	2,150	-	12/15/2020	2,150	-	-	-	2,150	12/15/2020
2006A	05/25/2006	222,015	4.25%	08/01/2016	14,035	-	6,850	-	7,185	08/01/2031
2007A	02/28/2007	268,545	4.00% to 5.00%	08/01/2017	40,270	-	12,825	-	27,445	08/01/2031
2007C (4)	03/22/2007	192,310	4.00% to 5.00%	08/01/2027	179,260	-	920	-	178,340	07/31/2027
2007D (5)	05/03/2007	30,485	-	08/01/2015	5,000	-	5,000	-	-	06/30/2015
2007E	10/31/2007	147,390	4.00% to 4.25%	08/01/2017	15,025	-	4,795	-	10,230	08/01/2032
2010A QSCB	11/15/2010	67,665	5.40% ***	08/01/2025	67,665	-	-	-	67,665	08/01/2032
2011B (6)	06/29/2011	166,270	-	08/01/2015	845	-	845	-	-	08/01/2025
2011A (7)	07/13/2011	112,425	4.00% to 5.00%	08/01/2032	112,425	-	-	67,905	44,520	08/01/2032
2011C (8)	11/15/2011	15,355	1.74%	08/01/2018	6,540	-	370	-	6,170	08/01/2018
2011D (9)	11/15/2011	25,065	2.64%	08/01/2021	24,195	-	340	-	23,855	08/01/2021
2012A (10)	05/15/2012	20,085	5.00%	08/01/2028	20,085	-	-	-	20,085	08/01/2028
2012B (11)	06/29/2012	116,555	0.90% ****	08/01/2028	107,310	-	85	-	107,225	08/01/2028
2012C (12)	08/09/2012	67,145	4.00% to 5.00%	08/01/2029	67,145	-	-	-	67,145	08/01/2029
2014A (13)	01/31/2014	115,560	0.87% *	08/01/2027	115,560	-	105	-	115,455	08/01/2027
2014B (14)	06/27/2014	166,010	3.00% to 5.00%	08/01/2025	166,010	-	940	-	165,070	08/01/2025
2014C (15)	07/29/2014	33,280	5.00%	08/01/2031	33,280	-	-	-	33,280	08/01/2031
2015A (16)	05/05/2015	106,315	2.52%	08/01/2022	106,315	-	-	-	106,315	08/01/2022
2015B (17)	01/14/2015	145,535	5.00%	08/01/2031	145,535	-	-	-	145,535	08/01/2031
2015D (18)	04/30/2015	221,640	5.00%	08/01/2032	221,640	-	-	-	221,640	08/01/2032
2015C (19)	09/22/2015	106,315	5.00%	08/01/2032	-	62,970	-	-	62,970	08/01/2032
		<u>\$ 2,734,073</u>			<u>\$ 1,600,393</u>	<u>\$ 62,970</u>	<u>\$ 53,495</u>	<u>\$ 67,905</u>	<u>\$ 1,541,963</u>	

* 2014A - Variable rate paid to certificate holders SIFMA +46 BPS. Resets weekly, 0.87% at 6/30/2016

** 2003B - Variable rate paid to certificate holders SIFMA + 65 basis points. Resets weekly, 1.06% at 6/30/2016

*** 2010A QSCB - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is 0.5629%

**** 2012B - Variable rate paid to certificate holders SIFMA +49 BPS. Resets weekly, 0.90% at 6/30/2016

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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) Refunded and partially defeased by Series 2011D Certificates of Participation.
- (3) On March 20, 2008, the District converted and remarketed the Series 2003B (with no change to principal).
- (4) Issued to advance refund and defease a portion the Series 2001A, Series 2002A, Series 2002C and Series 2002D Certificates of Participation. **
- (5) Issued to advance refund and defease a portion of Series 1997A Certificates of Participation (which previously refunded Series 1994A Certificates of Participation). **
- (6) Issued to advance refund and defease a portion of Series 2001B Certificates of Participation (which previously refunded Series 2000A Certificates of Participation). **
- (7) Issued to advance refund and defease Series 2007B Certificates of Participation, refunded and partially defeases by 2015C Certificates of Participation. **
- (8) Issued to advance refund and defease a portion of Series 2002A Certificates of Participation. **
- (9) Issued to advance refund and defease a portion of Series 2003A Certificates of Participation. **
- (10) Issued to advance refund and defease a portion of Series 2002D Certificates of Participation. **
- (11) Issued to advance refund and defease remaining Series 2002D Certificates of Participation. **
- (12) Issued to advance refund and defease a portion of Series 2004A Certificates of Participation. **
- (13) Issued to advance refund and defease remaining Series 2002B Certificates of Participation. **
- (14) Issued to advance refund and defease a portion of Series 2011B Certificates of Participation (which previously refunded Series 2000A Certificates of Participation). **
- (15) Issued to advance refund and defease Series 2007A Certificates of Participation. **
- (16) Issued to advance refund and defease a portion of Series 2005A Certificates of Participation (which previously refunded Series 2001A, 2002A, 2002C, and 2002D Certificates of Participation). **
- (17) Issued to advance refund and defease a portion of Series 2006A Certificates of Participation. **
- (18) Issued to advance refund and defease a portion of Series 2007A and 2007E Cert. of Participation. **
- (19) 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, 2016, approximately \$1.8 million was expended for capital outlay in the Certificates of Participation Capital Projects Funds.

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All Certificates of Participation issued are subject to arbitrage rebate. At June 30, 2016, 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):

Year ended June 30	Series 2002E	Series 2003B	Series 2006A	Series 2007A	Series 2007C	Series 2007E	Series 2011A	Series 2011C	Series 2011D
2017	\$ 2,465	\$ -	\$ 7,185	\$ 13,455	\$ 1,075	\$ 5,015	\$ -	\$ 4,585	\$ 4,205
2018	-	-	-	13,990	605	5,215	-	230	4,325
2019	-	-	-	-	800	-	-	1,355	4,435
2020	-	-	-	-	1,905	-	5,630	-	4,555
2021	-	-	-	-	15,730	-	5,895	-	4,670
2022-2026	-	24,945	-	-	71,605	-	32,995	-	1,665
2027-2031	-	99,350	-	-	86,620	-	-	-	-
2032-2036	-	-	-	-	-	-	-	-	-
Total	\$ 2,465	\$ 124,295	\$ 7,185	\$ 27,445	\$ 178,340	\$ 10,230	\$ 44,520	\$ 6,170	\$ 23,855

Year ended June 30	Series 2012A	Series 2012B	Series 2012C	Series 2014A	Series 2014B	Series 2014C	Series 2015A	Series 2015B	Series 2015C
2017	\$ -	\$ 105	\$ 3,500	\$ 105	\$ 11,345	\$ -	\$ 22,165	\$ -	\$ -
2018	-	5,130	3,680	-	14,335	-	22,595	6,745	-
2019	-	5,380	3,825	3,045	14,945	-	18,820	7,080	-
2020	-	70	4,015	10,420	15,615	-	18,345	7,435	-
2021	-	-	4,180	10,810	16,190	-	5,475	7,805	-
2022-2026	1,795	30,350	24,050	62,135	92,640	-	18,915	45,300	-
2027-2031	18,290	66,190	23,895	28,940	-	24,875	-	57,815	25,470
2032-2036	-	-	-	-	-	8,405	-	13,355	37,500
Total	\$ 20,085	\$ 107,225	\$ 67,145	\$ 115,455	\$ 165,070	\$ 33,280	\$ 106,315	\$ 145,535	\$ 62,970

Year ended June 30	Series 2015D	Series 2004 QZAB	Series 2005 QZAB	Series 2010A QSCB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2017	\$ -	\$ -	\$ -	\$ -	\$ 75,205	\$ 69,783	\$ 144,988
2018	-	-	-	-	76,850	67,039	143,889
2019	18,915	-	-	-	78,600	63,905	142,505
2020	5,275	2,923	-	-	76,188	60,781	136,969
2021	5,535	-	2,150	-	78,440	57,571	136,011
2022-2026	32,845	-	-	67,665	506,905	228,667	735,572
2027-2031	123,305	-	-	-	554,750	87,849	642,599
2032-2036	35,765	-	-	-	95,025	4,361	99,386
Total	\$ 221,640	\$ 2,923	\$ 2,150	\$ 67,665	\$ 1,541,963	\$ 639,956	\$ 2,181,919

State Statute requires that no more than 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, Legislature reduced district debt service capacity by 25%. Debt service payments remain in compliance at 56.5% of capital millage proceeds. The District's legal lease purchase agreement remaining

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debt issuance capacity is \$47.5 million, however Board Policy does not allow additional issuance until debt service falls below 50% of capital millage.

Defeased Debt

On October 28, 2015, the District issued certificates of participation (Series 2015C) in the amount of \$63.0 million (plus a premium of \$8.5 million) with net interest cost of 4.16% to refund certificates of participation Series 2011A with interest rate of 5.00%. The District made a principal payment of \$67.9 million, and a call premium payment of \$3.2 million in connections with the refunding transaction, both are recorded in the fund level financial statements as a payment to escrow agent. As a result of the refunding, the District will decrease its total debt service payment requirements by \$9.7million which results in an economic savings of \$6.7 million, or 9.92% of the principal amount being refunded. The refunding meets the requirements of an in-substance defeasance and the liability for the refunded certificates was removed from the District's financial statements in the current fiscal year.

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, 2016, the total amount of defeased debt outstanding but removed from the District's financial statements amounted to \$463.0 million.

Certificates of Participation:

<u>Series</u>	<u>Maturities</u>	<u>Outstanding (in thousands)</u>	<u>Call Date</u>	<u>Defeased by COPS Series</u>
2011A	8/2032	\$ 67,905	8/1/2016	2015C
2006A	8/2017 - 8/2031	160,405	8/1/2016	2015B
2007A	8/2018 - 8/2031	119,605	8/1/2017	2015D
2007E	8/2018 - 8/2032	115,065	8/1/2017	2015D
Total Defeased COPS		<u>\$ 462,980</u>		

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Hedging Derivative Instrument Payments and Hedged Debt

As of June 30, 2016, 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):

Fiscal Year			Hedging Derivative Instruments,	
Ending June 30	Principal	Interest	Net	Total
2017	\$ 210	\$ 2,106	\$ 13,809	\$ 16,125
2018	5,130	2,077	13,577	20,784
2019	8,415	2,039	13,276	23,730
2020	10,500	2,003	13,015	25,518
2021	10,810	1,947	12,609	25,366
2022-2026	117,430	7,907	50,992	176,329
2027-2031	194,480	3,006	17,464	214,950
	<u>\$ 346,975</u>	<u>\$ 21,085</u>	<u>\$ 134,742</u>	<u>\$ 502,802</u>

Borrowings of Hybrid Derivative Instruments

The District sold a swaption with the 2002D certificates with a 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.

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Debt service requirements for the 2012B/2002D borrowing at June 30, 2016, are as follows (amounts in thousands):

Fiscal Year			Total
Ending June 30	Principal	Interest	Principal and Interest
2017	\$ 228	\$ 108	\$ 336
2018	229	98	327
2019	223	89	312
2020	224	79	303
2021	233	69	302
2022-2026	1,092	198	1,290
2027-2031	429	19	448
	<u>\$ 2,658</u>	<u>\$ 660</u>	<u>\$ 3,318</u>

11. DERIVATIVE INSTRUMENTS

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2016, classified by type, and the changes in fair value of such derivatives are as follows (amounts in thousands):

		Changes in Fair Value		Fair Value at June 30, 2016			Fair Value
		Classification	Amount	Classification	Amount	Notional	Levels
<u>Governmental Activities Hedging Derivatives:</u>							
2002B/2014A Pay-fixed Interest Rate Swap	Deferred outflow of resources		\$ (2,645)	Liability	\$ (26,801)	\$ 115,245	Level 2
2003B Pay-fixed Interest Rate Swap	Deferred outflow of resources		(9,043)	Liability	(34,561)	124,295	Level 2
2002D/2012B Pay-fixed Interest Rate Swap	Deferred outflow of resources		(5,175)	Liability	(29,714)	107,225	Level 2
Total Hedging Derivative Instruments			<u>\$ (16,863)</u>		<u>\$ (91,076)</u>		
<u>Investment Derivatives:</u>							
	Investment earnings						
2003B-Barrier Option at 7%	(Loss)		\$ (42)	Asset	\$ 25	100,000	Level 2
Total Investment Derivative Instruments			<u>\$ (42)</u>		<u>\$ 25</u>		

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 \$(16.9 million) classified as an increase of Deferred Outflow 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,

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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, 2016, along with the credit rating of the associated counterparty (amounts in thousands):

Objective	Notional	Effective Date	Maturity Date	Amount of Cash Received	Terms	Counterparty	Counterparty Credit Rating
<u>Governmental Activities Hedging Derivatives:</u>							
2002B/2014A - Interest Rate Swap	Hedge changes in cash flows on the 2014A Certificates	\$115,245	3/20/2002	8/1/2027	N/A	Pay 4.22%; receive 67% of USD LIBOR or SIFMA bps Swap Index	Citigroup Financials Products Inc. Baa2,A-,A
2003B -Interest Rate Swap	Hedge changes in cash flows on the 2003B Certificates	124,295	6/26/2003	8/1/2029	N/A	Pay 3.91%; receive SIFMA bps Swap Index	UBS AG, Stamford Branch A2,A,A
2002D/2012B - Interest Rate Swap	Hedge changes in cash flows on the 2012B Certificates	107,225	8/1/2012	8/1/2028	\$ 4,240	Pay 4.71%; receive SIFMA Swap Index	Citibank N.A. New York A2,A,A
<u>Investment Derivatives:</u>							
2003B -Barrier option at 7%	Hedge against future increase in interest rates	\$ 100,000	6/26/2003	8/1/2018	\$ 3,010	See Note 1	UBS AG, Stamford Branch A2,A,A

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 investment derivative instruments in asset position of \$25 thousand and no hedging derivative instruments in asset positions at June 30, 2016.

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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) – Defined Benefit Pension Plans

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 \$78.7 million for the fiscal year ended June 30, 2016.

FRS Pension Plan

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

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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:

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value
<i>Regular Class members initially enrolled before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

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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 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.26
FRS, Elected County Officers	3.00	42.27
FRS, Senior Management Service	3.00	21.43
FRS, Special Risk Regular	3.00	22.04
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)
TRS, Plan E	6.25	11.90

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled \$80.0 million (which includes \$23.1 million of employee contributions) for the fiscal year ended June 30, 2016. 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, 2016, the District reported a liability of \$314.3 million for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 2.433 percent, which was an increase of 0.102 from its proportionate share measured as of June 30, 2014.

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For the fiscal year ended June 30, 2016, the District recognized pension credit of \$36.5 million related to the Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 33,179	\$ (7,453)
Change of assumptions	20,860	-
Net difference between projected and actual earnings on FRS pension plan investments	-	(75,046)
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	2,582	(13,410)
District FRS contributions subsequent to the measurement date	57,082	-
Total	\$ 113,703	\$ (95,909)

The deferred outflows of resources related to pensions, totaling \$57.1 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ (27,391)
2018	(27,391)
2019	(27,391)
2020	37,124
2021	4,805
Thereafter	954

Actuarial Assumptions. The total pension liability in the July 1, 2015 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 expense, 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, 2015, 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

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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:

Asset Class	Target Allocation (1)	Arithmetic Return	(Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.1%	1.7%
Fixed Income	18.0%	4.2%	4.7%	5.2%
Global Equity	53.0%	8.5%	7.2%	17.7%
Real Estate (Property)	10.0%	6.8%	6.2%	12.0%
Private Equity	6.0%	11.9%	8.2%	30.0%
Strategic Investment	12.0%	6.9%	6.1%	11.4%
Total	100.00%			
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 7.65 percent. 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 7.65 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 (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate (amounts in thousands):

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
District's proportionate share of the net pension liability (asset)	\$ 814,382	\$ 314,284	\$ (101,879)

Pension Plan Fiduciary Net Position. Detailed information about the 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, 2016, the District reported a payable of \$16.6 million for the outstanding amount of contributions owed the Plan required for the fiscal year ended June 30, 2016.

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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, 2016, 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, 2016, 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 \$16.4 million for the fiscal year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, the District reported a net pension liability of \$326.2 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The District's proportionate share of the net pension liability was based on the District's 2014-15 fiscal year contributions relative to the total 2014-15 fiscal year contributions of all participating members. At June 30, 2015, the District's proportionate share was 3.199 percent, which was a decrease of 0.106 from its proportionate share measured as of June 30, 2014.

For the fiscal year ended June 30, 2016, the District recognized pension expense of \$7.0 million 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:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change of assumptions	\$ 25,664	\$ -
Net difference between projected and actual earnings on HIS pension plan investments	177	-
Changes in proportion and differences between District HIS contributions and proportionate share of HIS contributions	3,643	(8,242)
District contributions subsequent to the measurement date	16,674	-
Total	\$ 46,158	\$ (8,242)

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The deferred outflows of resources related to pensions, totaling \$16.7million, 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 3,850
2018	3,850
2019	3,850
2020	3,813
2021	3,797
Thereafter	2,082

Actuarial Assumptions. The total pension liability in the July 1, 2015, 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	3.80 percent

Mortality rates were based on the Generational RP-2000 with Projected Scale BB. The actuarial assumptions used in the July 1, 2015 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 3.80 percent. 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 3.80 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 (2.80 percent) or 1-percentage-point higher (4.80 percent) than the current rate (amounts in thousands):

	<u>1% Decrease (2.80%)</u>	<u>Current Discount Rate (3.80%)</u>	<u>1% Increase (4.80%)</u>
District's proportionate share of the net pension liability	\$371,702	\$ 326,211	\$288,278

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.

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Payables to the Pension Plan. At June 30, 2016, the District reported a payable of \$3.5 million for the outstanding amount of contributions owed the HIS Plan required for the fiscal year ended June 30, 2016.

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 2015-16 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30
FRS, Elected County Officers	11.34
FRS, Senior Management Service	7.67
FRS, Special Risk Regular	14.00

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 0.04 percent of payroll and by forfeited benefits of Investment Plan members. For the fiscal year ended June 30, 2016, 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 SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

The District's Investment Plan pension expense totaled \$4.8 million for the fiscal year ended June 30, 2016.

Payables to the Investment Plan. At June 30, 2016, 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, 2016.

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, 2016.

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 2016, 1,174 retirees received health care benefits. The District provided required contributions of approximately \$6.8 million toward the annual OPEB cost. Retiree contributions totaled approximately \$5.4 million.

Annual OPEB Cost and Net OPEB Obligation

The District's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the retiree health plan (amounts in thousands):

Annual Required Contribution	\$ 11,840
Interest on Net OPEB Obligation	4,081
Adjustment to Annual Required Contribution	(3,644)
Annual OPEB Cost (Expense)	<u>12,277</u>
Contribution Towards OPEB Cost	(6,823)
Increase in Net OPEB Obligation	<u>5,454</u>
Net OPEB Obligation - Beginning of Year	102,032
Net OPEB Obligation - End of Year	<u><u>\$ 107,486</u></u>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, and the two preceding years were as follows (amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2016	\$ 12,277	56%	\$ 107,486
June 30, 2015	12,006	47%	102,032
June 30, 2014	13,311	37%	95,639

Funded Status and Funding Progress

As of June 30, 2016, the actuarial accrued liability for benefits was \$141.6 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$989.7 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 14.0%.

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

Methods and Assumptions

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

The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of July 1, 2015. 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, 2016 is thirty years (open method).

The following assumptions were made:

Retirement Age – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2014.

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

Per Capita Health Claim Cost – Per capita health claim costs are developed from a combination of historical claim experience and manual claim costs developed using a representative database. The per capita cost at age 60 is \$11,484 and at age 70 is \$6,030.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

Age Based Morbidity – The assumed per capita health claim costs are adjusted to reflect expected increases related to age. The increase in per capita health claim costs related to age range from 3.19% to 5.06% under age 65 and from 0.05% to 3.00% over age 65.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2014 Table projected to 2030 using Scale MP-14 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 8.0% for under age 65 and 7.0% over age 65 initially, reduced 0.5% each year until reaching the ultimate trend rate of 4.5%.

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

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

Termination – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2014. 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 May 2015.

Salary Increase Assumption – 3.5% per annum.

Discount Rate – 4% per annum

Inflation Rate – 3%

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).

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

- 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 \$50.0 million or 3.2% of general fund total expenditures.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

The following table shows the District's fund balance classification at June 30, 2016 (in thousands):

	Major Funds			Other Non-Major Governmental	Total Governmental
	General Fund	COP Debt Service	Capital Improvement		
FUND BALANCES:					
<u>Nonspendable:</u>					
<u>Inventory:</u>					
Textbooks	\$ 4,726	\$ -	\$ -	\$ -	\$ 4,726
Child Nutrition	-	-	-	4,168	4,168
Transportation	313	-	-	-	313
Warehouse	979	-	-	-	979
Other	22	-	-	-	22
Total Nonspendable	6,040	-	-	4,168	10,208
<u>Restricted for:</u>					
Categorical carryover programs	3,267	-	-	-	3,267
IB, AP, AICE & Industry cert prog	11,648	-	-	-	11,648
School Improvement	1,347	-	-	-	1,347
Workforce development	1,993	-	-	-	1,993
Child nutrition	-	-	-	23,784	23,784
Debt service	-	118,793	-	5,501	124,294
Capital projects	-	-	40,133	42,116	82,249
Total Restricted	18,255	118,793	40,133	71,401	248,582
<u>Committed to:</u>					
The Education Network program	-	-	-	37	37
Total Committed	-	-	-	37	37
<u>Assigned to:</u>					
<u>School Operations</u>					
Instruction	60	-	-	-	60
Instructional support services	417	-	-	-	417
Operation of plant	221	-	-	-	221
<u>Community services:</u>					
After care /summer camp	8,625	-	-	-	8,625
Pre-K/VPK Fee Based Activities	389	-	-	-	389
Community Schools	698	-	-	-	698
Other	261	-	-	-	261
Capital projects	220	-	-	28,923	29,143
Misc local grants/donations	1,858	-	-	-	1,858
Next year budget appropriations	40,206	-	-	-	40,206
Total Assigned	52,955	-	-	28,923	81,878
Unassigned	50,000	-	-	-	50,000
Total fund balance	\$ 127,250	\$ 118,793	\$ 40,133	\$ 104,529	\$ 390,705

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 \$12.0 million and other encumbrances of \$1.4 million as of June 30, 2016 are shown below (amounts in thousands):

	Construction		
	<u>Encumbrances</u>	<u>Commitments</u>	<u>Total</u>
General Fund	\$ 959	\$ -	\$ 959
Nonvoted Capital Improvement	-	2,731	2,731
Other Governmental	395	9,296	9,691
Total Commitments	<u>\$ 1,354</u>	<u>\$ 12,027</u>	<u>\$ 13,381</u>

16. SUBSEQUENT EVENTS

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.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN
JUNE 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
July 1, 2015	\$ -	\$ 141,585	\$ 141,585	0.0%	\$ 989,739	14.3%
July 1, 2014	-	135,559	135,559	0.0%	966,098	14.0%
July 1, 2013	-	138,454	138,454	0.0%	971,608	14.2%
July 1, 2012	-	130,194	130,194	0.0%	933,906	13.9%
July 1, 2011	-	168,939	168,939	0.0%	900,783	18.8%
July 1, 2010	-	161,375	161,375	0.0%	906,746	17.8%
July 1, 2009	-	218,964	218,964	0.0%	922,938	23.7%
July 1, 2008	-	216,013	216,013	0.0%	926,287	23.3%
June 30, 2008	-	239,500	239,500	0.0%	930,821	25.7%

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION -

**Schedule of the District's Proportionate Share of the Net Pension Liability -
Florida Retirement System Pension Plan (1)**

	<u>2015</u>	<u>2014</u>
District's proportion of the FRS net pension liability (asset)	2.4332%	2.5354%
District's proportionate share of the FRS net pension liability (asset)	\$ 314,284	\$ 154,697
District's covered-employee payroll	\$ 966,098	\$ 971,624
District's proportionate share of the FRS net pension liability (asset) as a percentage of its covered-employee payroll	32.53%	15.92%
FRS Plan fiduciary net position as a percentage of the total pension liability	92.00%	96.09%

**Schedule of District Contributions -
Florida Retirement System Pension Plan (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 57,082	\$ 59,324	\$ 55,536
District FRS contributions in relation to the contractually required contribution	(57,082)	(59,324)	(55,536)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 989,739	\$ 966,098	\$ 971,624
FRS contributions as a percentage of covered-employee payroll	5.77%	6.14%	5.72%

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 -

**Schedule of the District's Proportionate Share of the Net Pension Liability -
Health Insurance Subsidy Pension Plan (1)**

	<u>2015</u>	<u>2014</u>
District's proportion of the HIS net pension liability (asset)	3.1986%	3.3048%
District's proportionate share of the HIS net pension liability (asset)	\$ 326,211	\$ 309,012
District's covered-employee payroll	\$ 966,098	\$ 971,624
District's proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll	33.8%	31.8%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.50%	0.99%

**Schedule of District Contributions -
Health Insurance Subsidy Pension Plan (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 16,674	\$ 12,227	\$ 11,321
District HIS contributions in relation to the contractually required HIS contribution	(16,674)	(12,227)	(11,321)
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 989,739	\$ 966,098	\$ 971,624
HIS contributions as a percentage of covered-employee payroll	1.68%	1.27%	1.17%

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.



Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the
House of Representatives, and the
Legislative Auditing Committee

INDEPENDENT AUDITOR'S 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

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Palm Beach County District School Board, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 17, 2017, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the aggregate discretely presented component units, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine 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 District'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, rules, 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*.

We noted a certain additional matter that is discussed in Finding No. 2016-001 in the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. We also noted certain additional matters that we reported to District management in our operational audit report Nos. 2017-042 and 2017-149.

District's Response to Finding

The District's response to the finding identified in our audit is included as District Response in Finding No. 2016-001 and in the **CORRECTIVE ACTION PLAN**. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
March 17, 2017

APPENDIX C

**EXCERPTED INFORMATION FROM THE SUPERINTENDENT'S ANNUAL
FINANCIAL REPORT (UNAUDITED) OF THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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SUPERINTENDENT'S ANNUAL FINANCIAL REPORT

(Unaudited)

For the Fiscal Year Ended
June 30, 2017

Robert M. Avossa, Ed.D.
Superintendent of Schools

The School District of Palm Beach County, Florida

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 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 \$0.080 billion, or 166.8%, from \$1.311 billion to \$1.391 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 (while charter school enrollment increased 1.6%, approximately 330 students). The increase in net position is mainly related to the timing of revenue recognition for the new ½ penny sales tax with limited expenditures prior to year end.
- The District's total long-term debt decreased by \$99.5 million or 5.6% primarily due to debt repayments of \$85.9 million and amortization of issuance premiums of \$13.4 million.
- Total revenues increased by \$154.2 million or 7.8%, from \$1.987 billion to \$2.141 billion when compared to the prior year.
 - General revenue accounted for \$1.560 billion, or 72.9%, of all revenues and increased \$131.2 million or 9.2%. This increase is primarily attributed to new sales tax revenue of \$62.7 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 \$581.2 million, or 27.2% of all revenues and increased \$22.3 million or 4.0%. 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 \$104.0 million from \$1.956 billion to \$2.060 billion. The increase in expenditures 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 #68, raises given to employees in 2017, and an increase in the amount passed through to charter schools of \$7.3 million.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

- The District's governmental funds reported combined fund balances of \$456.5 million.
 - 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.
 - Debt Service funds ended the year with a fund balance of \$122.1 million and is restricted to cover debt service payments. Other Debt Service fund, a major fund, has a restricted fund balance of \$120.8 million, and the remaining debt service funds which are included with the non-major governmental funds have a restricted fund balance of \$1.3 million.
 - Capital Project funds ended the year with a fund balance of \$180.3 million and is restricted or assigned to fund existing and future capital projects. The Nonvoted Capital Improvement fund, a major fund, has a restricted fund balance of \$55.6 million, Other Capital Projects fund, another major fund, has a restricted fund balance of \$87.5 million mainly comprised of new Sales Tax Fund (\$56.7 million) and assigned fund balance of \$35.7 million, and the remaining capital funds which are included with the non-major governmental funds have \$1.5 million restricted fund balance.
 - 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Figure 1, 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 Exhibit D-2a, page 19.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017****FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE****Government-Wide**

The District's net position was \$1.391 billion at June 30, 2017. The largest portion of the District's net position, \$1.772 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 (\$305.6 million) represents resources that are subject to external restrictions on how they may be used.

Table 1

	Summary of Net Position Governmental Activities (in thousands)			
	June 30, 2017	June 30, 2016	Increase (Decrease)	Percentage Change
Current and other assets	\$ 887,542	\$ 673,058	\$ 214,484	31.9%
Capital assets (net)	3,288,764	3,370,622	(81,858)	(2.4%)
Total assets	4,176,306	4,043,680	132,626	3.3%
Accumulated Decrease in Fair Value of Hedging Derivatives	91,076	91,076	-	0.0%
Deferred Loss on Debt Refunding	61,781	68,131	(6,350)	(9.3%)
Pension Related	378,036	159,861	218,175	136.5%
Total Deferred Outflows of Resources	530,893	319,068	211,825	66.4%
Current and other liabilities	405,404	308,677	96,727	31.3%
Long-term liabilities	2,873,791	2,639,323	234,468	8.9%
Total liabilities	3,279,195	2,948,000	331,195	11.2%
Pension Related	36,952	104,152	(67,200)	
Total Deferred Inflows of Resources	36,952	104,152	(67,200)	0.0%
Net position:				
Net investment in Capital Assets	1,772,248	1,760,930	11,318	0.6%
Restricted	305,635	237,692	67,943	28.6%
Unrestricted (deficit)	(686,853)	(688,026)	1,173	0.2%
Total net position	\$ 1,391,030	\$ 1,310,596	\$ 80,434	6.1%

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 \$214.5 million or 31.9% primarily as a result of \$115 million TANS outstanding at the end of year.

The analyses in Table 1, above, and Table 2, on page 6, focus on the summary of net position and summary of changes in net position for the District's governmental activities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017****Table 2**Summary of Changes in Net Position
Governmental Activities
(in thousands)

	June 30, 2017	June 30, 2016	Increase (Decrease)	Percentage Change
Revenues:				
Program revenue:				
Charges for services	\$ 54,380	\$ 53,493	\$ 887	1.7%
Operating grants and contributions	508,346	491,973	16,373	3.3%
Capital grants and contributions	18,497	13,430	5,067	37.7%
General revenue:				
Property taxes	1,218,208	1,201,557	16,651	1.4%
Local sales taxes	62,683	-	62,683	-
Grants and contributions not restricted	231,622	180,622	51,000	28.2%
Investment earnings	6,072	3,493	2,579	73.8%
Other general revenue	40,947	41,938	(991)	(2.4%)
Total revenues	<u>2,140,755</u>	<u>1,986,506</u>	<u>154,249</u>	<u>7.8%</u>
Functions/Programs Expenses				
Instruction	1,154,828	1,062,354	92,474	8.7%
Instructional support services	174,006	170,617	3,389	2.0%
Board	7,471	6,634	837	12.6%
General administration	10,453	10,089	364	3.6%
School administration	107,082	97,556	9,526	9.8%
Facilities acquisition and construction	17,061	14,750	2,311	15.7%
Fiscal services	6,856	6,805	51	0.7%
Food services	89,897	81,095	8,802	10.9%
Central services	16,058	15,646	412	2.6%
Student transportation services	54,426	48,223	6,203	12.9%
Operation and maintenance of plant	200,307	194,129	6,178	3.2%
Administrative technology services	7,646	7,916	(270)	(3.4%)
Community services	43,162	40,980	2,182	5.3%
Interest on long-term debt	63,325	90,428	(27,103)	(30.0%)
Unallocated depreciation/amortization	107,743	109,134	(1,391)	(1.3%)
Total expenses	<u>2,060,321</u>	<u>1,956,356</u>	<u>103,965</u>	<u>5.3%</u>
Change in net position	<u>80,434</u>	<u>30,150</u>	<u>50,284</u>	<u>166.8%</u>
Net Position - beginning	<u>1,310,596</u>	<u>1,280,446</u>	<u>30,150</u>	<u>2.4%</u>
Net Position - ending	<u>\$ 1,391,030</u>	<u>\$ 1,310,596</u>	<u>\$ 80,434</u>	<u>6.1%</u>

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.

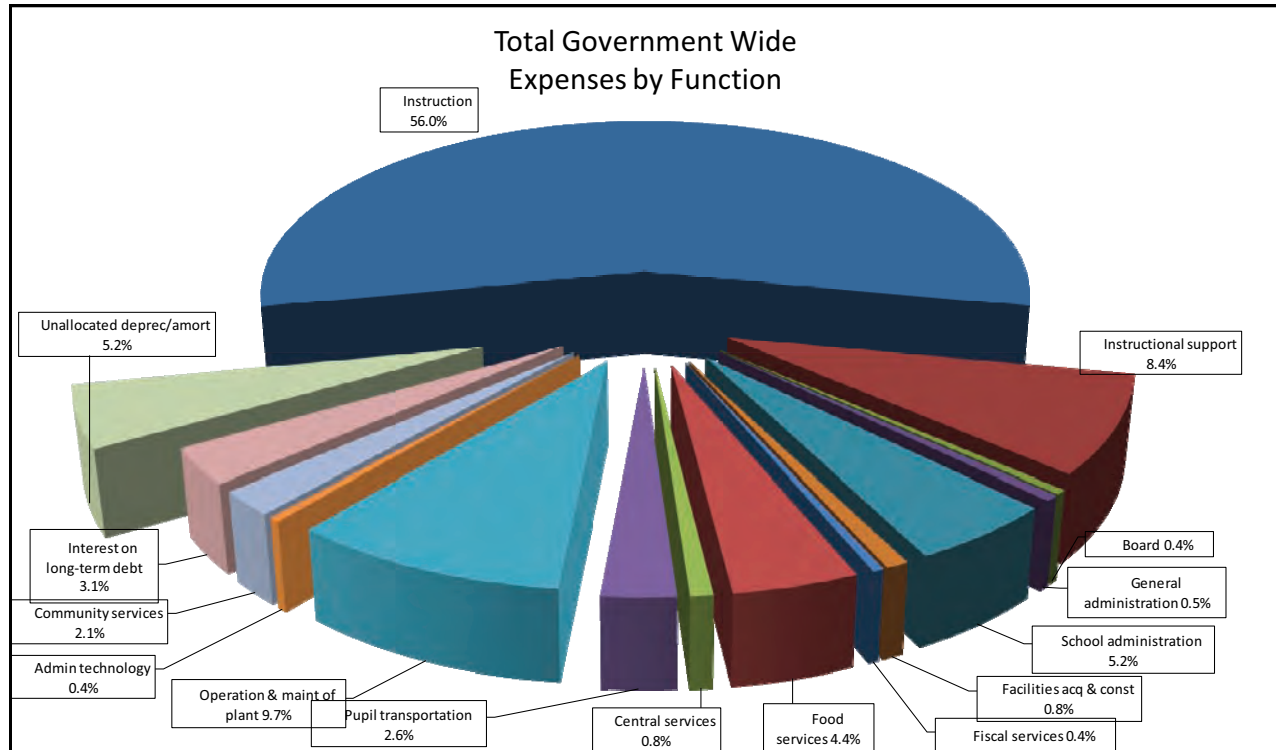
As reported in the Statement of Activities, the cost of all of the governmental activities this year was \$2.060 billion. Some costs were paid by those who benefited from the programs (\$54.4 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$526.8 million). The District paid for the remaining "public benefit" portion of the governmental activities with \$1.2 billion in property taxes, \$62.7 million in Sales Tax, \$231.6 million in grants and contributions not restricted to specific programs, \$6.1 million in investment earnings, and \$40.9 million in other general revenue.

Property taxes increased \$16.6 million or 1.4%, which is primarily attributed to a 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 \$62.7 million represents 6 months of collections for the current year for the newly approved penny sales tax of which the District receives ½ cent.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Grants and contributions not restricted increased \$51.0 million or 28.2%, 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 expenditures 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 \$456.5 million, which is an increase of \$65.8 million or 16.8% 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 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 Other Debt Service Fund, another major fund, reported an ending fund balance of \$120.8 million which is a decrease of \$1.8 million or 1.5% when compared with prior year. The decrease is related to debt service payments the District will need to make in early fiscal year 2018.

The Nonvoted 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The Capital Projects Fund, another major fund, reported an ending fund balance of \$123.2 million which is an increase of \$53.3 million or 76.4% mainly due to timing of new sales tax revenue recognized and capital outlay spending.

Other Governmental Funds, which represent a summarization of all the other non-major governmental funds, ended the year with total fund balance of \$26.9 million, a decrease of \$4.0 million or 12.8%. This decrease is primarily due to expenditures and transfers out exceeding revenues and transfers in during the current year.

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, General and Auto Liabilities Claim 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, this Fund records actuarially determined long term claims liabilities, the District fully funded the negative position in the current year.

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 weight 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 \$86.5 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 \$107.7 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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

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

Long-term Debt

As shown in Table 4, at the end of this year, the District had \$1.677 billion in debt outstanding, which is \$99.5 million lower than last year. The decrease in outstanding debt is due to debt principle repayments of \$86.1 million, and regular amortization of \$13.4 million. See Notes 10 and 11 of the Notes to the Financial Statements for more information on long-term liabilities and derivatives.

Table 4

Long-term Debt Outstanding at Year End Governmental Activities (in thousands)			
	June 30, 2017	June 30, 2016	Increase (Decrease)
Notes / Loans Payable	\$ 23,485	\$ 31,846	\$ (8,361)
Capital Outlay Bond Issues	11,396	13,713	(2,317)
Certificates of Participation	1,466,758	1,541,963	(75,205)
Borrowing-Swap Upfront Payment	2,430	2,658	(228)
Derivative Instruments - Hedging	91,076	91,076	-
Plus: Issuance Premium	81,587	95,002	(13,415)
Total	<u>\$ 1,676,732</u>	<u>\$ 1,776,258</u>	<u>\$ (99,526)</u>

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 than 75% of the capital millage levy be used for COP debt service. The District's debt policy limits the issuance of COPS by stating that the debt service could not exceed half of

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

the capital millage levy. In fiscal year 2009, when the capital millage levy was reduced to 1.75 mills, the Debt Policy was amended to allow debt service to be up to 1 mil but should be within 50% of the capital millage levy within five years. Based on the reduction of the capital millage levy and 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, post-employment benefits, and the new reporting requirement of GASB #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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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 SAFR at:

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

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF NET POSITION
June 30, 2017

	Account Number	Primary Government		Charter Schools
		Governmental Activities	Total	Total Nonmajor Charter Schools
ASSETS				
Cash and Cash Equivalents	1110	659,488,512.20	659,488,512.20	21,596,703.35
Investments	1160	134,525,391.35	134,525,391.35	973,959.54
Derivative Instrument - Investment Asset	1169	25,248.35	0.00	0.00
Taxes Receivable, Net	1120	41,242,022.53	41,242,022.53	12,190.50
Accounts Receivable, Net	1131	888,588.59	888,588.59	2,765,525.48
Interest Receivable on Investments	1170	124.46	124.46	0.00
Due From Other Agencies	1220	28,890,726.93	28,890,726.93	2,319,872.08
Deposits Receivable	1210	0.00	0.00	795,170.34
Cash with Fiscal/Service Agent:	1114	2,885,317.34	2,885,317.34	1,821,778.00
Inventory	1150	13,201,368.41	13,201,368.41	10,877.72
Prepaid Items	1230	1,187,037.42	1,187,037.42	1,488,178.75
Issuance Costs	1400	723,839.67		625,602.00
Prepaid Insurance Costs	1430	4,024,466.65	4,024,466.65	0.00
<i>Capital Assets</i>				
Land	1310	342,380,254.70	342,380,254.70	31,517,184.96
Construction in Progress	1360	3,655,906.66	3,655,906.66	280,621.54
Nondepreciable Capital Assets		346,036,161.36	346,036,161.36	31,797,806.50
Improvements Other Than Buildings	1320	58,833,622.09	58,833,622.09	3,344,428.80
Less Accumulated Depreciation	1329	(35,627,723.17)	(35,627,723.17)	(1,197,275.12)
Buildings and Fixed Equipmen	1330	4,172,920,991.36	4,172,920,991.36	66,344,521.48
Less Accumulated Depreciation	1339	(1,316,951,094.14)	(1,316,951,094.14)	(9,094,177.99)
Furniture, Fixtures and Equipment	1340	129,524,613.70	129,524,613.70	15,736,487.43
Less Accumulated Depreciation	1349	(105,360,377.03)	(105,360,377.03)	(11,127,168.23)
Motor Vehicles	1350	118,641,066.88	118,641,066.88	1,448,345.50
Less Accumulated Depreciation	1359	(79,690,768.52)	(79,690,768.52)	(563,041.30)
Audiovisual Material	1381	4,446,819.85	4,446,819.85	488,347.00
Less Accumulated Depreciation	1388	(4,445,240.85)	(4,445,240.85)	(227,870.00)
Computer Software	1382	35,831,386.50	35,831,386.50	5,225,532.35
Less Accumulated Amortization	1389	(35,395,816.91)	(35,395,816.91)	(4,230,428.35)
Depreciable Capital Assets, Net		2,942,727,479.76	2,942,727,479.76	66,147,701.57
Total Capital Assets		3,288,763,641.12	3,288,763,641.12	97,945,508.07
Total Assets		4,175,846,285.02	4,175,846,285.02	130,355,365.83
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Hedging Derivative	1910	91,076,123.72	91,076,123.72	0.00
Net Carrying Amount of Debt Refunding	1920	61,781,183.74	61,781,183.74	0.00
Pension	1940	378,473,039.00	378,473,039.00	1,127,745.00
Total Deferred Outflows of Resources		531,330,346.46	531,330,346.46	1,127,745.00
LIABILITIES				
Accrued Salaries and Benefits	2110	80,493,461.09	80,493,461.09	5,463,129.42
Payroll Deductions and Withholding	2170	5,298,477.48	5,298,477.48	423,432.14
Accounts Payable	2120	37,313,231.51	37,313,231.51	5,581,103.74
Sales Tax Payable	2260	37,193.45	37,193.45	0.00
Current Notes Payable	2250	115,000,000.00	115,000,000.00	0.00
Accrued Interest Payable	2210	35,798,087.15	35,798,087.15	0.00
Deposits Payable	2220	365,314.66	365,314.66	0.00
Due to Other Agencies	2230	253,747.00	253,747.00	0.00
Due to Fiscal Agent	2240	73,692.36	73,692.36	292,040.15
Construction Contracts Payable - Retained Percentage	2150	255,446.24	255,446.24	0.00
Unearned Revenues	2410	1,454,859.91	1,454,859.91	964,947.42
<i>Noncurrent Liabilities</i>				
<i>Portion Due Within One Year:</i>				
Notes Payable	2310	8,454,017.60	8,454,017.60	211,525.00
Bonds Payable	2320	1,543,000.00	1,543,000.00	3,117,247.00
Liability for Compensated Absence	2330	15,653,853.00	15,653,853.00	471,409.00
Lease-Purchase Agreements Payable	2340	77,079,348.00	77,079,348.00	0.00
Estimated Liability for Long-Term Claim	2350	26,560,000.00	26,560,000.00	0.00
Due Within One Year		129,290,218.60	129,290,218.60	3,800,181.00
<i>Portion Due After One Year:</i>				
Notes Payable	2310	15,031,091.17	15,031,091.17	9,751,111.00
Obligations Under Capital Leases	2315	0.00	0.00	0.00
Bonds Payable	2320	11,103,708.92	11,103,708.92	91,534,335.77
Liability for Compensated Absence	2330	170,046,755.98	170,046,755.98	51,705.00
Lease-Purchase Agreements Payable	2340	1,472,445,270.71	1,472,445,270.71	187,250.00
Estimated Liability for Long-Term Claim	2350	35,468,000.00	35,468,000.00	2,642,781.19
Net Other Postemployment Benefits Obligation	2360	112,940,000.00	112,940,000.00	0.00
Net Pension Liability	2365	965,450,048.00	965,450,048.00	639,163.00
Derivative Instrument	2390	91,076,123.72	91,076,123.72	0.00
Due in More than One Year		2,873,560,998.50	2,873,560,998.50	104,806,345.96
Total Long-Term Liabilities		3,002,851,217.10	3,002,851,217.10	108,606,526.96
Total Liabilities		3,279,194,727.95	3,279,194,727.95	121,331,179.83
DEFERRED INFLOWS OF RESOURCES				
Pension	2640	36,951,764.00	36,951,764.00	441,620.00
Total Deferred Inflows of Resources		36,951,764.00	36,951,764.00	441,620.00
NET POSITION				
Net Investment in Capital Assets	2770	1,772,247,947.93	1,772,247,947.93	(4,160,807.70)
<i>Restricted For:</i>				
Categorical Carryover Programs	2780	4,009,714.75	4,009,714.75	0.00
Food Service	2780	25,567,943.25	25,567,943.25	0.00
Debt Service	2780	87,559,533.66	87,559,533.66	687,290.00
Capital Projects	2780	169,558,250.95	169,558,250.95	775,327.41
Other Purposes	2780	18,940,176.54	18,940,176.54	619,628.44
Unrestricted	2790	(686,853,427.55)	(686,853,427.55)	11,788,872.85
Total Net Position		1,391,030,139.53	1,391,030,139.53	9,710,311.00

The notes to financial statements are an integral part of this statement
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Charter Schools
						Governmental Activities	Total	
<i>Governmental Activities:</i>								
Instruction	5000	1,154,827,800.47	2,334,333.90	326,485,976.74	5,328,588.00	(820,678,901.83)	(820,678,901.83)	
Student Support Services	6100	59,194,291.96		12,367,995.76		(46,826,296.20)	(46,826,296.20)	
Instructional Media Services	6200	19,738,189.98		820,518.63		(18,917,671.35)	(18,917,671.35)	
Instruction and Curriculum Development Services	6300	51,109,631.43		17,416,217.06		(33,693,414.37)	(33,693,414.37)	
Instructional Staff Training Services	6400	34,430,958.18		26,009,030.15		(8,421,928.03)	(8,421,928.03)	
Instruction-Related Technology	6500	9,532,344.14		306,539.18		(9,225,804.96)	(9,225,804.96)	
Board	7100	7,470,727.75		0.00		(7,470,727.75)	(7,470,727.75)	
General Administration	7200	10,452,675.18		3,313,669.58		(7,139,005.60)	(7,139,005.60)	
School Administration	7300	107,082,193.95		5,581,246.89		(101,500,947.06)	(101,500,947.06)	
Facilities Acquisition and Construction	7400	17,061,246.72		0.00	4,809,224.20	(12,252,022.52)	(12,252,022.52)	
Fiscal Services	7500	6,856,406.77		104,360.06		(6,752,046.71)	(6,752,046.71)	
Food Services	7600	89,897,377.34	13,464,773.37	76,192,842.74		(239,761.23)	(239,761.23)	
Central Services	7700	16,058,256.84		787,826.98		(15,270,429.86)	(15,270,429.86)	
Student Transportation Services	7800	54,425,509.10	709,640.63	27,341,937.02		(26,373,931.45)	(26,373,931.45)	
Operation of Plant	7900	126,545,891.97		5,421,825.15		(121,124,066.82)	(121,124,066.82)	
Maintenance of Plant	8100	73,761,123.10		173.65	5,489,546.00	(68,271,403.45)	(68,271,403.45)	
Administrative Technology Services	8200	7,646,244.26		133,057.99		(7,513,186.27)	(7,513,186.27)	
Community Services	9100	43,161,922.78	37,871,675.36	6,062,697.13		772,449.71	772,449.71	
Interest on Long-Term Debt	9200	63,324,887.73			2,869,203.33	(60,455,684.40)	(60,455,684.40)	
Unallocated Depreciation/Amortization Expense		107,742,463.04				(107,742,463.04)	(107,742,463.04)	
Total Governmental Activities		2,060,320,142.69	54,380,423.26	508,345,914.71	18,496,561.53	(1,479,097,243.19)	(1,479,097,243.19)	
Total Primary Government		2,060,320,142.69	54,380,423.26	508,345,914.71	18,496,561.53	(1,479,097,243.19)	(1,479,097,243.19)	
<i>Charter Schools:</i>								
Major Charter School		0.00	0.00	0.00	0.00			0.00
Total Nonmajor Charter Schools		160,896,302.86	6,591,920.20	7,611,466.45	5,320,563.76			(141,372,352.45)
Total Charter Schools		160,896,302.86	6,591,920.20	7,611,466.45	5,320,563.76			(141,372,352.45)

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes
Property Taxes, Levied for Capital Projects
Local Sales Taxes
Grants and Contributions Not Restricted to Specific Programs
Investment Earnings
Miscellaneous

Total General Revenues, Special Items, Extraordinary Items and Transfers

Change in Net Position

Net Position, July 1, 2016
Adjustments to Net Position
Net Position, June 30, 2017

959,828,341.73	959,828,341.73	0.00
258,379,154.20	258,379,154.20	0.00
62,683,157.69	62,683,157.69	0.00
231,621,760.27	231,621,760.27	136,567,578.45
6,071,783.17	6,071,783.17	252,517.44
40,947,440.24	40,947,440.24	7,701,664.33
1,559,531,637.30	1,559,531,637.30	144,521,760.22
80,434,394.11	80,434,394.11	3,149,407.77
1,310,595,745.42	1,310,595,745.42	6,560,903.23
	0.00	0.00
1,391,030,139.53	1,391,030,139.53	9,710,311.00

The notes to financial statements are an integral part of this statement.
ESE 145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	Account Number	General 100	Other Debt Service 290	Nonvoted Capital Improvement Fund 370	Other Capital Projects 390	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES							
ASSETS							
Cash and Cash Equivalents	1110	325,406,240.02	4,356,514.13	53,219,355.04	93,141,843.94	23,243,229.15	499,367,182.28
Investments	1160	0.00	116,491,806.27	0.00	16,730,753.82	1,302,831.26	134,525,391.35
Taxes Receivable, Net	1120	17,493,103.71	0.00	4,710,889.91	19,038,028.91	0.00	41,242,022.53
Accounts Receivable, Net	1131	888,588.59	0.00	0.00	0.00	0.00	888,588.59
Interest Receivable on Investments	1170	0.00	124.46	0.00	0.00	0.00	124.46
Due From Other Agencies	1220	6,470,252.29	0.00	0.00	704,824.60	19,527,319.59	26,702,396.48
Due From Budgetary Funds	1141	8,460,163.00	0.00	0.00	0.00	0.00	8,460,163.00
Inventory	1150	7,969,457.21	0.00	0.00	0.00	5,231,911.20	13,201,368.41
Prepaid Items	1230	14,760.63	0.00	0.00	0.00	22,276.79	37,037.42
Total Assets		366,702,565.45	120,848,444.86	57,930,244.95	129,615,451.27	49,327,567.99	724,424,274.52
DEFERRED OUTFLOWS OF RESOURCES							
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00	0.00	0.00	0.00	0.00
Total Deferred Outflows of Resources		0.00	0.00	0.00	0.00	0.00	0.00
Total Assets and Deferred Outflows of Resources		366,702,565.45	120,848,444.86	57,930,244.95	129,615,451.27	49,327,567.99	724,424,274.52
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES							
Accrued Salaries and Benefits	2110	75,259,203.08	0.00	0.00	28,039.16	5,320,694.06	80,607,936.30
Payroll Deductions and Withholdings	2170	11,772,734.04	0.00	0.00	5,431.89	406,166.97	12,184,332.90
Accounts Payable	2120	21,397,960.74	2,000.00	2,153,490.98	5,709,037.88	5,967,326.93	35,229,816.53
Sales Tax Payable	2260	37,193.45	0.00	0.00	0.00	0.00	37,193.45
Current Notes Payable	2250	115,000,000.00	0.00	0.00	0.00	0.00	115,000,000.00
Accrued Interest Payable	2210	1,282,037.05	0.00	0.00	0.00	0.00	1,282,037.05
Deposits Payable	2220	365,314.66	0.00	0.00	0.00	0.00	365,314.66
Due to Other Agencies	2230	253,747.00	0.00	0.00	0.00	0.00	253,747.00
Due to Budgetary Funds	2161	0.00	0.00	0.00	460,163.00	8,000,000.00	8,460,163.00
Due to Fiscal Agent	2240	0.00	73,692.36	0.00	0.00	0.00	73,692.36
Construction Contracts Payable - Retained Percentage	2150	0.00	0.00	181,568.71	71,032.83	2,844.70	255,446.24
Unearned Revenue	2410	588,474.65	0.00	0.00	6,151.58	1,224,651.45	1,819,277.68
Total Liabilities		225,956,664.67	75,692.36	2,335,059.69	6,279,856.34	20,921,684.11	255,568,957.17
DEFERRED INFLOWS OF RESOURCES							
Deferred Revenues	2630	2,200,000.00	0.00	0.00	238,510.02	0.00	2,438,510.02
Total Deferred Inflows of Resources		2,200,000.00	0.00	0.00	238,510.02	0.00	2,438,510.02
FUND BALANCES							
<i>Nonspendable:</i>							
Inventory	2711	7,969,457.21	0.00	0.00	0.00	5,231,911.20	13,201,368.41
Total Nonspendable Fund Balances	2710	7,969,457.21	0.00	0.00	0.00	5,231,911.20	13,201,368.41
<i>Restricted for:</i>							
Economic Stabilization	2721	0.00	0.00	0.00	0.00	0.00	0.00
Federal Required Carryover Programs	2722	0.00	0.00	0.00	0.00	0.00	0.00
State Required Carryover Programs	2723	4,009,714.75	0.00	0.00	0.00	0.00	4,009,714.75
Local Sales Tax and Other Tax Levy	2724	0.00	0.00	0.00	56,666,117.00	0.00	56,666,117.00
Debt Service	2725	0.00	120,772,752.50	0.00	0.00	1,302,831.26	122,075,583.76
Capital Projects	2726	0.00	0.00	55,595,185.26	30,728,440.54	1,499,819.04	87,823,444.84
Restricted for Other Purposes (See Footnote)	2729	16,368,338.66	0.00	0.00	0.00	20,336,032.05	36,704,370.71
Restricted for _____	2729	0.00	0.00	0.00	0.00	0.00	0.00
Total Restricted Fund Balances	2720	20,378,053.41	120,772,752.50	55,595,185.26	87,394,557.54	23,138,682.35	307,279,231.06
<i>Committed to:</i>							
Economic Stabilization	2731	0.00	0.00	0.00	0.00	0.00	0.00
Contractual Agreements	2732	0.00	0.00	0.00	0.00	0.00	0.00
Committed for Other Purposes (See Footnote)	2739	0.00	0.00	0.00	0.00	35,290.33	35,290.33
Committed for _____	2739	0.00	0.00	0.00	0.00	0.00	0.00
Total Committed Fund Balances	2730	0.00	0.00	0.00	0.00	35,290.33	35,290.33
<i>Assigned to:</i>							
Special Revenue	2741	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service	2742	0.00	0.00	0.00	0.00	0.00	0.00
Capital Projects	2743	220,409.00	0.00	0.00	35,702,527.37	0.00	35,922,936.37
Assigned for Other Purposes (See Footnote)	2749	13,754,115.65	0.00	0.00	0.00	0.00	13,754,115.65
Assigned for Next Year's Budget	2749	44,223,865.51	0.00	0.00	0.00	0.00	44,223,865.51
Total Assigned Fund Balances	2740	58,198,390.16	0.00	0.00	35,702,527.37	0.00	93,900,917.53
Total Unassigned Fund Balances	2750	52,000,000.00	0.00	0.00	0.00	0.00	52,000,000.00
Total Fund Balances	2700	138,545,900.78	120,772,752.50	55,595,185.26	123,097,084.91	28,405,883.88	466,416,807.33
Total Liabilities, Deferred Inflows of Resources and Fund Balances		366,702,565.45	120,848,444.86	57,930,244.95	129,615,451.27	49,327,567.99	724,424,274.52

The notes to financial statements are an integral part of this statement.
ESE 145

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
For the Fiscal Year Ended June 30, 2017**

Total Fund Balances - Governmental Funds \$ 466,416,807.33

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 as assets in the governmental funds.

Cost of the Assets	\$ 4,866,234,661.74	
Accumulated Depreciation	(1,577,471,020.62)	
Total capital assets, net of depreciation		3,288,763,641.12

Bond insurance amounts related to debt issuance are reported as expenditures in the governmental funds when first incurred, however, they are included as deferred charges in the governmental activities in the statement of net position.		723,839.67
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Deferred outflow of resources are reported at the fair values of corresponding hedging derivative instruments in the statement of net position.		91,076,123.72
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Deferred outflow of resources are reported at net carrying amount for refunding transactions in the statement of net position.		61,781,183.74
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Deferred outflows of resources related to Pensions are recorded in the statement of net position.		378,036,177.00
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Derivative instruments - investment assets reported on the statement of net position.		25,248.35
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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.		5,174,466.65
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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 assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Assets and Deferred Outflows	165,631,839.71	
Liabilities and Deferred Inflows (includes OPEB, compensated absences, and long term claims)	(65,639,032.03)	
Net position		99,992,807.68

Revenues that have been deferred or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements.		2,802,927.79
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Deferred inflows of resources related to Pensions are recorded in the statement of net position.		(36,909,159.00)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities (net of premiums) at year-end consist of:

Notes / Loan Payable	23,485,108.77	
Bonds Payable	12,646,708.92	
Certificates of Participation	1,547,094,881.71	
Borrowing-SWAP Upfront Payment	2,429,737.00	
Hedging Derivative Instruments	91,076,123.72	
Compensated Absences	178,434,448.30	
Other Post Employment Benefits	112,834,000.00	
Net Pension Liability	964,336,866.00	
Accrued Interest on Long-term Debt	34,516,050.10	
		(2,966,853,924.52)

Total Net Position - Governmental Activities		<u>\$ 1,391,030,139.53</u>
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The notes to the financial statements are an integral part of this statement.
ESE145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Account Number	General 100	Other Debt Service 290	Nonvoted Capital Improvement Fund 370	Other Capital Projects 390	Other Governmental Funds	Total Governmental Funds
REVENUES							
Federal Direct	3100	1,001,608.21	0.00	0.00	0.00	7,616,585.40	8,618,193.61
Federal Through State and Local	3200	6,985,336.56	0.00	0.00	0.00	189,635,894.61	196,621,231.17
State Sources	3300	528,775,798.14	0.00	0.00	5,649,857.52	18,427,813.03	552,853,468.69
<i>Local Sources:</i>							
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423	959,828,341.73	0.00	0.00	0.00	0.00	959,828,341.73
Property Taxes Levied, Tax Redemptions and Excess Fees for Debt Service	3412, 3421, 3423	0.00	0.00	0.00	0.00	0.00	0.00
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423	0.00	0.00	258,379,154.20	0.00	0.00	258,379,154.20
Local Sales Taxes	3418, 3419	0.00	0.00	0.00	62,683,157.69	0.00	62,683,157.69
Charges for Service - Food Service	345X	0.00	0.00	0.00	0.00	13,226,218.51	13,226,218.51
Impact Fees	3496	0.00	0.00	0.00	6,947,747.00	0.00	6,947,747.00
Other Local Revenue		74,739,907.17	119,367.10	977,620.29	611,175.66	4,007,533.01	80,455,603.23
Total Local Sources	3400	1,034,568,248.90	119,367.10	259,356,774.49	70,242,080.35	17,233,751.52	1,381,520,222.36
Total Revenues		1,571,330,991.81	119,367.10	259,356,774.49	75,891,937.87	232,914,044.56	2,139,613,115.83
EXPENDITURES							
<i>Current:</i>							
Instruction	5000	1,081,618,035.43	0.00	0.00	0.00	67,189,101.24	1,148,807,136.67
Student Support Services	6100	47,096,677.10	0.00	0.00	0.00	12,088,703.67	59,185,380.77
Instructional Media Services	6200	19,368,841.32	0.00	0.00	0.00	4,993.63	19,373,834.95
Instruction and Curriculum Development Services	6300	33,976,151.54	0.00	0.00	0.00	17,084,875.77	51,061,027.31
Instructional Staff Training Services	6400	10,143,278.15	0.00	0.00	0.00	24,252,316.67	34,395,594.82
Instruction-Related Technology	6500	9,437,326.50	0.00	0.00	0.00	95,017.64	9,532,344.14
Board	7100	7,295,151.40	0.00	0.00	0.00	0.00	7,295,151.40
General Administration	7200	7,536,867.26	0.00	0.00	0.00	3,313,669.58	10,850,536.84
School Administration	7300	105,344,633.41	0.00	0.00	0.00	25,482.79	105,370,116.20
Facilities Acquisition and Construction	7410	348,966.07	0.00	0.00	0.00	0.00	348,966.07
Fiscal Services	7500	6,662,286.00	0.00	0.00	0.00	104,360.06	6,766,646.06
Food Services	7600	116,989.91	0.00	0.00	0.00	89,117,805.96	89,234,795.87
Central Services	7700	15,132,865.18	0.00	0.00	0.00	789,911.98	15,922,777.16
Student Transportation Services	7800	53,801,790.50	0.00	0.00	0.00	339,574.76	54,141,365.26
Operation of Plant	7900	127,091,389.06	0.00	0.00	0.00	6,981.34	127,098,370.40
Maintenance of Plant	8100	73,012,868.68	0.00	0.00	0.00	173.65	73,013,042.33
Administrative Technology Service:	8200	7,540,085.94	0.00	0.00	0.00	0.01	7,540,085.95
Community Services	9100	41,981,273.88	0.00	0.00	0.00	829,926.52	42,811,200.40
<i>Debt Service: (Function 9200)</i>							
Redemption of Principal	710	0.00	83,565,913.63	0.00	0.00	2,317,000.00	85,882,913.63
Interest	720	666,441.81	66,612,606.56	0.00	0.00	4,263,825.00	71,542,873.37
Dues and Fees	730	0.00	219,107.98	0.00	0.00	11,890.42	230,998.40
<i>Capital Outlay:</i>							
Facilities Acquisition and Construction	7420	143,958.64	0.00	19,985,835.30	17,612,773.48	470,644.76	38,213,212.18
Other Capital Outlay	9300	1,895,626.21	0.00	0.00	0.00	3,618,996.78	5,514,622.99
Total Expenditures		1,650,211,503.99	150,397,628.17	19,985,835.30	17,612,773.48	225,925,252.23	2,064,132,993.17
Excess (Deficiency) of Revenues Over (Under) Expenditures		(78,880,512.18)	(150,278,261.07)	239,370,939.19	58,279,164.39	6,988,792.33	75,480,122.66
OTHER FINANCING SOURCES (USES)							
Sale of Capital Assets	3730	0.00	0.00	0.00	224,087.28	0.00	224,087.28
Loss Recoveries	3740	7,211.36	0.00	0.00	0.00	0.00	7,211.36
Transfers In	3600	90,260,467.58	148,500,885.39	0.00	91,545.24	5,150.00	238,858,048.21
Transfers Out	9700	(91,545.24)	0.00	(223,908,264.11)	(5,328,595.96)	(9,529,642.90)	(238,858,048.21)
Total Other Financing Sources (Uses)		90,176,133.70	148,500,885.39	(223,908,264.11)	(5,012,963.44)	(9,524,492.90)	231,298.64
SPECIAL ITEMS		0.00	0.00	0.00	0.00	0.00	0.00
EXTRAORDINARY ITEMS		0.00	0.00	0.00	0.00	0.00	0.00
Net Change in Fund Balances		11,295,621.52	(1,777,375.68)	15,462,675.08	53,266,200.95	(2,535,700.57)	75,711,421.30
Fund Balances, July 1, 2016	2800	127,250,279.26	122,550,128.18	40,132,510.18	69,830,883.96	30,941,584.45	390,705,386.03
Adjustments to Fund Balances	2891	0.00	0.00	0.00	0.00	0.00	0.00
Fund Balances, June 30, 2017	2700	138,545,900.78	120,772,752.50	55,595,185.26	123,097,084.91	28,405,883.88	466,416,807.33

The notes to financial statements are an integral part of this statement
ESE 145

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017**

Net Change in Fund Balances - Governmental Funds \$ 75,711,421.30

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 (\$107,633,088.65) in excess of capitalized capital outlay (\$26,255,416.21) in the current period. (81,377,672.44)

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

Bond Insurance Issuance Cost Amortization	\$	(109,374.39)	
Debt Refunding Amortization		(6,348,846.86)	
Premium / Discount Amortization		<u>13,413,880.21</u>	
			6,955,658.96

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

Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 2,802,927.79

Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual. (2,323,527.28)

Note / Loan proceeds provided current financial resources to governmental funds, but increase long-term liabilities in the statement of net position.

Repayment of notes/loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position 8,360,913.63

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position 77,522,000.00

The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position. (480,320.19)

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	(258,943.35)		
Compensated Absences	(2,286,205.16)		
Other post employment benefits	(5,454,000.00)		
Pension Expense	(38,422,966.00)		
Borrowing	227,587.00		
Accrued interest on long-term debt	<u>1,156,363.69</u>		
			(45,038,163.82)

An internal service fund is used by management to charge the cost of employee health premiums, worker's compensation, auto and general liability claims to individual funds. The net income of the internal service fund is reported with governmental activities. 38,301,156.16

Change in net position of governmental activities \$ 80,434,394.11

The notes to the financial statements are an integral part of this statement.
ESE145

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Account Number	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
		Self-Insurance Consortium 911	Other Enterprise Funds	Totals	
ASSETS					
Cash and Cash Equivalents	1110	0.00	0.00	0.00	160,121,329.92
Due From Other Agencies	1220	0.00	0.00	0.00	2,188,330.45
Cash with Fiscal/Service Agents	1114	0.00	0.00	0.00	2,885,317.34
Total Assets		0.00	0.00	0.00	165,194,977.71
DEFERRED OUTFLOWS OF RESOURCES					
Pension	1940	0.00	0.00	0.00	436,862.00
Total Deferred Outflows of Resources		0.00	0.00	0.00	436,862.00
LIABILITIES					
Accrued Salaries and Benefits	2110	0.00	0.00	0.00	37,451.86
Payroll Deductions and Withholdings	2170	0.00	0.00	0.00	6,088.40
Accounts Payable	2120	0.00	0.00	0.00	2,083,414.98
Estimated Unpaid Claims - Self-Insurance Program	2271	0.00	0.00	0.00	26,560,000.00
<i>Noncurrent Liabilities</i>					
<i>Portion Due Within One Year:</i>					
Liability for Compensated Absences	2330	0.00	0.00	0.00	222,289.79
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	35,468,000.00
Net Other Postemployment Benefits Obligation	2360	0.00	0.00	0.00	106,000.00
Net Pension Liability	2365	0.00	0.00	0.00	1,113,182.00
Due Within One Year		0.00	0.00	0.00	36,909,471.79
<i>Portion Due After One Year:</i>					
Liability for Compensated Absences	2330	0.00	0.00	0.00	0.00
Estimated Liability for Long-Term Claims	2350	0.00	0.00	0.00	0.00
Net Other Postemployment Benefits Obligation	2360	0.00	0.00	0.00	0.00
Net Pension Liability	2365	0.00	0.00	0.00	0.00
Other Long-Term Liabilities	2380	0.00	0.00	0.00	0.00
Due in More Than One Year		0.00	0.00	0.00	0.00
Total Long-Term Liabilities		0.00	0.00	0.00	36,909,471.79
Total Liabilities		0.00	0.00	0.00	65,596,427.03
DEFERRED INFLOWS OF RESOURCES					
Pension	2640	0.00	0.00	0.00	42,605.00
Total Deferred Inflows of Resources		0.00	0.00	0.00	42,605.00
NET POSITION					
Net Investment in Capital Assets	2770	0.00	0.00	0.00	0.00
Restricted for _____	2780	0.00	0.00	0.00	0.00
Unrestricted	2790	0.00	0.00	0.00	99,992,807.68
Total Net Position		0.00	0.00	0.00	99,992,807.68

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	Account Number	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
		Self-Insurance Consortium 911	Other Enterprise Funds	Totals	
OPERATING REVENUES					
Charges for Services	3481	0.00	0.00	0.00	0.00
Charges for Sales	3482	0.00	0.00	0.00	0.00
Premium Revenue	3484	0.00	0.00	0.00	246,171,668.74
Other Operating Revenues	3489	0.00	0.00	0.00	11,608,688.67
Total Operating Revenues		0.00	0.00	0.00	257,780,357.41
OPERATING EXPENSES					
Salaries	100	0.00	0.00	0.00	1,211,935.27
Employee Benefits	200	0.00	0.00	0.00	1,061,406.31
Purchased Services	300	0.00	0.00	0.00	494,986.24
Energy Services	400	0.00	0.00	0.00	153.36
Materials and Supplies	500	0.00	0.00	0.00	24,249.49
Capital Outlay	600	0.00	0.00	0.00	1,087.30
Other	700	0.00	0.00	0.00	217,359,244.20
Depreciation and Amortization Expense	780	0.00	0.00	0.00	0.00
Total Operating Expenses		0.00	0.00	0.00	220,153,062.17
Operating Income (Loss)		0.00	0.00	0.00	37,627,295.24
NONOPERATING REVENUES (EXPENSES)					
Investment Income	3430	0.00	0.00	0.00	673,860.92
Total Nonoperating Revenues (Expenses)		0.00	0.00	0.00	673,860.92
Income (Loss) Before Operating Transfers		0.00	0.00	0.00	38,301,156.16
Transfers In	3600	0.00	0.00	0.00	0.00
Transfers Out	9700	0.00	0.00	0.00	0.00
SPECIAL ITEMS					
		0.00	0.00	0.00	0.00
EXTRAORDINARY ITEMS					
		0.00	0.00	0.00	0.00
Change In Net Position		0.00	0.00	0.00	38,301,156.16
Net Position, July 1, 2016	2880	0.00	0.00	0.00	61,691,651.52
Adjustments to Net Position	2896	0.00	0.00	0.00	0.00
Net Position, June 30, 2017	2780	0.00	0.00	0.00	99,992,807.68

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Self-Insurance Consortium 911	Other Enterprise Funds	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	0.00	0.00	0.00	246,171,668.74
Payments to suppliers	0.00	0.00	0.00	(213,748,888.49)
Payments to employees	0.00	0.00	0.00	(1,588,762.31)
Other receipts (payments)	0.00	0.00	0.00	11,917,052.99
Net cash provided (used) by operating activities	0.00	0.00	0.00	42,751,070.93
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Subsidies from operating grants	0.00	0.00	0.00	0.00
Net cash provided (used) by noncapital financing activities	0.00	0.00	0.00	0.00
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from capital debt	0.00	0.00	0.00	0.00
Capital contributions	0.00	0.00	0.00	0.00
Proceeds from disposition of capital assets	0.00	0.00	0.00	0.00
Acquisition and construction of capital assets	0.00	0.00	0.00	0.00
Principal paid on capital debt	0.00	0.00	0.00	0.00
Interest paid on capital debt	0.00	0.00	0.00	0.00
Net cash provided (used) by capital and related financing activities	0.00	0.00	0.00	0.00
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sales and maturities of investments	0.00	0.00	0.00	0.00
Interest and dividends received	0.00	0.00	0.00	673,860.92
Purchase of investments	0.00	0.00	0.00	0.00
Net cash provided (used) by investing activities	0.00	0.00	0.00	673,860.92
Net increase (decrease) in cash and cash equivalents	0.00	0.00	0.00	43,424,931.85
Cash and cash equivalents - July 1, 2016	0.00	0.00	0.00	119,581,715.41
Cash and cash equivalents - June 30, 2017	0.00	0.00	0.00	163,006,647.26
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	0.00	0.00	0.00	37,627,295.24
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>				
Depreciation/Amortization expense	0.00	0.00	0.00	0.00
<i>Change in assets and liabilities:</i>				
(Increase) decrease in due from other agencies	0.00	0.00	0.00	308,364.32
Increase (decrease) in salaries and benefits payable	0.00	0.00	0.00	(25,386.89)
Increase (decrease) in payroll tax liabilities	0.00	0.00	0.00	(8,958.84)
Increase (decrease) in accounts payable	0.00	0.00	0.00	(85,167.90)
Increase (decrease) in pension	0.00	0.00	0.00	718,925.00
Increase (decrease) in estimated unpaid claims - Self-Insurance Prog.	0.00	0.00	0.00	4,216,000.00
Total adjustments	0.00	0.00	0.00	5,123,775.69
Net cash provided (used) by operating activities	0.00	0.00	0.00	42,751,070.93
Noncash investing, capital and financing activities:				
Contributions of capital assets	0.00	0.00	0.00	0.00
Capital asset trade-ins	0.00	0.00	0.00	0.00

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	Account Number	Total Investment Trust Funds 84X	Total Private-Purpose Trust Funds 85X	Total Pension Trust Funds 87X	Total Agency Funds 89X
ASSETS					
Cash and Cash Equivalents	1110	0.00	334,950.25	0.00	18,936,382.95
Investments	1160	0.00	0.00	0.00	0.00
Accounts Receivable, Net	1131	0.00	0.00	0.00	1,140,907.83
Pension Contributions Receivable	1132			0.00	
Interest Receivable on Investments	1170	0.00	0.00	0.00	0.00
Due From Budgetary Funds	1141	0.00	0.00	0.00	0.00
Due From Other Agencies	1220	0.00	0.00	0.00	0.00
Inventory	1150				0.00
Total Assets		0.00	334,950.25	0.00	20,077,290.78
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00	0.00	
Pension	1940			0.00	
Other Postemployment Benefits	1950	0.00	0.00	0.00	
Total Deferred Outflows of Resources		0.00	0.00	0.00	
LIABILITIES					
Cash Overdraft	2125	0.00	0.00	0.00	0.00
Accrued Salaries and Benefits	2110	0.00	0.00	0.00	0.00
Payroll Deductions and Withholdings	2170	0.00	0.00	0.00	0.00
Accounts Payable	2120	0.00	0.00	0.00	248,538.97
Internal Accounts Payable	2290	0.00	0.00	0.00	19,828,751.81
Due to Other Agencies	2230	0.00	0.00	0.00	
Due to Budgetary Funds	2161	0.00	0.00	0.00	0.00
Total Liabilities		0.00	0.00	0.00	20,077,290.78
DEFERRED INFLOWS OF RESOURCES					
Accumulated Increase in Fair Value of Hedging Derivatives	2610	0.00	0.00	0.00	
Pension	2640			0.00	
Other Postemployment Benefits	2650	0.00	0.00	0.00	
Total Deferred Inflows of Resources		0.00	0.00	0.00	
NET POSITION					
Held in Trust for Pension Benefits	2785	0.00	0.00	0.00	
Held in Trust for Other Purposes	2785	0.00	334,950.25	0.00	
Total Net Position		0.00	334,950.25	0.00	

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Fiscal Year Ended June 30, 2017

	Account Number	Total Investment Trust Funds 84X	Total Private-Purpose Trust Funds 85X	Total Pension Trust Funds 87X
ADDITIONS				
<i>Contributions:</i>				
Employer		0.00	0.00	0.00
Plan Members		0.00	0.00	0.00
Gifts, Grants and Bequests	3440	0.00	110,988.86	0.00
<i>Investment Income:</i>				
Interest on Investments	3431	0.00	1,551.85	0.00
Gain on Sale of Investments	3432	0.00	0.00	0.00
Net Increase (Decrease) in the Fair Value of Investments	3433	0.00	0.00	0.00
Total Investment Income		0.00	1,551.85	0.00
Less Investment Expense		0.00	0.00	0.00
Net Investment Income		0.00	1,551.85	0.00
Total Additions		0.00	112,540.71	0.00
DEDUCTIONS				
Salaries	100	0.00	0.00	0.00
Employee Benefits	200	0.00	0.00	0.00
Purchased Services	300	0.00	0.00	0.00
Other	700	0.00	44,619.87	0.00
Refunds of Contributions		0.00	0.00	0.00
Administrative Expenses		0.00	0.00	0.00
Total Deductions		0.00	44,619.87	0.00
Change In Net Position		0.00	67,920.84	0.00
Net Position Held In Trust, July 1, 2016	2885	0.00	267,029.41	0.00
Adjustments to Net Position	2896	0.00	0.00	0.00
Net Position Held in Trust for Pension Benefits and Other Purposes, June 30, 2017	2785	0.00	334,950.25	0.00

The notes to financial statements are an integral part of this statement.
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF NET POSITION
MAJOR AND NONMAJOR CHARTER SCHOOLS
June 30, 2017**

	Account Number	Total Nonmajor Charter Schools	Total Charter Schools
ASSETS			
Cash and Cash Equivalents	1110	21,596,703.35	21,596,703.35
Investments	1160	973,959.54	973,959.54
Taxes Receivable, Net	1120	12,190.50	12,190.50
Accounts Receivable, Net	1131	2,765,525.48	2,765,525.48
Due From Other Agencies	1220	2,319,872.08	2,319,872.08
Deposits Receivable	1210	795,170.34	795,170.34
Cash with Fiscal/Service Agents	1114	1,821,778.00	1,821,778.00
Inventory	1150	10,877.72	10,877.72
Prepaid Items	1230	1,488,178.75	1,488,178.75
Long-Term Investments	1460	625,602.00	625,602.00
<i>Capital Assets:</i>			
Land	1310	0.00	0.00
Land Improvements - Nondepreciable	1315	31,517,184.96	31,517,184.96
Construction in Progress	1360	280,621.54	280,621.54
Nondepreciable Capital Assets		31,797,806.50	31,797,806.50
Improvements Other Than Buildings	1320	3,344,428.80	3,344,428.80
Less Accumulated Depreciation	1329	(1,197,275.12)	(1,197,275.12)
Buildings and Fixed Equipment	1330	66,344,521.48	66,344,521.48
Less Accumulated Depreciation	1339	(9,094,177.99)	(9,094,177.99)
Furniture, Fixtures and Equipment	1340	15,736,487.43	15,736,487.43
Less Accumulated Depreciation	1349	(11,127,168.23)	(11,127,168.23)
Motor Vehicles	1350	1,448,345.50	1,448,345.50
Less Accumulated Depreciation	1359	(563,041.30)	(563,041.30)
Audiovisual Materials	1381	488,347.00	488,347.00
Less Accumulated Depreciation	1388	(227,870.00)	(227,870.00)
Computer Software	1382	5,225,532.35	5,225,532.35
Less Accumulated Amortization	1389	(4,230,428.35)	(4,230,428.35)
Depreciable Capital Assets, Net		66,147,701.57	66,147,701.57
Total Capital Assets		97,945,508.07	97,945,508.07
Total Assets		130,355,365.83	130,355,365.83
DEFERRED OUTFLOWS OF RESOURCES			
Other Postemployment Benefits	1950	1,127,745.00	1,127,745.00
Total Deferred Outflows of Resources		1,127,745.00	1,127,745.00
LIABILITIES			
Accrued Salaries and Benefits	2110	5,463,129.42	5,463,129.42
Payroll Deductions and Withholdings	2170	423,432.14	423,432.14
Accounts Payable	2120	5,581,103.74	5,581,103.74
Due to Fiscal Agent	2240	292,040.15	292,040.15
Unearned Revenues	2410	964,947.42	964,947.42
<i>Noncurrent Liabilities</i>			
<i>Portion Due Within One Year:</i>			
Notes Payable	2310	211,525.00	211,525.00
Bonds Payable	2320	3,117,247.00	3,117,247.00
Liability for Compensated Absences	2330	471,409.00	471,409.00
Due Within One Year		3,800,181.00	3,800,181.00
<i>Portion Due After One Year:</i>			
Notes Payable	2310	9,751,111.00	9,751,111.00
Bonds Payable	2320	91,534,335.77	91,534,335.77
Liability for Compensated Absences	2330	51,705.00	51,705.00
Lease-Purchase Agreements Payable	2340	187,250.00	187,250.00
Estimated Liability for Long-Term Claims	2350	2,642,781.19	2,642,781.19
Net Pension Liability	2365	639,163.00	639,163.00
Due in More than One Year		104,806,345.96	104,806,345.96
Total Long-Term Liabilities		108,606,526.96	108,606,526.96
Total Liabilities		121,331,179.83	121,331,179.83
DEFERRED INFLOWS OF RESOURCES			
Other Postemployment Benefits	2650	441,620.00	441,620.00
Total Deferred Inflows of Resources		441,620.00	441,620.00
NET POSITION			
Net Investment in Capital Assets	2770	(4,160,807.70)	(4,160,807.70)
<i>Restricted For:</i>			
Categorical Carryover Programs	2780	0.00	0.00
Food Service	2780	0.00	0.00
Debt Service	2780	687,290.00	687,290.00
Capital Projects	2780	775,327.41	775,327.41
Other Purposes	2780	619,628.44	619,628.44
Unrestricted	2790	11,788,872.85	11,788,872.85
Total Net Position		9,710,311.00	9,710,311.00

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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
MAJOR AND NONMAJOR CHARTER SCHOOLS
Major Charter School
For the Fiscal Year Ended June 30, 2017**

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Charter School
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Charter School Activities:						
Instruction	5000	0.00	0.00	0.00	0.00	0.00
Student Support Services	6100	0.00	0.00	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00	0.00	0.00
Instruction-Related Technology	6500	0.00	0.00	0.00	0.00	0.00
Board	7100	0.00	0.00	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00	0.00	0.00
Facilities Acquisition and Construction	7400	0.00	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00	0.00	0.00
Student Transportation Services	7800	0.00	0.00	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00	0.00	0.00
Interest on Long-Term Debt	9200	0.00	0.00	0.00	0.00	0.00
Unallocated Depreciation/Amortization Expense		0.00				0.00
Total Charter School Activities		0.00	0.00	0.00	0.00	0.00

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes	0.00
Property Taxes, Levied for Debt Service	0.00
Property Taxes, Levied for Capital Projects	0.00
Local Sales Taxes	0.00
Grants and Contributions Not Restricted to Specific Programs	0.00
Investment Earnings	0.00
Miscellaneous	0.00
Special Items	0.00
Extraordinary Items	0.00
Transfers	0.00
Total General Revenues, Special Items, Extraordinary Items and Transfers	0.00
Change in Net Position	0.00
Net Position, July 1, 2016	0.00
Adjustments to Net Position	0.00
Net Position, June 30, 2017	0.00

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF ACTIVITIES (CONTINUED)
MAJOR AND NONMAJOR CHARTER SCHOOLS
TOTAL NONMAJOR CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2017

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Charter School
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Charter School Activities:</i>						
Instruction	5000	74,652,165.04	4,023,630.43	4,241,443.45	0.00	(66,387,091.16)
Student Support Services	6100	3,664,424.53	0.00	439,779.47	0.00	(3,224,645.06)
Instructional Media Services	6200	415,612.17	0.00	0.00	0.00	(415,612.17)
Instruction and Curriculum Development Services	6300	747,974.81	0.00	96,617.61	0.00	(651,357.20)
Instructional Staff Training Services	6400	213,253.33	0.00	81,893.72	0.00	(131,359.61)
Instruction-Related Technology	6500	321,072.48	0.00	129.00	0.00	(320,943.48)
Board	7100	1,061,353.83	0.00	30,861.00	0.00	(1,030,492.83)
General Administration	7200	2,420,542.68	0.00	0.00	0.00	(2,420,542.68)
School Administration	7300	20,076,931.69	0.00	245,724.00	0.00	(19,831,207.69)
Facilities Acquisition and Construction	7400	6,172,674.90	0.00	71,048.00	2,600,560.44	(3,501,066.46)
Fiscal Services	7500	6,124,467.35	0.00	27,057.00	0.00	(6,097,410.35)
Food Services	7600	2,695,732.23	438,703.19	2,177,870.48	0.00	(79,158.56)
Central Services	7700	1,874,640.43	0.00	17,407.00	0.00	(1,857,233.43)
Student Transportation Services	7800	3,227,400.30	0.00	42,833.79	0.00	(3,184,566.51)
Operation of Plant	7900	24,166,876.29	1,054.00	10,646.00	1,454,832.00	(22,700,344.29)
Maintenance of Plant	8100	2,351,493.82	0.00	86,253.00	8,662.69	(2,256,578.13)
Administrative Technology Services	8200	249,075.66	0.00	0.00	2,804.87	(246,270.79)
Community Services	9100	2,879,347.57	2,128,532.58	36,902.93	806,087.76	92,175.70
Interest on Long-Term Debt	9200	6,963,546.01	0.00	0.00	277,150.00	(6,686,396.01)
Unallocated Depreciation/Amortization Expense		617,717.74				(617,717.74)
Total Charter School Activities		160,896,302.86	6,591,920.20	7,606,466.45	5,150,097.76	(141,547,818.45)

General Revenues:

Taxes:

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

Total General Revenues, Special Items, Extraordinary Items and Transfers

Change in Net Position

Net Position, July 1, 2016
Adjustments to Net Position
Net Position, June 30, 2017

7,790,273.04
131,237.00
125,201,198.96
252,517.44
7,442,254.83
3,723,588.45
6,156.50
150,000.00
144,697,226.22
3,149,407.77
6,560,903.23
0.00
9,710,311.00

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF ACTIVITIES
MAJOR AND NONMAJOR CHARTER SCHOOLS
TOTAL CHARTER SCHOOLS
For the Fiscal Year Ended June 30, 2017

FUNCTIONS	Account Number	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position in Net Position Charter School
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<i>Charter School Activities:</i>						
Instruction	5000	74,652,165.04	4,023,630.43	4,241,443.45	0.00	(66,387,091.16)
Student Support Services	6100	3,664,424.53	0.00	439,779.47	0.00	(3,224,645.06)
Instructional Media Services	6200	415,612.17	0.00	0.00	0.00	(415,612.17)
Instruction and Curriculum Development Services	6300	747,974.81	0.00	96,617.61	0.00	(651,357.20)
Instructional Staff Training Services	6400	213,253.33	0.00	81,893.72	0.00	(131,359.61)
Instruction-Related Technology	6500	321,072.48	0.00	129.00	0.00	(320,943.48)
Board	7100	1,061,353.83	0.00	30,861.00	0.00	(1,030,492.83)
General Administration	7200	2,420,542.68	0.00	0.00	0.00	(2,420,542.68)
School Administration	7300	20,076,931.69	0.00	245,724.00	0.00	(19,831,207.69)
Facilities Acquisition and Construction	7400	6,172,674.90	0.00	71,048.00	2,600,560.44	(3,501,066.46)
Fiscal Services	7500	6,124,467.35	0.00	27,057.00	0.00	(6,097,410.35)
Food Services	7600	2,695,732.23	438,703.19	2,177,870.48	0.00	(79,158.56)
Central Services	7700	1,874,640.43	0.00	17,407.00	0.00	(1,857,233.43)
Student Transportation Services	7800	3,227,400.30	0.00	42,833.79	0.00	(3,184,566.51)
Operation of Plant	7900	24,166,876.29	1,054.00	10,646.00	1,454,832.00	(22,700,344.29)
Maintenance of Plant	8100	2,351,493.82	0.00	86,253.00	8,662.69	(2,256,578.13)
Administrative Technology Services	8200	249,075.66	0.00	0.00	2,804.87	(246,270.79)
Community Services	9100	2,879,347.57	2,128,532.58	36,902.93	806,087.76	92,175.70
Interest on Long-Term Debt	9200	6,963,546.01	0.00	0.00	277,150.00	(6,686,396.01)
Unallocated Depreciation/Amortization Expense		617,717.74				(617,717.74)
Total Charter School Activities		160,896,302.86	6,591,920.20	7,606,466.45	5,150,097.76	(141,547,818.45)

General Revenues:

Taxes:

Property Taxes, Levied for Operational Purposes	7,790,273.04
Property Taxes, Levied for Debt Service	0.00
Property Taxes, Levied for Capital Projects	131,237.00
Local Sales Taxes	0.00
Grants and Contributions Not Restricted to Specific Programs	125,201,198.96
Investment Earnings	252,517.44
Miscellaneous	7,442,254.83
Special Items	3,723,588.45
Extraordinary Items	6,156.50
Transfers	150,000.00
Total General Revenues, Special Items, Extraordinary Items and Transfers	144,697,226.22
Change in Net Position	3,149,407.77
Net Position, July 1, 2016	6,560,903.23
Adjustments to Net Position	0.00
Net Position, June 30, 2017	9,710,311.00

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

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.

Based on assessing the criteria for classifying entities as component units under GASB 61, charter schools no longer qualify as part of the District's Reporting Entity and should not be reported as discretely presented component units. The District is not financially accountable for charter schools since charter schools are not fiscally dependent on the District. Charter schools also fail to meet the definition of misleading to exclude since the District does not have the ability to access the economic or organizational resources received or held by a charter school. Even though charter schools no longer qualify as component units under GASB 61, the Florida Department of Education has required District's report financial information of charter schools. As a result, we have included charter school unaudited financial information that was available at the time of publication for State reporting purposes, but charter schools will be excluded from the Comprehensive Annual Financial Report to comply with GAAP.

Complete financial statements of the individual charter schools can be obtained from administrative offices. The fifty one charter schools included on Exhibit C-10, C-11c J-1 and J-2 are listed below:

School	Address
Academy For Positive Learning (0664)	1200 N Dixie Hwy Lake Worth, FL 33460
Believers Academy (3400)	5840 Corporate Way, Suite 100 West Palm Beach, FL 33407-2040
Belle Glade Excel Charter School (4010)	555 SW 16th Street Belle Glade, FL 33430
Ben Gamla-Palm Beach (3941)	8600 S Jog Road Boynton Beach, FL 33472-2966
Boca Raton Charter School (0054)	269 NE 14th Street Boca Raton, FL 33432
Bright Futures Academy (3385)	10350 Riverside Dr Palm Beach Gardens, FL 33410
Connections Education Ctr Of The Palm Beaches (4100)	5841 Corporate Way West Palm Beach, FL 33407
* Eagle Arts Academy (4072)	1100 Wellington Trace Wellington, FL 33414
Ed Venture Charter School (2521)	117 E Coast Avenue Hypoluxo, FL 33462-5316
Everglades Preparatory Academy (3398)	360 East Main Street Building-C Pahokee, FL 33476-1803
Florida Futures Academy North Campus (4081)	1760 N Congress Avenue West Palm Beach, FL 33409-5191
Franklin Academy Charter C (4021)	5651 Hood Road Palm Beach Gardens, FL 33418
Franklin Academy Charter D (4061)	5651 Hood Road Palm Beach Gardens, FL 33418
Franklin Academy Charter School B (4020)	7882 S Military Trail Lake Worth, FL 33463-8143
Gardens School Of Technology Arts Inc (3961)	9153 Roan Ln Palm Beach Gardens, FL 33403-1029
Glades Academy, Inc (3382)	1200 E Main St Pahokee, FL 33476-1102
G-Star School Of The Arts (3396)	2065 Prairie Road,Build.J West Palm Beach, FL 33406-7718
Gulfstream L.I.F.E. Academy (3345)	3800 S Congress Avenue Boynton Beach, FL 33426-8424

School	Address
Imagine Schools Chancellor Campus (3381)	600 S East Coast Avenue Lantana, FL 33462-4577
Inlet Grove Community High School (1461)	7071 Garden Road Riviera Beach, FL 33404-4906
Learning Path Academy (4037)	1340 Kenwood Road West Palm Beach, FL 33401-7408
Mavericks High School At Palm Springs (3971)	3525 S Congress Avenue Palm Springs, FL 33461-3767
Montessori Academy of Early Enrichment, Inc (3394)	6201 S Military Trail Lake Worth, FL 33461
Palm Beach Maritime Academy (2801)	7719 S Dixie Hwy West Palm Beach, FL 33405-4817
Palm Beach Maritime Academy High School (3924)	600 S East Coast Avenue Lantana, FL 33462
Palm Beach School For Autism (2941)	1199 West Lantana Road, Cottage #16 & 19 Lantana, FL 33462
Potentials Charter School (2531)	1201 Australian Avenue Riviera Beach, FL 33404-6635
Quantum High School (3401)	1275 Gateway Blvd. Boynton Beach, FL 33426
Renaissance Charter School At Central Palm (4051)	6696 S Military Trail Lake Worth, FL 33463-7501
Renaissance Charter School At Cypress (4050)	8151 Okeechobee Blvd West Palm Beach, FL 33411-2048
Renaissance Charter School At Palms West (4000)	12031 Southern Blvd Loxahatchee, FL 33470-4994
Renaissance Charter School At Summit (4002)	2001 Summit Blvd West Palm Beach, FL 33406-4439
Renaissance Charter School At Wellington (4001)	3200 S State Road 7 Wellington, FL 33414
Renaissance Charter School At West Palm Beach (3431)	1889 Palm Beach Lakes Blvd. West Palm Beach, FL 33409
Renaissance Learning Academy (3083)	5841 Corporate Way, Suite 101 West Palm Beach, FL 33407
Riviera Beach Maritime Academy (3443)	251 W 11Th Street Riviera Beach, FL 33404-0000

School	Address
Seagull Academy (3391)	1801 12Th Avenue S Lake Worth, FL 33461-5771
Somerset Academy Boca East (3413)	333 S.W. 4Th Avenue Boca Raton, FL 33432
Somerset Academy Boca Middle School (4041)	333 SW 4Th Avenue Boca Raton, FL 33432-5709
Somerset Academy Canyons High School (4013)	9385 Boynton Beach Blvd Boynton Beach, FL 33472
* Somerset Academy Canyons Middle School (4012)	9385 Boynton Beach Blvd Boynton Beach, FL 33472-4471
Somerset Academy Jfk (3395)	4696 Davis Road Lake Worth, FL 33461-5204
Somerset Academy Lakes (4091)	2845 Summit Blvd West Palm Beach, FL 33406
* South Tech Academy (1571)	1300 SW 30Th Avenue Boynton Beach, FL 33426-9018
* South Tech Preparatory Academy (3441)	1300 SW 30Th Avenue Boynton Beach, FL 33426-9018
Sports Leadership & Mgmt. (Slam) Ms Palm Beach (4090)	2845 Summit Blvd West Palm Beach, FL 33406
The Learning Center At The Els Center Of Excellence (2791)	5800 Corporate Way West Palm Beach, FL 33407
Toussaint L'Ouverture High (3386)	777 E. Atlantic Avenue #242 Delray Beach, FL 33483-5360
University Preparatory Academy Palm Beach (4080)	2101 N Australian Avenue West Palm Beach, FL 33407-5630
Western Academy Charter School (2911)	500 F-K Royal Plaza Road Royal Palm Beach, FL 33411-7688
Worthington High School (3421)	1711 Worthington Road West Palm Beach, FL 33409-6407

*These noted charter schools are not included in the Charter School Exhibits since financial reports were unavailable at the time of publication.

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 most interfund receivables and payables and transfers between funds as well as the transaction 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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. 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.

Other Debt Service Fund

The Other Debt Service Fund accounts for the repayment of the certificates of participation in addition to the Bus and Equipment Loans.

Nonvoted Capital Improvement Fund

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

Other Capital Projects Fund

The Other Capital Projects Fund includes:

- Sales Tax Capital Projects Fund which accounts for locally received funds, primarily sales tax revenue, for the acquisition, construction or renovation of capital facilities, including land and equipment.
- Bus and Equipment Capital Project Funds which accounts for the purchase of buses and equipment.
- Certificates of Participation ("COPS") Capital Projects Fund which accounts for construction projects and equipment purchases financed by the sale of certificates of participation.
- Other capital projects which account for impact fees and miscellaneous state revenues received for the acquisition, construction and renovation of capital facilities

Other Governmental Funds

The Other Governmental Funds are a summarization of all the Non-major Governmental Funds.

PROPRIETARY FUNDS

The Proprietary Fund is used to account for ongoing organizations and activities, which are operated where the intent is that charges made to users will cover the costs of the services or goods provided. The measurement focus is upon the determination of net income. The only Proprietary Fund that the District has are 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 to comply with Governmental Accounting Standards Board Statement No. 10 Paragraph 68 requiring actuarially determined claims incurred but not reported to be recovered within a reasonable period of time. 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 and certain prepaid items which are recognized when due/paid.

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

Accrual

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

Revenue Recognition

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 – On an accrual basis, property tax revenue anticipated to be collected is recognized in the fiscal year for which it is levied. Delinquent taxes collected in subsequent periods are recognized as revenue during the fiscal year in which they are received. Impact fees are requested, collected, and recognized once qualifying expenditures have been made.

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 cost, 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 prepaid 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:

Description	Estimated Lives
Furniture, Fixtures and Equipment	3 – 15 years
Motor Vehicles	5 – 10 years
Audio/Video Materials & Software	3 – 5 years
Buildings and Improvements	15 – 50 years
Improvements Other Than Buildings	15 years
Intangibles	5 years

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):

	Ending Balance June 30, 2016	Increase	Decrease	Ending Balance June 30, 2017
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of				
Hedging Derivatives	\$ 91,076	\$ -	\$ -	\$ 91,076
Deferred Loss on Debt Refunding	68,131	-	6,350	61,781
Pension Related - FRS (see footnote 12)	113,703	241,953	60,716	294,940
Pension Related - HIS (see footnote 12)	46,158	54,571	17,196	83,533
Total Outflows of Resources	\$ 319,068	\$ 296,524	\$ 84,262	\$ 531,330

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 \$1.9 million Unavailable Deferred Revenue (\$1.7 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):

	Ending Balance June 30, 2016	Increase	Decrease	Ending Balance June 30, 2017
Deferred Inflows of Resources				
Pension Related - FRS (see footnote 12)	\$ 95,909	\$ -	\$ 66,732	\$ 29,177
Pension Related - HIS (see footnote 12)	8,243	-	468	7,775
Total Inflows of Resources	\$ 104,152	\$ -	\$ 67,200	\$ 36,952

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 enters 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 to comply with Governmental Accounting Standards Board Statement No. 10 Paragraph 68 requiring actuarially determined claims incurred but not reported to be recovered within a reasonable period of time. Expenditures of the self-insurance funds are charged back to the appropriate governmental fund.

L. Compensated Absences

Compensated absences are payments to employees for accumulated vacation and sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. 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. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations (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. 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 will 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 will 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 will 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. Management is currently evaluating the impact of the adoption of this statement on 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 sets 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. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

2. AD VALOREM TAXES

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

Property values are assessed as of January 1 each year. The Board levies the property tax at the final budget hearing each year based on the assessed valuation of all non-exempt property. This levy finances the expenditures of the current fiscal year. Tax bills are mailed by the Palm Beach County Tax Collector on November 1 and are due no later than April 1. After this date, taxes become an enforceable lien on property. Discounts of up to 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 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 depositories resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral

and, if necessary, assessment against other qualified public depositories of the same type as 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 \$18.5 million.

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

Cash Equivalents consist of amounts invested in Money Markets, 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 2a7 of the Investment Company Act of 1940. Rule 2a7 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):

Investments by Level	Balance (in thousands)	Fair Value Measurements Using			Effective Duration (years)
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
Commercial Paper	\$ 2,293	\$ -	\$ 2,293		0.33
Core Fund Investments					
US Treasury - Notes	267,894	267,894	-		1.98
Federal Agency - Bond/Notes	22,683	-	22,683		1.68
Corporate Notes	5,220	-	5,220		1.37
Municipal Bonds	999	-	999		1.82
Total Investments by Fair Value Level	299,089	\$ 267,894	\$ 31,195		
Investments Reported at Amortized Cost					
Florida Education Investment Trust Fund (FEITF)	172,113				N/A
Money Market Funds	64,435				N/A
Florida Prime	33				0.04
Total Investments Reported at Amortized Cost	236,581				
Total Investments	535,670				
Cash Deposits	258,344				
Total Cash and Investments	\$ 794,014				

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.

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

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 "Aa" by Moody's and a minimum long term debt rating of "AA" by Standard & Poor's ("S&P"). The maximum length to maturity for corporate notes shall be three (3) years from the date of purchase. As of June 30, 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 a rating between AA+ and 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 premium 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 approximately \$25,000 in asset position (See Note 11). This is categorized as level 2 investment in accordance with GASB Statement No. 72.

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):

	General Fund	Other Capital Funds	Other Non-major Governmental Funds	Internal Service Fund	Total
Federal and State Sources					
Medicaid*	\$ 4,264	\$ -	\$ -	\$ -	\$ 4,264
Grants and Entitlements	-	-	17,705	-	17,705
FEMA	358	6	-	-	364
Fuel Tax*	-	239	-	-	239
PECO	-	-	1,472	-	1,472
Charter School Capital Outlay	-	460	-	-	460
CO&DS	-	-	69	-	69
Local Sources					
Early Learning Coalition	977	-	-	-	977
Pharmacy Rebates	-	-	-	2,188	2,188
Other	871	-	281	-	1,152
Total Due From Other Governments or Agencies	\$ 6,470	\$ 705	\$ 19,527	\$ 2,188	\$ 28,890

* 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):

	Interfund Receivables	Interfund Payables
General Fund	\$ 8,460	\$ -
Other Capital Projects	-	460
Other Governmental Funds	-	8,000
Total Interfund	<u>\$ 8,460</u>	<u>\$ 8,460</u>

The amount payable by the Other 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):

Transfer from:	Transfer to:				Total
	General Fund	Other Debt Service	Other Capital Projects	Other Governmental Funds	
Nonvoted Capital Improvement	\$ 75,402	\$ 148,501	\$ -	\$ 5	\$ 223,908
General Fund	-	-	92	-	92
Other Capital Projects	5,328	-	-	-	5,328
Other Governmental Funds	9,530	-	-	-	9,530
Total	<u>\$ 90,260</u>	<u>\$ 148,501</u>	<u>\$ 92</u>	<u>\$ 5</u>	<u>\$ 238,858</u>

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 Other Debt Service, Other Capital Projects and Other 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):

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

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 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, \$17.2 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):

	Prior Year Ended June 30, 2016	Fiscal Year Ended June 30, 2017
Beginning Balance	\$ 56,829	\$ 57,812
Additions:		
Current year claims and changes in estimates	195,200	207,061
Reductions:		
Claim payments	(194,217)	(202,845)
Ending Balance	<u>\$ 57,812</u>	<u>\$ 62,028</u>

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):

	Beginning Balance July 1, 2016	Issued	Redeemed	Ending Balance June 30, 2017
Tax anticipation notes	\$ -	\$ 115,000	\$ -	\$ 115,000
Total short-term debt	<u>\$ -</u>	<u>\$ 115,000</u>	<u>\$ -</u>	<u>\$ 115,000</u>

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):

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Amounts Due Within One Year
Governmental Activities:					
Bonds, Notes and Other Payable:					
Notes/Loans Payable	\$ 31,846	\$ -	\$ (8,361)	\$ 23,485	\$ 8,454
Capital Outlay Bond Issue	13,713	-	(2,317)	11,396	1,543
Certificates of Participation	1,541,963	-	(75,205)	1,466,758	76,850
Borrowing-Swap Upfront Payment	2,658	-	(228)	2,430	229
Derivative Instruments-Hedging	91,076	-	-	91,076	-
	1,681,256	-	(86,111)	1,595,145	87,076
Plus Issuance Premium	95,002	-	(13,415)	81,587	-
Total Bonds, Notes and Other Payable	1,776,258	-	(99,526)	1,676,732	87,076
Other Liabilities:					
Compensated Absences	183,080	17,126	(14,505)	185,701	15,654
Self-Insurance					
Claims and Judgments	57,812	207,061	(202,845)	62,028	26,560
Post Employment Benefits	107,486	12,277	(6,823)	112,940	-
Net Pension Liability	640,495	324,955	-	965,450	-
Total Other Liabilities	988,873	561,419	(224,173)	1,326,119	42,214
Total Governmental Activities					
Long-Term Liabilities	\$ 2,765,131	\$ 561,419	\$ (323,699)	\$ 3,002,851	\$ 129,290

Notes/Loans Payable

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 a 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):

Bus & Equipment Loans	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2016	Debt Reedemed	Debt Outstanding June 30, 2017
2014	02/20/14	\$ 14,002	1.235%	08/01/18	\$ 7,065	\$ 2,801	\$ 4,264
2015	07/02/15	14,235	1.242%	02/01/20	11,399	2,797	8,602
2015 A	10/01/15	7,152	1.274%	08/01/20	6,432	1,398	5,034
2016	03/18/16	6,950	1.255%	02/01/21	6,950	1,365	5,585
		<u>\$ 42,339</u>			<u>\$ 31,846</u>	<u>\$ 8,361</u>	<u>\$ 23,485</u>

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

	Principal	Interest	Total Principal and Interest
FY18	\$ 8,454	\$ 267	\$ 8,721
FY19	7,115	162	7,277
FY20	5,760	81	5,841
FY21	2,156	18	2,174
	<u>\$ 23,485</u>	<u>\$ 528</u>	<u>\$ 24,013</u>

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):

Capital Outlay Bond Issues	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2016	Debt Matured	Debt Outstanding June 30, 2017
COBI 2009-A	9/10/2009	\$ 1,655	5.0%	1/1/2019	\$ 585	\$ 185	\$ 400
COBI 2010-A	10/14/2010	9,700	3.5% to 5.0%	1/1/2030	7,140	445	6,695
COBI 2010-A	10/14/2010	1,790	4.0% to 5.0%	1/1/2022	1,250	170	1,080
COBI 2011-A	12/7/2011	5,820	3.0% to 5.0%	1/1/2023	3,120	330	2,790
COBI 2014-B	12/2/2014	4,275	2.0% to 5.0%	1/1/2020	1,618	1,187	431
		<u>\$ 23,240</u>			<u>\$ 13,713</u>	<u>\$ 2,317</u>	<u>\$ 11,396</u>

The debt service requirements through maturity to the holders of the Capital Outlay Bond Issue are as follows (amounts in thousands):

Year Ended June 30	Principal	Total	
	Capital Outlay Bonds	Interest	Principal and Interest
2018	\$ 1,543	\$ 494	\$ 2,037
2019	1,311	417	1,728
2020	1,177	358	1,535
2021	1,200	300	1,500
2022	1,280	240	1,520
2023-2027	2,645	575	3,220
2028-2032	2,240	223	2,463
Total	<u>\$ 11,396</u>	<u>\$ 2,607</u>	<u>\$ 14,003</u>

The District is subject to State Board of Education Administrative Rule 6A-1037(2) that limits the amount of State Board of Education Capital Outlay Bond Issues outstanding to 10% of the non-exempt assessed valuation. At June 30, 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.

The Corporation leases facilities and equipment to the District under the Master Lease. The Master Lease is automatically renewable annually unless terminated, in accordance with the provisions of the Master Lease, as a result of default or the failure of the Board to appropriate funds to make lease payments in its final official budget. Failure to appropriate funds to pay lease payments under any lease will, and an event of default under any lease may, result in the termination of all leases. The remedies on default or upon an event of non-appropriation include the surrender of the COP Series 1994A, Series, 1995A, Series 1996A, Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E; QZAB Series 2002, QZAB Series 2004, QZAB Series 2005, and QSCB Series 2010A Facilities by the District and the Trustee's re-letting for the remaining Ground Lease term, or the voluntary sale of the COP Series 1994A, Series 1995A, Series 1996A, Series 2000A, Series 2001A, Series 2002A, Series 2002B, Series 2002C, Series 2002D, Series 2003A, Series 2003B, Series 2004A, Series 2006A, Series 2007A, Series 2007B, Series 2007E; QZAB Series 2002, QZAB Series 2004, QZAB Series 2005, and QSCB Series 2010A, Facilities by the School Board. In either case, the proceeds will be applied against the School Board's obligations under the Master Lease.

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

Certificate Series	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2016	Debt Matured	Debt Outstanding June 30, 2017	Ground Lease Term
2002E (1)	09/01/2002	\$ 93,350	-	08/01/2016	\$ 2,465	\$ 2,465	\$ -	06/30/2016
2003B (2)	06/26/2003	124,295	1.56%	** 08/01/2029	124,295	-	124,295	08/01/2029
2004 QZAB	04/30/2004	2,923	-	04/30/2020	2,923	-	2,923	04/29/2020
2005 QZAB	12/15/2005	2,150	-	12/15/2020	2,150	-	2,150	12/15/2020
2006A	05/25/2006	222,015	-	08/01/2016	7,185	7,185	-	08/01/2031
2007A	02/28/2007	268,545	4.00% to 5.00%	08/01/2017	27,445	13,455	13,990	08/01/2031
2007C (3)	03/22/2007	192,310	4.00% to 5.00%	08/01/2027	178,340	1,075	177,265	07/31/2027
2007E	10/31/2007	147,390	4.00% to 4.25%	08/01/2017	10,230	5,015	5,215	08/01/2032
2010A QSCB	11/15/2010	67,665	5.40%	*** 08/01/2025	67,665	-	67,665	08/01/2032
2011A (4)	07/13/2011	112,425	4.00% to 5.00%	08/01/2025	44,520	-	44,520	08/01/2032
2011C (5)	11/15/2011	15,355	1.74%	08/01/2018	6,170	4,585	1,585	08/01/2018
2011D (6)	11/15/2011	25,065	2.64%	08/01/2021	23,855	4,205	19,650	08/01/2021
2012A (7)	05/15/2012	20,085	5.00%	08/01/2028	20,085	-	20,085	08/01/2028
2012B (8)	06/29/2012	116,555	1.40%	**** 08/01/2028	107,225	105	107,120	08/01/2028
2012C (9)	08/09/2012	67,145	4.00% to 5.00%	08/01/2029	67,145	3,500	63,645	08/01/2029
2014A (10)	01/31/2014	115,560	1.27%	* 08/01/2027	115,455	105	115,350	08/01/2027
2014B (11)	06/27/2014	166,010	3.00% to 5.00%	08/01/2025	165,070	11,345	153,725	08/01/2025
2014C (12)	07/29/2014	33,280	5.00%	08/01/2031	33,280	-	33,280	08/01/2031
2015A (13)	05/05/2015	106,315	2.52%	08/01/2022	106,315	22,165	84,150	08/01/2022
2015B (14)	01/14/2015	145,535	5.00%	08/01/2031	145,535	-	145,535	08/01/2031
2015D (15)	04/30/2015	221,640	5.00%	08/01/2032	221,640	-	221,640	08/01/2032
2015C (16)	10/28/2015	106,315	5.00%	08/01/2032	62,970	-	62,970	08/01/2032
		<u>\$ 2,371,928</u>			<u>\$ 1,541,963</u>	<u>\$ 75,205</u>	<u>\$ 1,466,758</u>	

* 2014A - Variable rate paid to certificate holders Libor +42 BPS. 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 BPS. Resets weekly, 1.4% 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 defeases 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 2000A Certificates of Participation). **
- (12) Issued to advance refund and defease Series 2007A Certificates of Participation. **
- (13) Issued to advance refund and defease a portion of Series 2005A Certificates of Participation (which previously refunded Series 2001A, 2002A, 2002C, and 2002D 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 a portion 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):

Year ended June 30	Series 2003B	Series 2007A	Series 2007C	Series 2007E	Series 2011A	Series 2011C	Series 2011D	Series 2012A
2018	\$ -	\$ 13,990	\$ 605	\$ 5,215	\$ -	\$ 230	\$ 4,325	\$ -
2019	-	-	800	-	-	1,355	4,435	-
2020	-	-	1,905	-	5,630	-	4,555	-
2021	-	-	15,730	-	5,895	-	4,670	-
2022	3,130	-	6,810	-	6,335	-	1,665	-
2023-2027	27,850	-	107,020	-	26,660	-	-	1,795
2028-2032	93,315	-	44,395	-	-	-	-	18,290
2033-2037	-	-	-	-	-	-	-	-
Total	<u>\$ 124,295</u>	<u>\$ 13,990</u>	<u>\$ 177,265</u>	<u>\$ 5,215</u>	<u>\$ 44,520</u>	<u>\$ 1,585</u>	<u>\$ 19,650</u>	<u>\$ 20,085</u>

Year ended June 30	Series 2012B	Series 2012C	Series 2014A	Series 2014B	Series 2014C	Series 2015A	Series 2015B	Series 2015C
2018	\$ 5,130	\$ 3,680	\$ -	\$ 14,335	\$ -	\$ 22,595	\$ 6,745	\$ -
2019	5,380	3,825	3,045	14,945	-	18,820	7,080	-
2020	70	4,015	10,420	15,615	-	18,345	7,435	-
2021	-	4,180	10,810	16,190	-	5,475	7,805	-
2022	6,115	4,385	11,370	16,965	-	9,345	8,200	-
2023-2027	31,625	25,210	64,915	75,675	-	9,570	47,560	-
2028-2032	58,800	18,350	14,790	-	33,280	-	60,710	33,210
2033-2037	-	-	-	-	-	-	-	29,760
Total	<u>\$ 107,120</u>	<u>\$ 63,645</u>	<u>\$ 115,350</u>	<u>\$ 153,725</u>	<u>\$ 33,280</u>	<u>\$ 84,150</u>	<u>\$ 145,535</u>	<u>\$ 62,970</u>

Year ended June 30	Series 2015D	Series 2004 QZAB	Series 2005 QZAB	Series 2010A QSCB	Total Lease Payment	Total Interest	Total Lease Payment & Interest
2018	\$ -	\$ -	\$ -	\$ -	\$ 76,850	\$ 67,311	\$ 144,161
2019	18,915	-	-	-	78,600	64,163	142,763
2020	5,275	2,923	-	-	76,188	61,032	137,220
2021	5,535	-	2,150	-	78,440	57,822	136,262
2022	5,815	-	-	-	80,135	54,318	134,453
2023-2027	53,845	-	-	67,665	539,390	204,529	743,919
2028-2032	122,310	-	-	-	497,450	62,481	559,931
2033-2037	9,945	-	-	-	39,705	993	40,698
Total	<u>\$ 221,640</u>	<u>\$ 2,923</u>	<u>\$ 2,150</u>	<u>\$ 67,665</u>	<u>\$ 1,466,758</u>	<u>\$ 572,649</u>	<u>\$ 2,039,407</u>

State Statute requires that no more than 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, the Legislature reduced district debt service capacity by 25%. Debt service payments remain in compliance at 56.5% of capital millage proceeds. The District's legal lease purchase agreement remaining debt issuance capacity is \$47.5 million, however Board Policy does not allow 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:

<u>Series</u>	<u>Maturities</u>	<u>Outstanding (in thousands)</u>	<u>Call Date</u>	<u>Defeased by COPS Series</u>
2007A	8/2018 - 8/2031	\$ 119,605	8/1/2017	2015D
2007E	8/2018 - 8/2032	115,065	8/1/2017	2015D
Total Defeased COPS		<u>\$ 234,670</u>		

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):

Fiscal Year Ending June 30	Principal	Interest	Hedging Derivative Instruments, Net	Total
2018	\$ 5,130	\$ 2,077	\$ 13,577	\$ 20,784
2019	8,415	2,039	13,276	23,730
2020	10,500	2,003	13,015	25,518
2021	10,810	1,947	12,609	25,366
2022	20,615	1,843	11,851	34,309
2023-2027	124,390	7,203	45,479	177,072
2028-2032	166,905	1,867	10,440	179,212
	<u>\$ 346,765</u>	<u>\$ 18,979</u>	<u>\$ 120,247</u>	<u>\$ 485,991</u>

Borrowings of Hybrid Derivative Instruments

The District sold a swaption with the 2002D certificates with a 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):

Fiscal Year	Total		
Ending June 30	Principal	Interest	Principal and Interest
2018	\$ 229	\$ 98	\$ 327
2019	223	89	312
2020	224	79	303
2021	233	69	302
2022	234	198	432
2023-2027	1,041	19	1,060
2028-2032	246	19	265
	<u>\$ 2,430</u>	<u>\$ 571</u>	<u>\$ 3,001</u>

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):

Changes in Fair Value			Fair Value at June 30, 2017			Fair Value Levels
Classification	Amount		Classification	Amount	Notional	
<u>Governmental Activities Hedging Derivatives:</u>						
2002B/2014A Pay-fixed Interest Rate Swap	Deferred outflow of resources	\$ -	Liability	\$ (26,801)	\$ 115,245	Level 2
2003B Pay-fixed Interest Rate Swap	Deferred outflow of resources	-	Liability	(34,561)	124,295	Level 2
2002D/2012B Pay-fixed Interest Rate Swap	Deferred outflow of resources	-	Liability	(29,714)	107,225	Level 2
Total Hedging Derivative Instruments		<u>\$ -</u>		<u>\$ (91,076)</u>		
<u>Investment Derivatives:</u>						
	Investment earnings					
2003B-Barrier Option at 7%	(Loss)	\$ -	Asset	\$ 25	100,000	Level 2
Total Investment Derivative Instruments		<u>\$ -</u>		<u>\$ 25</u>		

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 no changes in fair value. 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):

	Objective	Notional	Effective Date	Maturity Date	Amount of Cash Received	Terms	Counterparty	Counterparty Credit Rating
<u>Governmental Activities Hedging Derivatives:</u>								
2002B/2014A - Interest Rate Swap	Hedge changes in cash flows on the 2014A Certificates	\$ 115,245	3/20/2002	8/1/2027	N/A	Pay 4.22%; receive 67% of USD LIBOR or SIFMA bps Swap Index	Citigroup Financials Products Inc.	Baa2,A-,A
2003B -Interest Rate Swap	Hedge changes in cash flows on the 2003B Certificates	124,295	6/26/2003	8/1/2029	N/A	Pay 3.91%; receive SIFMA bps Swap Index	UBS AG, Stamford Branch	A2,A,A
2002D/2012B - Interest Rate Swap	Hedge changes in cash flows on the 2012B Certificates	107,225	8/1/2012	8/1/2028	\$ 4,240	Pay 4.71%; receive SIFMA Swap Index	Citibank N.A. New York	A2,A,A
<u>Investment Derivatives:</u>								
2003B -Barrier option at 7%	Hedge against future increase in interest rates	\$ 100,000	6/26/2003	8/1/2018	\$ 3,010	See Note 1	UBS AG, Stamford Branch	A2,A,A

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 investment derivative instruments in asset position of \$25 thousand 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 \$83.0 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:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<i>Regular Class members initially enrolled before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Elected County Officers</i>	3.00
<i>Senior Management Service Class</i>	2.00
<i>Special Risk Regular</i>	
Service from December 1, 1970 through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

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:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	7.52
FRS, Elected County Officers	3.00	42.27
FRS, Senior Management Service	3.00	1.77
FRS, Special Risk Regular	3.00	22.57
DROP - Applicable to		
Members from All of the Above Classes	0.00	12.88
FRS, Reemployed Retiree	(2)	(2)
TRS, Plan E	6.25	11.90

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.04 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The District's contributions to the Plan totaled \$60.7 million 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 2016-17 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 an increase of 0.108 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2016, the District recognized pension of \$24.9 million related to the Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 44,956	\$ (5,467)
Change of assumptions	35,520	-
Net difference between projected and actual earnings on FRS pension plan investments	151,767	-
Changes in proportion and differences between District FRS contributions and proportionate share of contributions	1,981	(23,710)
District FRS contributions subsequent to the measurement date	60,716	-
Total	\$ 294,940	\$ (29,177)

The deferred outflows of resources related to pensions, totaling \$60.7 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 15,601
2019	15,601
2020	80,117
2021	47,797
2022	44,088
Thereafter	1,843

Actuarial Assumptions. The total pension liability in the July 1, 2015 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 expense, 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:

Asset Class	Target Allocation (1)	Arithmetic Return	(Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate (Property)	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investment	12.0%	6.1%	5.6%	11.1%
Total	100.00%			
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):

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
District's proportionate share of the net pension liability (asset)	\$ 1,080,953	\$ 587,134	\$ 176,094

Pension Plan Fiduciary Net Position. Detailed information about the 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 \$16.4 million for the outstanding amount of contributions owed 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, 2015. 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 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:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	17,196	-
Total	\$ 83,533	\$ (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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 10,711
2019	10,711
2020	10,674
2021	10,657
2022	9,222
Thereafter	6,587

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):

	<u>1% Decrease (1.85%)</u>	<u>Current Discount Rate (2.85%)</u>	<u>1% Increase (3.85%)</u>
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:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	5.56
FRS, Elected County Officers	40.57
FRS, Senior Management Service	19.73
FRS, Special Risk Regular	20.34

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.

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 \$6.8 million toward the annual OPEB cost. Retiree contributions totaled approximately \$5.4 million.

Annual OPEB Cost and Net OPEB Obligation

The District's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the retiree health plan (amounts in thousands):

Annual Required Contribution	\$ 11,840
Interest on Net OPEB Obligation	4,081
Adjustment to Annual Required Contribution	(3,644)
Annual OPEB Cost (Expense)	12,277
Contribution Towards OPEB Cost	(6,823)
Increase in Net OPEB Obligation	5,454
Net OPEB Obligation - Beginning of Year	107,486
Net OPEB Obligation - End of Year	<u>\$ 112,940</u>

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):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 12,277	56%	\$ 112,940
June 30, 2016	12,277	56%	107,486
June 30, 2015	12,006	47%	102,032

Funded Status and Funding Progress

As of June 30, 2017, the actuarial accrued liability for benefits was \$141.6 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 13.8%.

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

Methods and Assumptions

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

The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of July 1, 2015. 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, 2016 is thirty years (open method).

The following assumptions were made:

Retirement Age – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2014.

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

Per Capita Health Claim Cost – Per capita health claim costs are developed from a combination of historical claim experience and manual claim costs developed using a representative database. The per capita cost at age 60 is \$11,484 and at age 70 is \$6,030.

Age Based Morbidity – The assumed per capita health claim costs are adjusted to reflect expected increases related to age. The increase in per capita health claim costs related to age range from 3.19% to 5.06% under age 65 and from 0.05% to 3.00% over age 65.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2014 Table projected to 2030 using Scale MP-14 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 8.0% for under age 65 and 7.0% over age 65 initially, reduced 0.5% each year until reaching the ultimate trend rate of 4.5%.

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

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

Termination – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2014. 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 May 2015.

Salary Increase Assumption – 3.5% per annum.

Discount Rate – 4% per annum

Inflation Rate – 3%

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):

	Major Funds					
	General Fund	Other Debt Service	Nonvoted Capital Improvement	Other Capital Projects	Other Governmental	Total Governmental
FUND BALANCES:						
<u>Nonspendable:</u>						
<u>Inventory:</u>						
Textbooks	\$ 6,288	\$ -	\$ -	\$ -	\$ -	\$ 6,288
Child Nutrition	-	-	-	-	5,232	5,232
Transportation	287	-	-	-	-	287
Warehouse	1,379	-	-	-	-	1,379
Other	16	-	-	-	-	16
Total Nonspendable	7,970	-	-	-	5,232	13,202
<u>Restricted for:</u>						
Categorical carryover programs	4,010	-	-	-	-	4,010
IB, AP, AICE & Industry cert prog	12,697	-	-	-	-	12,697
School Improvement	1,865	-	-	-	-	1,865
Local Sales Tax Levy	-	-	-	56,666	-	56,666
Workforce development	1,806	-	-	-	-	1,806
Child nutrition	-	-	-	-	20,336	20,336
Debt service	-	120,773	-	-	1,303	122,076
Capital projects	-	-	55,595	30,728	1,500	87,823
Total Restricted	20,378	120,773	55,595	87,394	23,139	307,279
<u>Committed to:</u>						
The Education Network program	-	-	-	-	35	35
Total Committed	-	-	-	-	35	35
<u>Assigned to:</u>						
<u>School Operations</u>						
Instruction	494	-	-	-	-	494
Instructional support services	17	-	-	-	-	17
Board	7	-	-	-	-	7
General & School admin	2	-	-	-	-	2
Central services	14	-	-	-	-	14
Pupil transportation services	26	-	-	-	-	26
Operation of plant	674	-	-	-	-	674
<u>Community services:</u>						
After care/summer camp	9,379	-	-	-	-	9,379
Pre-K/VPK Fee Based Activities	478	-	-	-	-	478
Community Schools	745	-	-	-	-	745
Other	181	-	-	-	-	181
Capital projects	220	-	-	35,703	-	35,923
Misc local grants/donations	1,737	-	-	-	-	1,737
Next year budget appropriations	44,224	-	-	-	-	44,224
Total Assigned	58,198	-	-	35,703	-	93,901
Unassigned	52,000	-	-	-	-	52,000
Total fund balance	\$ 138,546	\$ 120,773	\$ 55,595	\$ 123,097	\$ 28,406	\$ 466,417

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 \$3.6 million as of June 30, 2017 are shown below (amounts in thousands):

	Encumbrances	Construction Commitments	Total
General Fund	\$ 1,417	\$ -	\$ 1,417
Nonvoted Capital Improvement	-	5,477	5,477
Other Capital Projects	-	10,428	10,428
Other Governmental	2,235	234	2,469
Total Commitments	<u>\$ 3,652</u>	<u>\$ 16,139</u>	<u>\$ 19,791</u>

**SCHEDULE FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (in thousands) (b)	Unfunded AAL (UAAL) (in thousands) (b-a)	Funded Ratio (a/b)	Covered Payroll (in thousands) (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
July 1, 2016	\$ -	\$ 141,585	\$ 141,585	0.0%	\$ 1,022,732	13.8%
July 1, 2015	-	141,585	141,585	0.0%	989,739	14.3%
July 1, 2014	-	135,559	135,559	0.0%	966,098	14.0%
July 1, 2013	-	138,454	138,454	0.0%	971,608	14.2%
July 1, 2012	-	130,194	130,194	0.0%	933,906	13.9%
July 1, 2011	-	168,939	168,939	0.0%	900,764	18.8%
July 1, 2010	-	161,375	161,375	0.0%	906,746	17.8%
July 1, 2009	-	218,964	218,964	0.0%	922,938	23.7%
July 1, 2008	-	216,013	216,013	0.0%	926,287	23.3%
June 30, 2008	-	239,500	239,500	0.0%	930,821	25.7%

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Florida Retirement System Pension Plan (1)**

	2016	2015	2014
District's proportion of the FRS net pension liability (asset)	2.3253%	2.4332%	2.5354%
District's proportionate share of the FRS net pension liability (asset)	\$ 587,133	\$ 314,284	\$ 154,697
District's covered-employee payroll	\$ 989,739	\$ 966,098	\$ 971,624
District's proportionate share of the FRS net pension liability (asset) as a percentage of its covered-employee payroll	56.68%	32.53%	15.92%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

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.

**Schedule of District Contributions –
Florida Retirement System Pension Plan (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 60,716	\$ 57,082	\$ 59,324	\$ 55,536
FRS contributions in relation to the contractually required contribution	<u>(60,716)</u>	<u>(57,082)</u>	<u>(59,324)</u>	<u>(55,536)</u>
FRS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624
FRS contributions as a percentage of covered-employee payroll	6.00%	5.77%	6.14%	5.72%

**Schedule of the District's Proportionate Share
of the Net Pension Liability –
Health Insurance Subsidy Pension Plan (1)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the HIS net pension liability (asset)	3.2461%	3.1986%	3.3048%
District's proportionate share of the HIS net pension liability (asset)	\$ 378,316	\$ 326,211	\$ 309,012
District's covered-employee payroll	\$ 989,739	\$ 966,098	\$ 971,624
District's proportionate share of the HIS net pension liability (asset) as a percentage of its covered-employee payroll	38.22%	33.77%	31.80%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.97%	0.50%	0.99%

**Schedule of District Contributions –
Health Insurance Subsidy Pension Plan (1)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 17,196	\$ 16,674	\$ 12,227	\$ 11,321
HIS contributions in relation to the contractually required HIS contribution	<u>(17,196)</u>	<u>(16,674)</u>	<u>(12,227)</u>	<u>(11,321)</u>
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,011,258	\$ 989,739	\$ 966,098	\$ 971,624
HIS contributions as a percentage of covered-employee payroll	1.70%	1.68%	1.27%	1.17%

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.

POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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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.

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Annual OPEB Cost and Net OPEB Obligation

The District's annual Other Post Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the retiree health plan (amounts in thousands):

Annual Required Contribution	\$ 11,840
Interest on Net OPEB Obligation	4,081
Adjustment to Annual Required Contribution	(3,644)
Annual OPEB Cost (Expense)	<u>12,277</u>
Contribution Towards OPEB Cost	<u>(6,823)</u>
Increase in Net OPEB Obligation	5,454
Net OPEB Obligation - Beginning of Year	<u>107,486</u>
Net OPEB Obligation - End of Year	<u>\$ 112,940</u>

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, was as follows (amounts in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2017	\$ 12,277	56%	\$ 112,940
June 30, 2016	12,277	56%	107,486
June 30, 2015	12,006	47%	102,032

Funded Status and Funding Progress

As of June 30, 2017, the actuarial accrued liability for benefits was \$141.6 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 13.8%.

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

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The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of July 1, 2015. 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, 2016 is thirty years (open method).

The following assumptions were made:

Retirement Age – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2014.

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

Per Capita Health Claim Cost – Per capita health claim costs are developed from a combination of historical claim experience and manual claim costs developed using a representative database. The per capita cost at age 60 is \$11,484 and at age 70 is \$6,030.

Age Based Morbidity – The assumed per capita health claim costs are adjusted to reflect expected increases related to age. The increase in per capita health claim costs related to age range from 3.19% to 5.06% under age 65 and from 0.05% to 3.00% over age 65.

Mortality – Life expectancies were based on mortality tables from the National Center for Health Statistics. The RP-2014 Table projected to 2030 using Scale MP-14 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 8.0% for under age 65 and 7.0% over age 65 initially, reduced 0.5% each year until reaching the ultimate trend rate of 4.5%.

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

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

Termination – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2014. 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 May 2015.

Salary Increase Assumption – 3.5% per annum.

Discount Rate – 4% per annum

Inflation Rate – 3%

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2017

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
Federal Direct	3100	807,000.00	1,001,608.21	1,001,608.21	0.00
Federal Through State and Local	3200	3,000,000.00	6,985,336.56	6,985,336.56	0.00
State Sources	3300	513,080,664.00	528,775,798.14	528,775,798.14	0.00
<i>Local Sources:</i>					
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423	957,084,390.00	959,828,341.73	959,828,341.73	0.00
Other Local Revenue		64,529,147.00	74,739,907.17	74,739,907.17	0.00
Total Local Sources	3400	1,021,613,537.00	1,034,568,248.90	1,034,568,248.90	0.00
Total Revenues		1,538,501,201.00	1,571,330,991.81	1,571,330,991.81	0.00
EXPENDITURES					
<i>Current:</i>					
Instruction	5000	1,126,206,761.26	1,146,281,246.90	1,081,618,035.43	64,663,211.47
Student Support Services	6100	46,788,359.00	47,262,491.78	47,096,677.10	165,814.68
Instructional Media Services	6200	19,546,036.00	20,077,691.86	19,368,841.32	708,850.54
Instruction and Curriculum Development Services	6300	33,261,624.00	34,101,171.88	33,976,151.54	125,020.34
Instructional Staff Training Services	6400	10,818,619.31	11,166,393.67	10,143,278.15	1,023,115.52
Instruction-Related Technology	6500	9,015,022.00	9,466,391.13	9,437,326.50	29,064.63
Board	7100	7,742,654.00	8,012,488.21	7,295,151.40	717,336.81
General Administration	7200	7,476,485.00	7,624,545.37	7,536,867.26	87,678.11
School Administration	7300	99,517,403.25	105,577,817.64	105,344,633.41	233,184.23
Facilities Acquisition and Construction	7410	496,828.00	717,363.98	348,966.07	368,397.91
Fiscal Services	7500	6,766,783.00	7,048,416.00	6,662,286.00	386,130.00
Food Services	7600	17,142.00	120,384.07	116,989.91	3,394.16
Central Services	7700	14,986,931.00	15,616,827.91	15,132,865.18	483,962.73
Student Transportation Services	7800	52,743,084.00	53,655,511.86	53,801,790.50	(146,278.64)
Operation of Plant	7900	133,280,947.44	135,405,422.76	127,091,389.06	8,314,033.70
Maintenance of Plant	8100	79,316,038.00	73,568,561.13	73,012,868.68	555,692.45
Administrative Technology Services	8200	7,915,587.00	7,871,451.05	7,540,085.94	331,365.11
Community Services	9100	50,794,283.00	52,516,227.57	41,981,273.88	10,534,953.69
<i>Debt Service: (Function 9200)</i>					
Redemption of Principal	710			0.00	0.00
Interest	720	577,000.00	667,000.00	666,441.81	558.19
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420			143,958.64	(143,958.64)
Other Capital Outlay	9300			1,895,626.21	(1,895,626.21)
Total Expenditures		1,707,267,587.26	1,736,757,404.77	1,650,211,503.99	86,545,900.78
Excess (Deficiency) of Revenues Over (Under) Expenditures		(168,766,386.26)	(165,426,412.96)	(78,880,512.18)	86,545,900.78
OTHER FINANCING SOURCES (USES)					
Loss Recoveries	3740	0.00	7,211.36	7,211.36	0.00
Transfers In	3600	93,600,000.00	90,260,467.58	90,260,467.58	0.00
Transfers Out	9700	(83,893.00)	(91,545.24)	(91,545.24)	0.00
Total Other Financing Sources (Uses)		93,516,107.00	90,176,133.70	90,176,133.70	0.00
SPECIAL ITEMS				0.00	0.00
EXTRAORDINARY ITEMS				0.00	0.00
Net Change in Fund Balances		(75,250,279.26)	(75,250,279.26)	11,295,621.52	86,545,900.78
Fund Balances, July 1, 2016	2800	127,250,279.26	127,250,279.26	127,250,279.26	0.00
Adjustments to Fund Balances	2891			0.00	0.00
Fund Balances, June 30, 2017	2700	52,000,000.00	52,000,000.00	138,545,900.78	86,545,900.78

**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017**

	Account Number	Special Revenue Funds		
		Food Services 410	Other Federal Programs 420	Total Nonmajor Special Revenue Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Cash and Cash Equivalents	1110	22,653,625.64	585,062.31	23,238,687.95
Due From Other Agencies	1220	1,653,940.42	16,332,431.13	17,986,371.55
Inventory	1150	5,231,911.20	0.00	5,231,911.20
Prepaid Items	1230	0.00	22,276.79	22,276.79
Total Assets		29,539,477.26	16,939,770.23	46,479,247.49
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00	0.00
Total Deferred Outflows of Resources		0.00	0.00	0.00
Total Assets and Deferred Outflows of Resources		29,539,477.26	16,939,770.23	46,479,247.49
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accrued Salaries and Benefits	2110	856,940.69	4,463,753.37	5,320,694.06
Payroll Deductions and Withholdings	2170	202,254.57	203,912.40	406,166.97
Accounts Payable	2120	2,912,338.75	3,009,317.98	5,921,656.73
Due to Budgetary Funds	2161	0.00	8,000,000.00	8,000,000.00
Construction Contracts Payable - Retained Percentage	2150	0.00	2,844.70	2,844.70
Unearned Revenues	2410	0.00	1,224,651.45	1,224,651.45
Total Liabilities		3,971,534.01	16,904,479.90	20,876,013.91
DEFERRED INFLOWS OF RESOURCES				
Deferred Revenues	2630	0.00	0.00	0.00
Total Deferred Inflows of Resources		0.00	0.00	0.00
FUND BALANCES				
<i>Nonspendable:</i>				
Inventory	2711	5,231,911.20	0.00	5,231,911.20
<i>Total Nonspendable Fund Balances</i>	2710	5,231,911.20	0.00	5,231,911.20
<i>Restricted for:</i>				
Economic Stabilization	2721	0.00	0.00	0.00
Federal Required Carryover Programs	2722	0.00	0.00	0.00
State Required Carryover Programs	2723	0.00	0.00	0.00
Local Sales Tax and Other Tax Levy	2724	0.00	0.00	0.00
Debt Service	2725	0.00	0.00	0.00
Capital Projects	2726	0.00	0.00	0.00
Restricted for Child Nutrition	2729	20,336,032.05	0.00	20,336,032.05
Restricted for _____	2729	0.00	0.00	0.00
<i>Total Restricted Fund Balances</i>	2720	20,336,032.05	0.00	20,336,032.05
<i>Committed to:</i>				
Economic Stabilization	2731	0.00	0.00	0.00
Contractual Agreements	2732	0.00	0.00	0.00
Committed for Education Network	2739	0.00	35,290.33	35,290.33
Committed for _____	2739	0.00	0.00	0.00
<i>Total Committed Fund Balances</i>	2730	0.00	35,290.33	35,290.33
<i>Assigned to:</i>				
Special Revenue	2741	0.00	0.00	0.00
Debt Service	2742	0.00	0.00	0.00
Capital Projects	2743	0.00	0.00	0.00
Permanent Fund	2744	0.00	0.00	0.00
Assigned for _____	2749	0.00	0.00	0.00
Assigned for _____	2749	0.00	0.00	0.00
<i>Total Assigned Fund Balances</i>	2740	0.00	0.00	0.00
<i>Total Unassigned Fund Balances</i>	2750	0.00	0.00	0.00
Total Fund Balances	2700	25,567,943.25	35,290.33	25,603,233.58
Total Liabilities, Deferred Inflows of Resources and Fund Balances		29,539,477.26	16,939,770.23	46,479,247.49

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

		Debt Service Funds		
	Account Number	SBE/COBI Bonds 210	ARRA Debt Service 299	Total Nonmajor Debt Service Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Investments	1160	248,211.34	1,054,619.92	1,302,831.26
Total Assets		248,211.34	1,054,619.92	1,302,831.26
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00	0.00
Total Deferred Outflows of Resources		0.00	0.00	0.00
Total Assets and Deferred Outflows of Resources		248,211.34	1,054,619.92	1,302,831.26
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Cash Overdraft	2125	0.00	0.00	0.00
Accrued Salaries and Benefits	2110	0.00	0.00	0.00
Payroll Deductions and Withholdings	2170	0.00	0.00	0.00
Accounts Payable	2120	0.00	0.00	0.00
Sales Tax Payable	2260	0.00	0.00	0.00
Current Notes Payable	2250	0.00	0.00	0.00
Accrued Interest Payable	2210	0.00	0.00	0.00
Deposits Payable	2220	0.00	0.00	0.00
Due to Other Agencies	2230	0.00	0.00	0.00
Due to Budgetary Funds	2161	0.00	0.00	0.00
Due to Internal Funds	2162	0.00	0.00	0.00
Due to Fiscal Agent	2240	0.00	0.00	0.00
Pension Liability	2115	0.00	0.00	0.00
Other Postemployment Benefits Liability	2116	0.00	0.00	0.00
Judgments Payable	2130	0.00	0.00	0.00
Construction Contracts Payable	2140	0.00	0.00	0.00
Construction Contracts Payable - Retained Percentage	2150	0.00	0.00	0.00
Matured Bonds Payable	2180	0.00	0.00	0.00
Matured Interest Payable	2190	0.00	0.00	0.00
Unearned Revenues	2410	0.00	0.00	0.00
Unavailable Revenues	2410	0.00	0.00	0.00
Total Liabilities		0.00	0.00	0.00
DEFERRED INFLOWS OF RESOURCES				
Accumulated Increase in Fair Value of Hedging Derivatives	2610	0.00	0.00	0.00
Deferred Revenues	2630	0.00	0.00	0.00
Total Deferred Inflows of Resources		0.00	0.00	0.00
FUND BALANCES				
Nonspendable:				
Inventory	2711	0.00	0.00	0.00
Prepaid Amounts	2712	0.00	0.00	0.00
Permanent Fund Principal	2713	0.00	0.00	0.00
Other Not in Spendable Form	2719	0.00	0.00	0.00
Total Nonspendable Fund Balances	2710	0.00	0.00	0.00
Restricted for:				
Economic Stabilization	2721	0.00	0.00	0.00
Federal Required Carryover Programs	2722	0.00	0.00	0.00
State Required Carryover Programs	2723	0.00	0.00	0.00
Local Sales Tax and Other Tax Levy	2724	0.00	0.00	0.00
Debt Service	2725	248,211.34	1,054,619.92	1,302,831.26
Capital Projects	2726	0.00	0.00	0.00
Restricted for _____	2729	0.00	0.00	0.00
Restricted for _____	2729	0.00	0.00	0.00
Total Restricted Fund Balances	2720	248,211.34	1,054,619.92	1,302,831.26
Committed to:				
Economic Stabilization	2731	0.00	0.00	0.00
Contractual Agreements	2732	0.00	0.00	0.00
Committed for _____	2739	0.00	0.00	0.00
Committed for _____	2739	0.00	0.00	0.00
Total Committed Fund Balances	2730	0.00	0.00	0.00
Assigned to:				
Special Revenue	2741	0.00	0.00	0.00
Debt Service	2742	0.00	0.00	0.00
Capital Projects	2743	0.00	0.00	0.00
Permanent Fund	2744	0.00	0.00	0.00
Assigned for _____	2749	0.00	0.00	0.00
Assigned for _____	2749	0.00	0.00	0.00
Total Assigned Fund Balances	2740	0.00	0.00	0.00
Total Unassigned Fund Balances	2750	0.00	0.00	0.00
Total Fund Balances	2700	248,211.34	1,054,619.92	1,302,831.26
Total Liabilities, Deferred Inflows of Resources and Fund Balances				
		248,211.34	1,054,619.92	1,302,831.26

The notes to financial statements are an integral part of this statement.
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017**

	Account Number	Capital Projects Funds			
		Capital Outlay Bond Issues (COBI) 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Total Nonmajor Capital Projects Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
ASSETS					
Cash and Cash Equivalents	1110	4,541.20	0.00	0.00	4,541.20
Due From Other Agencies	1220	0.00	1,471,714.00	69,234.04	1,540,948.04
Total Assets		4,541.20	1,471,714.00	69,234.04	1,545,489.24
DEFERRED OUTFLOWS OF RESOURCES					
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00	0.00	0.00
Total Deferred Outflows of Resources		0.00	0.00	0.00	0.00
Total Assets and Deferred Outflows of Resources		4,541.20	1,471,714.00	69,234.04	1,545,489.24
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accrued Salaries and Benefits	2110	0.00	0.00	0.00	0.00
Payroll Deductions and Withholdings	2170	0.00	0.00	0.00	0.00
Accounts Payable	2120	4,541.20	41,129.00	0.00	45,670.20
Sales Tax Payable	2260	0.00	0.00	0.00	0.00
Current Notes Payable	2250	0.00	0.00	0.00	0.00
Accrued Interest Payable	2210	0.00	0.00	0.00	0.00
Deposits Payable	2220	0.00	0.00	0.00	0.00
Due to Other Agencies	2230	0.00	0.00	0.00	0.00
Due to Budgetary Funds	2161	0.00	0.00	0.00	0.00
Due to Internal Funds	2162	0.00	0.00	0.00	0.00
Due to Fiscal Agent	2240	0.00	0.00	0.00	0.00
Pension Liability	2115	0.00	0.00	0.00	0.00
Other Postemployment Benefits Liability	2116	0.00	0.00	0.00	0.00
Judgments Payable	2130	0.00	0.00	0.00	0.00
Construction Contracts Payable	2140	0.00	0.00	0.00	0.00
Construction Contracts Payable - Retained Percentage	2150	0.00	0.00	0.00	0.00
Matured Bonds Payable	2180	0.00	0.00	0.00	0.00
Matured Interest Payable	2190	0.00	0.00	0.00	0.00
Total Liabilities		4,541.20	41,129.00	0.00	45,670.20
DEFERRED INFLOWS OF RESOURCES					
Accumulated Increase in Fair Value of Hedging Derivatives	2610	0.00	0.00	0.00	0.00
Deferred Revenues	2630	0.00	0.00	0.00	0.00
Total Deferred Inflows of Resources		0.00	0.00	0.00	0.00
FUND BALANCES					
Nonspendable:					
Inventory	2711	0.00	0.00	0.00	0.00
Prepaid Amounts	2712	0.00	0.00	0.00	0.00
Permanent Fund Principal	2713	0.00	0.00	0.00	0.00
Other Not in Spendable Form	2719	0.00	0.00	0.00	0.00
Total Nonspendable Fund Balances	2710	0.00	0.00	0.00	0.00
Restricted for:					
Economic Stabilization	2721	0.00	0.00	0.00	0.00
Federal Required Carryover Programs	2722	0.00	0.00	0.00	0.00
State Required Carryover Programs	2723	0.00	0.00	0.00	0.00
Local Sales Tax and Other Tax Levy	2724	0.00	0.00	0.00	0.00
Debt Service	2725	0.00	0.00	0.00	0.00
Capital Projects	2726	0.00	1,430,585.00	69,234.04	1,499,819.04
Restricted for _____	2729	0.00	0.00	0.00	0.00
Restricted for _____	2729	0.00	0.00	0.00	0.00
Total Restricted Fund Balances	2720	0.00	1,430,585.00	69,234.04	1,499,819.04
Committed to:					
Economic Stabilization	2731	0.00	0.00	0.00	0.00
Contractual Agreements	2732	0.00	0.00	0.00	0.00
Committed for _____	2739	0.00	0.00	0.00	0.00
Committed for _____	2739	0.00	0.00	0.00	0.00
Total Committed Fund Balances	2730	0.00	0.00	0.00	0.00
Assigned to:					
Special Revenue	2741	0.00	0.00	0.00	0.00
Debt Service	2742	0.00	0.00	0.00	0.00
Capital Projects	2743	0.00	0.00	0.00	0.00
Permanent Fund	2744	0.00	0.00	0.00	0.00
Assigned for _____	2749	0.00	0.00	0.00	0.00
Assigned for _____	2749	0.00	0.00	0.00	0.00
Total Assigned Fund Balances	2740	0.00	0.00	0.00	0.00
Total Unassigned Fund Balances	2750	0.00	0.00	0.00	0.00
Total Fund Balances	2700	0.00	1,430,585.00	69,234.04	1,499,819.04
Total Liabilities, Deferred Inflows of Resources and Fund Balances		4,541.20	1,471,714.00	69,234.04	1,545,489.24

The notes to financial statements are an integral part of this statement.
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**DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017**

	Account Number	Permanent Funds 000	Total Nonmajor Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
ASSETS			
Cash and Cash Equivalents	1110	0.00	23,243,229.15
Investments	1160	0.00	1,302,831.26
Due From Other Agencies	1220	0.00	19,527,319.59
Inventory	1150	0.00	5,231,911.20
Prepaid Items	1230	0.00	22,276.79
Total Assets		0.00	49,327,567.99
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated Decrease in Fair Value of Hedging Derivatives	1910	0.00	0.00
Total Deferred Outflows of Resources		0.00	0.00
Total Assets and Deferred Outflows of Resources		0.00	49,327,567.99
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accrued Salaries and Benefits	2110	0.00	5,320,694.06
Payroll Deductions and Withholdings	2170	0.00	406,166.97
Accounts Payable	2120	0.00	5,967,326.93
Due to Budgetary Funds	2161	0.00	8,000,000.00
Construction Contracts Payable - Retained Percentage	2150	0.00	2,844.70
Unearned Revenues	2410	0.00	1,224,651.45
Total Liabilities		0.00	20,921,684.11
DEFERRED INFLOWS OF RESOURCES			
Accumulated Increase in Fair Value of Hedging Derivatives	2610	0.00	0.00
Deferred Revenues	2630	0.00	0.00
Total Deferred Inflows of Resources		0.00	0.00
FUND BALANCES			
<i>Nonspendable:</i>			
Inventory	2711	0.00	5,231,911.20
Prepaid Amounts	2712	0.00	0.00
Permanent Fund Principal	2713	0.00	0.00
Other Not in Spendable Form	2719	0.00	0.00
Total Nonspendable Fund Balances	2710	0.00	5,231,911.20
<i>Restricted for:</i>			
Economic Stabilization	2721	0.00	0.00
Federal Required Carryover Programs	2722	0.00	0.00
State Required Carryover Programs	2723	0.00	0.00
Local Sales Tax and Other Tax Levy	2724	0.00	0.00
Debt Service	2725	0.00	1,302,831.26
Capital Projects	2726	0.00	1,499,819.04
Restricted for Child Nutrition	2729	0.00	20,336,032.05
Restricted for _____	2729	0.00	0.00
Total Restricted Fund Balances	2720	0.00	23,138,682.35
<i>Committed to:</i>			
Economic Stabilization	2731	0.00	0.00
Contractual Agreements	2732	0.00	0.00
Committed for Education Network	2739	0.00	35,290.33
Committed for _____	2739	0.00	0.00
Total Committed Fund Balances	2730	0.00	35,290.33
<i>Assigned to:</i>			
Special Revenue	2741	0.00	0.00
Debt Service	2742	0.00	0.00
Capital Projects	2743	0.00	0.00
Permanent Fund	2744	0.00	0.00
Assigned for _____	2749	0.00	0.00
Assigned for _____	2749	0.00	0.00
Total Assigned Fund Balances	2740	0.00	0.00
Total Unassigned Fund Balances	2750	0.00	0.00
Total Fund Balances	2700	0.00	28,405,883.88
Total Liabilities, Deferred Inflows of Resources and Fund Balances		0.00	49,327,567.99

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Account Number	Special Revenue Funds		
		Food Services 410	Other Federal Programs 420	Total Nonmajor Special Revenue Funds
REVENUES				
Federal Direct	3100	0.00	4,345,331.13	4,345,331.13
Federal Through State and Local	3200	75,187,531.34	114,448,363.27	189,635,894.61
State Sources	3300	994,479.00	4,265,360.50	5,259,839.50
Local Sources:				
Charges for Service - Food Service	345X	13,226,218.51	0.00	13,226,218.51
Impact Fees	3496	0.00	0.00	0.00
Other Local Revenue		127,273.82	3,880,259.19	4,007,533.01
Total Local Sources	3400	13,353,492.33	3,880,259.19	17,233,751.52
Total Revenues		89,535,502.67	126,939,314.09	216,474,816.76
EXPENDITURES				
Current:				
Instruction	5000	0.00	67,189,101.24	67,189,101.24
Student Support Services	6100	0.00	12,088,703.67	12,088,703.67
Instructional Media Services	6200	0.00	4,993.63	4,993.63
Instruction and Curriculum Development Services	6300	0.00	17,084,875.77	17,084,875.77
Instructional Staff Training Services	6400	0.00	24,252,316.67	24,252,316.67
Instruction-Related Technology	6500	0.00	95,017.64	95,017.64
Board	7100	0.00	0.00	0.00
General Administration	7200	0.00	3,313,669.58	3,313,669.58
School Administration	7300	0.00	25,482.79	25,482.79
Facilities Acquisition and Construction	7410	0.00	0.00	0.00
Fiscal Services	7500	0.00	104,360.06	104,360.06
Food Services	7600	89,106,973.56	10,832.40	89,117,805.96
Central Services	7700	0.00	789,911.98	789,911.98
Student Transportation Services	7800	0.00	339,574.76	339,574.76
Operation of Plant	7900	0.00	6,981.34	6,981.34
Maintenance of Plant	8100	0.00	173.65	173.65
Administrative Technology Services	8200	0.00	0.01	0.01
Community Services	9100	0.00	829,926.52	829,926.52
Capital Outlay:				
Facilities Acquisition and Construction	7420	0.00	0.00	0.00
Other Capital Outlay	9300	2,813,519.40	805,477.38	3,618,996.78
Total Expenditures		91,920,492.96	126,941,399.09	218,861,892.05
Excess (Deficiency) of Revenues Over (Under) Expenditures		(2,384,990.29)	(2,085.00)	(2,387,075.29)
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	3710	0.00	0.00	0.00
Premium on Sale of Bonds	3791	0.00	0.00	0.00
Discount on Sale of Bonds	891	0.00	0.00	0.00
Proceeds of Lease-Purchase Agreements	3750	0.00	0.00	0.00
Premium on Lease-Purchase Agreements	3793	0.00	0.00	0.00
Discount on Lease-Purchase Agreements	893	0.00	0.00	0.00
Loans	3720	0.00	0.00	0.00
Sale of Capital Assets	3730	0.00	0.00	0.00
Loss Recoveries	3740	0.00	0.00	0.00
Proceeds of Forward Supply Contract	3760	0.00	0.00	0.00
Proceeds from Special Facility Construction Account	3770	0.00	0.00	0.00
Face Value of Refunding Bonds	3715	0.00	0.00	0.00
Premium on Refunding Bonds	3792	0.00	0.00	0.00
Discount on Refunding Bonds	892	0.00	0.00	0.00
Refunding Lease-Purchase Agreements	3755	0.00	0.00	0.00
Premium on Refunding Lease-Purchase Agreements	3794	0.00	0.00	0.00
Discount on Refunding Lease-Purchase Agreements	894	0.00	0.00	0.00
Payments to Refunding Escrow Agent (Function 9299)	760	0.00	0.00	0.00
Transfers In	3600	0.00	0.00	0.00
Transfers Out	9700	0.00	0.00	0.00
Total Other Financing Sources (Uses)		0.00	0.00	0.00
SPECIAL ITEMS				
		0.00	0.00	0.00
EXTRAORDINARY ITEMS				
		0.00	0.00	0.00
Net Change in Fund Balances		(2,384,990.29)	(2,085.00)	(2,387,075.29)
Fund Balances, July 1, 2016	2800	27,952,933.54	37,375.33	27,990,308.87
Adjustments to Fund Balances	2891	0.00	0.00	0.00
Fund Balances, June 30, 2017	2700	25,567,943.25	35,290.33	25,603,233.58

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Account Number	Debt Service Funds		
		SBE/COBI Bonds 210	ARRA Debt Service 299	Total Nonmajor Debt Service Funds
REVENUES				
Federal Direct	3100	0.00	3,271,254.27	3,271,254.27
Federal Through State and Local	3200	0.00	0.00	0.00
State Sources	3300	2,869,203.33	0.00	2,869,203.33
Total Revenues		2,869,203.33	3,271,254.27	6,140,457.60
EXPENDITURES				
<i>Current:</i>				
Instruction	5000	0.00	0.00	0.00
Student Support Services	6100	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00
Instruction-Related Technology	6500	0.00	0.00	0.00
Board	7100	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00
Facilities Acquisition and Construction	7410	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00
Student Transportation Services	7800	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00
<i>Debt Service: (Function 9200)</i>				
Redemption of Principal	710	2,317,000.00	0.00	2,317,000.00
Interest	720	609,915.00	3,653,910.00	4,263,825.00
Dues and Fees	730	904.90	5,150.00	6,054.90
Miscellaneous	790	0.00	0.00	0.00
<i>Capital Outlay:</i>				
Facilities Acquisition and Construction	7420	0.00	0.00	0.00
Other Capital Outlay	9300	0.00	0.00	0.00
Total Expenditures		2,927,819.90	3,659,060.00	6,586,879.90
Excess (Deficiency) of Revenues Over (Under) Expenditures		(58,616.57)	(387,805.73)	(446,422.30)
OTHER FINANCING SOURCES (USES)				
Issuance of Bonds	3710	0.00	0.00	0.00
Premium on Sale of Bonds	3791	0.00	0.00	0.00
Discount on Sale of Bonds	891	0.00	0.00	0.00
Proceeds of Lease-Purchase Agreements	3750	0.00	0.00	0.00
Premium on Lease-Purchase Agreements	3793	0.00	0.00	0.00
Discount on Lease-Purchase Agreements	893	0.00	0.00	0.00
Loans	3720	0.00	0.00	0.00
Sale of Capital Assets	3730	0.00	0.00	0.00
Loss Recoveries	3740	0.00	0.00	0.00
Proceeds of Forward Supply Contract	3760	0.00	0.00	0.00
Proceeds from Special Facility Construction Account	3770	0.00	0.00	0.00
Face Value of Refunding Bonds	3715	0.00	0.00	0.00
Premium on Refunding Bonds	3792	0.00	0.00	0.00
Discount on Refunding Bonds	892	0.00	0.00	0.00
Refunding Lease-Purchase Agreements	3755	0.00	0.00	0.00
Premium on Refunding Lease-Purchase Agreements	3794	0.00	0.00	0.00
Discount on Refunding Lease-Purchase Agreements	894	0.00	0.00	0.00
Payments to Refunding Escrow Agent (Function 9299)	760	0.00	0.00	0.00
Transfers In	3600	0.00	5,150.00	5,150.00
Transfers Out	9700	0.00	0.00	0.00
Total Other Financing Sources (Uses)		0.00	5,150.00	5,150.00
SPECIAL ITEMS				
		0.00	0.00	0.00
EXTRAORDINARY ITEMS				
		0.00	0.00	0.00
Net Change in Fund Balances		(58,616.57)	(382,655.73)	(441,272.30)
Fund Balances, July 1, 2016	2800	306,827.91	1,437,275.65	1,744,103.56
Adjustments to Fund Balances	2891	0.00	0.00	0.00
Fund Balances, June 30, 2017	2700	248,211.34	1,054,619.92	1,302,831.26

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Account Number	Capital Projects Funds			
		Capital Outlay Bond Issues (COBI) 310	Public Education Capital Outlay (PECO) 340	Capital Outlay and Debt Service 360	Total Nonmajor Capital Projects Funds
REVENUES					
State Sources	3300	0.00	5,489,546.00	4,809,224.20	10,298,770.20
Total Revenues		0.00	5,489,546.00	4,809,224.20	10,298,770.20
EXPENDITURES					
<i>Current:</i>					
Instruction	5000	0.00	0.00	0.00	0.00
Student Support Services	6100	0.00	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00	0.00
Instruction-Related Technology	6500	0.00	0.00	0.00	0.00
Board	7100	0.00	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00	0.00
Facilities Acquisition and Construction	7410	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00	0.00
Student Transportation Services	7800	0.00	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00	0.00
<i>Debt Service: (Function 9200)</i>					
Redemption of Principal	710	0.00	0.00	0.00	0.00
Interest	720	0.00	0.00	0.00	0.00
Dues and Fees	730	0.00	0.00	5,835.52	5,835.52
Miscellaneous	790	0.00	0.00	0.00	0.00
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420	429,515.76	41,129.00	0.00	470,644.76
Other Capital Outlay	9300	0.00	0.00	0.00	0.00
Total Expenditures		429,515.76	41,129.00	5,835.52	476,480.28
Excess (Deficiency) of Revenues Over (Under) Expenditures		(429,515.76)	5,448,417.00	4,803,388.68	9,822,289.92
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	3710	0.00	0.00	0.00	0.00
Premium on Sale of Bonds	3791	0.00	0.00	0.00	0.00
Discount on Sale of Bonds	891	0.00	0.00	0.00	0.00
Proceeds of Lease-Purchase Agreements	3750	0.00	0.00	0.00	0.00
Premium on Lease-Purchase Agreements	3793	0.00	0.00	0.00	0.00
Discount on Lease-Purchase Agreements	893	0.00	0.00	0.00	0.00
Loans	3720	0.00	0.00	0.00	0.00
Sale of Capital Assets	3730	0.00	0.00	0.00	0.00
Loss Recoveries	3740	0.00	0.00	0.00	0.00
Proceeds of Forward Supply Contract	3760	0.00	0.00	0.00	0.00
Proceeds from Special Facility Construction Account	3770	0.00	0.00	0.00	0.00
Face Value of Refunding Bonds	3715	0.00	0.00	0.00	0.00
Premium on Refunding Bonds	3792	0.00	0.00	0.00	0.00
Discount on Refunding Bonds	892	0.00	0.00	0.00	0.00
Refunding Lease-Purchase Agreements	3755	0.00	0.00	0.00	0.00
Premium on Refunding Lease-Purchase Agreements	3794	0.00	0.00	0.00	0.00
Discount on Refunding Lease-Purchase Agreements	894	0.00	0.00	0.00	0.00
Payments to Refunding Escrow Agent (Function 9299)	760	0.00	0.00	0.00	0.00
Transfers In	3600	0.00	0.00	0.00	0.00
Transfers Out	9700	0.00	(4,017,832.00)	(5,511,810.90)	(9,529,642.90)
Total Other Financing Sources (Uses)		0.00	(4,017,832.00)	(5,511,810.90)	(9,529,642.90)
SPECIAL ITEMS					
		0.00	0.00	0.00	0.00
EXTRAORDINARY ITEMS					
		0.00	0.00	0.00	0.00
Net Change in Fund Balances		(429,515.76)	1,430,585.00	(708,422.22)	292,647.02
Fund Balances, July 1, 2016	2800	429,515.76	0.00	777,656.26	1,207,172.02
Adjustments to Fund Balances	2891	0.00	0.00	0.00	0.00
Fund Balances, June 30, 2017	2700	0.00	1,430,585.00	69,234.04	1,499,819.04

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	Account Number	Permanent Funds 000	Total Nonmajor Governmental Funds
REVENUES			
Federal Direct	3100	0.00	7,616,585.40
Federal Through State and Local	3200	0.00	189,635,894.61
State Sources	3300	0.00	18,427,813.03
<i>Local Sources:</i>			
Charges for Service - Food Service	345X	0.00	13,226,218.51
Other Local Revenue		0.00	4,007,533.01
Total Local Sources	3400	0.00	17,233,751.52
Total Revenues		0.00	232,914,044.56
EXPENDITURES			
<i>Current:</i>			
Instruction	5000	0.00	67,189,101.24
Student Support Services	6100	0.00	12,088,703.67
Instructional Media Services	6200	0.00	4,993.63
Instruction and Curriculum Development Services	6300	0.00	17,084,875.77
Instructional Staff Training Services	6400	0.00	24,252,316.67
Instruction-Related Technology	6500	0.00	95,017.64
General Administration	7200	0.00	3,313,669.58
School Administration	7300	0.00	25,482.79
Facilities Acquisition and Construction	7410	0.00	0.00
Fiscal Services	7500	0.00	104,360.06
Food Services	7600	0.00	89,117,805.96
Central Services	7700	0.00	789,911.98
Student Transportation Services	7800	0.00	339,574.76
Operation of Plant	7900	0.00	6,981.34
Maintenance of Plant	8100	0.00	173.65
Administrative Technology Services	8200	0.00	0.01
Community Services	9100	0.00	829,926.52
<i>Debt Service: (Function 9200)</i>			
Redemption of Principal	710	0.00	2,317,000.00
Interest	720	0.00	4,263,825.00
Dues and Fees	730	0.00	11,890.42
<i>Capital Outlay:</i>			
Facilities Acquisition and Construction	7420	0.00	470,644.76
Other Capital Outlay	9300	0.00	3,618,996.78
Total Expenditures		0.00	225,925,252.23
Excess (Deficiency) of Revenues Over (Under) Expenditures		0.00	6,988,792.33
OTHER FINANCING SOURCES (USES)			
Issuance of Bonds	3710	0.00	0.00
Premium on Sale of Bonds	3791	0.00	0.00
Discount on Sale of Bonds	891	0.00	0.00
Proceeds of Lease-Purchase Agreements	3750	0.00	0.00
Premium on Lease-Purchase Agreements	3793	0.00	0.00
Discount on Lease-Purchase Agreements	893	0.00	0.00
Loans	3720	0.00	0.00
Sale of Capital Assets	3730	0.00	0.00
Loss Recoveries	3740	0.00	0.00
Proceeds of Forward Supply Contract	3760	0.00	0.00
Proceeds from Special Facility Construction Account	3770	0.00	0.00
Face Value of Refunding Bonds	3715	0.00	0.00
Premium on Refunding Bonds	3792	0.00	0.00
Discount on Refunding Bonds	892	0.00	0.00
Refunding Lease-Purchase Agreements	3755	0.00	0.00
Premium on Refunding Lease-Purchase Agreements	3794	0.00	0.00
Discount on Refunding Lease-Purchase Agreements	894	0.00	0.00
Payments to Refunding Escrow Agent (Function 9299)	760	0.00	0.00
Transfers In	3600	0.00	5,150.00
Transfers Out	9700	0.00	(9,529,642.90)
Total Other Financing Sources (Uses)		0.00	(9,524,492.90)
SPECIAL ITEMS			
		0.00	0.00
EXTRAORDINARY ITEMS			
		0.00	0.00
Net Change in Fund Balances		0.00	(2,535,700.57)
Fund Balances, July 1, 2016	2800	0.00	30,941,584.45
Adjustments to Fund Balances	2891	0.00	0.00
Fund Balances, June 30, 2017	2700	0.00	28,405,883.88

The notes to financial statements are an integral part of this statement.
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DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL REVENUE FUND
For the Fiscal Year Ended June 30, 2017

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
Federal Direct	3100	173,335.71	12,936,404.85	4,345,331.13	(8,591,073.72)
Federal Through State and Local	3200	184,649,989.64	203,365,821.60	189,635,894.61	(13,729,926.99)
State Sources	3300	1,472,425.16	5,317,557.91	5,259,839.50	(57,718.41)
<i>Local Sources:</i>					
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423				0.00
Property Taxes Levied, Tax Redemptions and Excess Fees for Debt Service	3412, 3421, 3423				0.00
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423				0.00
Local Sales Taxes	3418, 3419				0.00
Charges for Service - Food Service	345X	15,590,000.00	13,233,184.31	13,226,218.51	(6,965.80)
Impact Fees	3496				0.00
Other Local Revenue		1,236,189.75	5,593,462.45	4,007,533.01	(1,585,929.44)
Total Local Sources	3400	16,826,189.75	18,826,646.76	17,233,751.52	(1,592,895.24)
Total Revenues		203,121,940.26	240,446,431.12	216,474,816.76	(23,971,614.36)
EXPENDITURES					
<i>Current:</i>					
Instruction	5000	51,674,219.55	74,027,601.50	67,189,101.24	6,838,500.26
Student Support Services	6100	10,087,917.25	14,299,343.29	12,088,703.67	2,210,639.62
Instructional Media Services	6200	5,000.00	4,993.63	4,993.63	0.00
Instruction and Curriculum Development Services	6300	16,504,671.90	19,998,851.27	17,084,875.77	2,913,975.50
Instructional Staff Training Services	6400	29,516,429.06	33,803,047.51	24,252,316.67	9,550,730.84
Instruction-Related Technology	6500	103,805.32	108,671.08	95,017.64	13,653.44
Board	7100	5,267.91	0.00	0.00	0.00
General Administration	7200	3,228,487.52	3,981,439.71	3,313,669.58	667,770.13
School Administration	7300	15,071.00	52,385.57	25,482.79	26,902.78
Facilities Acquisition and Construction	7410	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	183,966.08	104,360.06	79,606.02
Food Services	7600	90,557,449.00	91,958,117.96	91,931,325.36	26,792.60
Central Services	7700	967,125.23	1,965,119.16	789,911.98	1,175,207.18
Student Transportation Services	7800	471,457.68	785,955.54	339,574.76	446,380.78
Operation of Plant	7900	6,726.18	11,718.19	6,981.34	4,736.85
Maintenance of Plant	8100	2,136.99	173.65	173.65	0.00
Administrative Technology Services	8200	0.00	0.01	0.01	0.00
Community Services	9100	13,000.00	1,652,122.26	829,926.52	822,195.74
<i>Debt Service: (Function 9200)</i>					
Redemption of Principal	710	0.00	0.00	0.00	0.00
Interest	720	0.00	0.00	0.00	0.00
Dues and Fees	730	0.00	0.00	0.00	0.00
Miscellaneous	790	0.00	0.00	0.00	0.00
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420	0.00	0.00	0.00	0.00
Other Capital Outlay	9300	0.00	0.00	805,477.38	(805,477.38)
Total Expenditures		203,158,764.59	242,833,506.41	218,861,892.05	23,971,614.36
Excess (Deficiency) of Revenues Over (Under) Expenditures		(36,824.33)	(2,387,075.29)	(2,387,075.29)	0.00
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	3710	0.00	0.00	0.00	0.00
Transfers In	3600	0.00	0.00	0.00	0.00
Transfers Out	9700	0.00	0.00	0.00	0.00
Total Other Financing Sources (Uses)		0.00	0.00	0.00	0.00
SPECIAL ITEMS					
		0.00	0.00	0.00	0.00
EXTRAORDINARY ITEMS					
		0.00	0.00	0.00	0.00
Net Change in Fund Balances		(36,824.33)	(2,387,075.29)	(2,387,075.29)	0.00
Fund Balances, July 1, 2016	2800	27,990,308.87	27,990,308.87	27,990,308.87	0.00
Adjustments to Fund Balances	2891	0.00	0.00	0.00	0.00
Fund Balances, June 30, 2017	2700	27,953,484.54	25,603,233.58	25,603,233.58	0.00

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended June 30, 2017

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
Federal Direct	3100	3,258,962.92	3,271,254.27	3,271,254.27	0.00
Federal Through State and Local	3200	0.00	0.00	0.00	0.00
State Sources	3300	2,869,002.00	2,869,203.33	2,869,203.33	0.00
<i>Local Sources:</i>					
Property Taxes Levied, Tax Redemptions and Excess Fees for Operational Purposes	3411, 3421, 3423	0.00	0.00	0.00	0.00
Other Local Revenue		0.00	119,367.10	119,367.10	0.00
Total Local Sources	3400	0.00	119,367.10	119,367.10	0.00
Total Revenues		6,127,964.92	6,259,824.70	6,259,824.70	0.00
EXPENDITURES					
<i>Current:</i>					
Instruction	5000	0.00	0.00	0.00	0.00
Student Support Services	6100	0.00	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00	0.00
Instruction-Related Technology	6500	0.00	0.00	0.00	0.00
Board	7100	0.00	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00	0.00
Facilities Acquisition and Construction	7410	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00	0.00
Student Transportation Services	7800	0.00	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00	0.00
<i>Debt Service: (Function 9200)</i>					
Redemption of Principal	710	86,385,041.67	85,882,913.63	85,882,913.63	0.00
Interest	720	70,193,465.90	70,876,431.56	70,876,431.56	0.00
Dues and Fees	730	5,132,361.04	225,162.88	225,162.88	0.00
Miscellaneous	790		0.00	0.00	0.00
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420	0.00	0.00	0.00	0.00
Other Capital Outlay	9300	0.00	0.00	0.00	0.00
Total Expenditures		161,710,868.61	156,984,508.07	156,984,508.07	0.00
Excess (Deficiency) of Revenues Over (Under) Expenditures		(155,582,903.69)	(150,724,683.37)	(150,724,683.37)	0.00
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	3710	0.00	0.00	0.00	0.00
Transfers In	3600	155,321,143.00	148,506,035.39	148,506,035.39	0.00
Transfers Out	9700	0.00	0.00	0.00	0.00
Total Other Financing Sources (Uses)		155,321,143.00	148,506,035.39	148,506,035.39	0.00
SPECIAL ITEMS					
		0.00	0.00	0.00	0.00
EXTRAORDINARY ITEMS					
		0.00	0.00	0.00	0.00
Net Change in Fund Balances		(261,760.69)	(2,218,647.98)	(2,218,647.98)	0.00
Fund Balances, July 1, 2016	2800	124,294,231.74	124,294,231.74	124,294,231.74	0.00
Adjustments to Fund Balances	2891	0.00	0.00	0.00	0.00
Fund Balances, June 30, 2017	2700	124,032,471.05	122,075,583.76	122,075,583.76	0.00

DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Fiscal Year Ended June 30, 2017

	Account Number	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
REVENUES					
Federal Direct	3100	0.00	0.00	0.00	0.00
Federal Through State and Local	3200	0.00	0.00	0.00	0.00
State Sources	3300	11,451,095.00	15,948,627.72	15,948,627.72	0.00
<i>Local Sources:</i>					
Property Taxes Levied, Tax Redemptions and Excess Fees for Capital Projects	3413, 3421, 3423	257,204,055.00	258,379,154.20	258,379,154.20	0.00
Local Sales Taxes	3418, 3419	42,655,052.00	62,683,157.69	62,683,157.69	0.00
Impact Fees	3496	6,682,300.00	6,947,747.00	6,947,747.00	0.00
Other Local Revenue		1,026,532.48	1,652,599.98	1,588,795.95	(63,804.03)
Total Local Sources	3400	307,567,939.48	329,662,658.87	329,598,854.84	(63,804.03)
Total Revenues		319,019,034.48	345,611,286.59	345,547,482.56	(63,804.03)
EXPENDITURES					
<i>Current:</i>					
Instruction	5000	0.00	0.00	0.00	0.00
Student Support Services	6100	0.00	0.00	0.00	0.00
Instructional Media Services	6200	0.00	0.00	0.00	0.00
Instruction and Curriculum Development Services	6300	0.00	0.00	0.00	0.00
Instructional Staff Training Services	6400	0.00	0.00	0.00	0.00
Instruction-Related Technology	6500	0.00	0.00	0.00	0.00
Board	7100	0.00	0.00	0.00	0.00
General Administration	7200	0.00	0.00	0.00	0.00
School Administration	7300	0.00	0.00	0.00	0.00
Facilities Acquisition and Construction	7410	0.00	0.00	0.00	0.00
Fiscal Services	7500	0.00	0.00	0.00	0.00
Food Services	7600	0.00	0.00	0.00	0.00
Central Services	7700	0.00	0.00	0.00	0.00
Student Transportation Services	7800	0.00	0.00	0.00	0.00
Operation of Plant	7900	0.00	0.00	0.00	0.00
Maintenance of Plant	8100	0.00	0.00	0.00	0.00
Administrative Technology Services	8200	0.00	0.00	0.00	0.00
Community Services	9100	0.00	0.00	0.00	0.00
<i>Debt Service: (Function 9200)</i>					
Redemption of Principal	710	0.00	0.00	0.00	0.00
Interest	720	0.00	0.00	0.00	0.00
Dues and Fees	730	0.00	5,835.52	5,835.52	0.00
Miscellaneous	790	0.00	0.00	0.00	0.00
<i>Capital Outlay:</i>					
Facilities Acquisition and Construction	7420	181,368,803.77	218,325,146.78	38,069,253.54	180,255,893.24
Other Capital Outlay	9300	0.00	0.00	0.00	0.00
Total Expenditures		181,368,803.77	218,330,982.30	38,075,089.06	180,255,893.24
Excess (Deficiency) of Revenues Over (Under) Expenditures		137,650,230.71	127,280,304.29	307,472,393.50	180,192,089.21
OTHER FINANCING SOURCES (USES)					
Issuance of Bonds	3710	0.00	0.00	0.00	0.00
Premium on Sale of Bonds	3791	0.00	0.00	0.00	0.00
Discount on Sale of Bonds	891	0.00	0.00	0.00	0.00
Proceeds of Lease-Purchase Agreements	3750	0.00	0.00	0.00	0.00
Premium on Lease-Purchase Agreements	3793	0.00	0.00	0.00	0.00
Discount on Lease-Purchase Agreements	893	0.00	0.00	0.00	0.00
Loans	3720	0.00	0.00	0.00	0.00
Sale of Capital Assets	3730	16,453.13	224,087.28	224,087.28	0.00
Loss Recoveries	3740	0.00	0.00	0.00	0.00
Proceeds of Forward Supply Contract	3760	0.00	0.00	0.00	0.00
Proceeds from Special Facility Construction Account	3770	0.00	0.00	0.00	0.00
Face Value of Refunding Bonds	3715	0.00	0.00	0.00	0.00
Premium on Refunding Bonds	3792	0.00	0.00	0.00	0.00
Discount on Refunding Bonds	892	0.00	0.00	0.00	0.00
Refunding Lease-Purchase Agreements	3755	0.00	0.00	0.00	0.00
Premium on Refunding Lease-Purchase Agreements	3794	0.00	0.00	0.00	0.00
Discount on Refunding Lease-Purchase Agreements	894	0.00	0.00	0.00	0.00
Payments to Refunding Escrow Agent (Function 9299)	760	0.00	0.00	0.00	0.00
Transfers In	3600	83,893.00	91,545.24	91,545.24	0.00
Transfers Out	9700	(248,921,143.00)	(238,766,502.97)	(238,766,502.97)	0.00
Total Other Financing Sources (Uses)		(248,820,796.87)	(238,450,870.45)	(238,450,870.45)	0.00
SPECIAL ITEMS					
		0.00	0.00	0.00	0.00
EXTRAORDINARY ITEMS					
		0.00	0.00	0.00	0.00
Net Change in Fund Balances		(111,170,566.16)	(111,170,566.16)	69,021,523.05	180,192,089.21
Fund Balances, July 1, 2016	2800	111,170,566.16	111,170,566.16	111,170,566.16	0.00
Adjustments to Fund Balances	2891	0.00	0.00	0.00	0.00
Fund Balances, June 30, 2017	2700	0.00	0.00	180,192,089.21	180,192,089.21

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APPENDIX D
CERTAIN LEGAL DOCUMENTS

The Master Lease

Form of Amendment to Master Lease Purchase Agreement

Form of Schedule 2001A-1

Form of Schedule 2001A-2

Form of Schedule 2002C

The Series 2001A-1 Ground Lease

The Series 2002C Ground Lease

The Master Trust Agreement

Form of Series 2017A Supplemental Trust Agreement

The Series 2001A Assignment

The Series 2002C Assignment

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MASTER LEASE PURCHASE AGREEMENT

**PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessor**

AND

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

Dated as of November 1, 1994

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MASTER LEASE PURCHASE AGREEMENT

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

WITNESSETH

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

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

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

WHEREAS, pursuant to a resolution duly adopted by the School Board on October 19, 1994 the School Board has determined that it is in the best interest of the District for the School Board to enter into and execute this Master Lease and certain related documents thereto for the purpose of lease purchasing certain real property, buildings and improvements, and the equipment, fixtures and furnishings to be built, installed or established therein for educational purposes ("Facilities") from the Corporation from time

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to time, which Facilities must, to the extent required by Florida law, be listed on the Educational Plant Survey for Palm Beach County Schools conducted from time to time by the State Department of Education; and

WHEREAS, Facilities approved by the State Department of Education may be lease-purchased from time to time pursuant to Schedules substantially in the form of Exhibit A hereto (individually, a "Schedule"), each such Schedule upon execution and delivery by the School Board and the Corporation together with the provisions of the Master Lease to constitute a separate lease agreement (a "Lease"); and

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

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

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

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

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ARTICLE I.

DEFINITIONS AND EXHIBITS

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

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

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

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

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

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

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

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

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such Basic Lease Payments due and payable semiannually, to and including such maturity date or earlier prepayment date; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Cost" shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to (i) costs and expenses of the acquisition of the title to or other interest in real property, including leasehold interests, easements, rights-of-way and licenses, including, without limitation, lease payments to be made by the Corporation under the terms of a Ground Lease until the expected acceptance of the Facilities related thereto as described herein, (ii) costs and expenses incurred for labor and materials and payments to contrac-

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

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

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

"Credit Facility" shall mean, with respect to a Series of Certificates, the letter of credit, insurance policy, guaranty, surety bond or other irrevocable security device, if any, sup-

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porting the obligations of the School Board to make Basic Lease Payments relating to such Series of Certificates.

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

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

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

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

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

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

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

"Government obligations" shall mean any obligations which as to both principal and interest constitute non-callable direct obligations of, or non-callable obligations fully and

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unconditionally guaranteed by, the full faith and credit of the United States of America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the full faith and credit of the United States of America.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Certificates) are to be prepaid, notice of such prepayment shall have been given as provided in Article III of the Trust Agreement;

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

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

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

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

(i) the Lease relating thereto and any liens and encumbrances created or permitted thereby;

(ii) the Assignment Agreement relating thereto and any liens and encumbrances created or permitted thereby;

(iii) the Trust Agreement and liens and encumbrances created or permitted thereby;

(iv) any Ground Lease applicable thereto and any liens and encumbrances created or permitted thereby;

(v) subject to the provisions of Section 6.2 of the Master Lease, any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in accordance with the provisions of the Master Lease.

(vi) (a) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law; (b) any liens for taxes, assessments, levies, fees, water and sewer rents or charges and other government and similar charges, which are not due and payable or which are not delinquent or the amount or validity of which are being contested and execution thereon is stayed; (c) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances and irregularities in the title to any property which, in the opinion of the School Board, do not materially impair the use of such property or materially and adversely affect the value thereof; and (d) rights reserved to or vested in any municipality or public authority to control or regulate any property or to use such property in any manner that do not in the Opinion of Counsel, materially affect the use of the Facility Site for educational purposes or the benefits enjoyed by any Permitted Transferee in the

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Payment Date, plus an amount equal to a pro rata portion of any Additional Lease Payments and Supplemental Payments then due and owing under the Lease relating to such Facility, including any prepayment premiums payable on the Certificates prepaid.

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

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

"Reimbursement Agreement" shall mean, with respect to each Lease, any reimbursement agreement among the Corporation, the School Board and any Credit Facility Issuer.

"Reserve Account" shall mean any Reserve Account established pursuant to Section 405 of the Trust Agreement and in any Supplemental Trust Agreement.

"Reserve Account Letter of Credit/Insurance Policy" shall mean the irrevocable letter or line of credit, insurance policy, surety bond or guarantee agreement issued by a Qualified Financial Institution in favor of the Trustee which is to be deposited into a Reserve Account in order to fulfill the Reserve Account Requirement relating thereto.

"Reserve Account Requirement" shall mean, in regard to a Reserve Account to secure a Series of Certificates, such amounts, if any, as shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Series and in the Schedule relating thereto, provided such Reserve Account Requirement shall not exceed the least of (i) the maximum annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, (ii) 125% of the average annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, and (iii) 10% of the stated principal amount (or issue price net of accrued

Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement; and

(vii) any other liens or encumbrances permitted by the Schedule relating to such Facility Site, provided such lien or encumbrance shall not, as expressed in an Opinion of Counsel, materially adversely affect the intended use of such Facility Site by the School Board for educational purposes or the benefits enjoyed by any Permitted Transferee in the Facility Site under the Ground Lease, the Assignment Agreement and the Trust Agreement, and such liens and encumbrances are approved by the Credit Facility Issuer for the Series of Certificates relating to such Facility Site.

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

"Prepayment Date" shall mean the date on which optional prepayment, extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a Series of Certificates Outstanding shall be made pursuant to the Trust Agreement and any Supplemental Trust Agreement.

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

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

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

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

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interest if the issue has more than a de minimis part of original issue discount or premium) of such Series of Certificates.

"Schedule" shall mean a schedule, as amended and supplemented from time to time, to this Master Lease to be executed and delivered by the School Board and the Corporation for each Project, substantially in the form of Exhibit A hereto.

"School Board" shall mean the School Board of Palm Beach County, Florida, a body corporate and the governing body of the District.

"Series" or "Series of Certificates" shall mean the aggregate amount of each series of Certificates evidencing an undivided proportionate interest of the owners thereof in a particular Lease and the Basic Lease Payments thereunder, issued pursuant to the Trust Agreement or a Supplemental Trust Agreement.

"Special Tax Counsel" shall mean Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida, Cunningham & Self, West Palm Beach, Florida and Michael B. Brown, P.A., West Palm Beach, Florida or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"State" shall mean the State of Florida.

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

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

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

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

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

SECTION 1.2. Rules of Construction. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing

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persons shall include firms, associations and corporations, including public bodies as well as natural persons.

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

ARTICLE II.

LEASE AND SUBLEASE OF FACILITIES AND FACILITY SITES

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

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

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

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

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purchases, and in accordance with the Instructions to Bidders and General Conditions. All rules and regulations of the State Department of Education applicable to acquisition and construction of educational facilities by the School Board shall apply to the same extent to the acquisition and construction of the Facilities by the School Board acting in its capacity as agent for the Corporation.

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

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

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

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

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SECTION 2.4. School Board's Liability. As between the Corporation and the School Board, the School Board assumes liability for all risks of loss with respect to the Facilities. The School Board shall maintain in force during the entire acquisition, construction and installation period of any Facilities, property damage insurance as required by Section 5.3 hereof and (for the benefit of Certificate holders), as assignee of the Corporation, the Trustee shall be named as an additional insured and loss payee thereon. In the event the School Board or Corporation receives any damages or other moneys from any contractor, manufacturer or supplier of any portion of the Facilities or its surety pursuant to this Section 2.4 or Section 5.3, such moneys shall be paid to the Trustee for disposition in accordance with Section 5.4 hereof.

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

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

SECTION 2.7. Disclaimer of Warranties. The School Board acknowledges that each of the Corporation, the Trustee, the Certificate holders and any Credit Facility Issuer or issuer of a Reserve Account Letter of Credit/Insurance Policy MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE TITLE TO, VALUE, DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY FACILITIES OR ANY PORTION THEREOF, OR AS TO THE QUALITY OR CAPACITY OF THE MATERIAL OR WORKMANSHIP IN SUCH FACILITIES OR ANY WARRANTY THAT SUCH FACILITIES WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS

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OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. In no event shall the Corporation, the Trustee, the Certificate holders or any Credit Facility Issuer or issuer of a Reserve Account Letter of Credit/Insurance Policy be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Master Lease or the existence, furnishing, functioning or School Board's use of the Facilities, or any item, product or service provided for in this Master Lease.

SECTION 2.8. Warranties of the Facilities. The Corporation hereby appoints the School Board its agent and attorney-in-fact during the Lease Term to assert from time to time whatever claims and rights, including warranties of the Facilities, which the Corporation or the School Board may have against the contractor, manufacturer or supplier of any Facilities or portion thereof.

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

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

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

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

herein is false, misleading or erroneous in any material respect.

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

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

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

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

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

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

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

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ARTICLE III.

LEASE PAYMENTS

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

On each Lease Payment Date, the School Board shall pay to the Trustee, in lawful money of the United States of America, the Basic Lease Payments for such Lease Payment Date, less any credits as contemplated by Section 3.2 hereof, and less any reductions as contemplated by Section 4.2 hereof. The School Board agrees to deposit such amounts with the Trustee on each Lease Payment Date in order to assure that sufficient moneys will be available to the Trustee to make timely distribution thereof to the Certificate holders, or to reimburse any Credit Facility Issuer as provided in the following paragraph, all in accordance with the Trust Agreement. In the event that the Trustee has not received such Basic Lease Payments on such Lease Payment Date, the Trustee shall notify the School Board on the Business Day following the day payment was due that such Basic Lease Payments have not been received; provided, however, that such notice is for the purpose of convenience only and the School Board's obligation to make such payments shall in no way be conditioned by the giving or receipt of such notice. Once established under the initial Schedule, Lease Payment Dates shall be the same under all future Lease Schedules.

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

The School Board shall also pay, when due, directly to the party entitled thereto, Additional Lease Payments and Supplemental

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Payments in accordance with the terms of this Master Lease and each Schedule hereto and the Trust Agreement. Additional Lease Payments for each separate Lease entered into under this Master Lease include, without limitation, optional prepayment premiums, Trustee fees and expenses, Corporation expenses, Credit Facility Issuer fees and expenses, if any, and all other amounts due the Trustee under the Trust Agreement or this Master Lease and a Credit Facility Issuer under any Reimbursement Agreement, all as set forth on a particular Schedule hereto. Supplemental Payments for each separate Lease hereunder include, without limitation, amounts required to be paid under Sections 5.1, 5.2, 5.6, 5.10 and 6.2 hereof, and amounts necessary to restore the balance in the Reserve Account for a particular Series of Certificates to the Reserve Account Requirement for such Series as provided in Section 405(b) of the Trust Agreement, or recurring amounts payable to a provider of a Reserve Account Letter of Credit/Insurance Policy.

The School Board hereby authorizes the Trustee, as assignee of the Corporation, (i) to create a Reserve Account to be held by the Trustee under the Trust Agreement for each Series of Certificates unless otherwise provided by the Schedule relating thereto, (ii) to deposit in each Reserve Account a portion of the proceeds from the sale of the Series of Certificates relating thereto, or in lieu thereof, or in substitution for the full amounts then on deposit therein or in an amount equal to the difference between the amount required to be deposited and the sum, if any, on deposit in a Reserve Account, to provide a Reserve Account Letter of Credit/Insurance Policy equal to the Reserve Account Requirement relating to such Series, or combination of a portion of the proceeds from the sale of a Series of Certificates and a Reserve Account Letter of Credit/Insurance Policy, and (iii) to use such amounts or amounts drawn on the Reserve Account Letter of Credit/Insurance Policy deposited in each sub-account of the Reserve Account as set forth in Section 405 of the Trust Agreement. In the event the aggregate amount of any cash, the value of any Investment Securities and the stated amount of any Reserve Account Letter of Credit/Insurance Policy in a Reserve Account shall be less than the Reserve Account Requirement provided therefor, the School Board shall pay to the Trustee from moneys budgeted and appropriated as Basic Lease Payments during the current Fiscal Year as Supplemental Payments an amount equal to such deficiency within thirty (30) days of receipt of notice of the deficiency from the Trustee. In the event the Trustee makes a draw on a Reserve Account Letter of Credit/Insurance Policy to pay amounts equal to Basic Lease Payments represented by a Series of Certificates, the School Board shall cause the amount which the Trustee can draw upon such Reserve Account Letter of Credit/Insurance Policy (or its original stated amount, if the School Board shall have deposited into the related Reserve Account a Letter of Credit/Insurance Policy pursuant to this Section) to be reinstated. In the event a Reserve Account Letter of Credit/Insurance Policy on deposit in a Reserve Account expires or is terminated, the School Board shall, simultaneously

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Facility or Facilities financed hereunder. The interest portion of each Basic Lease Payment shall be calculated on the basis of a 360 day year consisting of twelve 30 day months.

SECTION 3.4. Lease Payments to be Unconditional. Subject to Sections 3.1 and 3.5 hereof the obligations of the School Board to make Lease Payments and to pay all other amounts provided for herein and in each Schedule and to perform its obligations under this Master Lease and each Schedule, shall be absolute and unconditional, and such Lease Payments and other amounts shall be payable without abatement or any rights of set-off, recoupment or counterclaim the School Board might have against any supplier, contractor, the Corporation, the Trustee or any other person and whether or not the Facilities are accepted for use or used by the School Board or available for use by the School Board, whether as a result of damage, destruction, condemnation, defect in title or failure of consideration or otherwise. This Master Lease shall be deemed and construed to be a "net lease".

SECTION 3.5. Non-Appropriation. Notwithstanding anything in this Master Lease to the contrary, the cost and expense of the performance by the School Board of its obligations under this Master Lease and each Schedule hereto and the incurrence of any liabilities of the School Board hereunder and under each Schedule hereto including, without limitation, the payment of all Lease Payments and all other amounts required to be paid by the School Board under this Master Lease and each Schedule hereto, shall be subject to and dependent upon appropriations being duly made from time to time by the School Board for such purposes. Under no circumstances shall the failure of the School Board to appropriate sufficient funds constitute a default or require payment of a penalty, or in any way limit the right of the School Board to purchase or utilize educational facilities similar in function to those leased hereunder.

Unless the School Board, at a public meeting held prior to the end of the then current Fiscal Year, shall give notice of its intent not to appropriate the funds necessary to make all Lease Payments coming due in the following Fiscal Year under this Master Lease and each Schedule hereto, the Superintendent shall include in the Superintendent's tentative budget proposal the funds necessary to make such Lease Payments, and the Lease Term of all Leases shall be automatically renewed on June 30 of the current Fiscal Year, for the following Fiscal Year, subject to appropriation being made by the School Board in the final official budget. If Lease Payments are due hereunder during the period prior to the adoption of the School Board's final official budget for an ensuing Fiscal Year, the Lease Term of all Leases shall be deemed extended only if the tentative budget or extension of the prior budget (whether by Board action or operation of law) makes available to the School Board monies which may be legally used to make the Lease Payments due hereunder during such period. If no such appropriation is made in

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with such expiration or termination, either replace such Letter of Credit/Insurance Policy with a subsequent Reserve Account Letter of Credit/Insurance Policy with a stated amount equal to the Reserve Account Requirement or transfer to the Trustee, for deposit in such Reserve Account in which such Policy had been deposited, an amount of cash equal to the Reserve Account Requirement.

SECTION 3.2. Credits to Lease Payments. The Lease Payments due hereunder shall be reduced when applicable by the amounts credited as follows:

(a) The Trustee shall deposit into the Lease Payment Account established with respect to each Lease, interest income in accordance with the Trust Agreement, amounts in excess of the Reserve Account Requirement transferred to the Lease Payment Account pursuant to Section 405(d) of the Trust Agreement and amounts transferred from the Capitalized Interest Account to the Lease Payment Account pursuant to Section 403 of the Trust Agreement, and apply such amounts as provided therein.

(b) Unless otherwise provided in the Schedule related thereto, upon the completion of acquisition and construction of the Facilities financed under a particular Lease and payment of all Costs of such Facilities or upon the termination of the Lease Term of a particular Lease pursuant to Section 4.1 hereof, the amounts, if any, on deposit in the Acquisition Account for the related Series of Certificates shall be transferred to the Lease Payment Account for such Series, to be applied to Basic Lease Payments next coming due under the Lease; provided, however, that if, upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Facilities financed under a particular Lease (including the failure of the School Board to acquire any component of such Facilities), there shall remain in the related Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, the entire remaining amount shall be transferred to the related Prepayment Account in accordance with Section 7.2(b) hereof.

(c) There shall be deposited in the Lease Payment Account or the Prepayment Account for a Series of Certificates, as the case may be, Net Proceeds realized in the event of damage, destruction or condemnation to be applied to Basic Lease Payments under the related Lease, or to the Prepayment Price of such Series of Certificates, all as provided for in Section 5.4(b) hereof.

SECTION 3.3. Basic Lease Payment Components. A portion of each Basic Lease Payment is paid as and represents the payment of interest and the balance of each Basic Lease Payment is paid as and represents the payment of principal. Each Schedule hereto shall set forth such components of each Basic Lease Payment for each

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the final official budget, or if no official budget is adopted as of the last day upon which a final budget is required to have been adopted under Chapter 237, Florida Statutes and applicable regulations thereunder, the Lease Term of all Leases shall terminate as of the date of adoption of the final official budget, or such last day, whichever is earlier.

If the School Board declares its intent at such public meeting prior to the end of the then current Fiscal Year not to appropriate the funds, the Lease Term of all Leases shall not be automatically renewed for the following Fiscal Year, but shall terminate on June 30th of the current Fiscal Year. The final Lease Term may be for a period which is less than a full Fiscal Year.

The School Board shall provide written notice of any non-appropriation of funds described herein to the Trustee, any Credit Facility Issuer and any issuer of a Reserve Account Letter of Credit/Insurance Policy within three (3) Business Days thereafter.

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

SECTION 3.6. Surrender of Facilities. (A) Upon the termination of the Lease Term of all Leases prior to the payment of all Lease Payments scheduled therefor or without the payment of the then applicable Purchase Option Price of the Facilities financed under such Lease, or (B) as provided in Section 8.2 hereof upon the occurrence of an event of default, the School Board shall immediately surrender and deliver possession of all the Facilities financed under this Master Lease and all Schedules hereto to the Trustee as assignee of the Corporation or any person designated by it, in the condition, state of repair and appearance required under this Master Lease, in accordance with the instructions of the Corporation. Upon such surrender, the transferee shall sell or lease the Facilities if then practicable in such manner and to such person or persons for any lawful purpose or purposes, as it shall, in its sole discretion, determine to be appropriate. The proceeds derived by such transferee from any such sale or lease of Facilities shall be applied first to the payment in full of the Series of Certificates relating to such Facilities (including all amounts owing under the applicable Lease) and then to the payment of any accrued but unpaid obligations of the Corporation under Section 3 of the Ground Lease relating to such Facilities. Any excess after all such payments shall be paid to the School Board.

If the School Board shall refuse or fail to voluntarily deliver possession of the Facilities to the Corporation or its assignee as above provided, the Corporation or its assignee may enter into and upon the Facilities, or any part thereof, and repossess the same and thereby restore the Corporation or its assignee to its former possessory estate as lessee under the

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

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

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

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ARTICLE V.

COVENANTS OF SCHOOL BOARD

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

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

SECTION 5.3. Provisions Regarding Insurance. During acquisition, construction and installation of the Facilities the School Board shall require any contractor to provide Workers' Compensation, Comprehensive General Liability Insurance, Property Insurance, Property coverage for contractor's equipment, Professional Liability Insurance, Builders Risk Insurance, Automobile Liability Insurance, and other insurance pursuant to the terms of the Instructions to Bidders and the General Conditions of the School Board. Contractors shall be required to provide builders' all risk property damage insurance in an amount not less than the full value of all work in place and materials and equipment provided or

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ARTICLE IV.

TERMINATION

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

(a) with respect to all Leases, on the latest Lease Payment Date set forth in any Schedule attached to this Master Lease;

(b) with respect to all Leases, in the event of nonappropriation of funds for payment of Lease Payments as provided in Sections 3.1, 3.4 and 3.5 of this Master Lease;

(c) with respect to all Leases, upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to Section 8.2(1) of this Master Lease;

(d) with respect to a particular Lease, upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease, or upon provision for such payment pursuant to Section 7.3 hereof, provided, however, that upon such provision for payment the obligation to make Lease Payments under such Lease shall continue to be payable solely from such provision for payment.

SECTION 4.2. Effect of Termination.

(a) Upon the termination of the Lease Term for the reason referred to in Section 4.1(b) or (c) hereof, the provisions of Section 3.6 shall be applicable. Upon such termination for the reason referred to in Section 4.1(c) hereof, the provisions of Sections 8.2 and 8.3 shall also be applicable.

(b) In the event of termination of the Lease Term for the reason referred to in Section 4.1(d) hereof, there shall be applied solely from the amounts deposited pursuant to Section 7.3 hereof as a reduction against such Basic Lease Payments to become due after such termination an amount equal to the Basic Lease Payments applicable to the Facilities.

(c) Notwithstanding the termination of the Lease Term pursuant to Section 4.1 hereof, the representations of the School Board set forth in Section 2.10 hereof and the provisions of Sections 5.7 and 5.10 hereof shall survive such termination.

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delivered by each supplier. The Trustee and the Corporation shall be named as additional insureds and loss payees wherever the School Board is to be so named, and shall be entitled to written notice of cancellation to the same extent as the School Board.

The School Board shall, during the Lease Term, purchase and maintain property insurance coverage in an amount not less than \$85,000,000 per occurrence, to the extent such insurance is available at commercially reasonable costs, covering the replacement cost of its property including the Facilities insuring against the perils of FIRE, LIGHTNING, WINDSTORM, HAIL, HURRICANE, WINDBLOWN RAIN, DAMAGE FROM WATER, EXPLOSION, AIRCRAFT, VEHICLES, SMOKE, VANDALISM AND MALICIOUS MISCHIEF, TRANSPORTATION HAZARDS, THEFT AND BURGLARY. The School Board shall maintain a self-insurance program for its combined general and automobile liability insurance coverage in an amount not less than \$200,000 per occurrence pursuant to the provisions contained within Florida Statute 768.28. The School Board shall also purchase and maintain, or cause to be purchased and maintained, boiler & machinery insurance coverage (including air conditioning equipment) in an amount not less than \$20,000,000 per accident.

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

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

(a) the self-insurance program shall be approved by the Insurance Consultant;

(b) The self-insurance program shall include a sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated at least annually by the Insurance Consultant; and any deficiencies in the fund shall be remedied in accordance with the recommendations of the Insurance Consultant;

(c) The self-insurance claims reserve fund shall be held in a bank account created for the purpose of maintaining such self-insurance funds, which bank account may be under the control of the School Board and may not be commingled with other School Board moneys; and

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(d) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund shall be maintained.

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

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

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

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

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

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Board shall not be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are equal to less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities, such Net Proceeds shall be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2 (C) hereof. If the Net Proceeds are equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities, such Net Proceeds shall be deposited in the Prepayment Account for the Series of Certificates relating to such Facilities to be applied to the prepayment in part of the principal portion and accrued interest portion of Basic Lease Payments relating to such Facilities represented by the Certificates in accordance with Section 7.2 hereof.

SECTION 5.5. Insufficiency of Net Proceeds. If the School Board elects to repair, restore or replace the Facilities under the terms of Section 5.4(a) hereof and the Net Proceeds therefor are insufficient to pay in full the Cost of such repair, restoration or replacement, the School Board shall complete the work and pay any Cost in excess of the amount of the Net Proceeds, and the School Board agrees that, if by reason of any such insufficiency of the Net Proceeds the School Board shall make any payments pursuant to the provisions of this Section, the School Board shall not be entitled to any reimbursement therefor from the Corporation or the Trustee nor shall the School Board be entitled to any diminution of the amounts payable under the related Lease.

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

SECTION 5.7. Release and Indemnification. To the extent permitted by Florida law, including the provisions of Section 768.28 Florida Statutes, the School Board shall indemnify and save the Corporation and the Trustee harmless from and against any and all

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

Any insurance policy maintained pursuant to this Section 5.3 shall be so written or endorsed to provide that the Trustee (on behalf of the Certificate holders), and the Corporation are named as additional insureds, and the Trustee, the Corporation and the School Board are named as loss payees as their interests may appear and the Net Proceeds of any appropriation made in connection with a self-insurance election shall be payable to the School Board, the Corporation and the Trustee (on behalf of the Certificate holders) as their respective interests may appear. The Net Proceeds of the insurance required in this Section 5.3 or the Net Proceeds of any appropriation in connection with a self-insurance election shall be applied as provided in Section 5.4(a) and Section 5.4(b) hereof.

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

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

(b) Option B - Partial Prepayment. If the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Facilities so damaged, destroyed or condemned, then the School

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liability, obligations, claims and damages, including consequential damages and reasonable legal fees and expenses, arising out of, or in connection with, the transactions contemplated by this Master Lease, all Schedules hereto, any Ground Lease, any Assignment Agreement and the Trust Agreement including, without limitation, the issuance of Certificates, except in the case of liability, obligations, claims and damages arising out of their own negligence or willful misconduct.

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

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

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

The School Board shall not take any action or fail to take any action which would cause a Lease and the Series of Certificates relating thereto to be "arbitrage bonds" within the meaning of

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Section 148(a) of the Code or which would otherwise cause the portion of Basic Lease Payments under such Lease representing the payment of interest as set forth in Section 3.3 hereof to be includable in the gross income of the Certificate holders.

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

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

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

SECTION 5.12. Compliance with Law, Regulations, Etc.

(a) The School Board has, after due inquiry, no knowledge and has not given or received any written notice indicating that its Facilities and Facility Sites or the past or present use thereof or any practice, procedure or policy employed by it in the conduct of its business materially violates any applicable law, regulation, code, order, rule, judgment or consent agreement, including, without limitation, those relating to zoning, building, use and occupancy, fire safety, health, sanitation, air pollution, ecological matters, environmental protection hazardous or toxic materials, substances or wastes, conservation, parking, architectural barriers to the handicapped, or restrictive covenants or other agreements affecting title to the Facilities (collectively, "Laws and Regulations"). Without limiting the generality of the foregoing, neither the School Board nor to the best of its knowledge, after due inquiry, any prior or present owner, tenant or subtenant of any of the Facilities and Facility Sites has, other than as set forth in subsections (a) and (b) of this Section or as

may have been remediated in accordance with Laws and Regulations, (i) used, treated, stored, transported or disposed of any material amount of flammable explosives, polychlorinated biphenyl compounds, heavy metals, chlorinated solvents, cyanide, radon, petroleum products, asbestos or any Asbestos Containing Materials, methane, radioactive materials, pollutants, hazardous materials, hazardous wastes, hazardous, toxic, or regulated substances or related materials, as defined in CERCLA, RCRA, CWA, CAA, TSCA, FRPA and Title III (as such term is defined in subsection (e)), and the regulations promulgated pursuant thereto, and in all other Environmental Regulations applicable to the School Board, any of the Facilities or Facility Sites or the business operations conducted by the School Board thereon (collectively, "Hazardous Materials") on, from or beneath its Facilities or Facility Sites, (ii) pumped, spilled, leaked, disposed of, emptied, discharged or released (hereinafter collectively referred to as "Release") any material amount of Hazardous Materials on, from or beneath its Facilities or Facility Sites, or (iii) stored any material amount of petroleum products at its Facility Sites in underground storage tanks.

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

(c) No Facilities or Facility Sites located in an area of high potential incidence of radon has an unventilated basement or subsurface portion which is occupied or used for any purpose other than the corporation or support of the improvements to the Facilities.

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

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

"Asbestos Containing Materials" shall mean material in friable form containing more than one percent (1%) of the asbestiform vari-

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eties of (a) chrysotile (serpentine); (b) crocidolite (riebeckite); (c) amosite (cummingtonite-riebeckite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

"Environmental Regulations" shall mean all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, "CERCLA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, "RCRA"), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, "Title III"), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, "CWA"), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, "CAA"), the Florida Radiation Protection Act, as amended (Fla. Stat. Chapter 404) (together with all regulations promulgated thereunder, "FRPA") and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 et seq.) (together with the regulations promulgated thereunder, "TSCA"), and any state or local similar laws and regulations and any so-called local, state or federal "superfund" or "superlien" law.

SECTION 5.13. Environmental Compliance.

(a) The School Board shall not use or permit the Facilities or Facility Sites or any part thereof to be used to generate, manufacture, refine, treat, store, handle, transport or dispose of, transfer, produce or process Hazardous Materials, except, and only to the extent, if necessary to maintain the improvements on the Facilities or Facility Sites and then, only in compliance with all Environmental Regulations, and any state equivalent laws and regulations, nor shall it permit, as a result of any intentional or unintentional act or omission on its part or by any tenant, subtenant, licensee, guest, invitee, contractor, employee and agent, the storage, transportation, disposal or use of Hazardous Materials or the Release or threat of Release of Hazardous Materials on, from or beneath the Facilities or Facility Sites or onto any other property excluding, however, those Hazardous Materials in those amounts ordinarily found in the inventory of or used in the maintenance of public schools and related facilities, the use, storage, treatment, transportation and disposal of which shall be in compliance with all Environmental Regulations. Upon the occurrence of any Release or threat of Release of Hazardous Materials, the School Board shall promptly commence and perform, or cause to be commenced and performed promptly, without cost to the Corporation all investigations, studies, sampling and testing, and all remedial, removal and other actions necessary to clean up and remove all Hazardous Materials, so released, on, from or beneath the

Facilities or other property, in compliance with all Environmental Regulations. Notwithstanding anything to the contrary contained herein, underground storage tanks shall only be permitted subject to compliance with subsection (d) of this Section and only to the extent necessary to maintain the improvements on the Facilities or Facility Sites.

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

(c) Irrespective of whether any representation or warranty contained in Section 5.12 is not true or correct, the School Board shall defend, indemnify and hold harmless the Corporation, the Trustee and the Credit Facility Issuer, its partners, depositors and each of its and their employees, agents, officers, directors, trustees, successors and assigns, from and against any claims, demands, penalties, fines, attorneys' fees (including, without limitation, attorneys' fees incurred to enforce the indemnification contained in this Section 5.13), consultants' fees, investigation and laboratory fees, liabilities, settlements (five (5) Business Days' prior notice of which the Corporation, the Trustee or the Credit Facility Issuer, as appropriate, shall have delivered to the School Board), court costs, damages, losses, costs or expenses of whatever kind or nature, known or unknown, contingent or otherwise, occurring in whole or in part, arising out of, or in any way related to, (i) the presence, disposal, Release, threat of Release, removal, discharge, storage or transportation of any Hazardous Materials on, from or beneath the Facilities or Facility Sites, (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such Hazardous Materials, (iii) any lawsuit brought or threatened,

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settlement reached (five (5) Business Days' prior notice of which the Corporation, the Trustee or the Credit Facility Issuer, as appropriate, shall have delivered to the School Board) or governmental order relating to Hazardous Materials on, from or beneath any of the Facilities or Facility Sites, (iv) any violation of Environmental Regulations or subsection (a) or (b) hereof by it or any of its agents, tenants, employees, contractors, licensees, guests, subtenants or invitees, and (v) the imposition of any governmental lien for the recovery of environmental cleanup or removal costs. To the extent that the School Board is strictly liable under any Environmental Regulation, its obligation to the Corporation, the Trustee and the Credit Facility Issuer and the other indemnitees under the foregoing indemnification shall likewise be without regard to fault on its part with respect to the violation of any Environmental Regulation which results in liability to any indemnitee. The School Board's obligations and liabilities under this Section 5.13(c) shall survive the termination of this Master Lease.

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

SECTION 5.14. Prosecution and Defense of Suits.

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

(b) The School Board shall defend, or cause to be defended against every suit, action or proceeding at any time brought against the Corporation, or its directors, officers and employees upon any claim arising out of the receipt, application or disbursement of any moneys held by the Trustee or arising out of the construction of Facilities comprising any Project and involving the rights of the Corporation, or its directors, officers and employees under this Master Lease or any act or omission of the directors, officers and employees done or omitted to be done within the scope of their respective office or employment, other than an act or omission which is the result of misconduct or negligence by such parties; provided, that the Corporation, at its election, may appear in and defend any such suit, action or proceeding. To the

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ARTICLE VI.

TITLE

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

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

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extent permitted and limited by applicable law and only from moneys legally available for such purpose, the School Board shall indemnify or cause to be indemnified the Corporation, against any and all claims, demands, costs or liability claimed or asserted by any person, arising out of such receipt, application or disbursement.

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

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

SECTION 6.2. Liens. Except as permitted under this Master Lease, during the Lease Term each of the Corporation and the School Board shall not, directly or indirectly, create, incur, assume or suffer to exist any security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein, other than the respective rights of the Trustee, the Corporation and the School Board as herein provided. If such security interest, pledge, lien, charge, encumbrance or claim on any of the Facilities or Facility Sites or leasehold interests therein shall exist, it shall be the duty of the School Board, within ninety (90) days after the School Board shall have been given written notice of such security interest, pledge, lien, charge, encumbrance, or claim being filed, to cause the Facilities or Facility Sites to be released from such security interest, pledge, lien, charge, encumbrance, or claim either by payment or by posting of a bond or by the payment into a court of competent jurisdiction of the amount necessary to relieve and release the Facilities or Facility Sites from such security interest, pledge, lien, charge, encumbrance, or claim or in any other manner which, as a matter of law, will result within such period of ninety (90) days in releasing the Corporation and the title of the Corporation from such security interest, pledge, lien, charge, encumbrance or claim; provided, however, that if such security interest, pledge, lien, charge, encumbrance or claim cannot, with due diligence, be discharged or removed within such ninety (90) day period and the School Board has diligently commenced to discharge or remove such security interest, pledge,

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lien, charge, encumbrance or claim within such period, the School Board shall have a reasonable period of time to discharge or remove such security interest, pledge, lien, charge, encumbrance or claim. The School Board shall reimburse the Corporation or the Trustee for any expense incurred by the Corporation or the Trustee in order to discharge or remove any such security interest, pledge, lien, charge, encumbrance or claim, provided, however, that neither the Corporation nor the Trustee is under any obligation to incur such expense without having been provided, in advance, with any amounts needed to pay such expense.

SECTION 6.3. Use of the Facilities and Facility Sites. The School Board will not use, or maintain the Facilities or Facility Sites improperly, carelessly, in violation of any applicable law or in a manner contrary to their use as educational facilities as contemplated by this Master Lease. The School Board shall provide all permits and licenses, if any, necessary for the acquisition, construction and installation of the Facilities and Facility Sites. In addition, the School Board agrees to comply in all respects (including, without limitation, with respect to the use and maintenance of the Facilities and Facility Sites) with all applicable laws of the jurisdictions in which the Facilities and Facility Sites are located and with all applicable regulations, orders and decrees of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Facilities and Facility Sites; provided, however, that the School Board may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not adversely affect the interest or rights of the Corporation or the Trustee under this Master Lease.

SECTION 6.4. Substitution of Facilities. To the extent permitted by law, the School Board may substitute for any Facilities other facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of substantially equal utility as the Facilities to be replaced and meet the requirement of Section 5.9 hereof, (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved for substitution by the State Department of Education. To the extent that the facilities to be substituted serve a different educational function from the Facilities for which they are to be substituted, such substitution must also be approved by the Credit Facility Issuer, if any, for the Series of Certificates from which the Facilities to be replaced were originally financed. In order to effect such substitution, the Facilities to be replaced shall be released from the encumbrance of the related Lease and Ground Lease by appropriate instrument executed by the School Board and the Corporation (or Trustee as assignee of the Corporation) in form sufficient to leave good and marketable fee simple title to such Facilities in the School Board subject only to Permitted

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ARTICLE VII.

ASSIGNMENT, OPTION TO PURCHASE, AND PREPAYMENT

SECTION 7.1. Assignments; Subleasing.

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

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

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

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

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

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Encumbrances, and the Facilities to be substituted shall likewise be incorporated in the appropriate Lease and Ground Lease modifications. The related Schedule shall be appropriately amended, and the related Ground Lease shall be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel addressed to the School Board, the Corporation, the Trustee and any Credit Facility Issuer as to the legality and validity of such substitution under the laws of the State and that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments paid to the related Certificate holders, a policy of title insurance (if required by the applicable Credit Facility Issuer) and an opinion of Counsel as described in Section 6.1 hereof with respect to the substitute Facility Site.

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

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(iv) No sublease by the School Board shall cause the Facilities to be used for any purpose which would adversely affect the exclusion from federal income taxation of the designated interest component of the Basic Lease Payments payable by the School Board under the Lease relating to such Facilities, or which would violate the Constitution, statutes or laws of the State, or the rules and regulations of the State Department of Education; and

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

SECTION 7.2. Prepayment.

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

(B) Extraordinary. In the event that:

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

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

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

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

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

(i) With respect to (a) and (b) above, the Corporation and the School Board shall pay such remaining Acquisition Account monies and Net Proceeds to the Trustee, and the Trustee shall deposit such funds in the respective Prepayment Accounts applicable to each Series of Certificates relating to such Leases to be used to prepay such Series of Certificates in the manner provided in the Trust Agreement; and

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

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

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

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

In such event all covenants, agreements and other obligations of the School Board under the related Lease, or with respect to a

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ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

(d) the filing of a petition in bankruptcy (or any other commencement of a bankruptcy or similar proceeding by or against the School Board under any applicable bankruptcy, insolvency, reorganization or similar law, now or hereafter in

portion of the Purchase Option Price of all Facilities under such Lease, or with respect to one or more particular Facilities financed under such Lease, shall cease, terminate and become void and be discharged and satisfied in accordance with the provisions of Section 4.1(d) hereof (or, in the case of a deposit for a portion of a Facility, modified accordingly), except the obligation of the School Board to make or cause to be made, Basic Lease Payments and any Additional Lease Payments under such Lease from the deposit made by the School Board pursuant to this Section, and except as provided in Section 4.2(c) hereof. In such event, the Trustee shall provide statements for such period or periods as shall be requested by the School Board to be prepared and filed with the School Board and, upon the request of the School Board, the Corporation or the Trustee, as appropriate, shall execute and deliver to the School Board all such instruments in recordable form at the School Board's expense as may be desirable to evidence such discharge and satisfaction.

SECTION 7.4. Refunding Certificates. The Corporation shall direct the Trustee, when directed to do so by the School Board, to issue one or more Series of refunding Certificates under a Supplemental Trust Agreement for the purpose of providing for the payment of all or a portion of Outstanding Series of Certificates, the funding of a Reserve Account, if any, and the payment of the costs of issuance in connection with such Series of Refunding Certificates. Simultaneously with the issuance and delivery of such Series of refunding Certificates the applicable proceeds thereof shall be deposited with the Trustee as escrow holder under an escrow deposit agreement in such amount as set forth in Section 801 of the Trust Agreement. Upon the deposit as aforesaid, the Trustee and the School Board shall enter into an amendment to the related Lease Schedule at the School Board's expense, in order to adjust the Lease Payments to be made under such Lease to an amount sufficient to pay, as and when the same mature and become due, the principal and interest portions of the Basic Lease Payments represented by the Series of refunding Certificates and by the original Series of Certificates to the extent that such Series has not been refunded (except to such extent as the same may be payable out of moneys or Government Obligations deposited pursuant to Section 7.3 hereof).

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effect, and, in the case of involuntary proceedings, the failure of the same to be dismissed within one hundred eighty (180) days of the filing thereof.

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

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

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

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

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

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

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ARTICLE IX.

MISCELLANEOUS

SECTION 9.1. Notices. All notices, certificates, requests or other communications (other than payments by the School Board) hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or three (3) Business Days after being mailed by first class mail, postage prepaid, to the parties at their respective places of business as follows (or to such other address as shall be designated by any party in writing to all other parties):

Corporation: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

Trustee: One Financial Plaza, 13th Floor
Fort Lauderdale, Florida 33394
Attention: Corporate Trust Department

Copies of any notices shall be provided to all Credit Facility Issuers at the addresses provided in one or more Schedules.

Notice shall also be given by the School Board to the Rating Agencies of the occurrence of any one or more of the following: (i) the appointment of a Successor Trustee, (ii) the expiration or termination of a Credit Facility, (iii) the prepayment or defeasance of any of the Outstanding Certificates in accordance with Section 801 or 802 of the Trust Agreement or (iv) a material modification of or amendment to the Trust Agreement, this Master Lease, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility.

SECTION 9.2. Binding Effect. This Master Lease shall inure to the benefit of and shall be binding upon the Corporation and the School Board and their respective successors and assigns, including without limitation the Trustee pursuant to the Assignment Agreement.

SECTION 9.3. Severability. In the event any provision of this Master Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 9.4. Amendments. The terms of this Master Lease and any Lease Schedule shall not be waived, altered, modified, supple-

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SECTION 9.11. Waiver of Choice of Remedies. The School Board hereby waives any right it may have to cause the Corporation to choose any remedy and pursue such remedy to fruition, and agrees and consents that the Corporation may simultaneously and contemporaneously pursue two or more of the several remedies available to the Corporation, all of which are agreed to be concurrent and not alternative in any way, to the end that the Corporation may exercise any self help remedy under this Master Lease as to any Lease and may file and pursue to final judgment and final collection, actions (i) to eject the School Board and reclaim possession of any and all of the Projects, and (ii) against the School Board for money damages and (iii) against the School Board for performance of any covenants, all at the same time, in any combination, in one action and in several actions, and any of them, all at the Corporation's sole discretion, provided only that the Corporation may not ultimately recover more than the total amount provided herein plus such expenses and reimbursements as provided herein for preserving, maintaining and realizing on this Master Lease and the Leases.

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mented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee, and consented to by each Credit Facility Issuer. Copies of amendments shall be provided to the Rating Agencies. Notwithstanding the foregoing, a Lease Schedule may be amended without obtaining the consent of the Credit Facility Issuer for the purpose of adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Lease Schedule.

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

SECTION 9.6. Captions. The captions or headings in this Master Lease are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Master Lease.

SECTION 9.7. Interest. All interest calculations hereunder shall be made on the basis of a 360-day year consisting of twelve 30-day months (unless otherwise provided with respect to Additional Lease Payments on a Schedule hereto).

SECTION 9.8. Compliance with Trust Agreement. The School Board hereby approves and agrees to the provisions of the Trust Agreement. The Corporation hereby agrees not to amend or modify the Trust Agreement in any way without the written consent of the School Board so long as this Master Lease shall be in effect. The School Board agrees to do all things within its power in order to enable the Corporation to comply with all requirements and to fulfill all covenants of the Trust Agreement which require the Corporation to comply with requests or obligations so that the Corporation will not be in default in the performance of any covenant, condition, agreement or provision of the Trust Agreement, and the School Board further agrees to comply with and perform any obligations to be complied with or performed by the School Board pursuant to the Trust Agreement.

SECTION 9.9. Memorandum of Lease. Simultaneously with the execution of this Master Lease and each Schedule hereto, and thereafter simultaneously with the execution of any Schedule, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to the Master Lease and such Schedule. Said Memorandum of Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of such instrument.

SECTION 9.10. Applicable Law. This Master Lease shall be governed by and construed in accordance with the laws of the State of Florida.

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IN WITNESS WHEREOF, the Corporation has caused this Master Lease to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Master Lease to be executed in its name by its duly authorized members and officers on the date set forth below their respective signatures and all as of the day and year first written above.

[SEAL]

PALM BEACH SCHOOL BOARD
LEASING CORP.

By: *C. Monica Uhlhorn*
C. Monica Uhlhorn
Secretary

By: *Jody Gleason*
Jody Gleason
Vice President

Date: November 16, 1994

Date: November 16, 1994

[SEAL]

THE SCHOOL BOARD OF PALM
BEACH COUNTY, FLORIDA

By: *C. Monica Uhlhorn*
C. Monica Uhlhorn
Secretary

By: *Jody Gleason*
Jody Gleason
Vice Chairman

Date: November 16, 1994

Date: November 16, 1994

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Carmen M. Zopf, a Notary Public in and for the said County in the State of Florida, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 15th day of November, 1994.

Carmen M. Zopf
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or Type as Commissioned.)

☐ Personally known to me, or
☒ Produced identification: See背面
(Type of Identification Produced)
☐ DID take an oath, or ☒ DID NOT take an oath.

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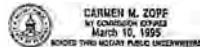
STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Carmen M. Zopf, a Notary Public in and for the said County in the State of Florida, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice Chairman and Secretary, respectively of THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 15th day of November, 1994.

Carmen M. Zopf
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or Type as Commissioned.)

☐ Personally known to me, or
☒ Produced identification: See背面
(Type of Identification Produced)
☐ DID take an oath, or ☒ DID NOT take an oath.

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EXHIBIT A

FORM OF SCHEDULE TO MASTER LEASE PURCHASE AGREEMENT

SCHEDULE NO. _____
dated _____ to _____

Master Lease Purchase Agreement dated as of
November 1, 1994 between
Palm Beach School Board Leasing Corp.,
as Lessor (the "Corporation")

and

The School Board of Palm Beach County, Florida
as Lessee (the "School Board")

THIS SCHEDULE NO. (the "Schedule") is hereby entered into under and pursuant to that certain Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), pursuant to which the Corporation has agreed to lease-purchase unto the School Board and the School Board has agreed to lease-purchase from the Corporation, subject to the terms and conditions of the Master Lease incorporated herein, the Series _____ Facilities herein described (the "Series _____ Facilities"). The Master Lease with respect to this Schedule and as amended, modified and supplemented hereby, is referred to herein as the "Series _____ Lease". All terms not otherwise defined herein shall have the respective meanings set forth in the Master Lease, or in the Trust Agreement, including the Series _____ Supplemental Trust Agreement. All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

SECTION 1. Definitions. For purposes of the Series _____ Lease the following terms have the meaning set forth below.

"Assignment Agreement" shall mean the Series _____ Assignment Agreement dated as of _____, between the Corporation and the Trustee.

"Certificates" or Series of Certificates" shall mean the \$ _____ Certificates of Participation, Series _____ dated as of _____, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Commencement Date" for the Series _____ Lease is _____.

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"Series _____ Credit Facility" shall mean _____

"Series _____ Credit Facility Issuer" shall mean _____

"Series _____ Facilities" shall mean the Facilities described in this Schedule No. _____.

"Series _____ Facility Sites" shall mean the Facility Sites described in this Schedule No. _____, to be ground leased by the School Board to the Corporation, as the same may be amended or supplemented from time to time.

"Series _____ Ground Lease" shall mean the Series _____ Ground Lease dated as of _____, between the School Board as Lessor and the Corporation as Lessee, as amended or supplemented from time to time.

"Series _____ Supplemental Trust Agreement" shall mean the Series _____ Supplemental Trust Agreement dated as of _____, between the Corporation and the Trustee.

SECTION 2. Lease Term. The total of all Lease Terms of the Lease are expected to be approximately _____ years consisting of an "Original Term" of approximately _____ months from _____, through and including June 30, _____ and _____ Renewal Terms of twelve (12) months, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, _____, and ending on June 30, _____. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.

SECTION 3. Series _____ Facilities to be Lease Purchased. The Series _____ Facilities to be leased purchased under the Series _____ Lease are described as follows:

A. General Description of the Series _____ Facilities to be Lease Purchased:

B. Estimated Costs of the Series _____ Facilities:

Facility	Site	Planning	Construction	Project Cost
----------	------	----------	--------------	--------------

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SECTION 4. Series _____ Facility Site(s) to be Ground Leased to the Corporation and Permitted Encumbrances. The legal description of the Series _____ Facility Site(s) to be Ground Leased to the Corporation and Permitted Encumbrances in addition to those specified in the Master Lease is (are) as follows:

SECTION 5. Application of Certain Proceeds of Series _____ Certificates. The Trustee shall deposit the following sums in the following accounts from the proceeds of the Series _____ Certificates:

Amount	Series _____	Account
\$ _____	Series _____	Acquisition Account
\$ _____	Series _____	Cost of Issuance Subaccount
\$ _____	Series _____	Reserve Account
\$ _____*	Series _____	Lease Payment Account

*Represents accrued interest.

SECTION 6. Basic Lease Payments. The principal portion and the interest portion of the Basic Lease Payments, the Payment Dates and the Remaining Principal Portion with respect to the Series _____ Facilities to be lease purchased and the Series _____ Certificates attributable to such Facilities are set forth below. If, upon delivery of the Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series _____ Facilities, or if the School Board determines not to acquire one or more components of the Series _____ Facilities, it is determined that the cost of, and consequently the actual amount of Basic Lease Payments for a Series _____ Facility is different from the amount set forth herein at closing, this Section shall be revised as necessary to reflect the adjusted Schedule of Basic Lease Payments for all Series _____ Facilities to be lease purchased, and for each individual Series _____ Facility or group of Series _____ Facilities to be lease purchased.

The interest portion of the Basic Lease Payments represented by the Series _____ Certificates, expressed as an annual interest rate, is exempt from the limitations on interest rates set forth in Section 215.84, Florida Statutes, since the Series _____ Certificates are rated within the three highest rating categories by a nationally recognized rating service.

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SERIES _____ FACILITIES (COMPOSITE)

PAYMENT DATE	BASIC LEASE PAYMENT	PRINCIPAL PORTION	INTEREST PORTION	REMAINING PRINCIPAL PORTION
-----------------	---------------------------	----------------------	---------------------	-----------------------------------

Provide Basic Lease Payment Schedule for each Facility or group of Facilities financed hereunder]

SECTION 7. Additional Lease Payments. Additional Lease Payments with respect to the Series _____ Certificates consist of the following:

1. Trustee Fees:
2. Trustee Expenses:

SECTION 8. Prepayment Provisions. In addition to [or in lieu of] the prepayment provisions of Section 7.2 of the Master Lease, the principal portion of the Basic Lease Payments due as provided in Section 6 of this Schedule are subject to the following prepayment provisions:

A. Optional Prepayment

B. Extraordinary Prepayment

SECTION 9. Other Special Provisions.

A. The School Board hereby confirms its representations, covenants and warranties set forth in Section 2.10 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule No. _____, and except as otherwise provided below. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule No. _____, and except as otherwise provided below.

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EXHIBIT B

SCHOOL BOARD'S CERTIFICATE

I, the undersigned Chairperson of the School Board of Palm Beach County, Florida (the "School Board"), do hereby certify pursuant to the terms of the Master Lease Purchase Agreement between the School Board and Palm Beach School Board Leasing Corp. (the "Corporation") dated as of November 1, 1994 and Schedule No. _____ thereto dated _____ (collectively, the "Lease"), as follows:

1. The School Board has, as agent for the Corporation, acquired the Series _____ Facilities described in Schedule No. _____
2. Such Series _____ Facilities meet the School Board's specifications therefor, and have been acquired to the School Board's satisfaction. This certificate constitutes the acceptance certificate for such Series _____ Facilities required by Section 2.3 of the Master Lease and Section 402 of the Master Trust Agreement dated as of November 1, 1994 between the Corporation and _____ Florida, as Trustee.
3. The actual cost of such Series _____ Facilities is as follows:
4. The Completion Date for such Series _____ Facilities is:
5. Terms defined in the Master Lease and Schedule No. _____ thereto and used in this certificate have the same meanings in this certificate as are ascribed to such terms in the Master Lease and Schedule No. _____ thereto.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

By: _____
Name: _____
Title: Chairperson

Date: _____

PALM BEACH SCHOOL BOARD LEASING CORP.

By: _____
Name: _____
Title: President

Date: _____

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B. Notices. Copies of all matters required to be given to a Credit Facility Issuer pursuant to the Master Lease shall be given to the Series _____ Credit Facility Issuer at the following address:

IN WITNESS WHEREOF, the Corporation has caused this Schedule No. _____ to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule No. _____ to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all of the day and year first written above.

[SEAL] PALM BEACH SCHOOL BOARD LEASING CORP.

Attest: _____

By: _____ By: _____

[SEAL] THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

Attest: _____

By: _____ By: _____

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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

THIS AMENDMENT TO MASTER LEASE PURCHASE AGREEMENT (the "Amendment") by and among The School Board of Palm Beach County, Florida, as the governing body of the School District of Palm Beach County, Florida (the "Lessee" or the "School Board"), the Palm Beach School Board Leasing Corp. (the "Corporation"), a not-for-profit corporation organized and existing under the laws of the State of Florida (the "Lessor" or the "Corporation"), and U.S. Bank National Association (successor to SouthTrust Bank of Florida, National Association), as trustee (the "Trustee") and assignee, is dated as of October 1, 2017 and effective on the Effective Date (as defined below) and amends that certain Master Lease Purchase Agreement dated as of November 1, 1994, as previously amended to date (the "Original Master Lease"), between the Lessor and the Lessee.

WITNESSETH:

WHEREAS, the School Board has deemed it to be in its best interest to lease-purchase certain real and personal property from time to time and has entered into the Original Master Lease between the Corporation, as lessor, and the School Board, as lessee; 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 or personal property described in such 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 to 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) to clarify Section 9.4 with respect to amendments, which was written at a time when all Certificates were insured and therefor provided for the consent of insurers to amendments but did not provide for the consent of holders of Certificates to amendments; and

WHEREAS, the School Board has authorized this Amendment under Resolution adopted on September 6, 2017; and

WHEREAS, the Corporation has authorized 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 Trust Agreement, by the Trustee, and consented to by each Credit Facility Issuer;" and

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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 federally designated special flood hazard area, in such amounts per occurrence recommended by the Insurance Consultant as being available at commercially reasonable costs and in minimum amounts necessary to qualify for the Federal disaster relief programs. If such minimum amounts are not available at commercially reasonable costs in the opinion of the Insurance Consultant, the School Board shall self-insure for such amounts as will qualify for the Federal disaster relief program.

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

Any insurance policy issued pursuant to this Section 5.3 shall provide that the Corporation and the Trustee shall be notified in writing of any proposed cancellation of such policy thirty (30) days prior to the date set for cancellation. Any policy of all risk property insurance must be obtained from a commercial insurance company or companies rated "Secure" by A.M. Best Company or in one of the three highest rating categories of Moody's and S&P.

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

Any insurance policy maintained pursuant to this Section 5.3 shall be so written or endorsed to provide that the Trustee (on behalf of the Certificate holders), and the Corporation are named as additional insureds, and the Trustee, the Corporation and the School Board are named as loss payees as their interests may appear and the Net Proceeds of any appropriation made in connection with a self-insurance election shall be payable to the School Board, the Corporation and the Trustee (on behalf of the Certificate holders) as their respective interests may appear. The Net Proceeds of the insurance required in this Section 5.3 or the Net Proceeds of any appropriation in connection with a self-insurance election shall be applied as provided in Section 5.4(a) and Section 5.4(b) hereof.

SECTION 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:

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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 amendments to Section 9.4 are not uniform;

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 meaning 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 revised by deleting the definition of "Insurance Consultant" therein and replacing it with the following (inserts are indicated by double underlining and deletions by strikethrough):

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

(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. Provisions Regarding Insurance. The School Board shall, during the Lease Term, purchase and maintain property insurance coverage against such risks and in such amounts as are customarily insured against in connection with the operation 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, insuring against the perils of FIRE, LIGHTNING, WINDSTORM, HAIL, HURRICANE, WINDBLOWN RAIN, DAMAGE FROM WATER, EXPLOSION, AIRCRAFT, VEHICLES, SMOKE, VANDALISM AND MALICIOUS MISCHIEF, TRANSPORTATION HAZARDS, THEFT AND BURGLARY.

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 otherwise satisfies the criteria set forth herein. The School Board shall maintain eligibility for assistance by the Federal Emergency Management Agency.

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SECTION 9.4. Amendments. The terms of this Master Lease and any Schedule shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee. 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; provided, however, in the event that a related Credit Facility Issuer's rating has been 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 insures shall be required. Notwithstanding the foregoing, a Schedule may be amended without obtaining the consent of the holders of the affected Certificates or of a Credit Facility Issuer, if any, for the purpose of (1) adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Schedule, (2) adding additional Facilities to be financed under such Schedule, (3) substituting Facilities in accordance with Section 6.4 hereof, or (4) releasing a Facility and/or a Facility Site or portion thereof if such Facility and/or Facility Site or portion 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. Except as expressly modified or amended hereby, the Original Master Lease shall remain in full force and effect.

SECTION 5. COUNTERPARTS. This Amendment 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 6. HEADINGS. Any heading preceding the text of the several Sections 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 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.

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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.

[SEAL]

**PALM BEACH COUNTY SCHOOL
BOARD LEASING CORPORATION**

Attest:

By: _____ By: _____
Robert M. Avossa, Ed.D. _____
Secretary President

[SEAL]

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

Attest:

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By: _____ By: _____
Robert M. Avossa, Ed.D. _____
Secretary Chairman

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee**

By: _____
Vice President

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SCHEDULE 2001A-1
dated as of April 1, 2001
as Amended and Restated as of December 1, 2001
as further Amended and Restated as of June 1, 2003
as further Amended and Restated as of June 1, 2004
as further Amended and Restated as of March 1, 2005
as further Amended and Restated as of March 1, 2007
as further Amended and Restated as of February 1, 2014
as further Amended and Restated as of May 1, 2015
and as further Amended and Restated as of October 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 (the "Trustee")
and
Palm Beach School Board Leasing Corp.,
as Lessor (the "Corporation")
and
The School Board of Palm Beach County, Florida,
as Lessee (the "School Board")

THIS AMENDED AND RESTATED SCHEDULE 2001A-1 is hereby entered into as of October 1, 2017 (the "Schedule" or "Schedule 2001A-1"), 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 2001A-1 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 2001A-1 Facilities and the Series 2001A-1 Facility Sites described herein, together with the rights described in clauses (i), (ii) and (iii) of Section 1 in the Series 2001A-1 Ground Lease (hereinafter defined). The Master Lease with respect to this Schedule and as modified and supplemented hereby, is referred to herein as the "Series 2001A-1 Lease". All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

1. **Definitions.** For purposes of the Series 2001A-1 Lease the following terms have the meanings 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 2015A Supplemental Trust Agreement with respect to the Series 2015A Certificates and the Series 2017A Supplemental Trust Agreement with respect to the Series 2017A Certificates, as applicable.

"Assignment Agreement" shall mean the Series 2001A Assignment Agreement dated as of April 1, 2001, between the Corporation and the Trustee.

"Certificates" or "Series of Certificates" shall mean, collectively, (i) the portion of the Series 2015A Certificates representing a portion of the Basic Lease Payments due under the Series 2001A-1 Lease, and (ii) the portion of the Series 2017A Certificates representing a portion of the Basic Lease Payments due under the Series 2001A-1 Lease, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Commencement Date" for the Series 2001A-1 Lease is April 1, 2001.

"Continuing Disclosure Certificate" shall mean that certain Disclosure Dissemination Agent Agreement between the School Board and Digital Assurance Certification, L.L.C., dated October 11, 2017, entered into in connection with the issuance of the Series 2017A Certificates.

"Initial Purchaser" with respect to the Series 2015A Certificates shall mean Banc of America Preferred Funding Corporation, a Delaware corporation.

"Participating Underwriter" shall mean the original underwriter of the Series 2017A Certificates required to comply with the Rule in connection with the offering of the Series 2017A Certificates.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Series 2001A-1 Facilities" shall mean the Facilities described in this Schedule 2001A-1, as this Schedule 2001A-1 may be further amended or supplemented from time to time.

"Series 2001A-1 Facility Sites" shall mean the Facility Sites described in this Schedule 2001A-1 to be ground leased by the School Board to the Corporation, as the same may be further amended or supplemented from time to time.

"Series 2001A-1 Ground Lease" shall mean the Series 2001A-1 Ground Lease dated as of April 1, 2001 between the School Board as Lessor and the Corporation as Lessee, as amended

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Facilities to be lease purchased hereunder in the following accounts from the proceeds of the Series 2015A Certificates:

Amount	Account
\$47,637,523.61	Escrow Deposit Trust Fund
\$82,476.39	Series 2015A Cost of Issuance Account

Pursuant to the provisions of Section 402 of the Series 2017A Supplemental Trust Agreement the Trustee deposited the following sums attributable to the Series 2001A-1 Facilities to be lease purchased hereunder in the following accounts from the proceeds of the Series 2017A Certificates:

Amount	Account
\$71,353,051.30	Escrow Deposit Trust Fund
\$175,402.37	Series 2017A Cost of Issuance Account

6. Basic Lease Payments.

(a) The principal portion and the interest portion of the Basic Lease Payments, the Lease Payment Dates (December 30 and June 30) and the remaining principal portion with respect to the Series 2001A-1 Facilities lease purchased, which amounts are represented by the Series 2015A Certificates and the Series 2017A Certificates attributable to such Facilities, are set forth in **Exhibit C** hereto. The Composite Schedule of Basic Lease Payments set forth in **Exhibit C** hereto shall be no less than the principal and interest payments with respect to the portion of the Certificates relating to the Series 2001A-1 Facilities and shall only be amended in the event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by such portion of the Certificates pursuant to Section 7.2 or 7.3 of the Master Lease and (i) prepayment or defeasance of Series 2015A Certificates pursuant to Section 201 of the Series 2015A Supplemental Trust Agreement or Section 801 of the Master Trust Agreement, or (ii) prepayment or defeasance of Series 2017A Certificates pursuant to Article III of the Series 2017A Supplemental Trust Agreement or Section 801 of the Master Trust Agreement.

(b) The Series 2015A Interest set forth on **Exhibit C** is intended to reflect interest at a rate of 2.520% 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.

(i) Upon the occurrence of a Determination of Taxability, the 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 2001A Lease at an interest rate as described in Section 201(g) of the Series 2015A Supplemental Trust Agreement.

(ii) Upon the occurrence of a Credit Event or an Event of Default (as defined in Section 201(g) of the Series 2015A Supplemental Trust Agreement) and subject to any notice

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as of December 1, 2001, as further amended as of June 1, 2003, and as further amended as of June 1, 2004, as the same may be further amended or supplemented from time to time.

"Series 2015A Certificates" shall mean the \$106,315,000 original aggregate principal amount Certificates of Participation, Series 2015A dated as of the date of their delivery and to be issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Series 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 2017A Certificates" shall mean the \$147,850,000 original aggregate principal amount Certificates of Participation, Series 2017A dated as of October 11, 2017, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Series 2017A Supplemental Trust Agreement" shall mean the Series 2017A Supplemental Trust Agreement dated as of October 1, 2017 between the Corporation and the Trustee.

2. **Lease Term.** The total of all Lease Terms of the Series 2001A-1 Lease are expected to be approximately twenty five (25) years and two (2) months consisting of an "Original Term" of approximately sixty (60) days from April 1, 2001, through and including June 30, 2001, and twenty five (25) Renewal Terms of twelve (12) months, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2001, and ending June 30, 2026. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.

3. **Series 2001A-1 Facilities Lease Purchased.** A general description of the Series 2001A-1 Facilities and the estimated costs of the Series 2001A-1 Facilities lease-purchased under the Series 2001A-1 Lease are as set forth in **Exhibit A** hereto. The School Board reserves the right to substitute other facilities for the facilities set forth herein or release Series 2001A-1 Facilities, in accordance with the requirements of the Series 2001A-1 Lease.

4. **Series 2001A-1 Facility Sites Ground Leased to the Corporation and Permitted Encumbrances.** The legal descriptions of the Series 2001A-1 Facility Sites ground leased to the Corporation and Permitted Encumbrances (in addition to those specified in the Master Lease) are as set forth in **Exhibit B** hereto. Substitutions may be made in accordance with the requirements of the Master Lease and the Series 2001A-1 Ground Lease.

5. Application of Certain Proceeds of Certificates.

Pursuant to the provisions of Section 402 of the Series 2015A Supplemental Trust Agreement the Trustee will deposit the following sums attributable to the Series 2001A-1

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requirement described in Section 201(g) of the Series 2015A Supplemental Trust Agreement, the 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 2001A Lease at a Default Rate.

The interest portion of the Basic Lease Payments represented by the Series 2015A 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 2017A Certificates, expressed as an annual interest rate, is exempt from the limitation on interest rates set forth in Section 215.84, **Florida Statutes**, since the Certificates are 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 2015A Certificates consist of a pro rata portion of the following amounts to be paid with respect to both the Series 2001A-1 Lease and the Series 2001A-2 Lease:

- Trustee Fees: Acceptance fee of \$1,000.00; annual fee \$3,500.00, payable annually in advance.
- Trustee Expenses: Trustee Counsel fee of \$1,500; expenses at closing to be billed at cost. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.
- Escrow Agent Fees: Annual fee \$500, payable annually in advance.

The fees set forth above for Trustee and Escrow Agent services with respect to the Series 2015A Certificates include services under Schedules 2001A-1 and 2001A-2, Schedules 2001A-1 and 2002A-2, Schedule 2002C and Schedule 2002D-1 and 2002D-2.

Additional Lease Payments with respect to the Series 2017A Certificates consist of a pro rata portion of the following amounts to be paid with respect to both the Series 2001A-1 Lease and the Series 2001A-2 Lease:

- Trustee Fees: Acceptance fee of \$1,000. Annual fee \$3,850, payable annually in advance.
- Trustee Expenses: Trustee Counsel fee of \$1,500; expenses at closing billed at cost. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.
- Escrow Agent Fees: Annual fee \$500, payable annually in advance.

The fees set forth above for Trustee and Escrow Agent services include services under

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8. **Prepayment Provisions.** In addition to or in lieu of the prepayment provisions of Section 7.2 of the Master Lease, the principal portion of the Basic Lease Payments due as provided in Section 6 of Schedule 2001A-1 are subject to the following prepayment provisions:

A. Optional Prepayment

Series 2015A Certificates

The principal portion of Basic Lease Payments represented by the Series 2015A Certificates shall be subject to prepayment, by the School Board in whole or in part at any time, and if in part, in such order of due dates of the principal portion of the Basic Lease Payments as shall be designated by the School Board to be prepaid, at the Prepayment Price equal to (i) 100% of the principal amount of the Basic Lease Payments to be prepaid, plus (ii) the Prepayment Premium, plus (iii) the interest portion of the Basic Lease Payments accrued to the Prepayment Date.

Series 2017A Certificates

With respect to the Series 2017A Certificates relating to this Schedule, the principal portion of Basic Lease Payments shall not be subject to prepayment at the option of the School Board.

B. Extraordinary Prepayment.

Series 2015A Certificates

The extraordinary prepayment provisions set forth in Section 7.2(B)(a) and (b) of the Master Lease shall not apply to the Series 2001A-1 Lease. The Series 2015A Certificates are not subject to extraordinary prepayment prior to maturity in the event of damage or destruction or condemnation of the Series 2001A-1 Facilities. Notwithstanding anything in the Series 2001A-1 Lease to the contrary, in lieu of the extraordinary prepayment provisions of Section 7.2(B)(b) 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)(b) of the Master Lease, shall be used instead in accordance with the following: The 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 2001A-1 Lease as fully as if they were the originally leased Series 2001A-1 Facilities or (2) at the direction of the School Board, upon delivery to the Trustee of a favorable opinion of Special Tax Counsel, such Net Proceeds shall be deposited in the Series 2001A Lease Payment Account to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) of the Master Lease.

Series 2017A Certificates

The extraordinary prepayment provisions set forth in Section 7.2(B)(a) and (b) of the Master Lease shall not apply to the Series 2001A-1 Lease. The Series 2017A Certificates are

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(3) Subject to the rights of holders of the Series 2017A Certificates, pursuant to Section 504 of the Master Trust Agreement, the Initial Purchaser shall direct and control all remedies on default or event of non-appropriation pursuant to Section 8.2 of the Master Lease with respect to the Series 2015A Certificates.

C. **Continuing Disclosure.** For purposes of the Series 2001A-1 Lease, the School Board hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Series 2001A-1 Lease, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, provided it has been satisfactorily indemnified in accordance with Section 602 of the Master Trust Agreement as if it were proceeding under Section 602 of the Master Trust Agreement, the Trustee may (and, at the request of any participating underwriter or the Holders of at least 25% aggregate principal amount in Outstanding Series 2017A Certificates, shall) or any Holder of Series 2017A Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the School Board to comply with its obligations under this Section 9.C. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2017A Certificates (including persons holding Series 2017A Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2017A Certificates for federal income tax purposes.

D. **Section 5.4(b) of the Master Lease.** The following shall become effective upon execution by the School Board, the Corporation and the Trustee of this Schedule 2001A-1 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 2001A-1. Purchase of the Series 2017A Certificates shall constitute consent by holders of the Series 2017A Certificates.

For purposes of the Series 2001A-1 Lease, Section 5.4(b) of the Master Lease shall read as follows:

(b) Option B - Deposit to Lease Payment Account or Acquisition Account. Provided, however, if the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Facilities as damaged, destroyed or condemned, then the School Board shall not be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are (i) less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities and (ii) equal to or less than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, then such Net Proceeds may, at the option of the School Board, (x) be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) hereof or (y) 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

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not subject to extraordinary prepayment prior to maturity in the event of damage or destruction or condemnation of the Series 2001A-1 Facilities. Notwithstanding anything in the Series 2001A-1 Lease to the contrary, in lieu of the extraordinary prepayment provisions of Section 7.2(B)(b) of the Master Lease, the amount that would be allocable to the Series 2017A Certificates had they been subject to the extraordinary prepayment provisions of Section 7.2(B)(b) of the Master Lease, shall be used instead in accordance with the following: The 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 2001A-1 Lease as fully as if they were the originally leased Series 2001A-1 Facilities or (2) at the direction of the School Board, upon delivery to the Trustee of a favorable opinion of Special Tax Counsel, such Net Proceeds shall be deposited in the Series 2001A Lease Payment Account to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) of the Master Lease.

9. Other Special Provisions.

A. **Representations.** (1) The School Board hereby represents, covenants and warrants that adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the Series 2001A-1 Facility Sites, or the cost of making them available is included in the School Board's acquisition and construction budget for the Series 2001A-1 Facility Sites.

(2) The School Board hereby confirms its representations, covenants and warranties set forth in Section 2.10 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2001A-1, and except as otherwise provided below. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2001A-1, and except as otherwise provided below.

(3) The Corporation hereby represents that the Master Lease is in effect and that to its knowledge there are no defaults on the date of execution of this Schedule 2001A-1 under any Lease, Ground Lease or the Trust Agreement.

B. Supplemental Provisions Required by Initial Purchaser.

(1) The School Board shall provide to the Initial Purchaser within two hundred seventy (270) 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 statements shall be provided within 15 days after they are available.

(2) The School Board, the Trustee and the Corporation, and by its purchase of the Series 2015A Certificates and acceptance thereof, the Initial Purchaser, waive trial by jury in any controversy or claim arising out of or relating to the Series 2001A Lease or the Series 2015A Certificates. In any judicial proceeding the prevailing party shall be entitled to recover its attorney's fees (including on appeal) from the other party.

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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 (i) equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities or (ii) greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, then the 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, at the direction of the School Board, with the consent of the Credit Facility Issuer, if any, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) hereof.

E. **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 Schedule 2001A-1 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 2001A-1. Purchase of the Series 2017A Certificates shall constitute consent by holders of the Series 2017A Certificates.

For purposes of the Series 2001A-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, on or after the Completion Date the School Board may substitute for any Facilities other facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of substantially equal utility as the Facilities to be replaced and meet the requirement of Section 5.9 hereof, (d) are free and clear of all liens and encumbrances, except Permitted Incumbrances and (e) are approved by the State Department of Education. In addition, to the extent permitted by law, prior to the Completion Date the School Board may release and/or substitute for any Facilities to be acquired, constructed and installed under a particular Schedule other facilities to be acquired, constructed and installed, provided that (1) any substituted facilities satisfy the requirements of clauses (a), (c), (d) and (e) above and (2) following such substitution and/or release, the sum of (x) with respect to Facilities for which a Certificate of Acceptance has not been delivered, the Cost of the acquisition, construction and installation of the Facilities plus (y) with respect to Facilities for which a Certificate of Acceptance has been delivered, the fair market value of the Facilities, financed under the Schedule from which the Facilities are to be substituted and/or released is greater than or equal to the remaining principal portion of Basic Lease Payments due under such Schedule.

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In order to effect such substitution, the Facilities to be replaced shall be released from the encumbrance of the related Lease and Ground Lease by appropriate instrument executed by the School Board and the Corporation (or Trustee as assignee of the Corporation) in form sufficient to leave good and marketable fee simple title to such Facilities in the School Board subject only to Permitted Encumbrances, and the Facilities to be substituted shall likewise be incorporated in the appropriate Lease and Ground Lease modifications. The related Schedule shall be appropriately amended, and the related Ground Lease shall be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel as described in Section 6.1 hereof with respect to the substitute Facility Site.

For purposes hereof, "fair market value" shall be determined on the basis of an assessment prepared by the District.

F. Section 9.4 of the Master Lease. *The following provision shall become effective upon execution by the School Board, the Corporation and the Trustee of this Schedule 2001A-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 it insures. Purchase of the Series 2017A Certificates shall constitute consent by holders of the Series 2017A Certificates.*

For purposes of the Series 2001A-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 waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee. 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; provided, however, in the event that a related Credit Facility Issuer's rating has been 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 insures shall be required. Notwithstanding the foregoing, a Schedule may be amended without obtaining the consent of the holders of the affected Certificates or of a Credit Facility Issuer, if any, for the purpose of (1) adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Schedule, (2) adding additional Facilities to be financed under such Schedule, (3) substituting Facilities in accordance with Section 6.4 hereof, or (4) releasing a Facility and/or a Facility Site or portion thereof if such Facility and/or Facility Site or portion thereof has been released from the lien of the Lease in accordance with the provisions thereof.

G. Release of Series 2001A-1 Facilities and Series 2001A-1 Facility Sites. *The following provision shall become effective upon execution by the School Board, the Corporation and the Trustee of this Schedule 2001A-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 it insures. Purchase of the Series 2017A Certificates shall constitute consent by holders of the Series 2017A Certificates.*

Notwithstanding anything to the contrary in the Master Lease, one or more Series 2001A-1 Facilities financed by the Series 2001A-1 Lease and the related Series 2001A-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 remaining Series 2001A-1 Facilities subject to the lien of the Series 2001A-1 Lease exceeds the remaining principal portion of the Basic Lease Payments payable under the Series 2001A-1 Lease. The Series 2001A-1 Facilities and the related Series 2001A-1 Facility Sites released under this Section 9.G. shall be deemed to be paid and fee simple title to such Series 2001A-1 Facilities and the related Series 2001A-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 such documents as may be necessary to cause record title to such Series 2001A-1 Facilities and the related Series 2001A-1 Facility Sites to vest in the School Board, free and clear of all encumbrances except Permitted Encumbrances. The Corporation agrees to immediately

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execute all instruments necessary to vest good and marketable fee simple title to the released Series 2001A-1 Facility or Series 2001A-1 Facilities and the related Series 2001A-1 Facility Sites in the School Board subject only to Permitted Encumbrances. The Series 2001A-1 Ground Lease shall then be modified to remove the Series 2001A-1 Facility Site or Series 2001A-1 Facility Sites related to the released Series 2001A-1 Facility or Series 2007B Facilities, as provided therein. The Corporation shall request the execution of such instruments by the Trustee as may be necessary to effect the conveyance described herein.

H. 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 2001A-1 Lease, the Trust Agreement, the Series 2001A Assignment Agreement, the Escrow Deposit Agreement or the Series 2001A-1 Ground Lease.

I. Waiver of Jury Trial; Recovery of Attorney's Fees. The School Board, the Trustee and the Corporation, and by its purchase of the Series 2015A Certificates and acceptance thereof, the Initial Purchaser, waive trial by jury in any controversy or claim arising out of or relating to the Series 2001A-1 Lease or the Series 2015A Certificates. In any judicial proceeding concerning the Series 2015A Certificates, the prevailing party shall be entitled to recover its attorney's fees (including on appeal) from the other party.

J. References in the Series 2001A Assignment Agreement to the "Series 2001A 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 2001A-1 Lease.

K. Effective Date. Schedule 2001A-1, as amended and restated as of October 1, 2017, shall be effective on October 11, 2017.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Trustee has caused this Schedule 2001A-1 to be executed in its corporate name by its duly authorized officer, and the Corporation has caused this Schedule 2001A-1 to be executed in its name by its duly authorized officers, and the School Board has caused this Schedule 2001A-1 to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all as of the day and year first written above.

[SEAL]

**PALM BEACH SCHOOL BOARD
LEASING CORP.**

Attest:

By:

Robert M. Avossa, Ed.D.,
Secretary

By:

Chuck Shaw
President

[SEAL]

**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:

Linda Boenish
Vice President

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SCHEDULE 2001A-2
dated as of April 1, 2001
as Amended and Restated as of March 1, 2005
as further Amended and Restated as of March 1, 2007
as further Amended and Restated as of February 1, 2014
as further Amended and Restated as of May 1, 2015
and as further Amended and Restated as of October 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 (the "Trustee")

and

Palm Beach School Board Leasing Corp.,
as Lessor (the "Corporation")

and

The School Board of Palm Beach County, Florida,
as Lessee (the "School Board")

THIS AMENDED AND RESTATED SCHEDULE 2001A-2 is hereby entered into as of October 1, 2017 (the "Schedule" or "Schedule 2001A-2"), 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 2001A-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 2001A-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 2001A-2 Lease". All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

1. Definitions. For purposes of the Series 2001A-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 2007C Supplemental Trust Agreement and the Series 2015A Supplemental Trust Agreement, as applicable.

"Assignment Agreement" shall mean the Series 2001A Assignment Agreement dated as of April 1, 2001, between the Corporation and the Trustee.

"Certificates" or "Series of Certificates" shall mean, collectively, (i) the portion of the Series 2015A Certificates representing a portion of the Basic Lease Payments due under the Series 2001A-1 Lease, and (ii) the portion of the Series 2017A Certificates representing a portion of the Basic Lease Payments due under the Series 2001A-1 Lease, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Commencement Date" for the Series 2001A-2 Lease is April 1, 2001.

"Continuing Disclosure Certificate" shall mean that certain Disclosure Dissemination Agent Agreement between the School Board and Digital Assurance Certification, L.L.C., dated October 11, 2017, entered into in connection with the issuance of the Series 2017A Certificates.

"Initial Purchaser" with respect to the Series 2015A Certificates shall mean Banc of America Preferred Funding Corporation, a Delaware corporation.

"Participating Underwriter" shall mean the original underwriter of the Series 2017A Certificates required to comply with the Rule in connection with the offering of the Series 2017A Certificates.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Series 2001A-2 Facilities" shall mean the Facilities described in this Schedule 2001A-2, as this Schedule 2001A-2 may be further amended or supplemented from time to time.

"Series 2015A Certificates" shall mean the \$106,315,000 Certificates of Participation, Series 2015A dated as of the date of their delivery and to be issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Series 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 Certificates" shall mean the \$147,850,000 original aggregate principal amount Certificates of Participation, Series 2017A dated as of October 11, 2017, 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.

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2015A Certificates pursuant to Section 201 of the Series 2015A Supplemental Trust Agreement or Section 801 of the Master Trust Agreement, or (ii) prepayment or defeasance of Series 2017A Certificates pursuant to Article III of the Series 2017A Supplemental Trust Agreement or Section 801 of the Master Trust Agreement.

(b) The Series 2015A Interest set forth on Exhibit C is intended to reflect interest at a rate of 2.520% 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.

(i) Upon the occurrence of a Determination of Taxability, the 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 2001A Lease at an interest rate as described in Section 201(g) of the Series 2015A Supplemental Trust Agreement.

(ii) Upon the occurrence of a Credit Event or an Event of Default (as defined in Section 201(g) of the Series 2015A Supplemental Trust Agreement) and subject to any notice requirement described in Section 201(g) of the Series 2015A Supplemental Trust Agreement, the 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 2001A Lease at a Default Rate.

The interest portion of the Basic Lease Payments represented by the Series 2015A 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 2017A Certificates, expressed as an annual interest rate, is exempt from the limitation on interest rates set forth in Section 215.84, *Florida Statutes*, since the Certificates are 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 2015A Certificates consist of a pro rata portion of the following amounts to be paid with respect to both the Series 2001A-1 Lease and the Series 2001A-2 Lease:

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 \$1,500; expenses at closing to be billed at cost. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.

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"Series 2017A Supplemental Trust Agreement" shall mean the Series 2017A Supplemental Trust Agreement dated as of October 1, 2017, between the Corporation and the Trustee.

2. Lease Term. The total of all Lease Terms of the Series 2001A-2 Lease are expected to be approximately twenty-five years (25) years consisting of an "Original Term" of approximately sixty days (60) days from April 1, 2001, through and including June 30, 2001, and twenty-five (25) Renewal Terms of twelve (12) months, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2001, and ending June 30, 2026. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.

3. Series 2001A-2 Facilities Lease Purchased. The Series 2001A-2 Facilities lease purchased under the Series 2001A-2 Lease are described in Exhibit A hereto.

4. Application of Certain Proceeds of Certificates.

Pursuant to the provisions of Section 402 of the Series 2015A Supplemental Trust Agreement the Trustee will deposit the following sums attributable to the Series 2001A-2 Facilities lease purchased hereunder in the following accounts from the proceeds of the Series 2015A Certificates:

Amount	Account
\$2,514,681.94	Escrow Deposit Trust Fund
5,318.06	Series 2015A Cost of Issuance Subaccount

Pursuant to the provisions of Section 402 of the Series 2017A Supplemental Trust Agreement the Trustee deposited the following sums attributable to the Series 2001A-1 Facilities to be lease purchased hereunder in the following accounts from the proceeds of the Series 2017A Certificates:

Amount	Account
\$3,831,441.90	Escrow Deposit Trust Fund
\$9,418.57	Series 2017A Cost of Issuance Account

5. Basic Lease Payments. The principal portion and the interest portion of the Basic Lease Payments, the Lease Payment Dates (December 30 and June 30) and the remaining principal portion with respect to the Series 2001A-2 Facilities lease purchased and the Certificates attributable to such Facilities are set forth in Exhibit B hereto. The Composite Schedule of Basic Lease Payments set forth in Exhibit B hereto shall be no less than the principal and interest payments with respect to the portion of the Certificates relating to the Series 2001A-2 Facilities and shall only be amended in the event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by such portion of the Certificates pursuant to Section 7.2 or 7.3 of the Master Lease and (i) prepayment or defeasance of Series

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3. Escrow Agent Fees: Annual fee \$500, payable annually in advance.

The fees set forth above for Trustee and Escrow Agent services with respect to the Series 2015A Certificates include services under Schedules 2001A-1 and 2001A-2, Schedules 2002A-1 and 2002A-2, Schedule 2002C and Schedule 2002D-1 and 2002D-2.

Additional Lease Payments with respect to the Series 2017A Certificates consist of a pro rata portion of the following amounts to be paid with respect to both the Series 2001A-1 Lease and the Series 2001A-2 Lease:

1. Trustee Fees: Acceptance fee of \$1,000. Annual fee \$3,850 payable annually in advance.
2. Trustee Expenses: Trustee Counsel fee of \$1,500; expenses at closing billed at cost. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.
3. Escrow Agent Fees: Annual fee \$500, payable annually in advance.

The fees set forth above for Trustee and Escrow Agent services include services under Schedules 2001A-1 and 2001A-2.

7. Prepayment Provisions. In addition to or in lieu of the prepayment provisions of Section 7.2 of the Master Lease, the principal portion of the Basic Lease Payments due as provided in Section 5 of Schedule 2001A-2 are subject to the following prepayment provisions:

A. Optional Prepayment

Series 2015A Certificates

The principal portion of Basic Lease Payments represented by the Series 2015A Certificates shall be subject to prepayment, by the School Board in whole or in part at any time, and if in part, in such order of due dates of the principal portion of the Basic Lease Payments as shall be designated by the School Board to be prepaid, at the Prepayment Price equal to (i) 100% of the principal amount of the Basic Lease Payments to be prepaid, plus (ii) the Prepayment Premium, plus (iii) the interest portion of the Basic Lease Payments accrued to the Prepayment Date.

Series 2017A Certificates

With respect to the Series 2017A Certificates relating to this Schedule, the principal portion of Basic Lease Payments shall not be subject to prepayment at the option of the School Board.

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B. Extraordinary Prepayment.

Series 2015A Certificates

The extraordinary prepayment provisions set forth in Section 7.2(B)(a) and (b) of the Master Lease shall not apply to the Series 2001A-2 Lease.

Series 2017A Certificates

The extraordinary prepayment provisions set forth in Section 7.2(B)(a) and (b) of the Master Lease shall not apply to the Series 2001A-2 Lease.

8. Other Special Provisions.

A. **Representations.** (1) The School Board hereby confirms its representations, covenants and warranties set forth in Section 2.10 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2001A-2, and all references therein to the Facilities shall include the Series 2001A-2 Facilities. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2001A-2 and all references therein to the Facilities shall include the Series 2001A-2 Facilities.

(2) The Corporation hereby represents that the Master Lease is in effect and that to its knowledge there are no defaults on the date of execution of this Schedule 2001A-2 under any Lease, the Trust Agreement or the Series 2001A-2 Lease.

B. **Title.** Notwithstanding the provisions of Section 6.1 of the Master Lease, title to the Series 2001A-2 Facilities shall be vested in the School Board upon acquisition.

C. Supplemental Provisions Required by Initial Purchaser.

(1) The School Board shall provide to the Initial Purchaser within two hundred seventy (270) 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 statements shall be provided within 15 days after they are available.

(2) The School Board, the Trustee and the Corporation, and by its purchase of the Series 2015A Certificates and acceptance thereof, the Initial Purchaser, waive trial by jury in any controversy or claim arising out of or relating to the Series 2001A Lease or the Series 2015A Certificates. In any judicial proceeding the prevailing party shall be entitled to recover its attorney's fees (including on appeal) from the other party.

(3) Subject to the rights of the holders of Series 2007C Certificates, and pursuant to Section 504 of the Master Trust Agreement, the Initial Purchaser shall direct and

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 2001A-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's legally available funds for compensatory damages as provided below upon the occurrence of an Event of Default under 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 funds.

Notwithstanding the obligations of the School Board to pay the Purchase Option Price of the Series 2001A-2 Facilities, the School Board shall be under no obligation to transfer possession of and/or title to the Series 2001A-2 Facilities, to the Corporation, and the Corporation shall have no right under the Series 2001A-2 Lease to involuntarily dispossess the School Board of the use and enjoyment of or title to any of the Series 2001A-2 Facilities, and the Corporation hereby irrevocably waives any right to specific performance of the School Board's covenants upon any 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 sue for compensatory damages, including damages for any loss 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 when due.

G. **Continuing Disclosure.** For purposes of the Series 2001A-2 Lease, the School Board hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Series 2001A-2 Lease, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, provided it has been satisfactorily indemnified in accordance with Section 602 of the Master Trust Agreement as if it were proceeding under Section 602 of the Master Trust Agreement, the Trustee may (and, at the request of any participating underwriter or the Holders of at least 25% aggregate principal amount in Outstanding Series 2017A Certificates, shall) or any Holder of Series 2017A Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the School Board to comply with its obligations under this Section 8.G. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2017A Certificates (including persons holding Series 2017A Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2017A Certificates for federal income tax purposes.

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

control all remedies on default or event of non-appropriation pursuant to Section 8.2 of the Master Lease with respect to the Series 2015A Certificates.

D. **Section 9.4 of the Master Lease.** The following provision shall become effective upon execution by the School Board, the Corporation and the Trustee of this Schedule 2001A-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 it insures. Purchase of the Series 2017A Certificates shall constitute consent by holders of the Series 2017A Certificates.

For purposes of the Series 2001A-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 waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee. 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 of a Credit Facility Issuer, if any, for the purpose of (1) adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Schedule, (2) adding additional Facilities to be financed under such Schedule, (3) substituting Facilities in accordance with Section 6.4 hereof, or (4) releasing a Facility and/or a Facility Site or portion thereof if such Facility and/or Facility Site or portion thereof has been released from the lien of the Lease in accordance with the provisions thereof.

E. **Section 9.11 of the Master Lease.** For purposes of the Series 2001A-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.

F. **Remedies Upon Nonappropriation or Default.** For purposes of the Series 2001A-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 2001A-2 Facilities.

(A) Upon the termination of the Series 2001A-2 Lease Term prior to the payment of all Lease Payments scheduled therefor or without the payment of the then applicable Purchase Option Price of the Series 2001A-2 Facilities, or (B) as

2001A-2 Lease, the Escrow Deposit Agreement, the Trust Agreement, the Assignment Agreement.

K. The School Board, the Trustee and the Corporation, and by its purchase of the Series 2015A Certificates and acceptance thereof, the Initial Purchaser, waive trial by jury in any controversy or claim arising out of or relating to the Series 2001A-2 Lease or the Series 2015A Certificates. In any judicial proceeding the prevailing party shall be entitled to recover its attorney's fees (including on appeal) from the other party.

L. References in the Series 2001A Assignment Agreement to the Series 2001A 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 2001A-2 Lease.

M. **Effective Date.** Schedule 2001A-2, as amended and restated as of October 1, 2017, shall be effective on October 11, 2017.

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IN WITNESS WHEREOF, the Trustee has caused this Schedule 2001A-2 to be executed in its corporate name by its duly authorized officer, and the Corporation has caused this Schedule 2001A-2 to be executed in its name by its duly authorized officers, and the School Board has caused this Schedule 2001A-2 to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all as of the day and year first written above.

[SEAL]

**PALM BEACH SCHOOL BOARD
LEASING CORP.**

Attest:

By: _____
Robert M. Avossa, Ed.D.
Secretary

By: _____
Chuck Shaw
President

[SEAL]

**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: _____
Linda Hoenish
Vice President

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SCHEDULE 2002C
dated as of May 15, 2002
as Amended and Restated as of June 1, 2003
as further Amended and Restated as of June 1, 2004
as further Amended and Restated as of March 1, 2005
as further Amended and Restated as of March 1, 2007
as further Amended and Restated as of February 1, 2014
as further Amended and Restated as of May 1, 2015
and as further Amended and Restated as of October 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(the "Trustee")

and

Palm Beach School Board Leasing Corp.,
as Lessor (the "Corporation")

and

The School Board of Palm Beach County, Florida,
as Lessee (the "School Board")

THIS AMENDED AND RESTATED SCHEDULE 2002C is hereby entered into as of October 1, 2017 (the "Schedule" or "Schedule 2002C") 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 2002C 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 2002C Facilities and the Series 2002C Facility Sites described herein, together with the rights described in clauses (i), (ii) and (iii) of Section 1 in the Series 2002C Ground Lease (hereinafter defined). The Master Lease with respect to this Schedule and as modified and supplemented hereby, is referred to herein as the "Series 2002C Lease". All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

1. **Definitions.** For purposes of the Series 2002C 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 2015A Supplemental Trust Agreement with respect to the Series 2015A Certificates and the Series 2017A Supplemental Trust Agreement, with respect to the Series 2017A Certificates.

"Assignment Agreement" shall mean the Series 2002C Assignment Agreement dated as of May 15, 2002, between the Corporation and the Trustee.

"Certificates" or "Series of Certificates" shall mean, collectively, (i) the portion of the Series 2015A Certificates representing a portion of the Basic Lease Payments due under the Series 2002C Lease, and (ii) the portion of the Series 2017A Certificates representing a portion of the Basic Lease Payments due under the Series 2002C Lease, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Commencement Date" for the Series 2002C Lease is May 15, 2002.

"Continuing Disclosure Certificate" shall mean that certain Disclosure Dissemination Agent Agreement between the School Board and Digital Assurance Certification, L.L.C., dated October 11, 2017, entered into in connection with the issuance of the Series 2017A Certificates.

"Initial Purchaser" with respect to the Series 2015A Certificates shall mean Banc of America Preferred Funding Corporation, a Delaware corporation.

"Participating Underwriter" shall mean the original underwriter of the Series 2017A Certificates required to comply with the Rule in connection with the offering of the Series 2017A Certificates.

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

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"Series 2002C Facilities" shall mean the Facilities described in this Schedule 2002C, as this Schedule 2002C may be further amended or supplemented from time to time.

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4. **Series 2002C Facility Sites Ground Leased to the Corporation and Permitted Encumbrances.** The legal descriptions of the Series 2002C Facility Sites ground leased to the Corporation and Permitted Encumbrances (in addition to those specified in the Master Lease) are as set forth in Exhibit B hereto. Substitutions may be made in accordance with the requirements of the Master Lease and the Series 2002C Ground Lease.

5. **Application of Certain Proceeds of the Certificates.** Pursuant to the provisions of Section 402 of the Series 2015A Supplemental Trust Agreement the Trustee will deposit the following sums attributable to the Series 2002C Facilities lease purchased hereunder in the following accounts from the proceeds of the Series 2015A Certificates:

Amount	Account
\$20,588,069.72	Escrow Deposit Trust Fund
36,990.28	Series 2015A Cost of Issuance Subaccount

Pursuant to the provisions of Section 402 of the Series 2017A Supplemental Trust Agreement the Trustee deposited the following sums attributable to the Series 2002C Facilities to be lease purchased hereunder in the following accounts from the proceeds of the Series 2017A Certificates:

Amount	Account
\$103,515,407.44	Escrow Deposit Trust Fund
\$254,464.91	Series 2017A Cost of Issuance Account

6. **Basic Lease Payments.** (a) The principal portion and the interest portion of the Basic Lease Payments, the Lease Payment Dates (December 30 and June 30) and the remaining principal portion with respect to the Series 2002C Facilities lease purchased, which amounts are represented by the portion of the Series 2017A Certificates and the Series 2015A Certificates attributable to such Facilities, are set forth in Exhibit C hereto. The Composite Schedule of Basic Lease Payments set forth in Exhibit C hereto shall be no less than the principal and interest payments with respect to the portion of the Certificates relating to the Series 2002C Facilities and shall only be amended in the event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by such portion of the Certificates pursuant to Section 7.2 or 7.3 of the Master Lease, and (i) prepayment or defeasance of Series 2017A Certificates pursuant to Article III of the Series 2017A Supplemental Trust Agreement or Section 801 of the Master Trust Agreement, or (ii) prepayment or defeasance of Series 2015A Certificates pursuant to Section 201 of the Series 2015A Supplemental Trust Agreement or Section 801 of the Master Trust Agreement.

(b) **Series 2015A Certificates**

(i) The Series 2015A Interest set forth on Exhibit C is intended to reflect interest at a rate of 2.520% per annum, calculated on the basis of a 360-day year

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"Series 2002C Facility Sites" shall mean the Facility Sites described in this Schedule 2002C to be ground leased by the School Board to the Corporation, as the same may be further amended or supplemented from time to time.

"Series 2002C Ground Lease" shall mean the Series 2002C Ground Lease dated as of May 15, 2002 between the School Board and the Corporation, as amended as of June 1, 2003, as further amended and restated as of June 1, 2004, as the same may be further amended or supplemented from time to time.

"Series 2015A Certificates" shall mean the \$106,315,000 original aggregate principal amount Certificates of Participation, Series 2015A dated as of the date of their delivery and to be issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Series 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 2017A Certificates" shall mean the \$147,850,000 original aggregate principal amount Certificates of Participation, Series 2017A dated as of October 11, 2017, issued under the Trust Agreement and evidencing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Master Lease.

"Series 2017A Supplemental Trust Agreement" shall mean the Series 2017A Supplemental Trust Agreement dated as of October 1, 2017 between the Corporation and the Trustee.

2. **Lease Term.** The total of all Lease Terms of the Series 2002C Lease are expected to be approximately twenty five (25) years and seventy-seven (77) days consisting of an "Original Term" of approximately forty-six (46) days from May 15, 2002, through and including June 30, 2002, and twenty-five (25) Renewal Terms of twelve (12) months, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2002, and ending June 30, 2027, and the last Renewal Term of approximately thirty-one (31) days from July 1, 2027, through and including August 1, 2027. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.

3. **Series 2002C Facilities Lease Purchased.** A general description of the Series 2002C Facilities and the estimated costs of the Series 2002C Facilities lease-purchased under the Series 2002C Lease are as set forth in Exhibit A hereto. The School Board reserves the right to substitute other facilities for the facilities set forth herein or release Series 2002C Facilities, in accordance with the requirements of the Series 2002C Lease.

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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.

(ii) Upon the occurrence of a Determination of Taxability, the 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 2002C Lease at an interest rate as described in Section 201(g) of the Series 2015A Supplemental Trust Agreement.

(iii) Upon the occurrence of a Credit Event or an Event of Default (as defined in Section 201(g) of the Series 2015A Supplemental Trust Agreement) and subject to any notice requirement described in Section 201(g) of the Series 2015A Supplemental Trust Agreement, the 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 2002C Lease at a Default Rate.

(c) The interest portion of the Basic Lease Payments represented by the Series 2017A 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 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 2015A 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.

7. **Additional Lease Payments.** Additional Lease Payments with respect to the Series 2015A Certificates consist of a pro rata portion of the following amounts to be paid with respect to Series 2002C Lease:

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 \$1,500; 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 \$500, payable annually in advance.

Additional Lease Payments with respect to the Series 2017A Certificates consist of a pro rata portion of the following amounts to be paid with respect to the Series 2002C Lease:

1. Trustee Fees: Acceptance fee of \$1,000. Annual fee \$3,850, payable annually in advance.

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2. Trustee Expenses: Trustee Counsel fee of \$1,500; expenses at closing billed at cost. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.
3. Escrow Agent Fees: Annual fee \$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 as provided in Section 6 of Schedule 2002C are subject to the following prepayment provisions:

A. **Optional Prepayment**

Series 2015A Certificates

The principal portion of Basic Lease Payments represented by the Series 2015A Certificates shall be subject to prepayment, by the School Board in whole or in part at any time, and if in part, in such order of due dates of the principal portion of the Basic Lease Payments as shall be designated by the School Board to be prepaid, at the Prepayment Price equal to (i) 100% of the principal amount of the Basic Lease Payments to be prepaid, plus (ii) the Prepayment Premium, plus (iii) the interest portion of the Basic Lease Payments accrued to the Prepayment Date.

Series 2017A Certificates

With respect to the Series 2017A Certificates relating to this Schedule, the principal portion of Basic Lease Payments shall not be subject to prepayment at the option of the School Board.

B. **Extraordinary Prepayment.**

Series 2015A Certificates

The extraordinary prepayment provisions set forth in Section 7.2(B)(a) and (b) of the Master Lease shall not apply to the Series 2002C Lease. The Series 2015A Certificates are not subject to extraordinary prepayment prior to maturity in the event of damage or destruction or condemnation of the Series 2002C Facilities. Notwithstanding anything in the Series 2002C Lease to the contrary, in lieu of the extraordinary prepayment provisions of Section 7.2(B)(b) 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)(b) of the Master Lease, shall be used instead in accordance with the following: The 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 2002C Lease as fully as if they were the originally leased Series 2002C Facilities or (2) at the direction of the School Board, upon delivery to the Trustee of a favorable opinion of Special Tax Counsel, such Net Proceeds shall be deposited in

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2002C 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 2002C. Purchase of the Series 2017A Certificates shall constitute consent by holders of the Series 2017A Certificates.

For purposes of the Series 2002C Lease, Section 5.4(b) of the Master Lease shall read as follows:

(b) Option B - Deposit to Lease Payment Account or Acquisition Account. Provided, however, if the School Board has determined that its operations have not been materially affected and that it is not in the best interest of the School Board to repair, restore or replace that portion of the Facilities as damaged, destroyed or condemned, then the School Board shall not be required to comply with the provisions of subparagraph (a) set forth above. If the Net Proceeds are (i) less than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities and (ii) equal to or less than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, then such Net Proceeds may, at the option of the School Board, (x) be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) hereof or (y) 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 (i) equal or greater than ten percent (10%) of the Remaining Principal Portion of the Basic Lease Payments relating to such Facilities or (ii) greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, then the 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, at the direction of the School Board, with the consent of the Credit Facility Issuer, if any, upon delivery to the Trustee of a Favorable Opinion, such Net Proceeds shall be deposited in the Lease Payment Account for the Series of Certificates relating to such Facilities to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) hereof.

2. **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 Schedule 2002C 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 2002C. Purchase of the Series 2017A Certificates shall constitute consent by holders of the Series 2017A Certificates.

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the Series 2001A Lease Payment Account to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) of the Master Lease.

Series 2017A Certificates

The extraordinary prepayment provisions set forth in Section 7.2(B)(a) and (b) of the Master Lease shall not apply to the Series 2002C Lease. The Series 2017A Certificates are not subject to extraordinary prepayment prior to maturity in the event of damage or destruction or condemnation of the Series 2002C Facilities. Notwithstanding anything in the Series 2002C Lease to the contrary, in lieu of the extraordinary prepayment provisions of Section 7.2(B)(b) of the Master Lease, the amount that would be allocable to the Series 2017A Certificates had they been subject to the extraordinary prepayment provisions of Section 7.2(B)(b) of the Master Lease, shall be used instead in accordance with the following: The 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 2002C Lease as fully as if they were the originally leased Series 2002C Facilities or (2) at the direction of the School Board, upon delivery to the Trustee of a favorable opinion of Special Tax Counsel, such Net Proceeds shall be deposited in the Series 2001A Lease Payment Account to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) of the Master Lease.

9. **Other Special Provisions.**

A. **Representations.** (1) The School Board hereby represents, covenants and warrants that adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the Series 2002C Facility Sites, or the cost of making them available is included in the School Board's acquisition and construction budget for the Series 2002C Facility Sites.

(2) The School Board hereby confirms its representations, covenants and warranties set forth in Section 2.10 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2002C, and except as otherwise provided below. The Corporation hereby confirms its representations, covenants and warranties set forth in Section 2.11 of the Master Lease, except that all references therein to the Master Lease shall be deemed to refer to the Master Lease as supplemented by this Schedule 2002C, and except as otherwise provided below.

(3) The Corporation hereby represents that the Master Lease is in effect and that to its knowledge there are no defaults on the date of execution of this Schedule 2002C under any Lease, Ground Lease or the Trust Agreement.

B. **Amendments to Master Lease.**

1. **Section 5.4(b) of the Master Lease.** The following shall become effective upon execution by the School Board, the Corporation and the Trustee of this Schedule

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For purposes of the Series 2002C Lease, Section 6.4 of the Master Lease shall read as follows:

SECTION 6.4. Substitution of Facilities. To the extent permitted by law, on or after the Completion Date the School Board may substitute for any Facilities other facilities owned by the School Board, provided such substituted facilities (a) have the same or a greater remaining useful life, (b) have a fair market value equal to or greater than the Facilities for which they are substituted, (c) are of substantially equal utility as the Facilities to be replaced and meet the requirement of Section 5.9 hereof, (d) are free and clear of all liens and encumbrances, except Permitted Encumbrances and (e) are approved by the State Department of Education. In addition, to the extent permitted by law, prior to the Completion Date the School Board may release and/or substitute for any Facilities to be acquired, constructed and installed under a particular Schedule other facilities to be acquired, constructed and installed, provided that (1) any substituted facilities satisfy the requirements of clauses (a), (c), (d) and (e) above and (2) following such substitution and/or release, the sum of (x) with respect to Facilities for which a Certificate of Acceptance has not been delivered, the Cost of the acquisition, construction and installation of the Facilities plus (y) with respect to Facilities for which a Certificate of Acceptance has been delivered, the fair market value of the Facilities, financed under the Schedule from which the Facilities are to be substituted and/or released is greater than or equal to the remaining principal portion of Basic Lease Payments due under such Schedule. In order to effect such substitution, the Facilities to be replaced shall be released from the encumbrance of the related Lease and Ground Lease by appropriate instrument executed by the School Board and the Corporation (or Trustee as assignee of the Corporation) in form sufficient to leave good and marketable fee simple title to such Facilities in the School Board subject only to Permitted Encumbrances, and the Facilities to be substituted shall likewise be incorporated in the appropriate Lease and Ground Lease modifications. The related Schedule shall be appropriately amended, and the related Ground Lease shall be amended or canceled and replaced, to reflect such substitution.

There shall also be delivered at the time of substitution an Opinion of Counsel as described in Section 6.1 hereof with respect to the substitute Facility Site.

For purposes hereof, "fair market value" shall be determined on the basis of an assessment prepared by the District.

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3. **Section 9.4 of the Master Lease.** The following provision shall become effective upon execution by the School Board, the Corporation and the Trustee of this Schedule 2002C 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 insures. Purchase of the Series 2017A Certificates shall constitute consent by holders of the Series 2017A Certificates.

SECTION 9.4. Amendments. The terms of this Master Lease and any Schedule shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Corporation and the School Board and, if required under the terms of the Trust Agreement, by the Trustee. 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 of a Credit Facility Issuer, if any, for the purpose of (1) adding a legal description and/or the permitted encumbrances for a Facility Site which has already been designated in such Schedule, (2) adding additional Facilities to be financed under such Schedule, (3) substituting Facilities in accordance with Section 6.4 hereof, or (4) releasing a Facility and/or a Facility Site or portion thereof if such Facility and/or Facility Site or portion thereof has been released from the lien of the Lease in accordance with the provisions thereof.

4. **Release of Series 2002C Facilities and Series 2002C Facility Sites.** The following provision shall become effective upon execution by the School Board, the Corporation and the Trustee of this Schedule 2002C 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 insures. Purchase of the Series 2017A Certificates shall constitute consent by holders of the Series 2017A Certificates.

Notwithstanding anything to the contrary in the Master Lease, one or more Series 2002C Facilities financed by the Series 2002C Lease and the related Series 2002C 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 remaining Series 2002C Facilities subject to the lien of the Series 2002C Lease exceeds the remaining principal portion of the Basic Lease Payments payable under the Series 2002C Lease. The Series 2002C Facilities and the related Series 2002C Facility Sites released under this Section 9.B.4. shall be deemed to be paid and fee

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Agreement, the Trustee may (and, at the request of any participating underwriter or the Holders of at least 25% aggregate principal amount in Outstanding Series 2017A Certificates, shall) or any Holder of the Outstanding Series 2017A Certificates or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the School Board to comply with its obligations under this Section 9.D. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Outstanding Series 2017A Certificates (including persons holding Outstanding Series 2017A Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Outstanding Series 2017A Certificates for federal income tax purposes.

E. **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 2002C Lease, the Trust Agreement, the Escrow Deposit Agreement, the Series 2002C Assignment Agreement or the Series 2002C Ground Lease.

F. The School Board, the Trustee and the Corporation, and by its purchase of the Series 2015A Certificates and acceptance thereof, the Initial Purchaser, waive trial by jury in any controversy or claim arising out of or relating to the Series 2002C Lease or the Series 2015A Certificates. In any judicial proceeding the prevailing party shall be entitled to recover its attorney's fees (including on appeal) from the other party.

G. References in the Series 2002C Assignment Agreement to the Series 2002C 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 2002C Lease.

H. **Effective Date.** Schedule 2002C, as amended and restated as of October 1, 2017, shall be effective as of October 11, 2017.

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simple title to such Series 2002C Facilities and the related Series 2002C 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 such documents as may be necessary to cause record title to such Series 2002C Facilities and the related Series 2002C Facility Sites to vest in the School Board, free and clear of all encumbrances except Permitted Encumbrances. The Corporation agrees to immediately execute all instruments necessary to vest good and marketable fee simple title to the released Series 2002C Facility or Series 2002C Facilities and the related Series 2002C Facility Sites in the School Board subject only to Permitted Encumbrances. The Series 2002C Ground Lease shall then be modified to remove the Series 2002C Facility Site or Series 2002C Facility Sites related to the released Series 2002C Facility or Series 2002C Facilities, as provided therein. The Corporation shall request the execution of such instruments by the Trustee as may be necessary to effect the conveyance described herein.

C. **Supplemental Provisions Required by Initial Purchaser.**

(1) The School Board shall provide to the Initial Purchaser within two hundred seventy (270) 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 statements shall be provided within 15 days after they are available.

(2) The School Board, the Trustee and the Corporation, and by its purchase of the Series 2015A Certificates and acceptance thereof, the Initial Purchaser, waive trial by jury in any controversy or claim arising out of or relating to the Series 2002C Lease or the Series 2015A Certificates. In any judicial proceeding the prevailing party shall be entitled to recover its attorney's fees (including on appeal) from the other party.

(3) Subject to the rights of the holders of the Series 2017A Certificates, and 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 Section 8.2 of the Master Lease with respect to the Series 2015A Certificates.

D. **Continuing Disclosure.** For purposes of the Series 2002C Lease, the School Board hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Series 2002C Lease, failure of the School Board to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, provided it has been satisfactorily indemnified in accordance with Section 602 of the Master Trust Agreement as if it were proceeding under Section 602 of the Master Trust

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IN WITNESS WHEREOF, the Trustee has caused this Schedule 2002C to be executed in its corporate name by its duly authorized officer, and the Corporation has caused this Schedule 2002C to be executed in its corporate name by its duly authorized officers, and the School Board has caused this Schedule 2002C to be executed in its name by its duly authorized members or officers on the date set forth below their respective signatures and all as of the day and year first written above. written above.

[SEAL] PALM BEACH SCHOOL BOARD
LEASING CORP.

Attest:

By: Robert M. Avossa, Ed.D.
Secretary

By: Chuck Shaw
President

[SEAL] 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: Linda Boenish
Vice President

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SERIES 2001A-1
GROUND LEASE

Dated as of April 1, 2001

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 2001A-1 Facility Sites)

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EXHIBIT A SERIES 2001A-1 FACILITY SITES	

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THIS SERIES 2001A-1 GROUND LEASE dated as of April 1, 2001, between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District"), as Lessor and the PALM BEACH SCHOOL BOARD LEASING CORP. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617 and Section 237.40, Florida Statutes, as Lessee.

WITNESSETH:

WHEREAS, the School Board has the power, under Section 230.23(2) Florida Statutes, as amended, to receive, purchase, acquire, lease, sell, hold, transmit and convey title to real and personal property for educational purposes, and under Section 230.23(9) Florida Statutes, as amended, to enter into leases or lease-purchase agreements of grounds and educational facilities, or of educational facilities for school purposes; and

WHEREAS, the Corporation has the authority to acquire educational facilities by lease or deed for the benefit of the School Board; and

WHEREAS, the Corporation is a "private corporation" within the meaning of Section 230.23(9)(b)6, Florida Statutes, as amended, and is a "direct support organization" within the meaning of Section 237.40, Florida Statutes, as amended; and

WHEREAS, in order to carry out its powers and authority to acquire facilities and equipment, the School Board and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended and supplemented from time to time, the "Master Lease"); and

WHEREAS, the School Board is the owner of certain real property located in Palm Beach County, Florida, and described in Exhibit A attached hereto (which real property, together with all buildings, structures and improvements now or hereafter erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all

fixtures, additions, alterations or replacements thereto, now or hereafter located in, on or used in connection with or attached or made to such land is hereinafter referred to as a "Series 2001A-1 Facility Site" or, in the case of separate parcels, such parcels are herein collectively referred to as the "Series 2001A-1 Facility Sites"); and

WHEREAS, the School Board desires to lease-purchase one or more particular educational facilities to be located on the Series 2001A-1 Facility Sites (individually and collectively, the "Series 2001A-1 Facilities"), pursuant to Schedule 2001A-1 to the Master Lease (which schedule, upon being executed and delivered by the School Board and the Corporation, together with the terms and provisions of the Master Lease, constitutes a separate lease, as the same may be amended or supplemented from time to time, the "Series 2001A-1 Lease"); and

WHEREAS, it is anticipated that a portion of the Series 2001A-1 Facilities may be attached to one or more existing structures of the School Board adjacent to the Series 2001A-1 Facility Sites; may be dependent upon adjacent property of the School Board for pedestrian and vehicular ingress, egress and access to and from and between the Series 2001A-1 Facility Sites and the public roads adjoining the adjacent property of the School Board ("Access"); and may further be dependent upon the School Board's adjacent property for utility and other services which would be necessary for the full use and enjoyment of the Series 2001A-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, the Corporation desires to acquire from the School Board, pursuant to this Series 2001A-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 2001A-1 Facilities to the adjacent property of the School Board; and

WHEREAS, the ground leasing of the Series 2001A-1 Facility Sites, the sub-leasing of the Series 2001A-1 Facility Sites back to the School Board and the lease-purchase financing and construction of the Series 2001A-1 Facilities are herein collectively referred to as the "Series 2001A-1 Project"; and

WHEREAS, the School Board has on October 25, 2000, after due notice as required by law, held an open, public meeting on the proposal of entering into this Series 2001A-1 Ground Lease, at which meeting a copy of this Series 2001A-1 Ground Lease in final form was available for inspection and review by the public; and

WHEREAS, provisions for the payment of the cost of acquiring and constructing the Series 2001A-1 Facilities have been made by (a) establishing a trust pursuant to the Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2001A Supplemental Trust Agreement dated as of April 1, 2001 (as the same may be further amended or supplemented from time to time, the "Trust Agreement"), between the Corporation and The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), Jacksonville, Florida, as Trustee (the "Trustee"), and irrevocably assigning to the Trustee without recourse all of the Corporation's right, title and interest in and to this Series 2001A-1 Ground Lease and the Series 2001A-1 Lease and one other lease to be entered into contemporaneously herewith (the "Series 2001A-2 Lease", as defined in the Trust Agreement), except for certain rights to indemnification, to hold title to the Series 2001A-1 Facilities and to receive notices, (b) directing the Trustee for such trust to execute and deliver to the public certificates of participation (the "Series 2001A Certificates") evidencing undivided proportionate interests of the Owners thereof in the right to receive Basic Lease Payments to be made by the School Board, as Lessee, pursuant to the Series 2001A-1 Lease and the Series 2001A-2 Lease (the Series 2001A-1 Lease and the Series 2001A-2 Lease being collectively referred to as the "Series 2001A Leases") and (c) directing the Trustee to hold the proceeds of sale of the Series 2001A Certificates in trust subject to application only to pay the costs of acquisition and construction of the Series 2001A-1 Facilities and the costs of the Series 2001A-2 Facilities (as defined in the Trust Agreement) (collectively, the "Series 2001A Facilities"); and

WHEREAS, each Series 2001A Certificate represents an undivided proportionate interest in the principal portion of the Basic Lease Payments set forth on Schedules 2001A-1 and 2001A-2 due and payable on the maturity date or earlier prepayment date of the Series 2001A Certificate and in the interest portion of the Basic Lease Payments set forth on Schedules 2001A-1 and

2001A-2 due and payable semiannually, to and including such maturity date or earlier prepayment date; and

WHEREAS, the Corporation will assign to the Trustee all of its right, title and interest in and to this Series 2001A-1 Ground Lease, the Series 2001A Leases and the Series 2001A-1 Lease Payments (except for certain indemnification rights and the right of the Corporation to hold title to the Series 2001A-1 Facilities and to receive notices), pursuant to the Series 2001A Assignment Agreement dated as of April 1, 2001 (as the same may be amended or supplemented from time to time, the "Series 2001A Assignment Agreement"); and

WHEREAS, the School Board intends for the Series 2001A Leases to remain in full force and effect until August 1, 2026, which is at least 31 days after the last Lease Payment Date for the Series 2001A Facilities, unless sooner terminated in accordance with the terms provided therein; and

WHEREAS, the School Board intends for this Series 2001A-1 Ground Lease to remain in full force and effect until the termination of the Lease Term, as provided below.

NOW, THEREFORE, the School Board and the Corporation accordingly hereby covenant and agree as follows:

Section 1. Lease of Series 2001A-1 Facility Sites. Subject to Permitted Encumbrances (as described in Exhibit A attached hereto and made a part hereof), the School Board hereby demises and leases the Series 2001A-1 Facility Sites, more particularly described in Exhibit A, to the Corporation, and the Corporation hereby hires, takes and leases the Series 2001A-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 2001A-1 Facility Sites; provided that the locations on the adjacent property of the School Board utilized for such purposes shall be reasonably agreed upon by the Corporation and the School Board; and provided, further, that the rights shall include, but not necessarily be limited to, the right to utilize for such purposes any portion of the adjacent property of the School Board (e.g., the rights

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Roofing of any Series 2001A-1 Facilities extend beyond the Lot Line, the right therefor is hereby granted and should the Roofing of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2001A-1 Facility Sites, the right therefor is hereby reserved.

(D) The entire concrete floor slab or wood floor system if utilized in lieu thereof and all foundational and support structures and appurtenances thereto to the extent interrelated between the Series 2001A-1 Facilities and the adjacent property of the School Board (collectively referred to as "Flooring"). Should the Flooring of the Series 2001A-1 Facilities extend beyond the Lot Line, the right therefor is hereby granted and should the Flooring of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2001A-1 Facility Sites, the right therefor is hereby reserved.

(iii) The Series 2001A-1 Facility Sites rights further include the right of the Series 2001A-1 Facilities to encroach upon the adjacent property of the School Board as a result of minor inaccuracies in survey, construction or reconstruction or due to settlement or movement. The encroaching Series 2001A-1 Facilities shall remain undisturbed for as long as same exist and, for so long as such encroachment exists, that portion of the adjacent property of the School Board on which same exists shall be deemed to be a part of the Series 2001A-1 Facility Sites. In addition, the Series 2001A-1 Facility Sites rights include the right to utilize that portion of the adjacent property of the School Board as may be reasonably necessary in order to maintain and repair the Series 2001A-1 Facilities. The Series 2001A-1 Facility Sites rights further include cross rights of support and use over, upon, across, under, through and into the common structural elements in favor of the Corporation (and like rights are hereby reserved unto the School Board) for the continued use, benefit and enjoyment and continued support, service, maintenance and repair of all such common structural elements.

The School Board, at its sole expense, shall bring or cause to be brought to the Series 2001A-1 Facility Sites adequate connections for water, electrical power, telephone, storm

shall include, but not necessarily be limited to, the right to utilize for appropriate purposes, any drives, parking areas, drainage facilities or sewer, water, gas, electric or telephone lines from time to time located upon the adjacent property of the School Board, together with the right to "tie-in" or "connect" thereto. If the Lease Term of the Series 2001A Leases terminates prior to the termination of the term of this Series 2001A-1 Ground Lease, the School Board and the Corporation shall each have the right to install such meters or submeters as may be reasonably appropriate to the end that the Corporation is charged for consumption of such utilities on the Series 2001A-1 Facility Sites.

(ii) The adjacent property of the School Board and the Series 2001A-1 Facilities may contain certain elements, features or parts which are structural elements of both the adjacent property of the School Board and the Series 2001A-1 Facilities. Such Series 2001A-1 Facilities include, but are not necessarily limited to, the following:

(A) All utility lines, ducts, conduits, pipes and other utility fixtures and appurtenances which are located on or within either the Series 2001A-1 Facility Sites or Series 2001A-1 Facilities on the one hand or the adjacent property of the School Board on the other hand and which, directly or indirectly, in any way, service the other.

(B) All division walls (hereinafter referred to as "Party Walls") between the Series 2001A-1 Facilities and the adjacent property of the School Board upon the common line between the Series 2001A-1 Facility Sites and the adjacent property of the School Board (hereinafter referred to as the "Lot Line") provided that the mere fact that such a division wall is found not to be on the Lot Line shall not preclude that division wall from being a Party Wall.

(C) The roof and all roof support structures and any and all appurtenances to such roof and roof support structures including, without limitation, the roof covering, roof trim and roof drainage fixtures (collectively the "Roofing") to the extent interrelated between the Series 2001A-1 Facilities and the adjacent property of the School Board. Should the

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sewerage and sewerage, and shall arrange with the appropriate utility companies for furnishing such services and shall provide to the Series 2001A-1 Facility Sites water services and capacity sufficient for the contemplated operation of the Series 2001A-1 Facilities thereon; including, but not limited to, heating, ventilation and air conditioning equipment. Either the School Board or the Corporation shall have the right, at its own expenses, to request and receive telephone and communication services from the utility companies furnishing such services subject to the customary rules and regulations of said utility companies whether the companies deliver such services directly through their own conduits or pipes, or through conduits and pipes owned by the School Board. The School Board agrees to grant such utility companies rights of access over, under and across the remaining property of the School Board adjoining the Series 2001A-1 Facility Sites, if any, as shall be necessary and convenient for the efficient operation of the Series 2001A-1 Facility Sites, and which do not materially impair the present and future uses of such remaining property of the School Board, if any.

Section 2. Ground Lease Term; Option to Renew. The initial Ground Lease Term for the Series 2001A-1 Facility Sites shall commence on the date of the delivery of this Series 2001A-1 Ground Lease (the "Commencement Date") and shall end on August 1, 2031. If, upon the termination of the Lease Term as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation or the Trustee as the assignee of the Corporation excludes the School Board from possession of the Series 2001A-1 Facility Sites and Series 2001A-1 Facilities, the School Board grants to the Corporation the right and option to renew this Series 2001A-1 Ground Lease for an additional term not to exceed five (5) years, at a fair market rental to be determined, adjusted and paid in the manner set forth in Section 3 of this Series 2001A-1 Ground Lease.

Notwithstanding the foregoing, this Series 2001A-1 Ground Lease may be terminated by the School Board on any date prior to the end of the initial term or any renewal term hereof, which date is at least one (1) day after the date of termination of the Series 2001A-1 Lease, upon not less than ten (10) days prior written notice to the Corporation. (a) upon payment of the Purchase Option Price, pursuant to Section 7.2 of the Master Lease, with respect to the Series 2001A-1 Facilities, and full performance and satisfaction of the School Board's obligations

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under the Series 2001A-1 Lease, or (b) upon the provision for payment of all Lease Payments under the Series 2001A-1 Lease pursuant to Section 7.3 of the Master Lease, together in each case with payment of the sum of \$1.00. This Series 2001A-1 Ground Lease may likewise be modified at the request of the School Board at any time, upon similar notice and modification of the Series 2001A-1 Lease (a) to reflect the substitution of all or a portion of the Series 2001A-1 Facilities and Series 2001A-1 Facility Sites in accordance with Section 6.4 of the Master Lease, or (b) upon payment or provision for payment of the Purchase Option Price of all or a portion of one or more particular Series 2001A-1 Facilities pursuant to Section 7.3 of the Master Lease, to reflect the release of one or more portions of the Series 2001A-1 Facility Sites from this Series 2001A-1 Ground Lease.

Section 3. Rent. (a) So long as the Lease Term has not been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay to the School Board as and for rental for the Series 2001A-1 Facility Sites the sum of one dollar (\$1.00) per annum, which sum shall be due in advance on the Commencement Date (pro rated) and annually thereafter on the first day of each renewal Lease Term. At the option of the Corporation, the Corporation may prepay all or a portion of the Ground Rent payable hereunder for the entire initial lease term hereof from the proceeds of sale of the Certificates or otherwise.

(b) From and after the date on which the Lease Term shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay as and for rental for the Series 2001A-1 Facility Sites an amount determined by an M.A.I. appraisal to be the fair market rental for the Series 2001A-1 Facility Sites (the "Appraisal"), which Appraisal shall be prepared by an appraiser selected by the Trustee as assignee of the Corporation (the cost of such Appraisal to be paid by the Trustee and reimbursed as provided in Article VI of the Trust Agreement); provided, however, that such fair market rental and the payment thereof shall be subject to the following adjustments and conditions:

(i) if the Lease Term shall have been terminated on a date other than June 30 of any year, the fair market rental determined pursuant to the Appraisal shall be pro rated for the number of days between the date of termination and the next succeeding July 1;

(ii) for each twelve month period beginning on the July 1 next succeeding the date on which such termination occurs and beginning on each succeeding July 1, the amount of the fair market rental determined by the Appraisal shall be adjusted by the percentage (positive or negative) which is equal to the Implicit Price Deflator of the Consumer Price Index published by the United States Department of Commerce for the region of the United States where Florida is located or for the United States as a whole if not so published for such region;

(iii) the fair market rental due in any year shall be paid in the current year only to the extent that the moneys received by the Trustee as assignee of the Corporation from the exercise of the remedies permitted under the Series 2001A-1 Lease during the preceding twelve months prior to such July 1 exceeded the principal and interest portion of Basic Lease Payments under the Series 2001A-1 Lease payable for such preceding twelve months and other amounts described in Section 604 of the Trust Agreement; provided, however, that any portion of such fair market rental not paid in any year due to the provisions of this clause (iii) shall remain due and payable and shall accumulate from year to year and shall be paid in any future year to the extent that moneys received in such year from the exercise of the remedies permitted by the Series 2001A-1 Lease exceed the principal and interest portion of Basic Lease Payments under the Series 2001A-1 Lease and other amounts described in Section 604 of the Trust Agreement and the fair market rental due in such years; and

(iv) the failure to pay any portion of the fair market rental in any year due to insufficiencies of moneys realized from the exercise of the remedies permitted under the Series 2001A-1 Lease (1) shall not give rise to any obligation to pay interest on such unpaid fair market rental and (2) shall not constitute a default under this Series 2001A-1 Ground Lease by the Corporation or the Trustee as the assignee of the Corporation.

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Section 4. Title to Series 2001A-1 Facility Sites; Possession. (a) Upon the Commencement Date and throughout the term of this Series 2001A-1 Ground Lease, fee title to the Series 2001A-1 Facility Sites shall be in the name of the School Board, subject to Permitted Encumbrances; title to the Series 2001A-1 Facilities constructed on the Series 2001A-1 Facility Sites shall be in the name of the Corporation and shall remain severed from title to the Series 2001A-1 Facility Sites until the earlier of (i) payment in full, or provision for payment, of all Lease Payments under the Series 2001A-1 Lease or payment of the then applicable Purchase Option Price of the Series 2001A-1 Facilities, in accordance with Sections 7.2 or 7.3 of the Master Lease and Section 2 hereof, or (ii) the end of the term of this Series 2001A-1 Ground Lease.

(b) The Corporation shall at all times during the term of this Series 2001A-1 Ground Lease have a leasehold estate in the Series 2001A-1 Facility Sites with full right to vest the use, enjoyment and possession of such leasehold estate therein in a Permitted Transferee (as defined herein).

(c) Possession and use of the Series 2001A-1 Facility Sites, together with all improvements thereon, shall, upon the last day of the term of this Series 2001A-1 Ground Lease or earlier termination of this Series 2001A-1 Ground Lease pursuant to Section 2 hereof, automatically revert to the School Board free and clear of liens and encumbrances other than permitted Encumbrances without necessity of any act by the Corporation or any Permitted Transferee. Upon such termination of this Series 2001A-1 Ground Lease, the Corporation shall peaceably and quietly surrender to the School Board the Series 2001A-1 Facility Sites together with any improvements located in or upon the Series 2001A-1 Facility Sites. Upon such surrender of the Series 2001A-1 Facility Sites, the Corporation or any Permitted Transferee, at the reasonable request of the School Board, shall execute an instrument in recordable form evidencing such surrender and shall deliver to the School Board all books, records, construction plans, surveys, permits and other documents relating to, and necessary or convenient for, the operation of the Series 2001A-1 Facility Sites in the possession of the Corporation or any Permitted Transferee.

(d) Any personal property of the Corporation, any Permitted Transferee or any Person which shall remain on the Series 2001A-1 Facility Sites after expiration or earlier termination of the term of this Series 2001A-1 Ground Lease and

for thirty (30) days after request by the School Board for removal, shall, at the option of the School Board, be deemed to have been abandoned and may be retained by the School Board and the same may be disposed of, without accountability, in such manner as the School Board may see fit.

(e) If the Corporation or any Permitted Transferee holds over or refuses to surrender possession of the Series 2001A-1 Facility Sites after expiration or earlier termination of this Series 2001A-1 Ground Lease, the Corporation or any Permitted Transferee shall be a tenant at sufferance and shall pay rent equal to the fair market rental of the Series 2001A-1 Facility Sites determined in the manner provided in Section 3(b) hereof.

Section 5. Use of Series 2001A-1 Facility Sites; Assignments and Subleases. The Corporation may use the Series 2001A-1 Facility Sites for any lawful purpose; however, the parties agree that unless the Series 2001A-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Series 2001A-1 Facility Sites shall be used solely for educational purposes. Unless the Series 2001A-1 Lease shall have been so terminated, no assignment of this Series 2001A-1 Ground Lease or subletting of the Series 2001A-1 Facility Sites may be made except as provided in the Series 2001A Assignment Agreement, the Series 2001A-1 Lease, the Trust Agreement and in any agreement with a Credit Facility Issuer (as defined in the Trust Agreement), if any, without the prior written consent of the School Board. In the event that the Series 2001A-1 Lease shall be terminated pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, then the Corporation's interest in this Series 2001A-1 Ground Lease may be assigned by the Trustee to any third party, including a Credit Facility Issuer (a "Permitted Transferee"), who may alter, modify, add to or delete from the Series 2001A-1 Facilities existing from time to time on the Series 2001A-1 Facility Sites.

The School Board represents and covenants that the Series 2001A-1 Facility Sites are presently zoned to allow government use, and that the School Board shall take no action with respect to zoning or other land use regulation applicable to the Series 2001A-1 Facility Sites except as directed by the Corporation. The School Board shall do everything in its power to assist the Corporation in obtaining such building permits, subdivision approvals, or zoning changes or variances as the Corporation may

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deem necessary or desirable or such other permits, licenses, approvals or other actions which the Corporation deems necessary or desirable in order to enable the Corporation to use the Series 2001A-1 Facility Sites for such purposes as the Corporation shall determine, provided, however, that neither the Corporation nor any Permitted Transferee shall use or permit the Series 2001A-1 Facility Sites to be used in violation of any valid present or future laws, ordinances, rules or regulations of any public or governmental authority at any time applicable thereto.

It is understood that all right, title and interest of the Corporation in and to this Series 2001A-1 Ground Lease is to be irrevocably assigned by the Corporation to the Trustee pursuant to the Series 2001A Assignment Agreement, except that the Corporation shall continue to hold title to the Series 2001A-1 Facilities as described in Section 4 hereof and in the Series 2001A-1 Lease. The School Board agrees that upon such assignment the Trustee shall have all of the rights of the Corporation hereunder assigned to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Series 2001A-1 Ground Lease or otherwise) that the School Board may from time to time have against the Corporation or any person or entity associated or affiliated therewith. The School Board acknowledges that the Trustee is acting on behalf of the Series 2001A Certificate holders, and may, under certain circumstances assign this Series 2001A-1 Ground Lease to a Permitted Transferee.

Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Series 2001A-1 Ground Lease or any of the transactions contemplated hereby, the parties hereto acknowledge and agree that upon the assignment by the Corporation of its rights hereunder to the Trustee pursuant to the Series 2001A Assignment Agreement, the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto nor its successors or assigns shall look to the Corporation for any damages, expenses, fees, charges or claims with respect to the failure of any obligations hereunder to be performed.

Section 6. Right of Entry. Unless the Series 2001A-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the School Board shall have the right for any of its duly authorized representatives to enter

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Section 10. Condemnation. In the event that any person, public or private, shall by virtue of eminent domain or condemnation proceedings, or by purchase in lieu thereof, at any time during the Ground Lease Term acquire title to the Series 2001A-1 Facility Sites:

(a) So long as the Series 2001A-1 Lease is in effect, the Net Proceeds resulting therefrom shall be applied pursuant to the Master Lease.

(b) After the end of the Lease Term of the Series 2001A-1 Lease, (i) if such person acquires title to such a substantial portion of the Series 2001A-1 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 2001A-1 Ground Lease, such acquisition of title or payment of such claim shall terminate the Ground Lease Term, effective as of the date on which the condemning party takes possession thereof or on the date of payment of such claim, as applicable, and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests may appear; and (ii) if such person acquires title to a portion of the Series 2001A-1 Facility Sites such that the Corporation determines that it can economically make beneficial use of the residue thereof for the purposes intended by this Series 2001A-1 Ground Lease, then this Series 2001A-1 Ground Lease shall continue in full force and effect and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests appear.

(c) Any taking of any portion of the Series 2001A-1 Facilities shall be deemed substantial hereunder.

(d) It is understood that the foregoing provisions of this Section 10 shall not in any way restrict the right of the School Board or the Corporation to appeal the award made by any court or other public agency in any condemnation proceeding.

Section 11. Estoppel Certificates. The School Board, at any time and from time to time, upon not less than thirty (30) days prior written notice from the Corporation, will execute, acknowledge and deliver to the Corporation, or to whomsoever it may direct, a certificate of the School Board certifying that

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upon the Series 2001A-1 Facility Sites at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 7. Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Series 2001A-1 Ground Lease, which default continues for sixty (60) days following notice and demand for correction thereof to the Corporation, the School Board may exercise any and all remedies granted by law; provided, however, that so long as any Series 2001A Certificates are outstanding and except as provided in Section 2 herein, this Series 2001A-1 Ground Lease shall not be terminated. The School Board shall have recourse solely against the leasehold estate of the Corporation in the Series 2001A-1 Facility Sites, and any proceeds thereof, for the payment of any liabilities of the Corporation hereunder. The rights of the School Board under this Section 7 shall be subordinate in all respects to the rights of the holders of the Series 2001A Certificates.

Section 8. Quiet Enjoyment. The Corporation at all times during the term of this Series 2001A-1 Ground Lease shall peacefully and quietly have, hold and enjoy the Series 2001A-1 Facility Sites, without hindrance or molestation subject to the provisions hereof and of the Series 2001A-1 Lease, the Series 2001A Assignment Agreement and the Trust Agreement.

Section 9. Liens. Unless the Series 2001A-1 Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, neither the School Board nor the Corporation shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to such Series 2001A-1 Facility Sites, other than Permitted Encumbrances. The School Board shall reimburse the Trustee for any expense incurred by the Trustee in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim. Upon termination of the Series 2001A-1 Lease as provided above, the Corporation, the Trustee and any Permitted Transferee may enter into a mortgage or other encumbrance of its leasehold estate in the Series 2001A-1 Facility Sites, provided, however, that the School Board's title to the Series 2001A-1 Facility Sites shall not be subject to or encumbered by any such mortgage or other encumbrance, including without limitation any mechanic's or materialman's liens.

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this Series 2001A-1 Ground Lease is unmodified (or, if there have been any modifications, identifying the same), that this Series 2001A-1 Ground Lease is in full force and effect and that there is no default hereunder (or, if so, specifying the default). It is intended that any such certificate may be relied upon by any Person.

Section 12. Amendments. No amendment may be made to this Series 2001A-1 Ground Lease without the prior written consent of the Trustee and the Series 2001A Credit Facility Issuer. Notwithstanding the foregoing, this Series 2001A-1 Ground Lease may be amended without the prior written consent of the Trustee and the Series 2001A Credit Facility Issuer for the purpose of adding a legal description and/or the permitted encumbrances for any designated Series 2001A-1 Facility Site. Copies of all amendments hereto shall be provided to the Rating Agencies (as defined in the Trust Agreement), whether effected pursuant to Section 702 or Section 703 of the Trust Agreement.

Section 13. Binding Effect. This Series 2001A-1 Ground Lease shall inure to the benefit of and shall be binding upon the Corporation and the School Board and their respective successors and assigns, provided, however, that the Trustee is entitled to the benefits of the provisions hereof.

Section 14. No Merger of Leasehold Estate. There shall be no merger of this Series 2001A-1 Ground Lease or of the leasehold estate hereby created with the fee estate in the Series 2001A-1 Facility Sites by reason of the fact that, through the exercise of remedies hereunder or otherwise, the same person may acquire or hold, directly or indirectly, this Series 2001A-1 Ground Lease or leasehold estate hereby created or any interest herein or therein, and the fee estate in the Series 2001A-1 Facility Sites or any interest in such fee estate. There shall be no merger of this Series 2001A-1 Ground Lease with the Series 2001A-1 Lease by reason of the fact that the School Board is the owner of the fee title to the Series 2001A-1 Facility Sites and the leasehold estate in the Series 2001A-1 Facilities created under the Series 2001A-1 Lease or by reason of the fact that the Corporation is the owner of the leasehold estate in the Series 2001A-1 Facility Sites created hereby and is the owner of the fee title in the Series 2001A-1 Facilities as provided in the Series 2001A-1 Lease.

Section 15. Notices. All notices, certificates, requests or other communications hereunder shall be in writing

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and shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid to the following addresses, or to such other address or addresses as shall be designated by the parties in writing:

Corporation: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

With copies to

Trustee: The Bank of New York
c/o The Bank of New York Trust
Company of Florida, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department

Series 2001A
Credit Facility
Issuer: Ambac Assurance Corporation
One State Street Plaza
New York, New York 10004
Attention: Surveillance Department

Section 16. **Severability.** In the event any provision of this Series 2001A-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 2001A-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 2001A-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 2001A-1 Ground Lease, the School

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Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to this Series 2001A-1 Ground Lease. Said Memorandum of Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of this Series 2001A-1 Ground Lease. Upon the modification of this Series 2001A-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 2001A-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 successor thereto, in an individual capacity, and neither the members of the School Board or the Corporation executing this Series 2001A-1 Ground Lease nor any officer, employee, agent of the School Board or the Corporation shall be personally liable or accountable by reason of the execution or delivery hereof.

Section 21. **Third Party Beneficiary.** The Series 2001A Credit Facility Issuer shall be deemed to be a third party beneficiary of this Series 2001A-1 Ground Lease.


(Remainder of Page Intentionally Left Blank)

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IN WITNESS WHEREOF, the Corporation has caused this Series 2001A-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 2001A-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

[SEAL]


By: 
Thomas E. Lynch
Chairman

Attest:

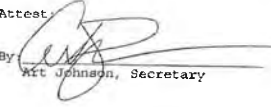
By: 
Art Johnson, Secretary

PALM BEACH SCHOOL BOARD LEASING
CORP.

[SEAL]

By: 
Thomas E. Lynch
President

Attest:

By: 
Art Johnson, Secretary

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Cheri E. Young, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said School Board and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 24th day of April, 2001.

NOTARY PUBLIC
SEAL OF OFFICE:



Cheri E. Young
NOTARY PUBLIC, STATE OF FLORIDA

Cheri E. Young

(NAME of Notary Public, Print,
Stamp or Type as Commissioned)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or ☒ DID NOT take an oath

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Cheri E. Young, 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 24th day of April, 2001.

NOTARY PUBLIC
SEAL OF OFFICE:



Cheri E. Young
NOTARY PUBLIC, STATE OF FLORIDA

Cheri E. Young
(Name of Notary Public. Print.
Stamp or Type as Commissioned)

- ☒ Personally known to me,
or
☐ Produced identification:
(Type of Identification Produced)
☐ DID take an oath,
or
☒ DID NOT take an oath

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FOREST HILL ELEMENTARY SCHOOL MODERNIZATION/REPLACEMENT

[TO COME]

OKEECHOBEE CORRIDOR ELEMENTARY SCHOOL 96-D

[TO COME]

PLEASANT CITY AREA ELEMENTARY SCHOOL 98-N

[TO COME]

WELLINGTON AREA ELEMENTARY SCHOOL 96-L

Tract C, CYPRESS WOODS I, according to the plat thereof, recorded in Plat Book 66, Page 127, Public Records of Palm Beach County, Florida

AND

Tracts 39 and 40, Block 24, PALM BEACH FARMS COMPANY PLAT NO. 3, according to the plat thereof, recorded in Plat Book 2, Page 45, Public Records of Palm Beach County, Florida. LESS the Westerly 35 feet of Tract 40 and LESS the Northerly 45 feet of said Tracts 39 and 40.

WEST BOCA RATON ELEMENTARY SCHOOL 96-H

Tract 9, together with the North one-half of the vacated 30 foot wide right of way adjoining the South line of Tract 9 and the North line of Tract 64, FLORIDA FRUITLANDS COMPANY'S SUBDIVISION NO. 2 of Section 11, Township 47 South, Range 41 East, according to the plat thereof, recorded in Plat Book 1, Page 102, Public Records of Palm Beach County, Florida.

WESTERN COMMUNITIES ELEMENTARY SCHOOL 96-J

[TO COME]

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EXHIBIT A TO SERIES 2001A-1 GROUND LEASE

SERIES 2001A-1 FACILITY SITES

A. Legal Description of Real Estate

LAKE WORTH HIGH SCHOOL

[TO COME]

ACREAGE AREA ELEMENTARY SCHOOL 96-B

A parcel of land situate in the Northeast one-quarter (NE 1/4) of Section 34, Township 42 South, Range 40 East, Palm Beach County, Florida, being more particularly described as follows:

The East 978.88 feet of the South 1335.00 feet of the Northeast one-quarter (NE 1/4) of Section 34, Township 42 South, Range 40 East.

BOCA RATON ELEMENTARY SCHOOL REPLACEMENT

[TO COME]

BOYNTON/DELRAY AREA ELEMENTARY SCHOOL 97-M

The West half (W 1/2) of the East half (E 1/2) of the Northwest quarter (NW 1/4) of the Northeast quarter (NE 1/4) and the East half (E 1/2) of the West half (W 1/2) of the Northwest quarter (NW 1/4) of the Northeast quarter (NE 1/4) of Section 7, Township 45 South, Range 43 East, together with the North half (N 1/2) of the West quarter (W 1/4) of the Northwest quarter (NW 1/4) of the Northeast quarter (NE 1/4) of Section 7, Township 45 South, Range 43 East, Palm Beach County, Florida, LESS the North 108 feet thereof.

BOYNTON/DELRAY AREA ELEMENTARY SCHOOL 98-I

[TO COME]

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B. Permitted Encumbrances

LAKE WORTH HIGH SCHOOL

[TO COME]

ACREAGE AREA ELEMENTARY SCHOOL 96-B

1. Oil, gas and mineral reservations in favor of Southern States Land & Timber Corporation as reserved in deed recorded in Deed Book 941, Page 526, as modified in Official Records Book 312, Page 342.
2. Mutual Easement recorded in Official Records Book 1428, Page 581.
3. Notice of Establishment of the Cypress Grove Community Development District recorded in Official Records Book 11257, Page 1782.

BOCA RATON ELEMENTARY SCHOOL REPLACEMENT

[TO COME]

BOYNTON/DELRAY AREA ELEMENTARY SCHOOL 97-M

1. Easement(s) in favor of Florida Power & Light Company set forth in instrument(s) recorded in Official Records Book 632, Page 109, Official Records Book 645, Page 326, Official Records Book 667, Page 356, Official Records Book 12167, Page 1255, and Official Records Book 12167, and Official Records Book 12167, Page 1257.

BOYNTON/DELRAY AREA ELEMENTARY SCHOOL 98-I

[TO COME]

FOREST HILL ELEMENTARY SCHOOL MODERNIZATION/REPLACEMENT

[TO COME]

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OKEECHOBEE CORRIDOR ELEMENTARY SCHOOL 96-D

[TO COME]

PLEASANT CITY AREA ELEMENTARY SCHOOL 98-N

[TO COME]

WELLINGTON AREA ELEMENTARY SCHOOL 96-L

1. Restrictions, covenants, conditions and easements as set forth on that certain plat entitled Cypress Woods I recorded in Plat Book 66, Page 127. (Parcel 6)
2. Terms, covenants, conditions, easements, restrictions, reservations and other provisions, including provisions which provide for a private charge or assessment, according to that certain Declaration of Restrictions recorded in Official Records Book 6030, Page 765, and as amended in Official Records Book 6059, Page 775, Official Records Book 6191, Page 335, Official Records Book 6511, Page 490, and Official Records Book 9232, Page 1787.
3. Terms, covenants, conditions, easements, restrictions, reservations and other provisions, including provisions which provide for a private charge or assessments according to that certain Declaration of Restrictions recorded in Official Records Book 6520, Page 1515, and as amended in Official Records Book 7296, Page 1666, Official Records Book 9232, Page 1790, Official Records Book 9570, Page 1185, together with partial Assignment of Rights in Official Records Book 9351, Page 422.
4. Oil, gas and mineral reservations in favor of the Everglades Drainage District as reserved in deed recorded in Deed Book 915, Page 37, as modified by Non-use Commitment in Official Records Book 5997, Page 403.
5. Terms, conditions, and provisions of Cable Television Agreement recorded in Official Records Book 7845, Page 1320.
6. Terms, conditions, and provisions of Standard Potable Water and Wastewater Development Agreement recorded in Official Records Book 12099, Page 178.

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WEST BOCA RATON ELEMENTARY SCHOOL 96-H

1. Reciprocal Drainage Easement Agreement recorded in Official Records Book 8512, Page 200.
2. Easement in favor of Palm Beach County and Florida Power & Light Company recorded in Official Records Book 8512, Page 212.
3. Utility Easement in favor of Palm Beach County recorded in Official Records Book 10726, Page 1930.
4. Terms, conditions, and provisions of Standard Potable Water and Wastewater Development Agreement recorded in official Records Book 12099, Page 186.
5. Terms, conditions, and provisions of Memorandum of Amendment to Ground Lease recorded in Official Records Book 10479, Page 316.
6. Terms, conditions, and provisions of Memorandum of Lease recorded in Official Records Book 10479, Page 322.

WESTERN COMMUNITIES ELEMENTARY SCHOOL 96-J

[TO COME]

83846/0306/1129451/pal1011.DOC/4/20/01/09399.126181

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FIRST AMENDMENT

Dated as of December 1, 2001

TO

SERIES 2001A-1 Ground Lease

Dated as of April 1, 2001

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 OF FLORIDA, N.A.
as agent for The Bank of New York
(successor by acquisition to NationsBank of Florida, N.A.)
as Trustee and Assignee of
PALM BEACH SCHOOL BOARD LEASING CORP.
As Lessee

(Series 2001A-1 Facility Sites)

THIS FIRST AMENDMENT, dated as of December 1, 2001 (the "First Amendment"), to the Series 2001A-1 Ground Lease dated as of April 1, 2001 (the "Series 2001A-1 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") as Lessor 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.) (the "Trustee") as Trustee and Assignee pursuant to a Series 2001A Assignment Agreement dated as of April 1, 2001 (the "Series 2001A Assignment Agreement") of PALM BEACH SCHOOL BOARD LEASING CORP. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617, Florida Statutes, as Lessee. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Series 2001A-1 Ground Lease.

WITNESSETH:

WHEREAS, as of April 1, 2001, the School Board and the Corporation entered into the Series 2001A-1 Ground Lease; and

WHEREAS, the Corporation assigned all of its interest in the Series 2001A-1 Ground Lease to the Trustee pursuant to the Series 2001A Assignment Agreement; and

WHEREAS, the Series 2001A-1 Ground Lease contemplated that it would be amended for the purpose of adding or correcting a legal description and/or permitted encumbrances for any designated Series 2001A-1 Facility Site to be ground leased pursuant to the Series 2001A-1 Ground Lease; and

WHEREAS, the School Board wishes to amend the Series 2001A-1 Ground Lease in order to add legal descriptions and permitted encumbrances for the following designated Series 2001A-1 Facility Sites: Lake Worth High School Classroom Addition, Boca Raton Elementary School Replacement, Boynton/Deiray Area Elementary School 98-I, Forest Hill Elementary School Modernization/Replacement, Okeechobee Corridor Elementary School 96-D and Western Communities Elementary School 96-J, in order to subject such sites to the lien of the Series 2001A-1 Ground Lease;

NOW, THEREFORE, the parties hereto mutually agree to the following amendments to the Series 2001A-1 Ground Lease:

I. Exhibit A-Part A. LEGAL DESCRIPTION OF REAL ESTATE is hereby amended by adding under the headings "Lake Worth High School," "Boca Raton Elementary School Replacement," "Boynton/Delray Area Elementary School 98-I," "Forest Hill Elementary School Modernization/Replacement," "Okeechobee Corridor Elementary School 96-D" and "Western Communities Elementary School 96-J," the real estate descriptions attached hereto as Exhibit A-Part A.

II. Exhibit A-Part B. PERMITTED ENCUMBRANCES is hereby amended by adding under the headings "Lake Worth High School," "Boca Raton Elementary School Replacement," "Boynton/Delray Area Elementary School 98-I," "Forest Hill Elementary School Modernization/Replacement," "Okeechobee Corridor Elementary School 96-D" and "Western Communities Elementary School 96-J," the permitted encumbrances attached hereto as Exhibit A-Part B.

Section 12 of the Series 2001A-1 Ground Lease provides that the prior written consent of the Series 2001A Credit Facility Issuer to the execution of this First Amendment is not required. The School Board covenants to provide copies of this First Amendment to the Series 2001A Credit Facility Issuer and each of the Rating Agencies.

This First Amendment may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

Except as amended hereby the Series 2001A-1 Ground Lease as amended by this First Amendment, shall remain in full force and effect and the parties hereto, by their execution hereof hereby ratify and confirm the Series 2001A-1 Ground Lease.

IN WITNESS WHEREOF, the School Board has caused this First Amendment to Series 2001A-1 Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials and the Trustee has caused this First Amendment to Series 2001A-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, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

(SEAL)

By: Thomas E. Lynch
Chairman

Attest:

By: Art Johnson
Secretary

(SEAL)

THE BANK OF NEW YORK TRUST COMPANY
OF FLORIDA, N.A. as agent for The
Bank of New York, as Trustee and
Assignee of Palm Beach School
Board Leasing Corp.

By: Sheryl Lear
Authorized Signatory

STATE OF FLORIDA)
COUNTY OF PALM BEACH) SS:

STATE OF FLORIDA)
COUNTY OF PALM BEACH) SS:

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Thomas E. Lynch and Dr. Art Johnson, Chairman and Secretary, respectively, of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, well known to me, named in the foregoing instrument, and that they severally acknowledged executing the same freely and voluntarily under authority duly vested in them by said School Board and that the seal affixed thereto is the true corporate seal of said School Board.

WITNESS my hand and official seal in the County and State last aforesaid this 12th day of December, 2001.

NOTARY PUBLIC
SEAL OF OFFICE:

Cheri E. Young
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public,
Print, Stamp or Type as
Commissioned.)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced):

☐ DID take an oath, or
☐ DID NOT take an oath.

STATE OF FLORIDA)
COUNTY OF DUVAL) SS:

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Sheryl Lear, Authorized Signatory of THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as agent for The Bank of New York, a New York banking corporation, well known to me, named in the foregoing instrument, and that she acknowledged executing the same freely and voluntarily under authority duly vested in her by said association and that the seal affixed thereto is the true corporate seal of said corporation.

WITNESS my hand and official seal in the County and State last aforesaid this 2nd day of January, 2002.

NOTARY PUBLIC
SEAL OF OFFICE:

Christine W. Hutchinson
NOTARY PUBLIC, STATE OF FLORIDA

CHRISTINE W. HUTCHINSON
MY COMMISSION # 00322188
EXPIRES November 18, 2004
Print, Stamp or Type as
Commissioned.)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced):

☐ DID take an oath, or
☐ DID NOT take an oath.

STATE OF FLORIDA)
COUNTY OF PALM BEACH) SS:

STATE OF FLORIDA)
COUNTY OF DUVAL) SS:

EXHIBIT A

A. LEGAL DESCRIPTION OF REAL ESTATE

LAKE WORTH HIGH SCHOOL

A PARCEL OF LAND LOCATED IN SECTION 28, TOWNSHIP 44 SOUTH, RANGE 43 EAST, PALM BEACH COUNTY, FLORIDA BEING A PORTION OF TRACT 1, "SAWYER'S SUBDIVISION OF THE WEST 1/2 OF SECTION 28", DEED BOOK 137, PAGE 362, PUBLIC RECORDS OF PALM BEACH COUNTY, FLORIDA; ALSO BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCE AT THE POINT FORMED BY THE INTERSECTION OF THE WEST RIGHT-OF-WAY LINE OF SOUTH "A" STREET AND THE NORTH RIGHT-OF-WAY LINE OF 3RD AVENUE SOUTH; THENCE RUN NORTH 01 23'09" EAST, ALONG SAID WEST RIGHT-OF-WAY LINE OF SOUTH "A" STREET, A DISTANCE OF 937.40 FEET; THENCE, DEPARTING SAID WEST RIGHT-OF-WAY LINE, NORTH 88 36'51" WEST, A DISTANCE OF 121.92 FEET TO THE POINT OF BEGINNING; THENCE NORTH 89 01'49" WEST, A DISTANCE OF 300.08 FEET; THENCE NORTH 00 58'11" EAST, A DISTANCE OF 103.67 FEET; THENCE SOUTH 89 01'49" EAST, A DISTANCE OF 300.08 FEET; THENCE SOUTH 00 58'11" WEST, A DISTANCE OF 100.67 FEET TO THE POINT OF BEGINNING CONTAINING 30,209.054 SQUARE FEET (0.6935) ACRES MORE OR LESS. BEARINGS HEREON ARE BASED ON THE WEST RIGHT-OF-WAY LINE OF SOUTH "A" STREET BEARING NORTH 01 23'09" EAST.

BOCA RATON ELEMENTARY SCHOOL REPLACEMENT

Lots 49 through 53, inclusive, Lots 71, 72 and 73 and Public School Lot, Amended Plat of J.E. Ingraham's Addition to Boca Ratone, according to the plat thereof, as recorded in Plat Book 8, Page 54, of the Public Records of Palm Beach County, Florida. (Said Public School Lot formerly being Lots 35 through 48, inclusive, Lots 64 through 70, inclusive and adjoining streets, J.E. Ingraham's Addition to Boca Ratone, per Plat Book 6, Page 22, of the Public Records of Palm Beach County, Florida.

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FILED/STANDARD/11/15/10, 10:52, 0001/11/15/10/1238, 012100

BOYNTON/DELRAY AREA ELEMENTARY SCHOOL 98-I

The South One-Half of the Southeast One Quarter of the Southeast One Quarter of Section 31, Township 45 South, Range 43 East, Palm Beach County, Florida, less the South 40.92 feet for the L-26 Canal right-of-way and the East 60 feet for Congress Avenue.

FOREST HILL ELEMENTARY SCHOOL MODERNIZATION/REPLACEMENT

All Tract A, Tract B less the East 75 feet of the North 203 feet, the South 237 feet of the West 286 feet of Tract C, and all Tract D, PLAT NO. 2 OF FOREST HILL VILLAGE, according to the plat thereof, recorded in Plat Book 26, Page 140, Public Records of Palm Beach County, Florida.

OKEECHOBEE CORRIDOR ELEMENTARY SCHOOL 96-D

All of the Plat of Plat No. 3 of Lake Crystal according to the Plat recorded in Plat Book 78, Page 56 as recorded in the Public Records of Palm Beach County, Florida; said land situate, lying and being in PALM BEACH County, Florida.

WESTERN COMMUNITIES ELEMENTARY SCHOOL 96-J

A portion of Parcel N, Madison Green-Plat No. 1, according to the plat thereof, recorded in Plat Book 88, Page 14, Public Records of Palm Beach County, Florida, being more particularly described as follows:

A-2

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Point of Beginning being the Southwest corner of said Tract N, said point being at the Northeast intersection of Okeechobee Road on the South and Folsom Road on the West; thence North 2 degrees 16 minutes 14 seconds East along the East right-of-way line of said Folsom Road and the East boundary of the plat of Foxhatchee Groves, as recorded in Plat Book 12, Page 29, Public Records of Palm Beach County, Florida, a distance of 578.41 feet; then East through the lands of said Parcel N, a distance of 344.82 feet; thence South through the lands of said Parcel N, a distance of 166.21 feet; thence East through the lands of said Parcel N, a distance of 279.73 feet to the East boundary line of said Tract N; Thence South 00 degrees 17 minutes 50 seconds West along the East boundary line of said Tract N, a distance of 405.76 feet to the North right-of-way line of Okeechobee Road; thence South 89 degrees 22 minutes 46 seconds West along the North right-of-way line of said Okeechobee Road, a distance of 645.44 feet to the Point of Beginning.

B. PERMITTED ENCUMBRANCES

LAKE WORTH HIGH SCHOOL

1. Streets and alley as shown on the Plat of Summit Park High School Subdivision recorded in Plat Book 11, Page 74, as affected by disclaimers recorded in Official Records Book 7288, Pages 1876 and 1878.
2. Reservations in favor of the Trustees of the Internal Improvement Fund of the State of Florida as reserved in deeds recorded in Deed Book 678, Page 490; Deed Book 826, Page 105; Deed Book 829, Page 136; Deed Book 964, Page 475. NOTE: Right to explore only with consent of surface owner.
3. Rights and easements in favor of the State of Florida Department of Transportation contained in deed recorded in Official Records Book 2218, Page 1232.
4. Easements in favor of the City of Lake Worth contained in instruments recorded in Official Records Book 2303, Page 1189; Official Records Book 2313, Page 622; Official Records Book 5755, Pages 783 and 785; Official Records Book 9158, Page 1798.
5. Easement in favor of Lake Worth Generation, LLC, contained in instrument recorded in Official Records Book 11780, Page 519.
6. Rights, if any, of the Lake Worth Utilities Authority under that certain deed recorded in Official Records Book 2042, Page 838.

BOCA RATON ELEMENTARY SCHOOL REPLACEMENT

1. Streets shown on plat of J. E. Ingraham's Addition to Boca Ratone, recorded in Plat Book 6, Page 22.
2. Easement in favor of Florida Power and Light Company contained in instrument recorded in Official Records Book 575, Page 503.

A-3

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3. Easement in favor of Florida Public Utilities Company contained in instrument recorded in Official Records Book 818, Page 729.

BOYNTON/DELRAY AREA ELEMENTARY SCHOOL 98-1

1. Easement in favor of the City of Boynton Beach contained in instrument recorded in Official Records Book 2774, Page 897.
2. Easement in favor of Lake Worth Drainage District, a Special Taxing District of the State of Florida, recorded in Official Record Book 12936, page 1330.

FOREST HILL ELEMENTARY SCHOOL MODERNIZATION/REPLACEMENT

1. Restrictions and easements as shown on the Plat of Plat No. 2 of Forest Hill Village recorded in Plat Book 26, Page 143.
2. Restrictions, covenants and conditions as set forth in that instrument recorded in Official Records Book 1903, Page 748.
3. Reservations in favor of the Everglades Drainage District contained in deed recorded in Deed Book 774, Page 151, as partially released in Official Records Book 350, Page 85.
4. Easement in favor of Southern Bell Telephone and Telegraph Company recorded in Official Records Book 376, Page 606.
5. Easement in favor of the Village of Palm Springs, Florida, recorded in Official Records Book 7018, Page 1004.
6. Easement in favor of the Village of Palm Springs, Florida recorded in Official Records Book 7103, Page 982.
7. Easement in favor of the Village of Palm Springs Water Utilities, Palm Beach County, Florida recorded in Official Records Book 12976, Page 1827.

OKEECHOBEE CORRIDOR ELEMENTARY SCHOOL 96-D

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A-5

\\NA11\STROMBANC\1110106\A-6\111\12721-312980

A-6

WESTERN COMMUNITIES ELEMENTARY SCHOOL 96-J

1. Restrictions, covenants, conditions, and easements as set forth on that certain plat entitled Madison Green-Plat No. 1 recorded in Plat Book 88, Page 14.
2. Private rights and easements, if any, in favor of all owners within the plat of Madison Green-Plat No. 1.
3. Terms, conditions, and provisions of Developer Agreement recorded in Official Records Book 6096, Page 621.
4. Terms, conditions, and provisions of Deed of Conservation Easement recorded in Official Records Book 11400, Page 1587.

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\\NA11\STROMBANC\1110106\A-7\111\12721-312980

A-7

1. Restrictions, reservations and easements as indicated on that certain Plat of Plat No. 3 of Lake Crystal recorded in Plat Book 78 at Page 56, as affected by that certain Resolution Vacating Easements recorded in Official Record Book 12520, page 390.
2. Restrictions, reservations and easements as indicated on that certain Plat of Replat of Plat No. 3 of Lake Crystal recorded in Plat Book 92 at Page 87.
3. Right of Way Easements in favor of Southern Bell Telephone and Telegraph Company as set forth in instrument recorded in Official Record Book 2119, Page 1611.
4. Easement in favor of Lake Worth Drainage District, a political subdivision of the State of Florida as set forth in instrument recorded in Official Record Book 5290, page 1295.
5. Terms, conditions and provisions of that certain Canal Maintenance Agreement recorded in Official Record Book 2312, Page 1181.
6. Terms, conditions and provisions of that certain Agreement recorded in Official Record Book 3559, Page 1277.
7. Terms, conditions and provisions of Standard Developers Agreement recorded in Official Record Book 5518, Page 58.
8. Easement Deed in favor of Lake Worth Drainage District, a Special Taxing District of the State of Florida recorded in Official Record Book 12599, Page 560.

SECOND AMENDMENT

Dated as of June 1, 2003

TO

SERIES 2001A-1 Ground Lease

Dated as of April 1, 2001
As Amended as of December 1, 2001

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 OF FLORIDA, N.A.
as agent for The Bank of New York
(successor by acquisition to NationsBank of Florida, N.A.)
as Trustee and Assignee of
PALM BEACH SCHOOL BOARD LEASING CORP.
As Lessee

(Series 2001A-1 Facility Site)

THIS SECOND AMENDMENT, dated as of June 1, 2003 (the "Second Amendment"), to the Series 2001A-1 Ground Lease dated as of April 1, 2001, as previously amended as of December 1, 2001 (the "Series 2001A-1 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") as Lessor 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.) (the "Trustee") as Trustee and Assignee pursuant to a Series 2001A Assignment Agreement dated as of April 1, 2001 (the "Series 2001A Assignment Agreement") of PALM BEACH SCHOOL BOARD LEASING CORP. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617, Florida Statutes, as Lessee. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Series 2001A-1 Ground Lease.

W I T N E S S E T H:

WHEREAS, as of April 1, 2001, the School Board and the Corporation entered into the Series 2001A-1 Ground Lease; and

WHEREAS, the Corporation assigned all of its interest in the Series 2001A-1 Ground Lease to the Trustee pursuant to the Series 2001A Assignment Agreement; and


WHEREAS, the Series 2001A-1 Ground Lease contemplated that it would be amended for the purpose of adding or correcting a legal description and/or permitted encumbrances for any designated Series 2001A-1 Facility Site to be ground leased pursuant to the Series 2001A-1 Ground Lease; and

WHEREAS, the Series 2001A-1 Ground Lease was amended as of December 1, 2001 for the purpose of adding the legal descriptions and permitted encumbrances for the following designated Series 2001A-1 Facility Sites: Lake Worth High School Classroom Addition, Boca Raton Elementary School Replacement, Boynton/Delray Area Elementary School 98-I, Forest Hill Elementary School Modernization/Replacement, Okeechobee Corridor Elementary School 96-D and Western Communities Elementary School 96-J, in order to subject such sites to the lien of the Series 2001A-1 Ground Lease;


IN WITNESS WHEREOF, the School Board has caused this Second Amendment to Series 2001A-1 Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials and the Trustee has caused this Second Amendment to Series 2001A-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, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

(SEAL)


By: 
Thomas E. Lynch
Chairman

Attest:

By: 
Art Johnson
Secretary

(SEAL)

THE BANK OF NEW YORK TRUST COMPANY
OF FLORIDA, N.A. as agent for The
Bank of New York, as Trustee and
Assignee of Palm Beach School
Board Leasing Corp.

By: 
Sheryl Lear
Authorized Signatory

WHEREAS, the School Board wishes to amend the Series 2001A-1 Ground Lease in order to add the legal description and permitted encumbrances for the following designated Series 2001A-1 Facility Site: Pleasant City Area Elementary School 98-N, in order to subject such site to the lien of the Series 2001A-1 Ground Lease;

NOW, THEREFORE, the parties hereto mutually agree to the following amendments to the Series 2001A-1 Ground Lease:

I. Exhibit A-Part A. LEGAL DESCRIPTION OF REAL ESTATE is hereby amended by adding under the heading "Pleasant City Area Elementary School 98-N," the real estate description attached hereto as Exhibit A-Part A.

II. Exhibit A-Part B. PERMITTED ENCUMBRANCES is hereby amended by adding under the heading "Pleasant City Area Elementary School 98-N," the permitted encumbrances attached hereto as Exhibit A-Part B.

Section 12 of the Series 2001A-1 Ground Lease provides that the prior written consent of the Series 2001A Credit Facility Issuer to the execution of this First Amendment is not required. The School Board covenants to provide copies of this First Amendment to the Series 2001A Credit Facility Issuer and each of the Rating Agencies.


This Second Amendment may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

Except as previously amended and as amended hereby, the Series 2001A-1 Ground Lease shall remain in full force and effect and the parties hereto, by their execution hereof hereby ratify and confirm the Series 2001A-1 Ground Lease.


IN WITNESS WHEREOF, the School Board has caused this Second Amendment to Series 2001A-1 Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials and the Trustee has caused this Second Amendment to Series 2001A-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, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

(SEAL)

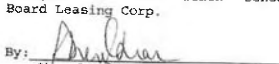
By: 
Thomas E. Lynch
Chairman

Attest:

By: 
Art Johnson
Secretary

(SEAL)


THE BANK OF NEW YORK TRUST COMPANY
OF FLORIDA, N.A. as agent for The
Bank of New York, as Trustee and
Assignee of Palm Beach School
Board Leasing Corp.

By: 
Sheryl Lear
Authorized Signatory

WITNESS my hand and official seal in the County and State
last aforesaid this 25 day of June, 2003.

NOTARY PUBLIC
SEAL OF OFFICE:

Jose Luis Verrisio
NOTARY PUBLIC, STATE OF FLORIDA

 Gail Ann Veritig
My Commission D0127544
Expires June 20, 2008

(Name of Notary Public,
Print, Stamp or Type as
Commissioned.)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or
☐ DID NOT take an oath.

STATE OF FLORIDA)
COUNTY OF DUVAL) SS:

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Sheryl Lear, Authorized Signatory of THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as agent for The Bank of New York, a New York banking corporation, well known to me, named in the foregoing instrument, and that she acknowledged executing the same freely and voluntarily under authority duly vested in her by said association and that the seal affixed thereto is the true corporate seal of said corporation.

WITNESS my hand and official seal in the County and State
last aforesaid this 26 day of June, 2003.

NOTARY PUBLIC
SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA

 **Roxanne H. Shaw**
Commissioner 9 DD 004501
Expires March 5, 2005
Issued This
Atlanta Trading Co., Inc.

(Name of Notary Public,
Print, Stamp or Type as
Commissioned.)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced;

☐ DID take an oath, or
☒ DID NOT take an oath.

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THIRD AMENDMENT

Dated as of June 1, 2004

to

SERIES 2001A-1 GROUND LEASE

Dated as of April 1, 2001
As amended as of December 1, 2001
As further amended as of June 1, 2003

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.
(f/k/a 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 and Assignee of
PALM BEACH SCHOOL BOARD LEASING CORP.
As Lessee

(Series 2001A-1 Facility Site - Partial Release)

THIS THIRD AMENDMENT, dated as of April 1, 2004 (the "Third Amendment"), to the Series 2001A-1 Ground Lease dated as of April 1, 2001 (the "Series 2001A-1 Ground Lease"), as amended as of December 1, 2001, and as further amended as of June 1, 2003, between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District") as Lessor and THE BANK OF NEW YORK TRUST COMPANY, N.A. as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.) (the "Trustee") as Trustee and Assignee pursuant to a Series 2001A Assignment Agreement dated as of April 1, 2001 (the "Series 2001A Assignment Agreement") of Palm Beach School Board Leasing Corp. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617, Florida Statutes, as Lessee. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Series 2001A-1 Ground Lease. The Series 2001A-1 Ground Lease as amended is hereinafter referred to as the "Series 2001A-1 Ground Lease".

W I T N E S S E T H:

WHEREAS, as of April 1, 2001, the School Board and the Corporation entered into the Series 2001A-1 Ground Lease; and

WHEREAS, the Corporation assigned all of its interest in the Series 2001A-1 Ground Lease to the Trustee pursuant to the Series 2001A Assignment Agreement; and

WHEREAS, the Series 2001A-2 Ground Lease contemplated that it would be amended for the purpose of adding or correcting a legal description and/or permitted encumbrances for any designated Series 2001A-1 Facility Site to be ground leased pursuant to the Series 2001A-1 Ground Lease; and

WHEREAS, the Series 2001A-1 Ground Lease was initially amended as of December 1, 2001 for the purpose of adding the legal descriptions permitted encumbrances for the following designated Series 2001A-1 Facility Sites: Lake Worth High School Classroom Addition, Boca Raton Elementary School Replacement, Boynton/Delray Area Elementary School, 98-1 Forest Hill Elementary School Modernization/Replacement, Okeechobee Corridor Elementary School 96-D and Western Communities Elementary School 96-J, in order to subject such sites to the lien of the Series 2001A-1 Ground Lease;

WHEREAS, the Series 2001A-1 Ground Lease was again amended as of June 1, 2003 for the purpose of adding the legal description and permitted encumbrances for the following designated Series 2001A-1 Facility Site: Pleasant City Area Elementary School 98-N, in order to subject such site to the lien of the Series 2001A-1 Ground Lease;

WHEREAS, the School Board wishes to further amend the Series 2001A-1 Ground Lease in order to release a portion of the following designated Series 2001A Facility Site: ACREAGE AREA ELEMENTARY SCHOOL 96-B, consisting of approximately 10 acres, from the lien of the Series 2001A-1 Ground Lease by this Third Amendment thereto because such portion of land will be used for the construction of an additional project to be financed through the issuance of an additional series of certificates of participation;

NOW, THEREFORE, the parties hereto mutually agree to the following amendments to the Series 2001A-1 Ground Lease, as previously amended:

1. Exhibit A-Part A. DESCRIPTION OF REAL ESTATE is hereby amended by releasing the real estate described in Exhibit A hereto from the legal description currently set forth under the heading "ACREAGE AREA ELEMENTARY SCHOOL 96-B" in the Series 2001A-1 Ground Lease, a Memorandum of which is recorded in Official Records Book 12493, Pages 997, et seq of the Public Records of Palm Beach County, Florida.

Section 12 of the Series 2001A-1 Ground Lease provides that the prior written consent of the Series 2001A Credit Facility Issuer to the execution of this Third Amendment is required, and such consent has been obtained. The School Board covenants to provide copies of this Third Amendment to each of the Rating Agencies.

This Third Amendment may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

Except as amended hereby the Series 2001A-1 Ground Lease as amended by the First, Second and Third Amendments thereto, shall remain in full force and effect and the parties hereto, by their execution hereof hereby ratify and confirm the Series 2001A-1 Ground Lease.

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
IN WITNESS WHEREOF, the School Board has caused this Third Amendment to Series 2001A-1 Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials and the Trustee has caused this Third Amendment to Series 2001A-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, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

By: 
Thomas E. Lynch
Chairman


[SEAL]

Attest:

By: 
Art Johnson, Secretary

[SEAL]

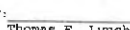
THE BANK OF NEW YORK TRUST
COMPANY, N.A. as agent for The
Bank of New York, as Trustee and
Assignee of Palm Beach School
Board Leasing Corp.

By: 
Sheryl Lear
Authorized Signatory

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IN WITNESS WHEREOF, the School Board has caused this Third Amendment to Series 2001A-1 Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials and the Trustee has caused this Third Amendment to Series 2001A-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, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

By: 
Thomas E. Lynch
Chairman

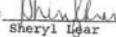
[SEAL]

Attest:

By: 
Art Johnson, Secretary

[SEAL]

THE BANK OF NEW YORK TRUST
COMPANY, N.A. as agent for The
Bank of New York, as Trustee and
Assignee of Palm Beach School
Board Leasing Corp.

By: 
Sheryl Lear
Authorized Signatory

4

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Thomas E. Lynch and Dr. Art Johnson, Chairman and Secretary, respectively, of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, well known to me, named in the foregoing instrument, and that they severally acknowledged executing the same freely and voluntarily under authority duly vested in them by said School Board and that the seal affixed thereto is the true corporate seal of said School Board.

WITNESS my hand and official seal in the County and State last aforesaid this 21 day of June, 2004.

NOTARY PUBLIC
SEAL OF OFFICE:

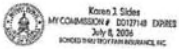
Karen J. Sides
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public,
Print, Stamp or Type as
Commissioned.)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or
☒ DID NOT take an oath.



STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Sheryl Lear, Authorized Signatory of THE BANK OF NEW YORK TRUST COMPANY, N.A., as agent for The Bank of New York, a New York banking corporation, well known to me, named in the foregoing instrument, and that she acknowledged executing the same freely and voluntarily under authority duly vested in her by said corporation and that the seal affixed thereto is the true corporate seal of said corporation.

WITNESS my hand and official seal in the County and State last aforesaid this 14th day of June, 2004.

NOTARY PUBLIC
SEAL OF OFFICE:

Diana L. Shirley
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public,
Print, Stamp or Type as
Commissioned.)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or
☒ DID NOT take an oath.



EXHIBIT A

SERIES 2001A-1 FACILITY SITE

LEGAL DESCRIPTION

ACREAGE AREA ELEMENTARY SCHOOL 96-B

(Portion Released)

The East 978.88 feet of the North 446.79 feet of the South,
1335.00 feet of the Northeast one quarter (NE 1/4) of Section 34,
Township 42 South, Range 40 East, Palm Beach County, Florida.

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**SERIES 2002C
GROUND LEASE**

Dated as of May 15, 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 2002C Facility Sites)

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EXHIBIT A SERIES 2002C FACILITY SITES

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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 2002C Lease"); and

WHEREAS, it is anticipated that a portion of the Series 2002C Facilities may be attached to one or more existing structures of the School Board adjacent to the Series 2002C Facility Sites; may be dependent upon adjacent property of the School Board for pedestrian and vehicular ingress, egress and access to and from and between the Series 2002C Facility Sites and the public roads adjoining the adjacent property of the School Board ("Access"); and may further be dependent upon the School Board's adjacent property for utility and other services which would be necessary for the full use and enjoyment of the Series 2002C Facility Sites including, but not limited to, drainage, sewer and water service, electric, telephone and gas service and parking of vehicles (collectively, "Services"); and

WHEREAS, the Corporation desires to acquire from the School Board, pursuant to this Series 2002C 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 2002C Facilities to the adjacent property of the School Board; and

WHEREAS, the ground leasing of the Series 2002C Facility Sites, the sub-leasing of the Series 2002C Facility Sites back to the School Board and the lease-purchase financing and construction of the Series 2002C Facilities are herein collectively referred to as the "Series 2002C Project"; and

WHEREAS, the School Board has on April 22, 2002, after due notice as required by law, held an open, public meeting on the proposal of entering into this Series 2002C Ground Lease, at which meeting a copy of this Series 2002C Ground Lease in final form was available for inspection and review by the public; and

WHEREAS, provisions for the payment of the cost of acquiring and constructing the Series 2002C Facilities have been made by (a) establishing a trust pursuant to the Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2002C Supplemental Trust Agreement dated as of May 15, 2002 (as the same may be further amended or supplemented from time to time, the "Trust Agreement"), between the Corporation and The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), Jacksonville, Florida, as Trustee (the "Trustee"), and irrevocably assigning to the Trustee without recourse all of the Corporation's right, title and interest in and to this Series 2002C Ground Lease and the Series 2002C Lease, except for certain rights to indemnification, to hold title to the Series 2002C Facilities and to receive notices, (b) directing the Trustee for such trust to execute and deliver to the public certificates of participation (the "Series 2002C Certificates") evidencing undivided proportionate interests of the Owners thereof in the right to receive Basic Lease Payments to be made by the School Board, as lessee, pursuant to the Series 2002C Lease and (c) directing the Trustee to hold the proceeds of sale of the Series 2002C Certificates in trust subject to application only to pay

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SERIES 2002C GROUND LEASE (Series 2002C Facility Sites)

THIS SERIES 2002C GROUND LEASE dated as of May 15, 2002, between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District"), as Lessor and 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.

WITNESSETH:

WHEREAS, the School Board has the power, under Section 230.23(2) Florida Statutes, as amended, to receive, purchase, acquire, lease, sell, hold, transmit and convey title to real and personal property for educational purposes, and under Section 230.23(9) Florida Statutes, as amended, to enter into leases or lease-purchase agreements of grounds and educational facilities, or of educational facilities for school purposes; and

WHEREAS, the Corporation has the authority to acquire educational facilities by lease or deed for the benefit of the School Board; and

WHEREAS, the Corporation is a "private corporation" within the meaning of Section 230.23(9)(b)6, Florida Statutes, as amended, and is a "direct support organization" within the meaning of Section 237.40, Florida Statutes, as amended; and

WHEREAS, in order to carry out its powers and authority to acquire facilities and equipment, the School Board and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended and supplemented from time to time, the "Master Lease"); and

WHEREAS, the School Board is the owner of certain real property located in Palm Beach County, Florida, and described in Exhibit A attached hereto (which real property, together with all buildings, structures and improvements now or hereafter erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, now or hereafter located in, on or used in connection with or attached or made to such land is hereinafter referred to as a "Series 2002C Facility Site" or, in the case of separate parcels, such parcels are herein collectively referred to as the "Series 2002C Facility Sites"); and

WHEREAS, the School Board desires to lease-purchase one or more particular educational facilities to be located on the Series 2002C Facility Sites (individually and collectively, the "Series 2002C Facilities"); pursuant to Schedule 2002C to the Master Lease (which schedule, upon being executed and delivered by the School Board and the Corporation,

the costs of acquisition and construction of the Series 2002C Facilities (as defined in the Trust Agreement) (the "Series 2002C Facilities"); and

WHEREAS, each Series 2002C Certificate represents an undivided proportionate interest in the principal portion of the Basic Lease Payments set forth on Schedule 2002C due and payable on the maturity date or earlier prepayment date of the Series 2002C Certificates and in the interest portion of the Basic Lease Payments set forth on Schedule 2002C due and payable semiannually, to and including such maturity date or earlier prepayment date; and

WHEREAS, the Corporation will assign to the Trustee all of its right, title and interest in and to this Series 2002C Ground Lease, the Series 2002C Lease and the Series 2002C Lease Payments (except for certain indemnification rights and the right of the Corporation to hold title to the Series 2002C Facilities and to receive notices), pursuant to the Series 2002C Assignment Agreement dated as of May 15, 2002 (as the same may be amended or supplemented from time to time, the "Series 2002C Assignment Agreement"); and

WHEREAS, the School Board intends for the Series 2002C Lease to remain in full force and effect until August 1, 2027, which is at least 31 days after the last Lease Payment Date for the Series 2002C Facilities, unless sooner terminated in accordance with the terms provided therein; and

WHEREAS, the School Board intends for this Series 2002C Ground Lease to remain in full force and effect until the termination of the Lease Term, as provided below.

NOW, THEREFORE, the School Board and the Corporation accordingly hereby covenant and agree as follows:

Section 1. Lease of Series 2002C Facility Sites. Subject to Permitted Encumbrances (as described in Exhibit A attached hereto and made a part hereof), the School Board hereby demises and leases the Series 2002C Facility Sites, more particularly described in Exhibit A, to the Corporation, and the Corporation hereby hires, takes and leases the Series 2002C 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 2002C Facility Sites; provided that the locations on the adjacent property of the School Board utilized for such purposes shall be reasonably agreed upon by the Corporation and the School Board; and provided, further, that the rights shall include, but not necessarily be limited to, the right to utilize for such purposes any portion of the adjacent property of the School Board (e.g., the rights shall include, but not necessarily be limited to, the right to utilize for appropriate purposes, any drives, parking areas, drainage facilities or sewer, water, gas, electric or telephone lines from time to time located upon the adjacent property of the School Board, together with the right to "tie-in" or "connect" thereto). If the Lease Term of the Series 2002C Lease terminates prior to the termination of the term

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of this Series 2002C Ground Lease, the School Board and the Corporation shall each have the right to install such meters or submeters as may be reasonably appropriate to the end that the Corporation is charged for consumption of such utilities on the Series 2002C Facility Sites.

(ii) The adjacent property of the School Board and the Series 2002C Facilities may contain certain elements, features or parts which are structural elements of both the adjacent property of the School Board and the Series 2002C Facilities. Such Series 2002C Facilities include, but are not necessarily limited to, the following:

(A) All utility lines, ducts, conduits, pipes and other utility fixtures and appurtenances which are located on or within either the Series 2002C Facility Sites or Series 2002C Facilities on the one hand or the adjacent property of the School Board on the other hand and which, directly or indirectly, in any way, service the other.

(B) All division walls (hereinafter referred to as "Party Walls") between the Series 2002C Facilities and the adjacent property of the School Board upon the common line between the Series 2002C Facility Sites and the adjacent property of the School Board (hereinafter referred to as the "Lot Line") provided that the mere fact that such a division wall is found not to be on the Lot Line shall not preclude that division wall from being a Party Wall.

(C) The roof and all roof support structures and any and all appurtenances to such roof and roof support structures including, without limitation, the roof covering, roof trim and roof drainage fixtures (collectively the "Roofing") to the extent interrelated between the Series 2002C Facilities and the adjacent property of the School Board. Should the Roofing of any Series 2002C Facilities extend beyond the Lot Line, the right therefor is hereby granted and should the Roofing of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2002C Facility Sites, the right therefor is hereby reserved.

(D) The entire concrete floor slab or wood floor system if utilized in lieu thereof and all foundational and support structures and appurtenances thereto to the extent interrelated between the Series 2002C Facilities and the adjacent property of the School Board (collectively referred to as "Flooring"). Should the Flooring of the Series 2002C Facilities extend beyond the Lot Line, the right therefor is hereby granted and should the Flooring of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2002C Facility Sites, the right therefor is hereby reserved.

(iii) The Series 2002C Facility Sites rights further include the right of the Series 2002C Facilities to encroach upon the adjacent property of the School Board as a result of minor inaccuracies in survey, construction or reconstruction or due to settlement

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the Series 2002C Lease, or (b) upon the provision for payment of all Lease Payments under the Series 2002C Lease pursuant to Section 7.3 of the Master Lease, together in each case with payment of the sum of \$1.00. This Series 2002C Ground Lease may likewise be modified at the request of the School Board at any time, upon similar notice and modification of the Series 2002C Lease (a) to reflect the substitution of all or a portion of the Series 2002C Facilities and Series 2002C Facility Sites in accordance with Section 6.4 of the Master Lease, or (b) upon payment or provision for payment of the Purchase Option Price of all or a portion of one or more particular Series 2002C Facilities pursuant to Section 7.3 of the Master Lease, to reflect the release of one or more portions of the Series 2002C Facility Sites from this Series 2002C Ground Lease.

Section 3. Rent. (a) So long as the Lease Term has not been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay to the School Board as and for rental for the Series 2002C Facility Sites the sum of one dollar (\$1.00) per annum, which sum shall be due in advance on the Commencement Date (pro rated) and annually thereafter on the first day of each renewal Lease Term. At the option of the Corporation, the Corporation may prepay all or a portion of the Ground Rent payable hereunder for the entire initial lease term hereof from the proceeds of sale of the Certificates or otherwise.

(b) From and after the date on which the Lease Term shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay as and for rental for the Series 2002C Facility Sites an amount determined by an M.A.I. appraisal to be the fair market rental for the Series 2002C Facility Sites (the "Appraisal"), which Appraisal shall be prepared by an appraiser selected by the Trustee as assignee of the Corporation (the cost of such Appraisal to be paid by the Trustee and reimbursed as provided in Article VI of the Trust Agreement); provided, however, that such fair market rental and the payment thereof shall be subject to the following adjustments and conditions:

(i) if the Lease Term shall have been terminated on a date other than June 30 of any year, the fair market rental determined pursuant to the Appraisal shall be pro rated for the number of days between the date of termination and the next succeeding July 1;

(ii) for each twelve month period beginning on the July 1 next succeeding the date on which such termination occurs and beginning on each succeeding July 1, the amount of the fair market rental determined by the Appraisal shall be adjusted by the percentage (positive or negative) which is equal to the Implicit Price Deflator of the Consumer Price Index published by the United States Department of Commerce for the region of the United States where Florida is located or for the United States as a whole if not so published for such region;

(iii) the fair market rental due in any year shall be paid in the current year only to the extent that the moneys received by the Trustee as assignee of the

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or movement. The encroaching Series 2002C Facilities shall remain undisturbed for as long as same exist and, for so long as such encroachment exists, that portion of the adjacent property of the School Board on which same exists shall be deemed to be a part of the Series 2002C Facility Sites. In addition, the Series 2002C Facility Sites rights include the right to utilize that portion of the adjacent property of the School Board as may be reasonably necessary in order to maintain and repair the Series 2002C Facilities. The Series 2002C Facility Sites rights further include cross rights of support and use over, upon, across, under, through and into the common structural elements in favor of the Corporation (and like rights are hereby reserved unto the School Board) for the continued use, benefit and enjoyment and continued support, service, maintenance and repair of all such common structural elements.

The School Board, at its sole expense, shall bring or cause to be brought to the Series 2002C Facility Sites adequate connections for water, electrical power, telephone, storm sewerage and sewerage, and shall arrange with the appropriate utility companies for furnishing such services and shall provide to the Series 2002C Facility Sites water services and capacity sufficient for the contemplated operation of the Series 2002C Facilities thereon; including, but not limited to, heating, ventilation and air conditioning equipment. Either the School Board or the Corporation shall have the right, at its own expenses, to request and receive telephone and communication services from the utility companies furnishing such services subject to the customary rules and regulations of said utility companies whether the companies deliver such services directly through their own conduits or pipes, or through conduits and pipes owned by the School Board. The School Board agrees to grant such utility companies rights of access over, under and across the remaining property of the School Board adjoining the Series 2002C Facility Sites, if any, as shall be necessary and convenient for the efficient operation of the Series 2002C Facility Sites, and which do not materially impair the present and future uses of such remaining property of the School Board, if any.

Section 2. Ground Lease Term; Option to Renew. The initial Ground Lease Term for the Series 2002C Facility Sites shall commence on the date of the delivery of this Series 2002C Ground Lease (the "Commencement Date") and shall end on August 1, 2032. If, upon the termination of the Lease Term as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation or the Trustee as the assignee of the Corporation excludes the School Board from possession of the Series 2002C Facility Sites and Series 2002C Facilities, the School Board grants to the Corporation the right and option to renew this Series 2002C Ground Lease for an additional term not to exceed five (5) years, at a fair market rental to be determined, adjusted and paid in the manner set forth in Section 3 of this Series 2002C Ground Lease.

Notwithstanding the foregoing, this Series 2002C Ground Lease may be terminated by the School Board on any date prior to the end of the initial term or any renewal term hereof, which date is at least one (1) day after the date of termination of the Series 2002C Lease, upon not less than ten (10) days prior written notice to the Corporation, (a) upon payment of the Purchase Option Price, pursuant to Section 7.2 of the Master Lease, with respect to the Series 2002C Facilities, and full performance and satisfaction of the School Board's obligations under

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Corporation from the exercise of the remedies permitted under the Series 2002C Lease during the preceding twelve months prior to such July 1 exceeded the principal and interest portion of Basic Lease Payments under the Series 2002C Lease payable for such preceding twelve months and other amounts described in Section 504 of the Trust Agreement; provided, however, that any portion of such fair market rental not paid in any year due to the provisions of this clause (iii) shall remain due and payable and shall accumulate from year to year and shall be paid in any future year to the extent that moneys received in such year from the exercise of the remedies permitted by the Series 2002C Lease exceed the principal and interest portion of Basic Lease Payments under the Series 2002C Lease and other amounts described in Section 504 of the Trust Agreement and the fair market rental due in such years; and

(iv) the failure to pay any portion of the fair market rental in any year due to insufficiencies of moneys realized from the exercise of the remedies permitted under the Series 2002C Lease (1) shall not give rise to any obligation to pay interest on such unpaid fair market rental and (2) shall not constitute a default under this Series 2002C Ground Lease by the Corporation or the Trustee as the assignee of the Corporation.

Section 4. Title to Series 2002C Facility Sites; Possession. (a) Upon the Commencement Date and throughout the term of this Series 2002C Ground Lease, fee title to the Series 2002C Facility Sites shall be in the name of the School Board, subject to Permitted Encumbrances; title to the Series 2002C Facilities constructed on the Series 2002C Facility Sites shall be in the name of the Corporation and shall remain severed from title to the Series 2002C Facility Sites until the earlier of (i) payment in full, or provision for payment, of all Lease Payments under the Series 2002C Lease or payment of the then applicable Purchase Option Price of the Series 2002C Facilities, in accordance with Sections 7.2 or 7.3 of the Master Lease and Section 2 hereof, or (ii) the end of the term of this Series 2002C Ground Lease.

(b) The Corporation shall at all times during the term of this Series 2002C Ground Lease have a leasehold estate in the Series 2002C Facility Sites with full right to vest the use, enjoyment and possession of such leasehold estate therein in a Permitted Transferee (as defined herein).

(c) Possession and use of the Series 2002C Facility Sites, together with all improvements thereon, shall, upon the last day of the term of this Series 2002C Ground Lease or earlier termination of this Series 2002C Ground Lease pursuant to Section 2 hereof, automatically revert to the School Board free and clear of liens and encumbrances other than Permitted Encumbrances without necessity of any act by the Corporation or any Permitted Transferee. Upon such termination of this Series 2002C Ground Lease, the Corporation shall peaceably and quietly surrender to the School Board the Series 2002C Facility Sites together with any improvements located in or upon the Series 2002C Facility Sites. Upon such surrender of the Series 2002C Facility Sites, the Corporation or any Permitted Transferee, at the reasonable request of the School Board, shall execute an instrument in recordable form evidencing such surrender and shall deliver to the School Board all books, records, construction plans, surveys,

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permits and other documents relating to, and necessary or convenient for, the operation of the Series 2002C Facility Sites in the possession of the Corporation or any Permitted Transferee.

(d) Any personal property of the Corporation, any Permitted Transferee or any Person which shall remain on the Series 2002C Facility Sites after expiration or earlier termination of the term of this Series 2002C Ground Lease and for thirty (30) days after request by the School Board for removal, shall, at the option of the School Board, be deemed to have been abandoned and may be retained by the School Board and the same may be disposed of, without accountability, in such manner as the School Board may see fit.

(e) If the Corporation or any Permitted Transferee holds over or refuses to surrender possession of the Series 2002C Facility Sites after expiration or earlier termination of this Series 2002C Ground Lease, the Corporation or any Permitted Transferee shall be a tenant at sufferance and shall pay rent equal to the fair market rental of the Series 2002C Facility Sites determined in the manner provided in Section 3(b) hereof.

Section 5. Use of Series 2002C Facility Sites; Assignments and Subleases. The Corporation may use the Series 2002C Facility Sites for any lawful purpose; however, the parties agree that unless the Series 2002C Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Series 2002C Facility Sites shall be used solely for educational purposes. Unless the Series 2002C Lease shall have been so terminated, no assignment of this Series 2002C Ground Lease or subletting of the Series 2002C Facility Sites may be made except as provided in the Series 2002C Assignment Agreement, the Series 2002C Lease, the Trust Agreement and in any agreement with a Credit Facility Issuer (as defined in the Trust Agreement), if any, without the prior written consent of the School Board. In the event that the Series 2002C Lease shall be terminated pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, then the Corporation's interest in this Series 2002C Ground Lease may be assigned by the Trustee to any third party, including a Credit Facility Issuer (a "Permitted Transferee"), who may alter, modify, add to or delete from the Series 2002C Facilities existing from time to time on the Series 2002C Facility Sites.

The School Board represents and covenants that the Series 2002C Facility Sites are presently zoned to allow government use, and that the School Board shall take no action with respect to zoning or other land use regulation applicable to the Series 2002C Facility Sites except as directed by the Corporation. The School Board shall do everything in its power to assist the Corporation in obtaining such building permits, subdivision approvals, or zoning changes or variances as the Corporation may deem necessary or desirable or such other permits, licenses, approvals or other actions which the Corporation deems necessary or desirable in order to enable the Corporation to use the Series 2002C Facility Sites for such purposes as the Corporation shall determine, provided, however, that neither the Corporation nor any Permitted Transferee shall use or permit the Series 2002C Facility Sites to be used in violation of any valid present or future laws, ordinances, rules or regulations of any public or governmental authority at any time applicable thereto.

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suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to such Series 2002C Facility Sites, other than Permitted Encumbrances. The School Board shall reimburse the Trustee for any expense incurred by the Trustee in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim. Upon termination of the Series 2002C Lease as provided above, the Corporation, the Trustee and any Permitted Transferee may enter into a mortgage or other encumbrance of its leasehold estate in the Series 2002C Facility Sites, provided, however, that the School Board's title to the Series 2002C Facility Sites shall not be subject to or encumbered by any such mortgage or other encumbrance, including without limitation any mechanic's or materialman's liens.

Section 10. Condemnation. In the event that any person, public or private, shall by virtue of eminent domain or condemnation proceedings, or by purchase in lieu thereof, at any time during the Ground Lease Term acquire title to the Series 2002C Facility Sites:

(a) So long as the Series 2002C Lease is in effect, the Net Proceeds resulting therefrom shall be applied pursuant to the Master Lease.

(b) After the end of the Lease Term of the Series 2002C Lease, (i) if such person acquires title to such a substantial portion of the Series 2002C 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 2002C Ground Lease, such acquisition of title or payment of such claim shall terminate the Ground Lease Term, effective as of the date on which the condemning party takes possession thereof or on the date of payment of such claim, as applicable, and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests may appear; and (ii) if such person acquires title to a portion of the Series 2002C Facility Sites such that the Corporation determines that it can economically make beneficial use of the residue thereof for the purposes intended by this Series 2002C Ground Lease, then this Series 2002C Ground Lease shall continue in full force and effect and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests appear.

(c) Any taking of any portion of the Series 2002C Facilities shall be deemed substantial hereunder.

(d) It is understood that the foregoing provisions of this Section 10 shall not in any way restrict the right of the School Board or the Corporation to appeal the award made by any court or other public agency in any condemnation proceeding.

Section 11. Estoppel Certificates. The School Board, at any time and from time to time, upon not less than thirty (30) days prior written notice from the Corporation, will execute, acknowledge and deliver to the Corporation, or to whomsoever it may direct, a certificate of the School Board certifying that this Series 2002C Ground Lease is unmodified (or, if there have been any modifications, identifying the same), that this Series 2002C Ground Lease is in full

It is understood that all right, title and interest of the Corporation in and to this Series 2002C Ground Lease is to be irrevocably assigned by the Corporation to the Trustee pursuant to the Series 2002C Assignment Agreement, except that the Corporation shall continue to hold title to the Series 2002C Facilities as described in Section 4 hereof and in the Series 2002C Lease. The School Board agrees that upon such assignment the Trustee shall have all of the rights of the Corporation hereunder assigned to the Trustee, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Series 2002C Ground Lease or otherwise) that the School Board may from time to time have against the Corporation or any person or entity associated or affiliated therewith. The School Board acknowledges that the Trustee is acting on behalf of the Series 2002C Certificate holders, and may, under certain circumstances assign this Series 2002C Ground Lease to a Permitted Transferee.

Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Series 2002C Ground Lease or any of the transactions contemplated hereby, the parties hereto acknowledge and agree that upon the assignment by the Corporation of its rights hereunder to the Trustee pursuant to the Series 2002C Assignment Agreement, the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto nor its successors or assigns shall look to the Corporation for any damages, expenses, fees, charges or claims with respect to the failure of any obligations hereunder to be performed.

Section 6. Right of Entry. Unless the Series 2002C Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the School Board shall have the right for any of its duly authorized representatives to enter upon the Series 2002C Facility Sites at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 7. Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Series 2002C Ground Lease, which default continues for sixty (60) days following notice and demand for correction thereof to the Corporation, the School Board may exercise any and all remedies granted by law; provided, however, that so long as any Series 2002C Certificates are outstanding and except as provided in Section 2 herein, this Series 2002C Ground Lease shall not be terminated. The School Board shall have recourse solely against the leasehold estate of the Corporation in the Series 2002C Facility Sites, and any proceeds thereof, for the payment of any liabilities of the Corporation hereunder. The rights of the School Board under this Section 7 shall be subordinate in all respects to the rights of the holders of the Series 2002C Certificates.

Section 8. Quiet Enjoyment. The Corporation at all times during the term of this Series 2002C Ground Lease shall peacefully and quietly have, hold and enjoy the Series 2002C Facility Sites, without hindrance or molestation subject to the provisions hereof and of the Series 2002C Lease, the Series 2002C Assignment Agreement and the Trust Agreement.

Section 9. Liens. Unless the Series 2002C Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, neither the School Board nor the Corporation shall, directly or indirectly, create, incur, assume or

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force and effect and that there is no default hereunder (or, if so, specifying the default). It is intended that any such certificate may be relied upon by any Person.

Section 12. Amendments. No amendment may be made to this Series 2002C Ground Lease without the prior written consent of the Trustee and the Series 2002C Credit Facility Issuer. Notwithstanding the foregoing, this Series 2002C Ground Lease may be amended without the prior written consent of the Trustee and the Series 2002C Credit Facility Issuer for the purpose of adding or modifying a legal description and/or the permitted encumbrances for any designated Series 2002C Facility Site. Copies of all amendments hereto shall be provided to the Rating Agencies (as defined in the Trust Agreement), whether effected pursuant to Section 702 or Section 703 of the Trust Agreement.

Section 13. Binding Effect. This Series 2002C Ground Lease shall inure to the benefit of and shall be binding upon the Corporation and the School Board and their respective successors and assigns, provided, however, that the Trustee is entitled to the benefits of the provisions hereof.

Section 14. No Merger of Leasehold Estate. There shall be no merger of this Series 2002C Ground Lease or of the leasehold estate hereby created with the fee estate in the Series 2002C Facility Sites by reason of the fact that, through the exercise of remedies hereunder or otherwise, the same person may acquire or hold, directly or indirectly, this Series 2002C Ground Lease or leasehold estate hereby created or any interest herein or therein, and the fee estate in the Series 2002C Facility Sites or any interest in such fee estate. There shall be no merger of this Series 2002C Ground Lease with the Series 2002C Lease by reason of the fact that the School Board is the owner of the fee title to the Series 2002C Facility Sites and the leasehold estate in the Series 2002C Facilities created under the Series 2002C Lease or by reason of the fact that the Corporation is the owner of the leasehold estate in the Series 2002C Facility Sites created hereby and is the owner of the fee title in the Series 2002C Facilities as provided in the Series 2002C Lease.

Section 15. Notices. All notices, certificates, requests or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid to the following addresses, or to such other address or addresses as shall be designated by the parties in writing:

Corporation:	3340 Forest Hill Boulevard
	West Palm Beach, Florida 33406
	Attention: President

School Board: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

With copies to

Trustee: The Bank of New York
c/o The Bank of New York Trust
Company of Florida, N.A.
10161 Centurion Parkway
Jacksonville, Florida 32256
Attention: Corporate Trust Department

Series 2002C
Credit Facility
Issuer: Financial Security Assurance Inc.
350 Park Avenue
New York, New York, 10022
Attention: Communications Department

Section 16. Severability. In the event any provision of this Series 2002C 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 2002C 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 2002C 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 2002C Ground Lease, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to this Series 2002C Ground Lease. Said Memorandum of Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of this Series 2002C Ground Lease. Upon the modification of this Series 2002C 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 2002C Ground Lease shall be deemed to be the covenant or agreement of any member of the School Board or the Corporation or any officer, employee or agent of the School Board or the Corporation, or of any successor thereto, in an individual capacity, and neither the members of the School Board or the Corporation executing this Series 2002C Ground Lease nor any officer,

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employee, agent of the School Board or the Corporation shall be personally liable or accountable by reason of the execution or delivery hereof.


Section 21. Third Party Beneficiary. The Series 2002C Credit Facility Issuer shall be deemed to be a third party beneficiary of this Series 2002C Ground Lease.

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IN WITNESS WHEREOF, the Corporation has caused this Series 2002C 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 2002C 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: 
Thomas E. Lynch
Chairman

[SEAL]

Attest:

By: 
Art Johnson, Secretary

**PALM BEACH SCHOOL BOARD
LEASING CORP.**

By: 
Thomas E. Lynch
President

[SEAL]

Attest:

By: 
Art Johnson, Secretary

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Cheri E. Young, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Chairman and Secretary, respectively of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said School Board and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 10th day of June, 2002.

NOTARY PUBLIC
SEAL OF OFFICE:



Cheri E. Young
Commission # CC 794953
Expires DEC. 6, 2002
BONDED THRU
ATLANTIC BONDING CO., INC.

Cheri E. Young
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as
Consummated)

☒ Personally known to me, or
☐ Produced identification.

(Type of Identification Produced)
☐ DID take an oath, or
☐ DID NOT take an oath

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Cheri E. Young, 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 10th day of June, 2002.

NOTARY PUBLIC
SEAL OF OFFICE:



Cheri E. Young
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned)

☒ Personally known to me, or
☐ Produced identification:

(Type of Identification Produced)

☐ DID take an oath,
or
☐ DID NOT take an oath

16

EXHIBIT A TO SERIES 2002C GROUND LEASE

SERIES 2002C FACILITY SITES

A. Legal Description of Real Estate

WELLINGTON AREA ELEMENTARY SCHOOL (02-S)

[TO COME]

A-1

WEST BOCA/DELRAY AREA HIGH SCHOOL (01-L11)

[TO COME]

WEST LAKE WORTH/LANTANA ELEMENTARY SCHOOL (01-R)

[TO COME]

A-2

A-3

[TO COME]

A tract of land in Government Lots 2 and 3, Section 9, Township 44 South, Range 43 East, West Palm Beach, Palm Beach County, Florida being more particularly described as follows: From the southeast corner of said Government Lot 2 run in a westerly direction and along the South line of said Government Lot 2, a distance of 40.06 feet for a point of beginning; thence in a northerly direction along a line parallel with and 40 feet West of the center line of Parker Avenue, a street within the City of West Palm Beach, Florida, as measured at right angles, a distance of 408.24 feet to the southeast corner of Lot 79, Plat No. 2 of Country Club Park, as recorded in Plat Book 23, Page 247, public records of Palm Beach County, Florida; thence in a westerly direction along the South line of said Plat No. 2 of Country Club Park, a distance of 899.94 feet to the southwest corner of Lot 67 of said Plat No. 2 of Country Club Park; thence northerly along the West line of said Lot 67 a distance of 100.16 feet to the northwest corner of said Lot 67; thence in a westerly direction along the southerly right-of-way line of Forest Hill Blvd. (Selby Road) according to the plat thereof recorded in County Road Plat Book 2, Pages 245-247 inclusive, 323.15 feet; thence continue along said southerly right-of-way line by a curve to the left, radius 1870.08 feet, arc 196.95 feet, chord southwesterly 196.87 feet to a point on the easterly right-of-way line of State Road No. 9 as shown on plat recorded in said County Road Plat Book 2, pages 245-247 inclusive; thence southeasterly along said eastern right-of-way line a distance of 795.40 feet; thence in an easterly direction along a line parallel with and 250 feet south of the south line of aforementioned Government Lot 2, Section 9, Township 44 South, Range 43 East, as measured at right angles, a distance of 482.20 feet; thence in a northerly direction making an angle of 90° with the aforescribed course 250 feet to a point on the South line of said Government Lot 2; thence in an easterly direction along said South line of Government Lot 2 a distance of 939.94 feet to the point of beginning.

Less and except that portion contained in Official Record Book 2226, Page 1667 for Right-of-Way purposes

A-4

A-5

VILLAGE ACADEMY ADDITION

[TO COME]

B. Permitted Encumbrances

WELLINGTON AREA ELEMENTARY SCHOOL (02-S)

[TO COME]

WEST BOCA/DELRAY AREA HIGH SCHOOL (01-LLL)

[TO COME]

WEST LAKE WORTH/LANTANA ELEMENTARY SCHOOL (01-R)

[TO COME]

FOREST HILL HIGH MODERNIZATION

1. Easement granted to the City of West Palm Beach recorded in Official Record Book 2327, page 873.
2. Easement granted to Florida Power & Light Company recorded in Official Record Book 2273, page 513.
3. Easement granted to Florida Public Utilities Company recorded in Official Record Book 192, page 202.

A-6

A-7

[TO COME]

VILLAGE ACADEMY ADDITION

[TO COME]

FIRST AMENDMENT

Dated as of June 1, 2003

TO

SERIES 2002C GROUND LEASE

Dated as of May 15, 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

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 and Assignee of
PALM BEACH SCHOOL BOARD LEASING CORP.
As Lessee

(Series 2002C Facility Sites)

A-8

THIS FIRST AMENDMENT, dated as of June 1, 2003 (the "First Amendment"), to the Series 2002C Ground Lease dated as of May 15, 2002 (the "Series 2002C 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") as Lessor 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.) (the "Trustee") as Trustee and Assignee pursuant to a Series 2002C Assignment Agreement dated as of May 15, 2002 (the "Series 2002C Assignment Agreement") of PALM BEACH SCHOOL BOARD LEASING CORP. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617, Florida Statutes, as Lessee. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Series 2002C Ground Lease. The Series 2002C Ground Lease is hereinafter collectively referred to as the "Series 2002C Ground Lease".

WITNESSETH:

WHEREAS, as of May 15, 2002, the School Board and the Corporation entered into the Series 2002C Ground Lease; and

WHEREAS, the Corporation assigned all of its interest in the Series 2002C Ground Lease to the Trustee pursuant to the Series 2002C Assignment Agreement; and

WHEREAS, the Series 2002C Ground Lease contemplated that it would be amended for the purpose of adding or correcting a legal description and/or permitted encumbrances for any designated Series 2002C Facility Site to be ground leased pursuant to the Series 2002C Ground Lease; and

WHEREAS, the School Board wishes to amend the Series 2002C Ground Lease in order to add the legal descriptions and permitted encumbrances for the following designated Series 2002C Facility Sites: Wellington Area Elementary School (02-S), West Boca/Delray Area High School (01-LLL) and West Lake Worth/Lantana Elementary School (01-R) in order to subject such sites to the lien of the Series 2002C Ground Lease by this First Amendment thereto;

NOW, THEREFORE, the parties hereto mutually agree to the following Amendments to the Series 2002C Ground Lease, as previously amended:

I. Exhibit A-Part A. DESCRIPTION OF REAL ESTATE is hereby amended by (i) adding under the headings "Wellington Area Elementary School (02-S)", "West Boca/Delray Area High School (01-LLL)" and "West Lake Worth/Lantana Elementary School (01-R)", the real estate descriptions attached hereto as Exhibit A-Part A.

II. Exhibit A-Part B. DESCRIPTION OF PERMITTED ENCUMBRANCES is hereby amended by adding under the headings "Wellington Area Elementary School (02-S)", "West Boca/Delray Area High School (01-LLL)" and "West Lake Worth/Lantana Elementary School (01-R)", the permitted encumbrances attached hereto as Exhibit A-Part B.

Section 12 of the Series 2002C Ground Lease provides that the prior written consent of the Series 2002C Credit Facility Issuer to the execution of this First Amendment is not required. The School Board covenants to provide copies of this First Amendment to each of the Rating Agencies.

This First Amendment may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

Except as amended hereby the Series 2002C Ground Lease as amended by the First Amendment, shall remain in full force and effect and the parties hereto, by their execution hereof hereby ratify and confirm the Series 2002C Ground Lease.

IN WITNESS WHEREOF, the School Board has caused this First Amendment to Series 2002C Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials and the Trustee has caused this First Amendment to Series 2002C Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

[SEAL]

Attest:

By: _____
Art Johnson, Secretary

By: _____
Thomas E. Lynch
Chairman

[SEAL]

THE BANK OF NEW YORK TRUST COMPANY
OF FLORIDA, N.A. as agent for The
Bank of New York, as Trustee and
Assignee of Palm Beach School
Board Leasing Corp.

By: _____
Sheryl Lear
Authorized Signatory

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Thomas E. Lynch and Dr. Art Johnson, Chairman and Superintendent and Secretary, respectively, of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, well known to me, named in the foregoing instrument, and that they severally acknowledged executing the same freely and voluntarily under authority duly vested in them by said School Board and that the seal affixed thereto is the true corporate seal of said School Board.

WITNESS my hand and official seal in the County and State last aforesaid this 26 day of June, 2003.

NOTARY PUBLIC
SEAL OF OFFICE:

NOTARY PUBLIC, STATE OF FLORIDA
Gail Ann Vetter
My Commission DD127544
Expires June 20, 2006

(Name of Notary Public,
Print, Stamp or Type as
Commissioned.)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or
☐ DID NOT take an oath.

3

4

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Sheryl Lear, Authorized Signatory of THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as agent for The Bank of New York, a New York banking corporation, well known to me, named in the foregoing instrument, and that she acknowledged executing the same freely and voluntarily under authority duly vested in her by said association and that the seal affixed thereto is the true corporate seal of said corporation.

WITNESS my hand and official seal in the County and State last aforesaid this 26 day of June, 2003.

NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



Roxanne H. Shaw
Commission # 000 004505
Expires March 5, 2005
Resided: Tallahassee, Florida
Atlantic Banking Co., Inc.

(Name of Notary Public,
Print, Stamp or Type as
Commissioned.)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or
☒ DID NOT take an oath.

5

EXHIBIT A

SERIES 2002C FACILITY SITES

A. LEGAL DESCRIPTIONS

WELLINGTON AREA ELEMENTARY SCHOOL(02-S)

A PORTION OF TRACT 51 BLOCK 19, PALM BEACH FARMS CO. PLAT No. 3, ACCORDING TO THE PLAT THEREOF AS RECORDED IN PLAT BOOK 2, PAGES 45 THROUGH 54 INCLUSIVE, OF THE PUBLIC RECORDS OF PALM BEACH COUNTY, FLORIDA, SAID PORTION BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCE AT THE SOUTHWEST CORNER OF TRACT 49, OF SAID BLOCK 19; THENCE ALONG THE SOUTH LINE OF SAID TRACTS 49 THROUGH 51, BLOCK 19 NORTH 89°23'00" EAST (BASIS OF BEARINGS) 1597.70 FEET; THENCE NORTH 00°37'00" WEST 50.13 FEET TO THE POINT OF BEGINNING; THENCE NORTH 42°27'40" WEST 80.00 FEET; THENCE NORTH 47°32'20" EAST 204.34 FEET; THENCE NORTH 02°32'20" EAST 8.00 FEET; THENCE NORTH 42°27'40" WEST 211.01 FEET; THENCE SOUTH 47°32'20" WEST 70.00 FEET; THENCE SOUTH 42°27'40" EAST 12.67 FEET; THENCE SOUTH 02°32'20" WEST 35.82 FEET; THENCE SOUTH 87°27'40" EAST 25.33 FEET; THENCE SOUTH 02°32'20" WEST 22.00 FEET; THENCE SOUTH 87°27'40" EAST 18.00 FEET; THENCE SOUTH 02°32'20" WEST 77.33 FEET; THENCE NORTH 87°27'12" WEST 18.00 FEET; THENCE SOUTH 02°32'20" WEST 22.00 FEET; THENCE NORTH 87°27'40" WEST 13.33 FEET; THENCE SOUTH 02°32'20" WEST 34.00 FEET; THENCE NORTH 87°27'40" WEST 102.00 FEET; THENCE NORTH 02°32'20" EAST 87.00 FEET; THENCE SOUTH 87°27'40" EAST 12.00 FEET; THENCE NORTH 02°32'20" EAST 12.66 FEET; THENCE SOUTH 87°27'40" EAST 36.05 FEET; THENCE NORTH 02°32'20" EAST 181.53 FEET; THENCE NORTH 47°32'20" EAST 21.33 FEET; THENCE NORTH 42°27'40" WEST 18.00 FEET; THENCE NORTH 47°32'20" EAST 116.67 FEET; THENCE SOUTH 42°27'40" EAST 98.67 FEET; THENCE SOUTH 47°32'20" WEST 32.67 FEET; THENCE SOUTH 42°27'40" EAST 255.33 FEET; THENCE NORTH 47°32'20" EAST 14.67 FEET; THENCE SOUTH 42°27'40" EAST 41.33 FEET; THENCE SOUTH 47°32'20" WEST 294.00 FEET TO THE POINT OF BEGINNING.

SAID LANDS SITUATE, LYING, AND BEING IN THE VILLAGE OF WELLINGTON, PALM BEACH COUNTY, FLORIDA AND CONTAINING 71797 SQUARE FEET (1.548 ACRES) MORE OR LESS.

A-1

WEST BOCA/DELRAY AREA HIGH SCHOOL (01-LLL)

A parcel of land lying in Section 22, Township 47 South, Range 41 East, Palm Beach County, Florida, and being more particularly described as follows: COMMENCING at the northwest corner of said Section 22, thence S.01°16'28"E. along the west line of said section 406.79 feet; thence N.88°43'32"E., 680.28 feet to the POINT of BEGINNING; thence N.65°59'37"E., 242.03 feet; thence N.00°16'03"W., 106.45 feet; thence N.89°43'57"E., 514.67 feet; thence S.00°16'03"E., 148.86 feet; thence N.89°43'57"E., 390.76 feet; thence S.24°00'23"E., 152.68 feet; thence S.65°59'37"W., 1053.78 feet; thence N.24°00'23"W., 556.00 feet to the POINT OF BEGINNING.

WEST LAKE WORTH/LANTANA ELEMENTARY SCHOOL (01-R)

A parcel of land lying in tracts 14 and 15, Plat of the Northwest Quarter (NW1/4) of Section 36, Township 44 South, Range 42 East, Plat Book 3, Page 10, Public Records of Palm Beach County, Florida, being more particularly described as follows:

From the northwest corner of said section 36, run S02°08'51"W along the west line of said section 36 a distance of 1386.88 feet; thence S86°53'42"E along the north line of said tract 14 a distance of 44.79 feet to a point on the easterly right-of-way line of Haverhill Road, continue thence S86°53'42"E along said north line of distance of 172.36 feet; thence leaving said north line S02°41'57"W a distance of 183.35 feet to the point of beginning. Thence S02°08'52"W a distance of 552.42 feet; thence S87°51'08"E a distance of 385.66 feet; thence S02°08'52"W a distance of 31.39 feet; thence S87°51'08"E a distance of 28.00 feet; thence N02°08'52"E a distance of 88.00 feet; thence N87°51'08"W a distance of 141.16 feet; thence N02°08'52"E a distance of 498.81 feet; thence N87°51'08"W a distance of 272.50 feet to the point of beginning.

Said herein described parcel containing 3.68 acres more or less.

A-2

Drainage District recorded in Official Record Book 7766, Page 1940.

6. Reservations contained in Deed from the Trustees of the Internal Improvement Trust Fund recorded in Deed Book 40, Page 42, and as partially released in Official Record Book 2751, Page 1673 and Official Record Book 3731, Page 22. The right of entry has been released pursuant to Chapter 86-205, Laws of Florida, which amended §270.11, Florida Statutes.
7. Canal and Road Reservations contained in Deed from the Everglades Drainage District recorded in Deed Book 693, Page 395.

West Lake Worth/Lantana Elementary (01-R)

1. Reservations in favor of the Trustees of the Internal Improvement Trust Fund contained in Deed recorded in Deed Book 626, Page 156.
2. Reservations in favor of the Lake Worth Drainage District recorded in Deed Book 652, Page 396 and Deed Book 796, Page 429.

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A-4

B. PERMITTED ENCUMBRANCES

Wellington Area Elementary School (02-S)

1. Matters shown on the Plat recorded in Plat Book 2, Page 45, as affected by Resolution recorded in Official Record Book 5704, Page 498 and Official Record Book 5775, Page 96.
2. Mineral reservations reserved by Farmers Production Credit Association of South Florida in deed recorded in Deed Book 1058, Page 131 and Official Record Book 288, Page 567.
3. Reservations in favor of the Lake Worth Drainage District recorded in Official Record Book 1994, Page 1615.
4. Settlement Agreement between Minto Communities, Inc., Drexel Investments, Inc. the City of Greenacres and the Village of Palm Springs, recorded in Official Record Book 11229, Page 794.
5. Ordinance No. 98-23, annexing subject property into the Village of Wellington recorded in Official Record Book 11283, Page 1282.
6. Potable Water and Wastewater Development Agreement recorded in Official Record Book 12288, Page 1973.

West Boca/Delray Area High School (01-LLL)

1. Plat of Boca Falls Civic Site recorded in Plat Book 72, Page 118.
2. Plat of Oriole Country recorded in Plat Book 32, Page 175.
3. Developer Agreement with South Palm Beach Utilities Corporation recorded in Official Record Book 3390, Page 1757.
4. Developer Agreement with Palm Beach County recorded in Official Record Book 5757, Page 757.
5. Resolution 93-3 by the Lake Worth Drainage District annexing lands into the boundaries of the Lake Worth

A-3

SECOND AMENDMENT

Dated as of June 1, 2004

TO

SERIES 2002C GROUND LEASE

Dated as of May 15, 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

THE BANK OF NEW YORK TRUST COMPANY, N.A.
(f/k/a 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 and Assignee of
PALM BEACH SCHOOL BOARD LEASING CORP.
As Lessee

(Series 2002C Facility Sites)

THIS SECOND AMENDMENT, dated as of June 1, 2004 (the "Second Amendment"), to the Series 2002C Ground Lease dated as of May 15, 2002 (the "Series 2002C 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") as Lessor and THE BANK OF NEW YORK TRUST COMPANY, N.A. as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.) (the "Trustee") as Trustee and Assignee pursuant to a Series 2002C Assignment Agreement dated as of May 15, 2002 (the "Series 2002C Assignment Agreement") of Palm Beach School Board Leasing Corp. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617, Florida Statutes, as Lessee. All terms used herein and not otherwise defined shall have the meanings given to such terms in the Series 2002C Ground Lease. The Series 2002C Ground Lease is hereinafter collectively referred to as the "Series 2002C Ground Lease".

W I T N E S S E T H:

WHEREAS, as of May 15, 2002, the School Board and the Corporation entered into the Series 2002C Ground Lease; and

WHEREAS, the Corporation assigned all of its interest in the Series 2002C Ground Lease to the Trustee pursuant to the Series 2002C Assignment Agreement; and

WHEREAS, the Series 2002C Ground Lease contemplated that it would be amended for the purpose of adding or correcting a legal description and/or permitted encumbrances for any designated Series 2002C Facility Site to be ground leased pursuant to the Series 2002C Ground Lease; and

WHEREAS, as of June 1, 2003, the School Board amended the Series 2002C Ground Lease in order to add the legal descriptions and permitted encumbrances for the following designated Series 2002C Facility Sites: Wellington Area Elementary School (02-S), West Boca/Delray Area High School (01-LLL) and West Lake Worth/Lantana Elementary School (01-R) in order to subject such sites to the lien of the Series 2002C Ground Lease;

WHEREAS, the School Board wishes to further amend the Series 2002C Ground Lease in order to: (i) add the legal descriptions and permitted encumbrances for the following designated Series 2002C Facility Sites: Village Academy Addition

and U.B. Kinsey/Palmview Elementary School Modernization, in order to subject such sites to the lien of the Series 2002C Ground Lease, and (ii) add Panther Run Elementary School Addition/HVAC Replacement to the Series 2002C Facility Sites and add the legal description and permitted encumbrances for such site in order to subject such site to the lien of the Series 2002C Ground Lease by this Second Amendment thereto

NOW, THEREFORE, the parties hereto mutually agree to the following amendments to the Series 2002C Ground Lease, as previously amended:

I. Exhibit A-Part A. DESCRIPTION OF REAL ESTATE is hereby amended by: (i) adding under the headings "Village Academy Addition" and "U.B. Kinsey/Palmview Elementary School Modernization" the real estate descriptions set forth under such headings in Exhibit A-Part A attached hereto; and (ii) inserting a new heading entitled "Panther Run Elementary School Addition/HVAC Replacement" and setting forth under such heading the real estate description set forth under such heading in Exhibit A-Part A attached hereto, in order to subject each such site to the lien of the Series 2002C Ground Lease.

II. Exhibit A-Part B. DESCRIPTION OF PERMITTED ENCUMBRANCES is hereby amended by: (i) adding under the headings "Village Academy Addition" and "U.B. Kinsey/Palmview Elementary School Modernization", the permitted encumbrances under such headings set forth in Exhibit A-Part B attached hereto; and (ii) inserting a new heading entitled "Panther Run Elementary School Addition/HVAC Replacement" and setting forth under such heading the permitted encumbrances set forth under such heading in Exhibit A-Part B attached hereto.

Section 12 of the Series 2002C Ground Lease provides that the prior written consent of the Series 2002C Credit Facility Issuer to the execution of this Second Amendment is not required to insert the legal descriptions and permitted encumbrances for Village Academy Addition and U.B. Kinsey/Palmview Elementary School Modernization. Section 12 of the Series 2002C Ground Lease provides that the prior written consent of the Series 2002C Credit Facility Issuer to the execution of this Second Amendment is required to add Panther Run Elementary School Addition/HVAC Replacement to the lien of the Series 2002C Ground Lease, and such written consent has been obtained. The School

2

Board covenants to provide copies of this Second Amendment to each of the Rating Agencies.

This Second Amendment may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

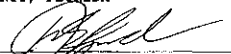
Except as amended hereby the Series 2002C Ground Lease as amended by the First and Second Amendments thereto, shall remain in full force and effect and the parties hereto, by their execution hereof hereby ratify and confirm the Series 2002C Ground Lease.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the School Board has caused this Second Amendment to Series 2002C Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials and the Trustee has caused this Second Amendment to Series 2002C Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

[SEAL]

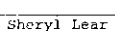
By: 
Thomas E. Lynch
Chairman

Attest:

By: 
Art Johnson, Secretary

[SEAL]

THE BANK OF NEW YORK TRUST
COMPANY, N.A. as agent for The
Bank of New York, as Trustee and
Assignee of Palm Beach School
Board Leasing Corp.

By: 
Sheryl Lear
Authorized Signatory

IN WITNESS WHEREOF, the School Board has caused this Second Amendment to Series 2002C Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials and the Trustee has caused this Second Amendment to Series 2002C Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH
COUNTY, FLORIDA

[SEAL]

By: _____
Thomas E. Lynch
Chairman

Attest:

By: _____
Art Johnson, Secretary

[SEAL]

THE BANK OF NEW YORK TRUST
COMPANY, N.A. as agent for The
Bank of New York, as Trustee and
Assignee of Palm Beach School
Board Leasing Corp.

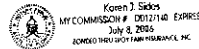
By: _____
Sheryl Lear
Authorized Signatory

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Thomas E. Lynch and Dr. Art Johnson, Chairman and Superintendent and Secretary, respectively, of THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, well known to me, named in the foregoing instrument, and that they severally acknowledged executing the same freely and voluntarily under authority duly vested in them by said School Board and that the seal affixed thereto is the true corporate seal of said School Board.

WITNESS my hand and official seal in the County and State last aforesaid this 21 day of June, 2004.

NOTARY PUBLIC
SEAL OF OFFICE:



Karen J. Sides
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public,
Print, Stamp or Type as
Commissioned.)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or
☒ DID NOT take an oath.

STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Sheryl Lear, Authorized Signatory of THE BANK OF NEW YORK TRUST COMPANY, N.A., as agent for The Bank of New York, a New York banking corporation, well known to me, named in the foregoing instrument, and that she acknowledged executing the same freely and voluntarily under authority duly vested in her by said association and that the seal affixed thereto is the true corporate seal of said association.

WITNESS my hand and official seal in the County and State last aforesaid this 14 day of June, 2004.

NOTARY PUBLIC
SEAL OF OFFICE:



Diana L. Shirley
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public,
Print, Stamp or Type as
Commissioned.)

☒ Personally known to me,
or
☐ Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or
☒ DID NOT take an oath.

EXHIBIT A

SERIES 2002C FACILITY SITES

A. LEGAL DESCRIPTIONS

U.B. KINSEY/PALMVIEW ELEMENTARY SCHOOL MODERNIZATION

All of Block 23; Lots 1 through 10 inclusive, the East 95 feet of Lots 11 and 12, Block 18; All of Block 19; the West 100 feet of Lots 13 through 15 inclusive, Lots 16 through 19 inclusive and the West 100 feet of Lots 19 through 24 inclusive, Block 20; Lots 5 and 6 inclusive, Block 13; Freshwater Addition, a subdivision according to the Plat thereof, recorded in Plat Book 6, Page 29, Public Records of Palm Beach County, Florida.

Together with those portions of abandoned Rights of Way as contained in instruments recorded in Official Record Book 5556, Page 1183 and Official Record Book 10342, Page 1946;

Together with all that portion of alley within Block 23; Together with that portion of Ninth Avenue (now known as 11th Street) lying easterly of the southerly extension of the west line of Block 23, and lying westerly of the southerly extension of the east line of Block 23, Amended Plat of Freshwater Addition to the Town of West Palm Beach, as recorded in Plat Book 6, Page 29, Public Records of Palm Beach County, Florida, as set forth in Official Record Book 15747, Page 106, Public Records of Palm Beach County, Florida.

Containing 7.497 acres, more or less.

VILLAGE ACADEMY ADDITION

A portion of the east one-half (E 1/2) of lot 17, Section 20, Township 46 South, Range 43 East, as recorded in Plat Book 1, Page 4 of the Public Records of Palm Beach County, Florida, being more particularly described as follows:

Commence at the southeast corner of Lot 17, Section 20, Township 46 South, Range 43 East, as recorded in Plat Book 1, Page 4 of the Public Records of Palm Beach County, Florida; thence N89°22'15"W along the south line of said Lot 17 for a distance of 25.00 feet to the point of beginning; thence continue

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N89°22'15"W along said south line for a distance of 629.43 feet; thence N00°41'56"E along a line parallel with and 30.00 feet east of as measured at right angles to the west line of the east one-half of said Lot 17 for a distance of 131.33 feet; thence S89°22'15"E for a distance of 483.40 feet; thence N05°19'43"E for a distance of 54.54 feet; thence N89°12'33"E for a distance of 17.22 feet; thence N05°47'17"E for a distance of 16.54 feet; thence S84°37'12"E for a distance of 124.18 feet; thence S00°56'23"W along a line parallel with and 25.00 feet west of as measured at right angles to the east line of said Lot 17 for a distance of 192.30 feet to the point of beginning .

Said lands situate within the city of Delray Beach, Palm Beach County, Florida.

Containing 2.11 acres more or less.

PANTHER RUN ELEMENTARY SCHOOL ADDITION/HVAC REPLACEMENT

Commence at the northeast corner of Tract "A" Elementary School "K", according to the Plat thereof as recorded in Plat Book 68, Pages 165 and 166 of the Public Records of Palm Beach County, Florida; Thence S00°52'23"W along the east line of Tract "A" of said Plat of Elementary School "K" for 145.61 feet; Thence departing from said east line N89°07'37"W for 103.68 feet; to the Point of Beginning; Thence S00°52'23"W for 114.72 feet; Thence N89°07'37"W for 63.99 feet; Thence S00°52'23"W for 22.51 feet; Thence N89°07'37"W for 214.49 feet; Thence N00°52'23"E for 97.33 feet; Thence S89°07'37"E for 122.89 feet; Thence N00°52'23"E for 39.90 feet; Thence S89°07'37"E for 155.58 feet to the Point of Beginning. Said lands situate within Palm Beach County, Florida.

Containing 0.73 acres, more or less.

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B. PERMITTED ENCUMBRANCES

U.B. KINSEY/PALMVIEW ELEMENTARY SCHOOL MODERNIZATION

1. Easements reserved and shown on the Plat of Freshwater Addition, recorded in Plat Book 6, Page 29.
2. Ordinance 2908-95 designating a Local Historic District recorded in Official Record Book 9229, Page 1071.
3. Ordinance 2909-95 designating a Local Historic District recorded in Official Record Book 9229, Page 1075 and amended in Official Record Book 9482, Page 1728.

VILLAGE ACADEMY ADDITION

1. Conditional abandonment of easement and right of way as provided by Resolution No. 1039 adopted by the City Commission of the City of Delray Beach, Florida, dated February 11, 1957.
2. Easement in favor of Florida Power & Light recorded in Official Record Book 253, Page 465 and corrected in Official Record Book 302, Page 328.
3. Easement in favor of the City of Delray Beach recorded in Official Record Book 1647, Page 1044.

PANTHER RUN ELEMENTARY SCHOOL ADDITION/HVAC REPLACEMENT

1. Easements and other matters as shown in Plat Book 68, Pages 165 and 166.
2. Reservations contained in Deed Book 1045, Page 561, as modified in Official Record Book 1731, Page 1294, in Official Record Book 2619, Page 1673, and as partially released in Official Record Book 5678, Page 611.
3. Utility easement contained in Official Record Book 6981, Page 496.

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MASTER TRUST AGREEMENT

by and between

PALM BEACH SCHOOL BOARD LEASING CORP.

and

**NATIONSBANK OF FLORIDA, N.A.,
as Trustee**

Dated as of November 1, 1994

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MASTER TRUST AGREEMENT

THIS MASTER TRUST AGREEMENT is dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, this "Trust Agreement"), and is between NATIONSBANK OF FLORIDA, N.A., a national banking association with its designated corporate trust office in Fort Lauderdale, Florida (the "Trustee"), and PALM BEACH SCHOOL BOARD LEASING CORP., a not-for-profit corporation, duly organized and existing under the laws of the State of Florida, as lessor under the within mentioned Master Lease (the "Corporation");

WITNESSETH:

WHEREAS, the School Board of Palm Beach County, Florida (the "School Board") desires to lease-purchase certain real property, buildings and improvements and the equipment, fixtures and furnishings to be built, installed or established therein for educational purposes ("Facilities") by entering into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), between the Corporation, as lessor, and the School Board, as lessee; and

WHEREAS, pursuant to Section 2.1 of the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease (each hereinafter referred to as a "Schedule"), direct the Corporation to acquire and lease-purchase to the School Board the Facilities described in such Schedule to the Master Lease; and

WHEREAS, Facilities may be added to the Master Lease by execution of Schedules thereto from time to time; and

WHEREAS, the Master Lease and the terms and conditions thereof with respect to the particular Facilities described on a Schedule are sometimes referred to herein as a "Lease" and the Schedule describing such Facilities is sometimes referred to as "Schedule No. ____" or "Schedule ____"; and

WHEREAS, certain of the Facilities will be located on certain real property located within the School District of Palm Beach County, Florida (the "District") (each such location, or all locations on a single Schedule, together with all buildings, structures and improvements erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, on or used in connection with or attached or made to such land, a "Facility Site") to be leased by the School Board to the Corporation pursuant to a ground lease; and

WHEREAS, the relationship between the Corporation and School Board under the Master Lease is to be a continuing one and Facilities may be added to or deleted from the Master Lease from time

to time in accordance with the terms thereof and of the Schedule describing such Facilities; and

WHEREAS, pursuant to Section 7.1 of the Master Lease, the Corporation, with the consent of the School Board, has the right to assign all of its right, title and interest in and to a particular Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Facilities under Section 6.1 of the Master Lease and its right to receive notices under the Master Lease) to the Trustee including the rights to receive Basic Lease Payments (as hereinafter defined) due under such Lease; and

WHEREAS, the Corporation has requested the Trustee to issue from time to time separate series of Certificates of Participation substantially in the form of Exhibit A hereto (the "Certificates") to third parties to whom such Certificates are sold and for whose benefit and for the benefit of any corresponding Credit Facility Issuer (as hereinafter defined) an Assignment Agreement will be executed and delivered to the Trustee, each such Certificate of a particular Series (as hereinafter defined) evidencing an undivided proportionate interest of the registered owner thereof to the Basic Lease Payments to be made under one or more Leases created by one or more particular Schedules and certain rights of the Corporation under such Lease or Leases; and

WHEREAS, upon receipt by the Trustee from the Corporation of the corresponding Assignment Agreement and satisfaction of the conditions set forth in Section 304 hereof, the Trustee shall issue a Series of Certificates that shall correspond to the Lease or Leases created by a particular Schedule or Schedules; and

WHEREAS, the Trustee has agreed to hold the proceeds corresponding to such Series of Certificates and to disburse such proceeds in accordance herewith and with the Master Lease, and to receive Basic Lease Payments due under the Lease or Leases created by a particular Schedule or Schedules and apply and disburse same in accordance herewith; and

WHEREAS, by this Trust Agreement, the Corporation agrees to direct the School Board to forward the Basic Lease Payments due under the Lease created by a particular Schedule to the Trustee from and after the execution of the corresponding Assignment Agreement by the Corporation;

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

"Board of Directors" shall mean the Board of Directors of the Corporation.

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

"Capitalized Interest Account" shall mean any Capitalized Interest Account established pursuant to Section 401 hereof and in any Supplemental Trust Agreement.

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

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

"Certificate of Acceptance" shall mean the certificate of the School Board substantially in the form of Exhibit B to the Master Lease.

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

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

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

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

"Cost" shall mean costs and expenses related to the acquisition, construction and installation of any Facilities including, but not limited to, (i) costs and expenses of the acquisition of the title to or other interest in real property, including leasehold interests, easements, rights-of-way and licenses, including, without limitation, lease payments to be made by the Corporation under the terms of a Ground Lease until the expected acceptance of the Facilities related thereto as described herein, (ii) cost and expenses incurred for labor and materials and payments to contrac-

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

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

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

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

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

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

"Authorized Newspaper" shall mean a newspaper containing financial matters, customarily published at least once a day for at least five days (other than legal holidays) in each calendar week, printed in the English language, and of general circulation in the Borough of Manhattan, City and State of New York.

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

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

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

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

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

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

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

"Defeasance Securities", except as otherwise provided in a Supplemental Trust Agreement, shall mean cash or Government Obligations.

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

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

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

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

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

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

"Government Obligations" shall mean any obligations which as to principal and interest, constitute non-callable direct obligations of, or non-callable obligations fully and unconditionally guaranteed by the full faith and credit of, the United States of

America, including bonds or other evidences of indebtedness issued or guaranteed by any agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America, to the extent unconditionally guaranteed by the full faith and credit of the United States of America.

"Gross Proceeds" shall mean, with respect to each Series of Certificates, unless inconsistent with the provisions of the Code, in which case as provided in the Code, (i) amounts received by or on behalf of the Corporation from the sale of such Certificates; (ii) amounts received as a result of investments of amounts described in (i); (iii) amounts treated as transferred proceeds of such Certificates in accordance with the Code; (iv) amounts treated as proceeds under the provisions of the Code relating to invested sinking funds; (v) securities or obligations pledged, if any, as security for payment of Basic Lease Payments under the Master Lease (which amounts are limited in accordance with Sections 235.056(3) and 236.25(2)(e) Florida Statutes, as amended); (vi) amounts received with respect to obligations acquired with Gross Proceeds; (vii) amounts used to pay principal and interest portions of the Basic Lease Payments represented by such Certificates; (viii) amounts in any Reserve Account established pursuant to Section 401 of this Trust Agreement and in any Supplemental Trust Agreement; and (ix) amounts received as a result of the investment of Gross Proceeds not described in (i) above.

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

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

"Investment Agreement" shall mean an agreement for the investment of moneys entered into by the Trustee with a Qualified Financial Institution whether such agreement is in the form of an interest-bearing time deposit, repurchase agreement or any similar arrangement and any note delivered by a Qualified Financial Institution pursuant to such agreement, which agreement shall have been approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

"Investment Securities" except as otherwise provided in a Supplemental Trust Agreement, shall mean any of the following securities, if and to the extent the same are at the time legal under State law for investment of the School Board's funds:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below).

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(b) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(c) Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

- Export-Import Bank
- Farm Credit System Financial Assistance Corporation
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration

(d) Senior debt obligations rated "AAA" by Standard & Poor's Ratings Group and "Aaa" by Moody's Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, and other senior debt obligations of other government-sponsored agencies approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

(e) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Trustee and any of its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(f) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service and which matures not more than 270 days after the date of purchase.

(g) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's Ratings Group.

(h) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Standard & Poor's Ratings Group and Moody's Investors Service or any successors thereto; or

(2) (x) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date of dates pursuant to such irrevocable instructions, as appropriate, and (y) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate; Pre-refunded Municipal Obligations meeting the requirements of this subsection (2) hereof may not be used as Permitted Investments without prior written approval of Standard & Poor's Ratings Group.

(i) Investment Agreements approved in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested (supported by appropriate opinions of counsel) with notice to Standard & Poor's Ratings Group.

(j) Any other investment agreed to in writing by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested with advance notice to Standard & Poor's Ratings Group.

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

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

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

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

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

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

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

"Notice by Mail" shall mean a written notice meeting the requirements of this Trust Agreement mailed by first-class mail to the Certificate holders, at the addresses shown on the register maintained by the Trustee.

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

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

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

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

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

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

"Reimbursement Agreement" shall mean, with respect to each Lease, any reimbursement agreement among the Corporation, the School Board and any Credit Facility Issuer.

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

"Reserve Account Letter of Credit/Insurance Policy" shall mean the irrevocable letter or line of credit, insurance policy, surety bond or guarantee agreement issued by a Qualified Financial Institution in favor of the Trustee which is to be deposited into a Reserve Account in order to fulfill the Reserve Account Requirement relating thereto.

"Reserve Account Requirement" shall mean, in regard to a Reserve Account to secure a Series of Certificates, such amounts, if any, as shall be provided in the Supplemental Trust Agreement authorizing the issuance of such Series and in the Schedule relating thereto, provided such Reserve Account Requirement shall not exceed the least of (i) the maximum annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Year, (ii) 125% of the average annual amount of Basic Lease Payments represented by Certificates of the Series secured by such Reserve Account in the current or any subsequent Fiscal Years, and (iii) 10% of the stated principal amount of such Series of Certificates.

"Schedule" shall mean a schedule to the Master Lease to be executed and delivered by the School Board and the Corporation for each Project, substantially in the form of Exhibit A to the Master Lease.

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

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

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

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

"Prepayment Date" shall mean the date on which optional prepayment or extraordinary prepayment or mandatory sinking fund prepayment of Basic Lease Payments represented by a Series of Certificates Outstanding shall be made pursuant to Section 312 hereof or pursuant to any Supplemental Trust Agreement.

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

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

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

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

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"School Board" shall mean the School Board of Palm Beach County, Florida, a body corporate and the governing body of the District.

"Series" or "Series of Certificates" shall mean the aggregate amount of each series of Certificates evidencing an undivided proportionate interest of the owners thereof in a particular Lease and the Basic Lease Payments thereunder, issued pursuant to this Trust Agreement or a Supplemental Trust Agreement.

"Special Tax Counsel" shall mean Greenberg, Traurig, Hoffman, Lipoff, Rosen & Quentel, P.A., Miami, Florida, Cunningham & Self, West Palm Beach, Florida and Michael B. Brown, P.A., West Palm Beach, Florida, or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of the interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"State" shall mean the State of Florida.

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

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

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

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

"Trust Estate" shall mean all estate, right, title and interest of the Trustee in and to: (a) the Basic Lease Payments, the Master Lease, the Leases and each Assignment Agreement, and (b) (i) all amounts from time to time deposited in the funds and accounts created pursuant to this Trust Agreement and any Supplemental Trust Agreement in accordance with the provisions of the Master Lease, the Leases and this Trust Agreement, including investment earnings thereon; and (ii) any and all monies received by the Trustee pursuant to the provisions hereof and not required to be remitted to the School Board pursuant to the Master Lease or this Trust Agreement.

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

102. Rules of Construction. Unless the context shall otherwise indicate, words importing the singular number shall include

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the plural number and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies as well as natural persons.

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

103. Exhibits. The following Exhibits are attached hereto and by this reference made a part of this Trust Agreement:

- Exhibit A. FORM OF CERTIFICATE
- Exhibit B. FORM OF REQUISITION
- Exhibit C. FORM OF REQUISITION (COSTS OF ISSUANCE)

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ARTICLE III

CERTIFICATES, TERMS AND PROVISIONS

301. Authorization of Certificates.

(a) The number of Series of Certificates which may be created under this Trust Agreement is not limited. The aggregate principal amount of Certificates of each Series which may be issued, authenticated and delivered under this Trust Agreement is not limited except as set forth in the Supplemental Trust Agreement creating such Series.

(b) The Certificates issuable under this Trust Agreement shall be issued in such Series as may from time to time be created in connection with one or more Leases. Each Series shall be designated "Certificates of Participation, Series _____, Evidencing an Undivided Proportionate Interest of the Registered Owners thereof in Basic Lease Payments to be Made by the School Board of Palm Beach County, Florida, as Lessee, Pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor". The Certificates may, if and when authorized by this Trust Agreement, be designated with such further appropriate particular designations added to or incorporated in such title for the Certificates of any particular Series as the Board may determine and as may be necessary to distinguish such Certificates from the Certificates of any other Series.

302. Execution and Delivery of Certificates. Each Series of Certificates shall be authorized by the Corporation at the request of the School Board and executed and delivered by the Trustee for the purpose of (a) financing the cost of acquisition, construction and equipping of any Facilities, (b) financing the cost of completing the acquisition, construction, installation and equipping of any Facilities, (c) financing the cost of increasing, improving, modifying, expanding or replacing any Facilities, (d) paying or providing for the payment of the principal portion and interest portion of the Basic Lease Payments with respect to, or the Purchase Option Price of, all or a portion of the Facilities financed from the proceeds of any Series of Certificates theretofore executed and delivered, (e) funding a Reserve Account in an amount equal to the Reserve Account Requirement applicable thereto, (f) capitalizing the interest portion of Basic Lease Payments during construction and (g) paying the Costs of Issuance applicable thereto.

Each Series of Certificates shall be substantially in the form set forth in Exhibit A hereto, with such appropriate variations, omissions and insertions as necessary to conform to the provisions of this Trust Agreement, including any use of a book-entry-only system as described in Section 317 hereof. All Certificates may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any applicable rule and regulations of any governmental authority or of any securities

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ARTICLE II

ASSIGNMENT; DECLARATION OF TRUST; REPRESENTATIONS

201. Assignment Agreements. The Corporation shall assign and transfer to the Trustee its rights under each Ground Lease and each Lease pursuant to and to the extent described in the corresponding Assignment Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee shall execute and deliver each Series of Certificates, evidencing an undivided proportionate interest of the Certificate holders in Basic Lease Payments under the corresponding Lease.

202. Declaration of Trust by Trustee. The Trustee hereby declares that it holds and will hold the Trust Estate conferred on it by the Corporation hereunder upon the trusts and apply the amounts as hereinafter set forth for the use and benefit of the Certificate holders, as more particularly set forth in Section 305 hereof.

203. Representations. In the Master Lease, the School Board has agreed to acquire, construct and install the Facilities as agent for the Corporation pursuant to specifications prepared by the School Board and that the School Board will be responsible for the letting of contracts for the acquisition, construction and installation of the Facilities and supervising the acquisition, construction and installation of the Facilities.

204. Description and Estimated Costs of the Facilities. The description of the Facilities to be acquired, constructed and installed and leased by the School Board from the Corporation pursuant to the Master Lease and each Schedule and the estimated Costs of such Facilities shall be set forth in the related Schedule to the Master Lease.

205. Conditions Precedent Satisfied. Each party hereto, represents with respect to itself that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and delivery of this Trust Agreement have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto each represents as to itself that it is now duly empowered to execute and deliver this Trust Agreement.

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exchange on which the Certificates may be listed or any usage or requirement of law with respect thereto.

303. Terms of Series of Certificates. Certificates may be executed and delivered at any time and from time to time in one or more Series, upon such terms and conditions as may then be permitted by law and as shall be determined by the Corporation and provided in the respective Supplemental Trust Agreement under which such Series of Certificates are authorized. Certificates of any Series:

(a) shall be dated, shall represent interest at a rate not in excess of the maximum rate then permitted by applicable law (calculated on the basis of a 360 day year consisting of twelve 30 day months), and shall be payable and mature in such amounts and at such time or times, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(b) shall be payable, as to the principal portion, Prepayment Price, if any, and interest portion of such Series of Certificates, at such place or places in lawful money of the United States of America and may have such registration privileges and such exchange privileges as may be provided in the Supplemental Trust Agreement creating such Series of Certificates and allowable under then existing law;

(c) shall have such particular designations added to their title, and shall be in such form and denominations, as provided in the Supplemental Trust Agreement creating such Series of Certificates;

(d) shall be limited as to the maximum principal amount thereof which may be delivered by the Trustee or which may be at any time Outstanding, as provided in the Supplemental Trust Agreement creating such Series of Certificates;

(e) may contain provisions for the prepayment thereof at such Prepayment Price or Prices, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease, as may be provided in the Supplemental Trust Agreement creating such Series of Certificates;

(f) may have provisions requiring mandatory payments for the purchase and sinking fund prepayment of such Series of Certificates, in such amounts, at such time or times, upon such notice, in such manner, and upon such other terms and conditions, not inconsistent with the provisions hereof and the terms of the Master Lease as shall be set forth in such Supplemental Trust Agreement;

(g) may contain such other provisions and such other special terms and conditions, not contrary to the provisions hereof, as may be provided in such Supplemental Trust Agreement;

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(h) shall be payable from and secured by the Trust Estate, but solely to the extent provided in and subject to the limitations of Section 305 hereof.

304. Conditions Precedent to Delivery of a Series of Certificates. The Trustee shall execute and deliver one or more Series of Certificates for the purposes set forth in Section 302 hereof to the purchaser or purchasers thereof as requested and authorized by the Corporation in accordance with the provisions of this Section 304.

Prior to the delivery by the Trustee of any Series of Certificates there shall have been received by the Trustee:

(a) A Supplemental Trust Agreement providing for the terms and conditions upon which they shall be executed and delivered by the Trustee;

(b) An executed counterpart of a corresponding Schedule to the Master Lease (or amended Schedule in the case of Certificates issued for the purposes as described in Section 302(b) and (d) above) effective on or before the date of execution and delivery of such Series of Certificates, providing for (i) Lease Payments payable under such Schedule at least equal to the principal portion of, Prepayment Price, if any, and interest portion represented by such Series of Certificates, and (ii) the disposition of the proceeds of the sale of such Series of Certificates, including the acquisition, construction, equipping or improvement of the Facilities to be financed from the proceeds of such Series of Certificates or the payment or refunding of the Series of Certificates to be paid or refunded;

(c) An executed counterpart of an Assignment Agreement, effective on or before the date of execution and delivery of such Series of Certificates, assigning and transferring to the Trustee substantially all of the rights of the Corporation under the Lease relating to such Series of Certificates, except for the provisions with respect to release and indemnity of the Corporation and the right of the Corporation to hold title to various Facilities and to receive notices under the Master Lease;

(d) One or more opinions of Special Tax Counsel to the effect that (i) the Certificates evidence undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the corresponding Lease and (ii) the interest portion of the Basic Lease Payments represented by the Series of Certificates being issued is excludable from gross income for federal income tax purposes, and, in the case of refunding Certificates, that the exclusion from gross income for federal income tax purposes of the interest portion of the Basic Lease Payments represented by the Certificates being refunded will not be adversely affected by the issuance of the refunding Certificates being issued;

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except that to the extent that Basic Lease Payments available for payment to all Certificate holders are less than all amounts owed with respect to all Series of Certificates on any Payment Date, such amounts available shall be applied on a pro-rata basis to Certificate holders of all Series in accordance with the ratio that the principal balance due on each Series of Certificates Outstanding on such Payment Date bears to the total principal balance due on all Certificates Outstanding under this Trust Agreement on such Payment Date.

(b) Except as otherwise expressly provided in the immediately preceding paragraph and elsewhere herein, all amounts payable by the Trustee with respect to a Series of Certificates or to any Credit Facility Issuer who shall have issued a Credit Facility, if any, securing such Series pursuant to this Trust Agreement shall be paid only from the portion of the Trust Estate derived from Basic Lease Payments made pursuant to the Schedule corresponding to such Series and only to the extent that the Trustee shall have actually received sufficient income or proceeds from such portion of the Trust Estate to make such payments. Each Certificate holder agrees, and each such Credit Facility Issuer, by its execution and delivery of the Credit Facility shall be deemed to have agreed, except as otherwise expressly provided herein, to look solely to the income of and the proceeds from such portion of the Trust Estate to the extent available for distribution to such holder and each such Credit Facility Issuer as herein provided and that the Trustee is not personally liable to any Certificate holder or any such Credit Facility Issuer for any amounts payable under this Trust Agreement or subject to any liability under this Trust Agreement except liability under this Trust Agreement as a result of negligence or willful misconduct by the Trustee.

(c) So long as the Master Lease or related Ground Leases shall be in effect, all amounts of Lease Payments, insurance proceeds, indemnity payments and other payments of any kind constituting a part of the Trust Estate payable under this Trust Agreement or the Lease corresponding to such Series to the Trustee shall be paid directly to the Trustee for distribution, in accordance with Articles III, V, VI and VII of this Trust Agreement, to or for the Certificate holders or the related Credit Facility Issuer, as the case may be.

306. Execution.

The Certificates shall be executed in the name of, and by, the Trustee, solely as trustee under the Trust Agreement and not in its individual capacity, by the manual signature of any authorized signatory of the Trustee.

307. Negotiability, Transfer and Registration.

(a) The Trustee shall maintain, at its designated corporate trust office, a register of the names and addresses of all Certificate holders as of any particular time, and the Trustee

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(e) A written order to the Trustee by an Authorized Corporation Representative to execute and deliver the Series of Certificates to the purchaser or purchasers therein identified upon payment to the Trustee of a specified sum;

(f) Certified copies of resolutions of the Corporation and the School Board authorizing the issuance of such Series of Certificates;

(g) Evidence of approval of the related Lease by the State Department of Education, or an opinion of Special Tax Counsel to the effect that such approval is not required;

(h) Such other documents and opinions as may be provided for in the Supplemental Trust Agreement referred to in subparagraph (a) hereof, including one or more Ground Leases (or amended Ground Leases in the case of Certificates issued for the purposes described in Section 302(b) above), or as may be required under Section 6.1 of the Master Lease;

(i) One or more Opinions of Counsel in form and substance satisfactory to each Credit Facility Issuer to the effect that the issuance of such Series of Certificates for the purposes set forth in Section 302 is authorized by law, and the execution and delivery thereof and of the other documents described in this Section have been duly authorized by the School Board and the Corporation, all conditions precedent to the delivery thereof have been fulfilled and to the further effect that the execution of the Supplemental Trust Agreement is authorized or permitted hereunder; and

(j) A certificate signed by an Authorized Corporation Representative to the effect that the Master Lease is in effect and to its knowledge there are no defaults at the time of issuance under any Lease, Ground Lease or this Trust Agreement.

The proceeds of such Series of Certificates shall be held and disbursed as provided in the Supplemental Trust Agreement providing for such Series of Certificates. The Trustee shall execute and deliver such Series of Certificates to the purchaser or purchasers thereof as directed and authorized in writing by an Authorized Corporation Representative.

305. Payments from Trust Estate Only; Distribution of Trust Estate.

(a) Unless otherwise set forth in a Supplemental Trust Agreement, each Certificate within a Series of Certificates executed and delivered pursuant to this Section shall rank pari passu and be equally and ratably secured under this Trust Agreement with each other Certificate of such Series, but not with any Certificates of any other Series issued pursuant to this Trust Agreement and Outstanding, without preference, priority or distinction of any such Certificate over any other such Certificate,

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shall, upon request of the School Board, furnish such information to the School Board.

(b) Each Certificate shall be transferable only upon the register maintained by the Trustee, by the Certificate holder in person or by his/her attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Certificate holder or his/her attorney duly authorized in writing. Upon the registration of transfer of any such Certificate, the Trustee shall deliver in the name of the transferee a new Certificate or Certificates of the same series, aggregate principal amount and maturity as the surrendered Certificate.

(c) The person in whose name any Certificate shall be registered upon the books of the Trustee shall be treated as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal portion or Prepayment Price, if applicable, and interest portion represented by such Certificate and for all other purposes, and all such payments so made to any such Certificate holder or upon his/her order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Trustee, the Corporation and the School Board shall not be affected by any notice to the contrary.

(d) Certificates, upon surrender thereof at the designated corporate trust office of the Trustee, together with an assignment duly executed by the Certificate holder or his attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Certificate holder thereof and upon payment by such Certificate holder of any charges which the Trustee may make as provided in Section 308 hereof, be exchanged for an equal aggregate principal amount of Certificates of the same maturity and series, of any denomination or denominations authorized by this Trust Agreement, representing interest at the same rate, and in the same form as the Certificates surrendered for exchange.

(e) Upon the occurrence and continuance of an Event of Default which requires a Credit Facility Issuer to make payments under a Credit Facility, the Credit Facility Issuer and its designated agent shall be provided with access to inspect and copy the register of the Series of Certificate holders insured by its Credit Facility.

308. Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Certificates or registering the transfer of Certificates is exercised, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Trust Agreement. All Certificates surrendered in any such exchanges or registrations of transfer shall forthwith be cancelled by the Trustee. For every such exchange or registration

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of transfer of Certificates, whether temporary or definitive, the Trustee may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Trustee shall not be required (a) to register the transfer of or exchange Certificates for a period of fifteen (15) days preceding any Payment Date until such Payment Date, or for a period of fifteen (15) days preceding any selection of Certificates to be prepaid until after the mailing of any notice of prepayment; or (b) to register the transfer of or exchange any Certificates called for prepayment.

309. **Certificates, Mutilated, Destroyed, Stolen or Lost.** In case any Certificates shall become mutilated or be destroyed, stolen or lost, the Trustee shall execute and deliver a new Certificate of the same series and of like maturity and principal amount as the Certificate so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Certificate, or in lieu of and substitution for the Certificate destroyed, stolen or lost, upon surrender of such mutilated Certificate or filing with the Trustee of evidence satisfactory to the Trustee that such Certificate has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Trustee with indemnity satisfactory to the Trustee and complying with such other reasonable regulations as the Trustee may prescribe and paying such expenses as the Trustee may incur. All Certificates so surrendered to the Trustee shall be cancelled by it. Any such new Certificates executed and delivered pursuant to this Section in substitution for Certificates alleged to be destroyed, stolen or lost shall be equally secured by and entitled to equal and proportionate benefits, with all other Certificates delivered under the Trust Agreement and Outstanding.

310. **Temporary Certificates.** Until the definitive Certificates are prepared, the Trustee may execute and deliver, in the same manner as is provided in Section 306, in lieu of definitive Certificates, one or more temporary Certificates of the same series and substantially of the tenor of the definitive Certificates in lieu of which such temporary Certificate or Certificates are issued, in denominations of \$5,000 or any multiples thereof, and with such omissions, insertions and variations as may be appropriate for temporary Certificates. The Trustee, at the expense and direction of the School Board, shall prepare and execute and, upon the surrender of such temporary Certificates, and the cancellation of such surrendered temporary Certificates, the Trustee shall without charge to the Holder thereof, in exchange therefor, deliver definitive Certificates of the same series, of the same aggregate principal amount and maturity as the temporary Certificates surrendered. Until so exchanged, the temporary Certificates shall in all respects be entitled to the same benefits and security as definitive Certificates of the same series executed and delivered pursuant to the Trust Agreement.

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notice, postage prepaid, not less than 30 days before the Prepayment Date in the case of optional prepayment, extraordinary prepayment resulting from damage, destruction or condemnation, or Facilities or mandatory sinking fund prepayment, and not less than 5 days nor more than 10 days before the Prepayment Date in the case of extraordinary prepayment resulting from termination of all Leases as a result of nonappropriation or default by the School Board, to the Holders of any Certificates or portions of Certificates which are to be prepaid, at their last addresses appearing upon the registry books, but any defect in the notice to a particular Certificate holder shall not affect the validity of the proceedings for the prepayment of other Certificates. Notwithstanding anything in this Section 314 to the contrary, the Trustee shall not give notice that the Certificates are subject to optional prepayment pursuant to a Supplemental Trust Agreement unless and until the School Board shall have deposited with the Trustee to the credit of the related Prepayment Account an amount sufficient to pay in full the principal of the Certificates subject to prepayment, plus accrued interest and premium, if any, on such Certificates to the date established for such prepayment. Notice of such prepayment shall be provided to any depository not less than two days prior to mailing of such notice, to the extent available.

315. **Payment of Prepaid Certificates.** Notice having been given in the manner provided in Section 314, the Prepayment Price of the Certificates or portions thereof so called for prepayment shall become due and payable on the Prepayment Date so designated at the Prepayment Price, plus the interest portion accrued and unpaid to the Prepayment Date, and, upon presentation and surrender thereof at the office specified in such notice such Prepayment Price of the Certificates, or portions thereof shall be paid. If there shall be selected for prepayment less than all of the Certificates, the Trustee shall execute and deliver, upon the surrender of such Certificates, without charge to the owner thereof, for the aggregate balance of the principal amount of the Outstanding Certificates so surrendered, at the option of the owner thereof, Certificates of like maturity in any of the authorized denominations. If, on the Prepayment Date, moneys for the payment of the Prepayment Price of all the Certificates of a Series or portions thereof of any like maturity to be prepaid, shall be held by the Trustee so as to be available therefor on the Prepayment Date and if notice of prepayment shall have been given as aforesaid, then, from and after the Prepayment Date the interest portion of the Certificates or portions thereof of such maturity so called for prepayment shall cease to accrue and become payable. If said moneys shall not be so available on the Prepayment Date, the principal portion represented by such Certificates or portions thereof shall continue to bear interest until paid at the same rate as would have accrued had it not been called for prepayment.

316. **Cancellation of Certificates.** All Certificates paid or prepaid, either at or before maturity, shall be delivered to the Trustee when such payment or prepayment is made, and such Certificates shall thereupon be promptly cancelled and destroyed.

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311. **Privilege of Prepayment and Prepayment Price.** Certificates subject to prepayment prior to maturity pursuant to this Trust Agreement may be prepaid, upon notice given as provided in this Article III, at such times, at such Prepayment Prices and upon such terms as specified in this Article III or in the Supplemental Trust Agreement authorizing the issuance of such Certificate.

312. **Prepayment.** Whenever by the terms of this Trust Agreement the Certificates are required to be prepaid, the Trustee shall select the Certificates to be prepaid in accordance with the provisions of Section 313 hereof. The Trustee shall select a Prepayment Date, and immediately give the notice of prepayment and pay the Prepayment Price thereof, plus interest accrued and unpaid to the Prepayment Date, in accordance with the terms of this Article III.

313. **Selection of Certificates to be Prepaid.** If less than all of the Certificates of a Series shall be called for prepayment, the particular Certificates or portions of Certificates to be prepaid shall be in multiples of \$5,000 and, except as otherwise provided in a Supplemental Trust Agreement, such Certificates or portions of Certificates shall be prepaid in such order of maturity as shall be designated by the School Board. If less than all of the Certificates of like maturity shall be called for prepayment, the particular Certificates or portions thereof to be prepaid shall be selected by lot by the Trustee in such manner as the Trustee shall deem fair and appropriate. The portion of any Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such Certificate to be prepaid in part by \$5,000.

314. **Notice of Prepayment.** When prepayment of Certificates is required pursuant to Section 312 hereof, the Trustee shall give notice of the prepayment of such Certificates, which notice shall specify the maturities of the Certificates to be prepaid, the CUSIP numbers (which shall be for informational purposes only and shall not affect the validity of such notice), the prepayment date and the place or places where amounts due upon such prepayment will be payable and, if less than all of the Certificates of a Series are to be prepaid, the letters and numbers or other distinguishing marks of such Certificates to be prepaid, and, in the case of Certificates to be prepaid in part only, such notice shall also specify the respective portions of the principal amounts thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable with respect to each Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof to be prepaid in part only, together with interest accrued to the Prepayment Date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such

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Upon the cancellation and deletion of any Certificates by the Trustee, the Trustee shall execute a certificate of cancellation in duplicate by the signature of one of its authorized officers describing the Certificates so cancelled, and executed certificates shall be filed with the School Board and the Corporation and the other executed certificate shall be retained by the Trustee.

317. **Qualification for The Depository Trust Company.** The Trustee is hereby authorized to take such actions as may be necessary from time to time to qualify any Series of Certificates for deposit with The Depository Trust Company of New York, including but not limited to wire transfers of interest and principal payments with respect to such Series of Certificates, utilization of electronic book-entry data received from The Depository Trust Company of New York in place of actual delivery of Certificates and provision of notices with respect to Certificates registered by The Depository Trust Company of New York (or any of its designees identified to the Trustee) by overnight delivery, courier service, telegram, telecopy or other similar means of communication. No such arrangements with The Depository Trust Company of New York may adversely affect the interest of any of the beneficial owners of the Certificates, provided, however, that the Trustee shall not be liable with respect to any such arrangements it may make pursuant to this Section. Without limiting the foregoing, the Trustee may deliver a Series of Certificates to a bank or trust company serving as custodian (which may be the Trustee serving in the capacity of custodian) to provide for a book-entry or similar method for the registration and registration of transfers of such Series of Certificates; provided that the holders of such Series of Certificates always may receive upon request certificates evidencing their ownership of Certificates.

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ARTICLE IV

ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND ACCOUNTS; PREPAYMENT OF CERTIFICATES

401. Establishment of Project Fund. There is hereby established with the Trustee a special trust fund to be designated as the "Project Fund". The Trustee shall keep the Project Fund separate and apart from all other funds and moneys held by it. Within the Project Fund, the Trustee shall establish pursuant to each Supplemental Trust Agreement, as necessary, the following accounts and subaccounts for each Series of Certificates: (a) an Acquisition Account and a Cost of Issuance Subaccount therein, more particularly described in Section 402 hereof; (b) a Capitalized Interest Account more particularly described in Section 403 hereof; (c) a Lease Payment Account, more particularly described in Section 404 hereof; (d) a Reserve Account, more particularly described in Section 405 hereof; and (e) a Prepayment Account, more particularly described in Section 406 hereof. The Trustee shall establish separate Acquisition Accounts, Cost of Issuance Subaccounts, Capitalized Interest Accounts, Lease Payment Accounts, Reserve Accounts and Prepayment Accounts for each Project in the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates corresponding to each such Project. The Trustee may create additional Accounts and Subaccounts in any Supplemental Trust Agreement at the request of the School Board. Each such account and subaccount shall be designated by the Trustee with the Series of the Certificates to which they relate.

On the date of delivery of each Series of Certificates the Trustee shall deposit the proceeds thereof as provided in the Schedule or Schedules and the Supplemental Trust Agreement authorizing such Series of Certificates.

402. Acquisition Account.

(a) There shall be paid into each Acquisition Account the amounts required to be so paid by the provisions hereof or by the provisions of the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(b) Pursuant to an election by the School Board under Section 5.4(a) of the Master Lease, Net Proceeds with respect to any Facilities, may be deposited into the Acquisition Account established under the Supplemental Trust Agreement authorizing the issuance of the Series of Certificates to which such Acquisition Account relates.

(c) The Cost (other than the Costs of Issuance) of the Facilities comprising each Project shall be paid from the amounts on deposit in the related Acquisition Account. Actual amounts paid

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able to the School Board confirming the feasibility of the proposed construction; and

(vii) Certification by the School Board that adequate water, sanitary sewer and storm sewer utilities, electric power, telephone and other utilities are available to the land, or the cost of making them available is included in the School Board's acquisition and construction budget.

Before payment is made pursuant to a requisition for real estate improvements, regardless of whether the underlying land was previously owned by the School Board or is being acquired with Certificate proceeds, there shall be provided to the Trustee items (i) through (vii) above with respect to the land underlying such real estate improvements, and in the case of underlying land previously owned by the School Board, there shall be provided to the Trustee a related Ground Lease or amendment to the related Ground Lease adding such parcel of land thereto.

(d) Costs of Issuance of Certificates shall be paid from the related Cost of Issuance Subaccount in the related Acquisition Account upon receipt by the Trustee of a requisition substantially in the form of Exhibit C hereto, signed by an Authorized School Board Representative stating with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm, corporation or agency to whom payment is due, (3) the amount to be paid and (4) that such payment obligation has been properly incurred, is a Cost of Issuance for the related Project and has not been the basis of a previous withdrawal.

(e) The completion of the acquisition, construction and installation of the Facilities comprising each Project financed under a particular Lease shall be evidenced by a Certificate of Acceptance of the School Board and the Corporation in the form attached as Exhibit B to the Master Lease, which Certificate of Acceptance shall be filed with the Trustee upon completion of acquisition of such Facilities. Upon the filing of such certificate any amounts remaining in the related Acquisition Account shall be either (a) transferred to the related Lease Payment Account and applied as a credit to Basic Lease Payments due under the particular Schedule with respect to which such surplus is applicable, in accordance with Section 3.2(b) of the Master Lease or (b) if there shall remain in the related Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Lease, transferred to the related Prepayment Account and utilized to prepay the related Series of Certificates at a price of par plus interest accrued to the date of prepayment, in the manner provided in the related Supplemental Trust Agreement and Section 7.2(B) of the Master Lease.

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for particular Facilities may be more or less than the estimated amounts set forth initially in a Schedule, so long as the certifications provided below can be made. The Trustee shall make such payments upon receipt of a requisition substantially in the form of Exhibit B hereto, signed by an Authorized School Board Representative certifying with respect to each payment to be made: (1) the requisition number, (2) the name and address of the person, firm, corporation or agency to whom payment is due or has been made, (3) the amount to be paid, (4) that each obligation, item of cost or expense mentioned therein has been properly incurred, is an item of Cost of the Facilities comprising the related Project and has not been the basis of any previous withdrawal, and (5) that the payment of the Cost of the Facilities comprising such Project will not cause the balance remaining in such Acquisition Account after such payment to be less than the amount necessary to pay the remaining estimated Costs to be paid from such account or that sufficient other moneys are available therefor. Payments may be made from such Acquisition Account in order to reimburse the School Board for payments previously made to pay the Costs of the Facilities comprising such Project.

Payments shall be made by the Trustee for Costs of land in accordance with the following:

- (i) Receipt by the Trustee and the related Credit Facility Issuer of a title insurance policy, if required by such related Credit Facility Issuer pursuant to Section 6.1 of the Master Lease (the Trustee shall be notified in writing of such requirement);
- (ii) Receipt by the Trustee and the related Credit Facility Issuer of an Opinion of Counsel described in Section 6.1 of the Master Lease;
- (iii) An executed Schedule or Amendment to the related Schedule describing the land and the cost thereof;
- (iv) A "Phase I" environmental audit prepared by an independent engineer or other qualified consultant acceptable to the applicable Credit Facility Issuer and the School Board;
- (v) A copy of a recent survey plat of the land in questions prepared, sealed and certified to the School Board and the Trustee by a licensed Florida surveyor, in form satisfactory to the School Board;
- (vi) A report on soil conditions and an engineer's certification in form and substance accept-

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(f) In the event that a Lease Term terminates under Section 4.1 of the Master Lease prior to the completion of the acquisition, construction and installation of the Facilities comprising the related Project as evidenced by the delivery of a Certificate of Acceptance, the Trustee shall transfer all amounts remaining in the related Acquisition Account to the related Lease Payment Account and apply such amounts pursuant to Section 504 hereof.

403. Capitalized Interest Accounts. Funds in each Capitalized Interest Account relating to a Series of Certificates shall be transferred to the related Lease Payment Account in an amount necessary to pay the interest portion of Lease Payments coming due during construction represented by such Series of Certificates. Such transfer shall be made on the Business Day before each Payment Date for such Series, until the amounts in such Capitalized Interest Account are exhausted.

404. Lease Payment Accounts.

(a) In addition to the moneys required to be deposited in a Lease Payment Account pursuant to Sections 401, 402 and 408 hereof and except as provided in Section 406(b) hereof, all Basic Lease Payments for the Facilities financed under a Lease shall be deposited by the Trustee in the related Lease Payment Account immediately upon their receipt. The Trustee shall pay out of such Lease Payment Account, (i) on each Payment Date, the amount required for the interest portion of the Basic Lease Payment for such Facilities payable on such date to the related Certificate holders, (ii) on each Payment Date for principal the amount required for the principal portion of the Basic Lease Payments for such Facilities payable on such date to the related Certificate holders, and (iii) in the event of the termination of the related Lease Term pursuant to Section 4.1(d) of the Master Lease for deposit in the related Prepayment Account to be applied to the prepayment of the related Certificates pursuant to Section 315 hereof amounts on deposit in the related Lease Payment Account sufficient to pay the Prepayment Price of the related Certificates.

(b) Pursuant to an election by the School Board under Section 5.4(b) of the Master Lease, Net Proceeds with respect to any Facilities of less than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to such Facilities shall be deposited in the related Lease Payment Account to be credited against Basic Lease Payments next coming due under the related Schedule in accordance with Section 3.2(c) of the Master Lease.

405. Reserve Accounts.

Pursuant to the Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may be established

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and maintained a separate Reserve Account to secure the payment of the principal and/or interest portion of the Basic Lease Payments related to such Series of Certificates. Each such Reserve Account shall secure only the Series of Certificates for which it has been established.

(a) The Reserve Account shall be maintained by the Trustee at the Reserve Account Requirement until the Basic Lease Payments related to a Series of Certificates for which it was established are paid in full pursuant to the terms of the Master Lease and the related Schedule, or the School Board has prepaid all such Basic Lease Payments in accordance with Section 7.2 or Section 7.3 of the Master Lease, or the Trust Agreement is terminated. The Trustee shall apply moneys in a Reserve Account as provided in this Section 405 or as provided in a Supplemental Trust Agreement.

(b) If on any Lease Payment Date (after taking into account Basic Lease Payments made to the Trustee on such Lease Payment Date) immediately preceding a Payment Date the amount in any Lease Payment Account shall be less than the amount required to pay the interest portion and principal portion of the Basic Lease Payments then due in relation to a Series of Certificates for which it was established, the Trustee shall transfer from the Reserve Account established in relation to such Series of Certificates to such Lease Payment Account the amount necessary to make good the deficiency. Any amounts transferred from a Reserve Account pursuant to this subsection (b) shall, to the extent of such transfer, be deemed to satisfy the School Board's obligation to make such Basic Lease Payment. In the event of any such transfer, the Trustee shall, within five (5) days after making such transfer, provide written notice to the School Board of the amount and date of such transfer and the School Board shall, if the deficiency in any Lease Payment Account is not the result of a failure of the School Board to appropriate moneys as contemplated by Section 3.5 of the Master Lease, pay within thirty (30) days of receipt of notice of such transfer from the Trustee, as Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto. In the event of any deficiency in the value of the Reserve Account pursuant to Section 409 hereof, the Trustee shall, within five (5) days of such valuation, provide written notice to the School Board of such deficiency and the School Board shall pay within thirty (30) days of receipt of notice of such deficiency from the Trustee, as Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto.

(c) Whenever the amount in any Reserve Account, together with the amount in the related Lease Payment Account, is sufficient to pay in full the interest portion and principal portion of the Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms, the funds

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amount of the disbursement made under such Reserve Account Letter of Credit/Insurance Policy.

In the event that upon the occurrence of any deficiency in a Lease Payment Account, the Reserve Account is then funded with a Reserve Account Letter of Credit/Insurance Policy, the Trustee shall, on a Payment Date to which such deficiency relates, draw upon or cause to be paid under the Account Letter of Credit/Insurance Policy an amount sufficient to remedy such deficiency, in accordance with the terms and provisions of the Reserve Account Letter of Credit/Insurance Policy as applicable, and any corresponding reimbursement or other agreement governing the Reserve Account Letter of Credit/Insurance Policy; provided, however, that if at the time of such deficiency the Reserve Account is only partially funded with a Reserve Account Letter of Credit/Insurance Policy, prior to drawing on the Reserve Account Letter of Credit/Insurance Policy, as applicable, the Trustee shall first apply any cash and securities on deposit in the Reserve Account to remedy the deficiency in accordance with the Section 4.05(b) and, if after such application a deficiency still exists, the Trustee shall make up the balance of the deficiency by drawing on the Reserve Account Letter of Credit/Insurance Policy, as provided in this sentence. Amounts drawn on the Reserve Account Letter of Credit/Insurance Policy shall be applied as set forth in Section 4.05(b). Any amounts drawn under a Reserve Account Letter of Credit/Insurance Policy shall be reimbursed to the provider thereof in accordance with the terms and provisions of the reimbursement or other agreement governing such Reserve Account Letter of Credit/Insurance Policy.

406. Prepayment Accounts.

(a). Except as may be otherwise provided in the Supplemental Trust Agreement authorizing the issuance of a Series of Certificates, the Trustee shall apply moneys in each Prepayment Account as provided in this Section 406. Amounts in a Prepayment Account shall be applied within 35 days after deposit therein, to the prepayment of Certificates of the related Series.

(b). The Trustee shall deposit in each Prepayment Account as received, all moneys, if any, paid to it for such purpose by the School Board pursuant to provisions of Section 7.2 of the Master Lease. In the event of the occurrence of an Event of Mandatory Prepayment pursuant to an election under Section 5.4(b) of the Master Lease, the Trustee shall deposit in the related Prepayment Account Net Proceeds for such purpose. Also, in the event of the occurrence of an Event of Mandatory Prepayment at the election of a Credit Facility Issuer as a result of termination of all Leases for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease, the Trustee shall deposit in the related Prepayment Account moneys paid by the School Board and the related Credit Facility Issuer for such purpose, and shall transfer to the

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on deposit in such Reserve Account shall be transferred to the related Lease Payment Account. Any provision of the Trust Agreement to the contrary notwithstanding, so long as there shall be held in any Lease Payment Account an amount sufficient to pay in full the interest portion and principal portion of all Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms, no deposits shall be required to be made into the Reserve Account established in relation to such Series.

(d) Any amounts on deposit in a Reserve Account in excess of the related Reserve Account Requirement applicable thereto shall be transferred to the Lease Payment Account relating to the Series of Certificates secured by such Reserve Account.

(e) Any income or interest earned by, or increment to any Reserve Account due to the investment thereof paid into the applicable Lease Payment Account established for the particular Series of Certificates secured by such Reserve Account pursuant to Section 408(b) hereof shall be credited toward the interest portion of Basic Lease Payments represented by such Series next coming due, and the Trustee shall (to the extent reasonably ascertainable) notify the School Board thirty (30) days before each Lease Payment Date of the funds to be available for such transfer.

(f) Notwithstanding the foregoing, in lieu of the required deposits into the related Reserve Account, the Trustee is hereby authorized to accept and the Issuer may cause to be deposited into the Reserve Account pursuant to Section 3.1 of the Master Lease, a Reserve Account Letter of Credit/Insurance Policy either in lieu of any cash amount required to be deposited therein in connection with the issuance of any Series of Certificates or in substitution for the full amounts then on deposit therein or in an amount equal to the difference between the amount required to be deposited and the sum, if any, then on deposit in the Reserve Account, which Reserve Account Letter of Credit/Insurance Policy shall be payable (upon the giving of notice as required hereunder) on any Payment Date on which a deficiency exists which cannot be remedied by moneys in any other fund or account held pursuant to the Trust Agreement and available for such purpose. If any such Reserve Account Letter of Credit/Insurance Policy is substituted for moneys on deposit in the Reserve Account, or if on a valuation date there are excess moneys in the Reserve Account, the excess moneys in the Reserve Account shall be transferred to and deposited in the related Lease Payment Account. If a disbursement is made from a Reserve Account Letter of Credit/Insurance Policy, the School Board shall be obligated to either reinstate the maximum limits of such Reserve Account Letter of Credit/Insurance Policy immediately following such disbursement or to deposit into the Reserve Account, as provided in Section 3.1 of the Master Lease for restoration of withdrawals from the Reserve Account, funds in the

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related Prepayment Account moneys on hand in the related Lease Payment Account and not needed to pay the principal portion and interest portion due or past due represented by the related Series of Certificates, sufficient to pay the Prepayment Price of such Series of Certificates pursuant to Section 404 hereof. All of said moneys shall be set aside in the corresponding Prepayment Account for the purpose of prepaying a principal amount of the related Series of Certificates corresponding to the principal portion of Basic Lease Payments prepaid or to the principal portion of the Purchase Option Price of all or a portion of the related Facilities, and shall be applied on or after the Prepayment Date to the payment of such principal amount of the related Series of Certificates, together with the accrued interest relating thereto, upon presentation and surrender of such Certificates.

407. Deposits of Money.

(a) All moneys deposited under the provisions of this Trust Agreement with the Trustee shall be held in trust and applied only in accordance with the provisions of this Trust Agreement, and the Project Fund established by this Trust Agreement shall be a trust fund for the purposes thereof.

(b) All moneys held under this Trust Agreement by the Trustee shall be invested in accordance with Section 408 hereof, provided, however, that it shall not be necessary for the Trustee to give or obtain security for the deposit of any moneys held in trust and set aside by it for the payment of the principal portion or Prepayment Price of or interest portion of the Basic Lease Payments represented by any Certificates, or to give security for any moneys which shall be represented by Investment Securities purchased as an investment of such moneys.

(c) All moneys deposited with the Trustee shall be credited to the particular account to which such moneys belong.

408. Investment of Certain Accounts.

(a) Moneys held in each Acquisition Account, Capitalized Interest Account, Lease Payment Account, Reserve Account and Prepayment Account shall be invested and reinvested by the Trustee, solely as directed by an Authorized School Board Representative, to the fullest extent practicable in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such Accounts, provided that moneys in each Acquisition Account shall not be invested in Investment Securities maturing more than three (3) years after the date of investment, and provided, further, that moneys in each Reserve Account shall be invested in Investment Securities with maturities not longer than five (5) years. The Trustee shall make all such investments of moneys held by it only as directed in accordance with instructions (which may be standing instructions)

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confirmed in writing, received from an Authorized School Board Representative and the Trustee shall have no responsibility for determining whether Investment Securities are legal under State law for investment of the School Board's funds.

(b) Subject to the first sentence of Section 409, interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investments and net of amounts deemed Excess Earnings) earned on any moneys or investments in an Acquisition Account shall be either (i) at the direction of an Authorized School Board Representative retained in such account until delivery of a Certificate of Acceptance, or (ii) automatically transferred to the related Lease Payment Account without need for any requisition or other direction and, together with interest, earnings on investments in such Lease Payment Account, applied on the next occurring Lease Payment Date as a credit against the Basic Lease Payment then due on such date under the related Lease and deemed to be payment of the interest portion thereof. Interest earned on any moneys or investments in each Cost of Insurance Sub-account shall be deposited in the related Acquisition Account. Interest and other income received by the Trustee from investments of moneys on deposit in each Reserve Account (net of amounts deemed by the School Board to be Excess Earnings) and the related Capitalized Interest Account, if any, shall, prior to delivery of a Certificate of Acceptance, be deposited in the Acquisition Account, and after such date, be deposited in the related Lease Payment Account; provided, however, that all interest and other income received by the Trustee on investment of a Reserve Account shall be retained therein in the event that amounts on deposit in such Reserve Account are less than the Reserve Account Requirement applicable thereto. Interest earned on moneys and investments in a Prepayment Account shall be applied on the next ensuing Prepayment Date toward payment of amounts due to the related Certificate holders, in accordance with the provisions of Article III hereof. The School Board shall give written notice to the Trustee after each calculation period of amounts deemed by the School Board to be Excess Earnings and the Trustee may rely conclusively on such notice for purposes of determining the Excess Earnings amount hereunder.

(c) Nothing in this Trust Agreement shall prevent any Investment Securities acquired as investments of funds held under this Trust Agreement from being issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

409. Valuation and Sale of Investments. Obligations purchased as an investment of moneys in any Account created under the provisions of this Trust Agreement shall be deemed at all times to be a part of such Account and any profit realized from the liquidation of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged

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ARTICLE V

COVENANTS, DEFAULT AND LIMITATIONS OF LIABILITY

501. Trustee to Perform each Lease. The Trustee covenants and agrees with the Certificate holders and each Credit Facility Issuer, if any, to perform or cause to be performed all obligations and duties imposed on it as assignee of the Corporation of each Lease, and to enforce each Lease against the School Board.

502. Notice of Nonpayment. In the event of delinquency in the payment when due of Basic Lease Payments by the School Board pursuant to a Lease, the Trustee shall give notice to the School Board on the Business Day following the day payment was due that such Basic Lease Payments have not been received. In the event of a delinquency in the payment when due of Additional Lease Payments or Supplemental Payments by the School Board pursuant to a Lease, the Trustee shall give notice to the School Board on the Business Day following the day payment was due (if payment was due to the Trustee) or on the Business Day following the date of receipt of notice of nonpayment from the party to whom such Additional Lease Payment or Supplemental Payment was due (if payment was due to a payee other than the Trustee).

503. Events of Default. Each of the following events is hereby declared to be an event of default hereunder:

(a) Payment of any installment of interest represented by any Certificate shall not be made when the same shall become due and payable; or

(b) Payment of any principal, whether at maturity or upon call for redemption, or any redemption premium with respect to any Certificate shall not be made when the same shall become due and payable; or

(c) An "Event of Default" shall occur and be continuing under Section 8.1 of the Master Lease.

504. Remedies on Default or Non-Appropriation. Upon the occurrence of an event of default by the School Board with respect to any Lease under Section 8.1 of the Master Lease, or upon termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee, with the consent or at the direction of each Credit Facility Issuer insuring a Series of Certificates, and upon receipt of indemnity, shall be entitled to enforce the rights and exercise the remedies provided in the Master Lease, as appropriate and shall pursue one or more of such remedies at the direction of the Holders of a majority in aggregate principal amount of the Certificates of each Series Outstanding which is affected by such remedies, subject to the provisions of Section 707 hereof.

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to, the computation of net interest earned on the moneys and investments of such Account.

In computing the amount in any Account created under the provisions of this Trust Agreement for any purpose provided in this Trust Agreement, obligations purchased as an investment of moneys therein shall be valued at the amortized cost of such obligations plus accrued interest. Such computation shall be determined as and when needed. Investments in the Reserve Account shall be valued annually.

Except as otherwise provided in this Trust Agreement, the Trustee shall sell at the best price reasonably obtainable or present for redemption or transfer as provided in the next sentence any obligation so purchased as an investment whenever it shall be requested in writing by the Authorized School Board Representative so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Account or sub-account held by it. In lieu of such sale or presentation for redemption, the Trustee may, in making the payment or transfer from any Account mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto if such investment obligations shall mature or be collectible at or prior to the time the proceeds thereof shall be needed and such transfer of investment obligations may be made in book-entry form. The Trustee shall not be liable or responsible for making any such investment in the manner provided above.

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Any amounts collected following an event of default or non-appropriation shall be applied in accordance with the provisions of this Section and if all amounts due on the Certificates or otherwise hereunder have been fully paid (or provision for payment thereof has been made), such amounts shall be paid to the School Board.

(a) All such moneys collected in connection with a particular Lease shall be deposited into one or more special accounts established by the Trustee for the Series of Certificates relating thereto and applied:

First: To the payment of the reasonable costs of the Trustee related to such Lease, including counsel fees, any disbursements of the Trustee and its reasonable compensation;

Second: To the payments related to such Lease, if any, required to be paid to the Treasury Department of the United States under the Code;

Third: To the payment to the persons entitled thereto of all installments of the interest then due represented by all Series of Certificates related to such Lease in the order of such maturity of the installments of such interest portion, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due represented by such installment, to the persons entitled thereto, without any discrimination or preference;

Fourth: To the payment to the persons entitled thereto of the unpaid principal portion or Prepayment Price of all Series of Certificates related to such Lease which shall have become due whether at maturity or by call for prepayment in the order of their due dates and, if the amount available shall not be sufficient to pay in full all Certificates due on any date, then to the payment thereof ratably, according to the amount of principal portion, or Prepayment Price due on such date, to the persons entitled thereto, without any discrimination or preference; and

Fifth: To the payment of any ground rent or other amounts then due and payable under the corresponding Ground Lease, if any.

(b) If, at the election of a Credit Facility Issuer, an Event of Extraordinary Prepayment shall have occurred, the Trustee shall send notice of such extraordinary prepayment as required under Section 314 and shall apply all such moneys in accordance herewith and with the applicable Supplemental Trust Agreement.

Except as otherwise provided in Section 305(a) hereof, in the case of partial payment of Basic Lease Payments, whenever moneys are to be applied by the Trustee pursuant to the provisions

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of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be on a Lease Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date.

505. Account and Reports.

(a) The Trustee shall keep a copy of this Trust Agreement and all Supplemental Trust Agreements and proper books of record and account in which complete and correct entries shall be made of its transactions relating to each Project and each Account established under this Trust Agreement, which shall be subject to the inspection of the Corporation and the School Board during normal business hours and upon reasonable notice and which shall be maintained by the Trustee at the expense of the School Board for a period of six (6) years following termination of this Trust Agreement.

(b) The Trustee shall advise the Corporation and the School Board promptly after the end of each month of its transactions during such month relating to each Account held by it under this Trust Agreement.

506. Liability to Certificate Holders for Payment. Except as otherwise provided in this Trust Agreement, the Trustee shall have no obligation or liability to the Certificate holders with respect to the School Board's obligation to pay Basic Lease Payments when due, or with respect to the performance by the School Board of any other covenants made by it in the Master Lease. The Trustee shall not be liable or responsible because of the failure of the Corporation or the School Board or of any of its employees or agents to make any collections or deposits or to perform any act herein required of the Corporation or the School Board or because of the loss of any money arising through the insolvency or the act or default or omission of any depository. The Trustee shall not be responsible for the application of any of the proceeds of Certificates or any other money deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Trust Agreement. The immunities and exemption from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

507. Possession and Enjoyment. With respect to each Project, from and after the acceptance by the School Board of the Facilities comprising such Project in accordance with the terms of the Master

Lease, the Trustee hereby agrees that it will not interfere with the Lease Terms and that the School Board shall, during such Lease Terms, peaceably and quietly have and hold and enjoy such Facilities, without suit, trouble or hindrance from the Trustee, except as expressly set forth in such Leases.

508. Warranties. THE TRUSTEE, BY ACCEPTANCE OF THE TRUST AGREEMENT, AND THE CORPORATION, BY DELIVERY OF THE LEASES, MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESSED OR IMPLIED, AS TO THE TITLE TO, VALUE, DESIGN, CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF ANY OF THE FACILITIES, OR PORTION THEREOF, OR AS TO WHETHER THE QUALITY OR CAPACITY OF THE MATERIAL OR WORKMANSHIP IN SUCH FACILITIES OR ANY WARRANTY THAT SUCH FACILITIES WILL SATISFY THE REQUIREMENTS OF ANY LAW, RULE, SPECIFICATIONS OR CONTRACT WHICH PROVIDES FOR SPECIFIC MACHINERY, OPERATORS OR SPECIAL METHODS OR ANY OTHER WARRANTY OF ANY KIND WHATSOEVER. In no event shall the Trustee be liable for any incidental, indirect, special or consequential damage in connection with or arising out of any Lease or the existence, furnishing, functioning or the School Board's use of any item, product or service provided for in any Lease.

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ARTICLE VI CONCERNING THE TRUSTEE

601. Employment of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the Trustee hereby agrees to receive, hold, invest and disburse the moneys to be paid to it pursuant to the Master Lease for credit to the various funds and accounts established by this Trust Agreement; to prepare, execute, deliver and deal with the Certificates; and to apply and disburse the Trust Estate and other moneys received pursuant to the Master Lease to the Certificate holders subject to the limitations set forth in this Trust Agreement; and to perform certain other functions, all as expressly provided in and subject to the express terms and conditions of, this Trust Agreement. Prior to the occurrence of any Event of Default hereunder and after the curing of all such Events of Default that may have occurred, the Trustee shall perform only such duties of the Trustee as are specifically set forth in this Trust Agreement.

602. Trustee Acceptance of Duties.

(a) The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Trust Agreement by executing and delivering this Trust Agreement, and by executing such acceptance the Trustee shall be deemed to have accepted such duties and obligations with respect to all the Certificates thereafter to be delivered, but only, however, upon the express terms and conditions set forth herein.

(b) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect all books, papers and records of the School Board pertaining to each Project and each Lease, and to take such memoranda from and with regard thereto as may be desired.

(c) The Trustee shall not be required to give bond or surety in respect of the execution of said trusts powers or otherwise in respect of this Trust Agreement.

(d) Before taking any action referred to in Article V, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its failure to comply with the standard of care prescribed by Section 612 hereof or liability which is adjudicated to have resulted from its negligence or willful misconduct. Notwithstanding any other provision contained herein, the Trustee shall be under no obligation to institute any suit or to undertake any remedial proceeding in the Event of a Default under this Trust Agreement or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of any of the trusts hereby created

or in the enforcement of any rights and powers hereunder, including its acceptance or possession of the Facilities, until it shall be indemnified to its reasonable satisfaction against any and all reasonable costs, expenses, outlays and reasonable counsel fees and other reasonable disbursements, and against all liability, including any liability in connection with any hazardous waste on any Facility Site.

(e) The Trustee shall not be liable for any error of judgment made in good faith by any officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(f) The recitals, statements and representations in this Trust Agreement or in the Certificates, save only the Trustee's execution of the Certificates, have been made by the Corporation and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof. The Trustee shall not be responsible for the validity, priority, recording or filing of this Trust Agreement, the Master Lease, or the Assignment Agreements, or for insuring the Facilities or collecting any insurance moneys, or for the validity of the execution by the Corporation of this Trust Agreement or of any supplements hereto or instruments of further assurance, or for the sufficiency of the Trust Estate, or for the value or title of the Facilities or as to the maintenance of the security hereof, except as otherwise expressly provided herein.

(g) Except as to the acceptance of the trusts created hereunder, the Trustee shall have no responsibility in respect of the due execution or acknowledgment of this Trust Agreement by the Corporation, the validity or sufficiency of this Trust Agreement, or the validity of the Certificates or the issuance thereof.

603. Evidence on Which Trustee May Act.

(a) The Trustee, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of this Trust Agreement shall be protected in acting upon any such instrument reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may, but shall not be obligated to, consult with recognized counsel in the field of commercial banking and corporate trust administration, who may or may not be counsel to the School Board, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Trust Agreement in good faith and in accordance herewith.

(b) Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Trust Agreement, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established

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by a certificate of an Authorized School Board Representative, and such certificate shall be full warranty for any action taken or suffered in good faith under the provisions of this Trust Agreement upon the faith thereof. But in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

(c) Except as otherwise expressly provided hereunder, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the School Board to the Trustee shall be sufficiently executed in the name of the School Board by an Authorized School Board Representative.

(d) The Trustee shall not be deemed to have notice of any Event of Default hereunder except a default in the payment of Lease Payments, unless the Trustee shall have actual knowledge thereof or be specifically notified thereof in writing.

(e) The Trustee may buy, sell, own, hold and deal in any of the Certificates, and may join in any action which any Certificate holder may be entitled to take with like effect as if the Trustee were not a party to this Trust Agreement. The Trustee, either as principal or agent, may also engage in or have an interest in any financial or other transaction with the School Board or Corporation, and may act as depository, trustee, or agent for any committee or body of Certificate holders or other obligations of the School Board as freely as if it were not Trustee hereunder.

(f) The Trustee shall not be answerable or accountable except for the performance of its duties and obligations as are specifically set forth in this Trust Agreement and except for its own willful misconduct or negligence. The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

(g) No provision of this Trust Agreement shall be construed to relieve the Trustee from liability for its own negligent action, willful misconduct or negligent failure to act. However, in no event shall the Trustee be liable to any party: (i) for any losses on investments made in accordance with Section 408 hereof; (ii) for special, indirect or consequential damages including loss of profits or business, arising under or in connection with this Trust Agreement regardless of the form of action; (iii) for the use of the proceeds of sale of any Certificates; (iv) for compliance by the School Board with any covenant regarding the yield on investments made in accordance with Section 408 hereof.

(h) The Trustee may exercise any powers hereunder and perform any duties required of it through attorneys, agents, receivers, officers or employees, and shall be entitled to advice of counsel concerning its duties hereunder and all questions hereunder. Except as otherwise provided herein, the Trustee shall not be answerable for the exercise of any discretion or power hereunder

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notice as provided in Section 605 or after a vacancy in the office of the Trustee shall have occurred by reason of its removal as provided in Section 606 or by reason of its inability to act, a successor Trustee may be appointed by the Holders of a majority in principal amount of each Series of Certificates then Outstanding, excluding any Certificates held by or for the account of the School Board, by an instrument or concurrent instruments in writing signed, and acknowledged by such Certificate holders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Corporation, the School Board and the predecessor. For purposes of this Article VI, "appointment" of a successor Trustee shall be deemed to occur upon designation, acceptance and commencement of performance of duties by the successor Trustee.

(b) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a bank or trust company or national banking association, having capital stock and surplus aggregating at least \$50,000,000, if there be such bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Trust Agreement.

(c) Each Credit Facility Issuer shall be furnished with written notice of the resignation or removal of the Trustee, Paying Agent and Registrar and of the appointment of, and acceptance of, duties by, any successor thereto.

608. Transfer of Rights in Property to Successor Trustee. Any successor Trustee appointed under this Trust Agreement shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Corporation and the School Board an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the written request of the Corporation, the School Board or the successor Trustee execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Trust Agreement and shall pay over, assign and deliver to the successor Trustee any money or property subject to the trusts and conditions herein set forth together with any paid but unearned fees. Should any deed, conveyance or instrument in writing from the School Board and the Corporation be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, power and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and as far

nor for any act or failure to act in connection with the trust hereunder, except only its own willful misconduct or negligence.

604. Compensation to Trustee. The School Board has agreed in the Master Lease to pay to the Trustee reasonable fees and expenses as agreed to between the School Board and the Trustee. The Trustee shall have a lien for the foregoing on the Trust Estate.

605. Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Trust Agreement by giving not less than 60 days written notice to the Corporation, the School Board and the Holders of all Certificates Outstanding, specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed by the School Board or the Certificate holders as provided in Section 607, in which event such resignation shall take effect immediately on the appointment of such successor provided, however, that in the event no successor has been appointed, the Trustee shall continue to serve until such appointment. The Trustee may petition a court of competent jurisdiction for the appointment of a successor.

606. Removal of Trustee. Prior to the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be removed at any time by an instrument or concurrent instruments in writing appointing a successor, filed with the Trustee, and signed by the Corporation and the School Board, with cause, or by the Holders of a majority in principal amount of each Series of Certificates then Outstanding or their attorneys-in-fact duly authorized with or without cause, or by the Credit Facility Issuers insuring a majority in principal amount of each Series of Certificates then Outstanding with cause. After the occurrence of an event of default, or termination of the Lease Term of all Leases as a result of nonappropriation, the Trustee may be so removed with or without cause by the Holders of a majority in principal amount of each Series of Certificates then Outstanding or their attorneys-in-fact duly authorized, or by the Credit Facility Issuers insuring a majority in principal amount of each Series of Certificates then Outstanding.

607. Appointment of Successor Trustee.

(a) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the School Board, as long as the School Board is not in default under the Master Lease and the Master Lease is in full force and effect. In the event that no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within 45 days after the Trustee shall have given to the School Board written

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as may be authorized by law, be executed, acknowledged and delivered by the School Board and the Corporation.

609. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of a state of the United States or a national banking association and shall be authorized by law to perform all the duties imposed upon it by this Trust Agreement, shall be the successor to the Trustee without the execution or filing of any paper or the performance of any further act.

610. Addition of Authorized Signature. In case any of the Certificates contemplated to be delivered under this Trust Agreement shall have been executed but not delivered, any predecessor Trustee may adopt the authorized signature of any predecessor Trustee so executing such Certificates and deliver such Certificates so executed; and in case any of the said Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Certificates or in this Trust Agreement provided that the certificate of the Trustee shall have.

611. Indemnification to Trustee. The School Board has in Section 5.7 of the Master Lease agreed, to the extent permitted by law, including the provisions of Section 768.28 Florida Statutes, to indemnify and save the Trustee harmless from and against all liabilities, including consequential damages and reasonable legal fees and expenses arising out of the administration of the trusts pursuant to this Trust Agreement, and all matters concerning the Trustee's duties and obligations with respect to the Leases and the Assignment Agreements including the issuance of the Certificates except in the case of liability, obligations and damages arising out of the Trustee's negligence or willful misconduct.

612. Obligation to Act on Defaults. If any Event of Default shall have occurred and be continuing, the Trustee shall, subject to the provisions of Section 501, exercise such of the rights and remedies vested in it by this Trust Agreement and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

613. Intervention by Trustee. The Trustee may intervene, and upon the written request of Certificate holders of a majority in aggregate principal amount of each Series of Certificates then

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Outstanding and receipt of indemnity shall intervene, on behalf of Certificate holders or the related Credit Facility Issuer in any judicial proceeding to which the School Board or the Corporation is a party and which in the opinion of the Trustee and its attorneys has a substantial bearing on the interests of Certificate holders. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

614. Third Party Beneficiaries. Each Credit Facility Issuer is hereby expressly recognized as a third party beneficiary to this Trust Agreement and, so long as the Credit Facility issued by such Credit Facility Issuer is in effect and the Credit Facility Issuer is properly honoring drawings thereunder, it shall be entitled to enforce the obligations to the Credit Facility Issuer hereunder of the Corporation and the Trustee and of the School Board to the Credit Facility Issuer under the Master Lease.

ARTICLE VII

AMENDMENTS

701. Mailing. Any provision in this Article for the mailing of a notice or other paper to Certificate holders of a Series of Certificates shall be fully complied with if it is mailed postage prepaid only (i) to each Holder of Certificates of such Series then Outstanding at his/her address, if any, appearing upon the registry books of the Trustee, (ii) to the Credit Facility Issuer with respect to such Series of Certificates and (iii) to the Trustee.

702. Power of Amendment. The Trust Agreement and the rights and obligations provided hereby may be modified or amended at any time by a Supplemental Trust Agreement, entered into between the Trustee and the Corporation (with the written consent of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder) without the consent of any Certificate holders, but only (1) to cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Trust Agreement, or (2) to insert such provisions clarifying matters which they deem necessary or desirable and which are not contrary to or inconsistent with this Trust Agreement as theretofore in effect, or (3) to issue one or more Series of Certificates pursuant to Article III hereof, or (4) to permit a Series of Certificates to be issued in book-entry form with or without physical certificates, or (5) to make any other modification or amendment that in the judgment of the Trustee (upon the advice of counsel, if requested) will not have a material adverse effect on the interests of any of the Certificate holders. Any other modification or amendment of this Trust Agreement and of the rights and obligations of the Corporation and of the Holders of the Certificates hereunder, may be made by a Supplemental Trust Agreement, entered into between the Trustee and the Corporation with the written consent given, as provided in Section 703 hereof but subject to Section 707 hereof, of the Holders of at least a majority in principal amount of the Certificates Outstanding of each Series at the time such consent is given and who are affected by such modifications or amendments and the written consent of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder; provided, however, that if any such modification or amendment will, by its terms, not take effect so long as any affected Certificates remain Outstanding, the consent of the Holders of such Certificates shall not be required and such Certificates shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Certificates under this Section. No such modification or amendment shall permit a change in the terms of prepayment or maturity of the principal portion of any Outstanding Certificates or of any installment of the interest portion thereon or a reduction in the principal portion or the Prepayment Price thereof or in the interest portion thereon or in the consents required for such modifications or amendments without the consent of the Holders of such Certificates, or shall change or modify any of the rights or

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obligations of the Trustee without its written assent thereto. The Trustee shall be entitled to receive an opinion of counsel as to whether or not, in accordance with the foregoing powers of amendment, Certificates of any particular Series or maturity would be affected by any modification or amendment of this Trust Agreement. Copies of all amendments hereto shall be provided to the Rating Agencies, whether effected pursuant to Section 702 or Section 703 hereof.

703. Consent of Certificate Holders. The Trustee and the Corporation (at the direction of the School Board so long as the Lease Term of the Master Lease shall remain in effect and no default shall have occurred thereunder) may at any time enter into a Supplemental Trust Agreement making a modification or amendment permitted by the provisions of Section 702 to take effect when and as provided in this Section but subject to Section 707 hereof. A copy of such Supplemental Trust Agreement (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to affected Certificate holders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Trustee to such Certificate holders (but failure to mail such copy and request shall not affect the validity of the Supplemental Trust Agreement when consented to as provided in this Section). Such Supplemental Trust Agreement shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Certificates specified in Section 702 and (b) an Opinion of Counsel stating that such Supplemental Trust Agreement has been duly and lawfully entered into by the parties thereto and filed with the School Board, the Trustee and the Corporation in accordance with the provisions of this Trust Agreement, is authorized or permitted by this Trust Agreement, and is valid and binding upon the parties thereto in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the Holder, at the date of such consent, of the Certificates with respect to which such consent is given, which proof shall be such as is permitted by Section 802. A certificate or certificates executed by the Trustee and filed with the School Board and the Corporation stating that it has examined such proof and that such proof is sufficient in accordance with Section 802 shall be conclusive that the consents have been given by the Holders of the Certificates described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Certificates giving such consent and, anything in Section 802 to the contrary notwithstanding, upon any subsequent Holder of such Certificates and of any Certificates issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Certificates giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section 703 provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the School Board and the Corporation to the effect that no revocation

thereof is on file with the Trustee. At any time after the Holders of the required percentage in principal amount of Certificates shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the School Board and the Corporation a written statement that the Holders of such required percentages in principal amount of Certificates have filed such consent. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Trust Agreement (which may be referred to as a Supplemental Trust Agreement entered into by the parties thereto on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages in principal amount of Certificates and will be effective as provided in this Section 703, may be given to Certificate holders by the Trustee by mailing such notice to Certificate holders (but failure to mail such notice shall not prevent such Supplemental Trust Agreement from becoming effective and binding as in this Section 703 provided). A record consisting of the certificates or statements required or permitted by this Section 703 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Trust Agreement making such amendment or modification shall be deemed conclusively binding upon the School Board and the Corporation, the Trustee and the Holders of all Certificates affected by such Supplemental Trust Agreement at the expiration of forty (40) days after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Trust Agreement in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee, the School Board and the Corporation during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Trust Agreement as they may deem expedient.

704. Modifications by Unanimous Consent. The terms and provisions of this Trust Agreement applicable to a Series of Certificates and the rights and obligations of the Trustee and the Corporation and of the Holders of the Certificates of such Series hereunder may be modified or amended, with the written consent of the School Board in any respect upon entering into by the parties thereto of a Supplemental Trust Agreement and the consent of the Holders of all the Certificates then Outstanding of such Series, such consent to be given as provided in Section 703 except that no notice to Certificate holders by mailing shall be required.

705. Exclusion of Certificates. Certificates owned or held by or for the account of the School Board shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Certificates provided for in this Article VII, and the School Board shall not be entitled with respect to such Certificates to give any consent or take any other action

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provided for in this Article. At the time of any consent or other action taken under this Article, the School Board shall furnish the Trustee a certificate of an Authorized School Board Representative, upon which the Trustee may rely, describing all Certificates so to be excluded.

706. Notation on Certificates. Certificates executed and delivered after the effective date of any action taken as in this Article VII provided may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the School Board, the Corporation and the Trustee as to such action, and in that case upon demand of the Holder of any Certificate Outstanding at such effective date and presentation of his/her Certificate for the purpose at the designated corporate trust office of the Trustee or upon any transfer or exchange of any Certificate Outstanding at such effective date, suitable notation shall be made on such Certificate or upon any Certificates issued upon any such transfer or exchange by the Trustee as to any such action. If the School Board, the Corporation and the Trustee shall so determine, new Certificates so modified as in the opinion of the Trustee, the Corporation and the School Board to conform to such action shall be prepared, executed and delivered, and upon demand of the Holder of any Certificate then Outstanding shall be exchanged, without cost to such Certificate holder, for Certificates of the same maturity then Outstanding, upon surrender of such Certificates.

707. Credit Facility Issuers Deemed Certificate Holders. Notwithstanding any other provisions of this Trust Agreement, including without limitation this Article VII, whenever the consent of a Certificate holder shall be required under this Trust Agreement for any purpose except those modifications or amendments effecting a change in the terms of prepayment or maturity of the principal portion of any Outstanding Certificates or of any installment of the interest portion thereon or a reduction in the principal portion thereon or of the requirement that such modifications or amendments not be made without the consent of the Holders of such Certificates, any Certificate insured or guaranteed by a Credit Facility shall be deemed to be owned by the Credit Facility Issuer issuing such Credit Facility, so long as such Credit Facility Issuer has not defaulted on the obligations under its Credit Facility.

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have been deposited with the Trustee as escrow holder moneys consisting of either cash in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee as escrow holder at the same time, shall be sufficient, to pay when due the principal portion or Prepayment Price, if applicable, and interest portion due and to become due with respect to said Certificates on or prior to the prepayment date or maturity date thereof, as the case may be, and (c) in the event said Certificates are not by their terms subject to prepayment within the next succeeding 60 days, the School Board shall have given the Trustee in form satisfactory to it, instructions to mail a notice to the Holders of such Certificates that the deposit required by (b) above has been made with the Trustee as escrow holder and that said Certificates are deemed to have been paid in accordance with this Section 801 and stating such maturity or Prepayment Date upon which moneys are expected to be available for the payment of the principal or Prepayment Price, if applicable, of said Certificates, other than Certificates which have been purchased by the Trustee at the direction of the School Board or purchased or otherwise acquired by the School Board and delivered to the Trustee as hereinafter provided prior to the mailing of the notice of prepayment referred to in clause (a) above. The Trustee shall, if so directed by the School Board (i) prior to the maturity date of Certificates deemed to have been paid in accordance with this Section 801 which are not to be prepaid prior to their maturity date or (ii) prior to the mailing of the notice of prepayment referred to in clause (a) above with respect to any Certificates deemed to have been paid in accordance with this Section 801 which are to be prepaid on any date prior to their maturity, apply moneys deposited with the Trustee as escrow holder in respect of such Certificates or sell Defeasance Securities so deposited with the Trustee and apply the proceeds thereof to the purchase of such Certificates, and the Trustee shall immediately thereafter cancel all such Certificates so purchased; provided, however, that the moneys and Defeasance Securities remaining on deposit with the Trustee after the purchase and cancellation of such Certificates shall be sufficient to pay when due the principal or Prepayment Price, if applicable, of, and interest portion due or to become due with respect to all Certificates, in respect of which such moneys and Defeasance Securities are being held by the Trustee on or prior to the Prepayment Date or maturity date thereof, as the case may be. If, at any time (i) prior to the maturity date of Certificates deemed to have been paid in accordance with this Section 801 which are not to be prepaid prior to their maturity date or (ii) prior to the mailing of the notice of prepayment referred to in clause (a) with respect to any Certificates deemed to have been paid in accordance with this Section 801 which are to be prepaid on any date prior to their maturity, the School Board shall purchase or otherwise acquire any such Certificates and deliver such Certificates to the Trustee prior to their maturity date or Prepayment Date, as the case may be, the Trustee shall immediately cancel all such Certificates so delivered; such delivery of Certificates to the Trustee shall be accompanied by

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ARTICLE VIII

MISCELLANEOUS

801. Defeasance.

(a) If the principal portion or Prepayment Price of all Certificates, if applicable, and the interest portion due or to become due thereon, shall be paid at the times and in the manner stipulated in such Certificates and in this Trust Agreement, and all amounts owing to the Trustee under this Trust Agreement shall have been paid, then the pledge of the Trust Estate and all covenants, agreements and other obligations of the School Board under this Trust Agreement in favor of such Certificates shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause statements for such period or periods as shall be requested by the School Board to be prepared and filed with the School Board and, upon the request of the School Board, shall execute and deliver to the School Board all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay over or deliver to the School Board all moneys or securities held by it pursuant to this Trust Agreement which are not required for the payment of the principal portion or Prepayment Price, if applicable, and interest portion due or to become due with respect to such Certificates not theretofore surrendered for such payment or prepayment or for the payment of amounts owing to any Credit Facility Issuer under a Reimbursement Agreement or as ground rent under any Ground Lease.

(b) Certificates for the payment or prepayment of which moneys shall have been set aside sufficient to pay the principal portion, the Prepayment Price, if applicable, and interest portion to become due to maturity or earlier prepayment, shall be held in trust by the Trustee as escrow holder (through deposit by the School Board of funds for such payment or prepayment of the Purchase Option Price of one or more Facilities pursuant to Section 7.3 of the Master Lease or otherwise) shall be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 801 except that the obligation of the School Board to make, or cause to be made, Basic Lease Payments from such set-aside amounts shall continue. Any Outstanding Certificates shall, prior to the maturity or Prepayment Date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 801 if the Trustee shall receive an Opinion of Counsel to that effect and (a) in case any of said Certificates are to be prepaid on any date prior to their maturity, the School Board shall have given to the Trustee irrevocable instructions in writing from an Authorized School Board Representative to mail as provided in Article III a notice of prepayment of such Certificates (other than Certificates which have been purchased by the Trustee at the direction of the School Board or purchased or otherwise acquired by the School Board and delivered to the Trustee as hereinafter provided prior to the mailing of such notice of prepayment) on said date, (b) there shall

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directions from the School Board to the Trustee as to the manner in which such Certificates are to be applied against the obligation to pay or prepay Certificates deemed paid in accordance with this Section 801. The directions given by the School Board to the Trustee referred to in the preceding sentences shall also specify the portion, if any, of such Certificates so purchased or delivered and cancelled to be applied against the obligation to pay Certificates deemed paid in accordance with this Section 801 upon their maturity date or dates and the portion, if any, of such Certificates so purchased or delivered and cancelled to be applied against the obligation to prepay Certificates deemed paid in accordance with this Section 801 on any date or dates prior to their maturity. In the event that on any date as a result of any purchases, acquisitions and cancellations of Certificates as provided in this Section 801 the total amount of moneys and Defeasance Securities remaining on deposit with the Trustee under this Section 801 is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of the remaining Certificates in order to satisfy subclause (b) of this subsection of Section 801, the Trustee shall, if requested by the School Board, pay the amount of such excess to the School Board free and clear of any trust, lien, pledge or assignment securing said Certificates or otherwise existing under this Trust Agreement. Except as otherwise provided in this subsection of Section 801, neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this Section 801 nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal portion or Prepayment Price, if applicable, and interest portion represented by said Certificates; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, (A) to the extent such cash will not be required at any time for such purpose, as verified by a certificate delivered to the Trustee by a firm of independent certified public accountants acceptable to the Trustee, shall be paid over to the School Board as received by the Trustee, free and clear of any trust, lien or pledge securing said Certificates or otherwise existing under this Trust Agreement, and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Prepayment Price, if applicable, and interest represented by said Certificates on or prior to such prepayment date or maturity date thereof, as the case may be, and interest earned from such reinvestment shall be paid over to the School Board, as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing said Certificates or otherwise existing under this Trust Agreement.

(c) Anything in this Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment of any of the Certificates which remain unclaimed for six (6) years after the date when such Certificates have become due and payable, either at their stated maturity dates or by call for-

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prepayment, if such moneys were held by the Trustee at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee after the said date when such Certificates became due and payable, shall, at the written request of the School Board be repaid by the Trustee to the School Board, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Certificate holders shall look only to the School Board for the payment of such Certificates; provided, however, that before being required to make any such payment to the School Board, the Trustee shall, at the expense of the School Board, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the School Board.

802. Evidence of Signatures of Certificate Holders and Ownership of Certificates.

(a) Except as otherwise provided in Section 707 hereof, any request, consent, revocation of consent or other instrument which this Trust Agreement may require or permit to be signed and executed by the Certificate holders may be in one or more instruments of similar tenor, and shall be signed or executed by such Certificate holders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an instrument appointing any such attorney, or (ii) the holding by any person of the Certificates, shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein expressly provided) if made in the following manner, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable: the fact and date of the execution by any Certificate holder or his/her attorney of such instruments may be proved by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a partner of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his/her authority.

(b) The ownership of Certificates and the amount, numbers and other identification, and date of holding the same shall be proved by the register maintained by the Trustee.

(c) Any request or consent by the Holder of any Certificate shall bind all future Holders of such Certificate or any

Certificates issued in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the School Board, the Corporation or the Trustee in accordance therewith.

803. Moneys Held for Particular Certificates. Subject to Section 801(c) hereof, the amounts held by the Trustee for the payment of the interest portion, principal portion or Prepayment Price due on any date with respect to particular Certificates shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Holders of the Certificates entitled thereto.

804. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Trust Agreement shall be retained in its possession and shall be subject during normal business hours and upon reasonable prior notice to the inspection of the School Board and the Corporation, and any Certificate holder and their agents and their representatives, any of whom may at their own expense make copies thereof.

805. Parties Interest Herein. Subject to Section 614, nothing herein, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the Corporation, the Trustee and the Holders of the Certificates, remedies or claims under or by reason hereof or any covenant, condition or stipulation thereof; provided that with respect to the provisions hereof which require the Trustee to give notice to the School Board, obtain the School Board's consent, pay or deliver to the School Board any moneys held by the Trustee hereunder or grant to the School Board any right or privilege whatsoever, such provisions shall also be for the benefit of the School Board and, upon the failure of the Trustee to comply therewith, the School Board shall have such rights, remedies and claims as are provided hereunder or by reason hereof or by law. All covenants, stipulations, promises and agreements herein contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the School Board, the Corporation, the Trustee and the Holders of the Certificates.

806. Severability. If any one or more of the covenants or agreements provided in this Trust Agreement on the part of the Corporation or the Trustee to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this Trust Agreement.

807. Recording and Filing. The School Board shall be responsible for the recording and filing of instruments or documents of further assurance, if any, as may be required by law in order to effectively convey the interests contemplated by this Trust Agreement.

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808. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications (other than payments by the School Board) to or upon the respective parties listed below shall be deemed to have been given (i) in the case of notice by letter, when delivered to the addressee by hand or on the third day after deposit in the mails, by first class mail, postage prepaid, return receipt requested, (ii) in the case of notice by cable, when delivered to the cable company, charges prepaid, (iii) in the case of notice by telex or bank wire, when sent, answer back received, and (iv) if given by telephone, when communicated to the person or to the holder of the office specified as the person or officeholder to whose attention communications are to be given, addressed to them as follows or to such other address as any of the parties may designate by written notice to the other party:

Corporation:

Palm Beach School Board Leasing Corp.
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board:

The School Board of Palm Beach County, Florida
3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

Trustee:

NationsBank of Florida, N.A.
One Financial Plaza, 13th Floor
Fort Lauderdale, Florida 33394
Attention: Corporate Trust Department

Rating Agencies:

Moody's Investor Service, Inc.
99 Church Street
New York, New York
Attention: Public Finance Department

Standard & Poor's Ratings Group
25 Broadway
New York, New York
Attention: Municipal Department

Credit Facility Issuers:

As set forth on the Schedule applicable to the Series of Certificates.

Notice shall also be given by the School Board to the Rating Agencies of the occurrence of any one or more of the following: (i) the appointment of a Successor Trustee, (ii) the expiration or termination of a Credit Facility, (iii) the prepayment or defeasance of any of the Outstanding Certificates in accordance with Section 801 or 802 hereof or (iv) a material modification of or amendment to this Trust Agreement, the Master Lease, any Ground Lease, any Assignment Agreement, any Lease Schedule or any Credit Facility.

809. Applicable Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State of Florida.

810. Binding on Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties, the Certificate holders and each Credit Facility Issuer and their respective successors and assigns.

811. Captions. Captions preceding the text of the several Articles and Sections hereof, and the table of contents, are solely for convenience of reference and shall not constitute a part of this Trust Agreement or affect its meaning, construction or effect.

812. Legal Holidays. Unless otherwise provided herein if the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Trust Agreement, is not a Business Day such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided herein, and no interest shall accrue on such payments for the period after such date.

813. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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IN WITNESS WHEREOF, the parties have executed this Master Trust Agreement by their duly authorized officers as of the date and year first written above.

(SEAL)

PALM BEACH SCHOOL BOARD
LEASING CORP.

Attest: C. Monica Uhlhorn By: Jody Gleason
C. Monica Uhlhorn Jody Gleason
Secretary Vice President

(SEAL)

NATIONSBANK OF FLORIDA, N.A.,
as Trustee

By: Michael J. Marra
Michael J. Marra
Assistant Vice President

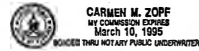
STATE OF FLORIDA)
COUNTY OF PALM BEACH) SS:

I, Carmen M. Zopf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice President and Secretary, of PALM BEACH SCHOOL BOARD LEASING CORP., a Florida not-for-profit corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being hereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

NOTARY PUBLIC
SEAL OF OFFICE:

Carmen M. Zopf
NOTARY PUBLIC, STATE OF FLORIDA



(Name of Notary Public, Print, Stamp or Type as Commissioned.)

☐ Personally known to me, or
☒ Produced identification: Sta. Uhlhorn
(Type of Identification Produced)
☐ DID take an oath, or ☒ DID NOT take an oath.

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STATE OF FLORIDA)
COUNTY OF PALM BEACH) SS:

I, Carmen M. Zopf, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Michael J. Marra, personally known to me to be the same person whose name is, as Assistant Vice President of NationsBank of Florida, N.A., a national banking association, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she/he, being hereunto duly authorized, signed, sealed with the seal of said association, and delivered the said instrument as the free and voluntary act of said association and as her/his own free and voluntary act, for the uses and purposes therein set forth.

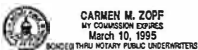
GIVEN under my hand and notarial seal this 16th day of November, 1994.

NOTARY PUBLIC
SEAL OF OFFICE:

Carmen M. Zopf
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print, Stamp or Type as Commissioned.)

☐ Personally known to me, or
☒ Produced identification: Sta. Uhlhorn
(Type of Identification Produced)
☐ DID take an oath, or ☒ DID NOT take an oath.



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EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

Front of Certificate

REGISTERED
NUMBER _____ \$ _____

CERTIFICATE OF PARTICIPATION SERIES _____

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

INTEREST RATE _____ MATURITY DATE _____ ORIGINAL ISSUE DATE _____ CUSIP NO. _____

REGISTERED OWNER:

PRINCIPAL SUM: _____ DOLLARS

THIS IS TO CERTIFY THAT the registered owner named above is the owner of this Certificate of Participation, Series _____ (this "Certificate"), evidencing an undivided proportionate interest in Basic Lease Payments (as set forth in Schedule No. _____ to the hereinafter mentioned Master Lease Purchase Agreement (collectively, the "Series _____ Lease")) to be made by the School Board of Palm Beach County, Florida (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District") pursuant to the Master Lease Purchase Agreement, dated as of November 1, 1994 (the "Master Lease"), between Palm Beach School Board Leasing Corp., a not-for-profit corporation duly organized and existing under the laws of the State of Florida, as lessor (the "Corporation"), and the School Board, as lessee. Under a Series _____ Assignment Agreement dated as of _____ (the "Assignment Agreement") entered into by and between the Corporation and NationsBank of Florida, N.A., Fort Lauderdale, Florida, as trustee (such bank and any successor thereto hereinafter called the "Trustee"), the Corporation has transferred to the Trustee, for the benefit of the Certificate Holders, all of its rights under the Series _____ Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series _____ Facilities under Section 6.1 of the Master Lease and its right to receive notices under the Master Lease) including its rights to receive

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Basic Lease Payments thereunder, with respect to the Series _____ Facilities identified in said Schedule No. _____ (the "Series Facilities").

The registered owner of this Certificate ("Certificate Holder") is entitled to receive, subject to the terms of the Master Lease and the Trust Agreement (hereinafter defined), on the maturity date specified above (the "Maturity Date"), unless prepaid prior thereto as provided herein, the principal sum specified above, representing the portion of the Basic Lease Payments designated as principal and coming due on the Maturity Date, and to receive on February 1 and August 1 of each year, commencing _____, to and including the final Maturity Date or the date of prepayment, whichever is earlier, the interest portion of the Basic Lease Payments payable to Certificate Holders on such dates. Said amounts are payable in lawful money of the United States of America. The amounts representing principal portion and Prepayment Price shall be payable at the designated corporate trust office of the Trustee and the amounts representing interest portion shall be payable by check or draft of the Trustee mailed to the registered owner at the address of the registered owner as it shall appear on the registration books maintained by the Trustee as of the 15th day of the month next preceding the month in which such payment is due. Such interest portion may be paid by wire transfer to the registered owners of \$1,000,000 or more upon their request in writing received at least 15 days prior to any Payment Date.

The Basic Lease Payments are payable from funds appropriated by the School Board for such purpose from current or other funds authorized by law and regulations of the State of Florida Department of Education. The School Board is not legally required to appropriate moneys for this purpose. NEITHER THE SCHOOL BOARD, THE DISTRICT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION THEREOF SHALL BE OBLIGATED TO PAY, EXCEPT FROM APPROPRIATED FUNDS, ANY SUMS DUE UNDER THE SERIES _____ LEASE FROM ANY SOURCE OF TAXATION, AND THE FULL FAITH AND CREDIT OF THE SCHOOL BOARD AND THE DISTRICT IS NOT PLEDGED FOR PAYMENT OF SUCH SUMS DUE THEREUNDER AND SUCH SUMS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE SCHOOL BOARD OR THE DISTRICT WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

THE TRUSTEE HAS NO OBLIGATION OR LIABILITY TO MAKE PAYMENTS WITH RESPECT TO THIS CERTIFICATE EXCEPT FROM FUNDS RECEIVED BY IT PURSUANT TO THE TRUST AGREEMENT REFERRED TO ON THE REVERSE HEREOF.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS CERTIFICATE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH HEREIN.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and laws of the State of Florida and the Trust Agreement to exist, to have happened and to have been performed precedent to and in connection with the

execution and delivery of this Certificate have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an Authorized Signatory of the Trustee, not in its individual capacity, but solely as Trustee under the Trust Agreement.

NATIONSBANK OF FLORIDA, N.A.,
as Trustee

By: _____

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Back of Certificate

Capitalized terms used herein but not otherwise defined herein shall have the meaning given to such terms in the Trust Agreement.

All amounts payable by the Trustee with respect to this Certificate shall be paid from (i) the Basic Lease Payments received by the Trustee from the School Board pursuant to the terms of the Series _____ Lease, (ii) all amounts from time to time deposited in the funds and accounts created under the Master Trust Agreement dated as of November 1, 1994, between the Corporation and the Trustee (as the same may be amended and supplemented from time to time, the "Trust Agreement"), including investment earnings; (iii) any proceeds received by the Trustee upon the sale, re-letting or other disposition of the Series _____ Facilities or the pursuit of any other remedy pursuant to the Master Lease, and (iv) Net Proceeds resulting from any insurance or other financial guaranty claim or payment or any claim or condemnation award payable with respect to the Series _____ Facilities pursuant to the Master Lease and the Trust Agreement, but only to the extent that the Trustee shall have actually received sufficient income or proceeds from the Trust Estate (defined in the Trust Agreement) to make such payments. It is provided in the Master Lease that the cost and expense of the performance by the School Board of its obligations thereunder including, without limitation, the payment of all Basic Lease Payments and all other amounts required to be paid by the School Board thereunder, shall be subject to and dependent upon appropriations being duly made from time to time by the School Board for such purposes or other amounts being lawfully available therefor. The payment of the principal portion and interest portion of the Basic Lease Payments represented by the Certificates is not a liability or charge upon the credit of the Trustee or the Corporation, and neither the Trustee nor the Corporation has any obligation to make such payments, other than the Trustee's obligation to make such payments from the income from and proceeds of the sources described above.

This Certificate has been executed by the Trustee pursuant to the Trust Agreement. Copies of the Trust Agreement and the Series _____ Lease are on file at the principal corporate trust office of the Trustee, and reference to the Trust Agreement and the Series _____ Lease and any and all supplements or amendments thereto is made for a description of the funds and accounts established under the Trust Agreement for the purpose of securing the Certificates, the agreements and covenants of the School Board in the Series _____ Lease with respect to the Series _____ Project and Basic Lease Payments to be made by the School Board, the nature, extent and manner of enforcement of such agreements and covenants, the rights and remedies of the Certificate Holders with respect thereto, certain limitations relating to the issuance of additional Series of Certificates under the Trust Agreement, the manner in which the terms of the Trust Agreement may be amended, and the other terms and conditions upon which the Certificates are delivered thereunder.

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Reference is hereby made to the Trust Agreement and any and all supplements, modifications or amendments thereof for a description of the pledge of the Trust Estate and assignment and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the Holders of the Certificates with respect thereto, the terms and conditions upon which the Holders of the Certificates shall cease to be entitled to any lien, benefit or security under the Trust Agreement and for the other terms and provisions thereof and the pledge of the Trust Estate and the terms and conditions upon which all covenants of the Trustee to the Holders of such Certificates shall thereupon cease, terminate and become void and be discharged and satisfied. All covenants, agreements and obligations of the School Board under the Series _____ Lease with respect to the Series _____ Facilities or a portion thereof may be discharged and satisfied prior to the maturity or prepayment of this Certificate if moneys or certain specified securities have been deposited with the Trustee in the manner provided in the Trust Agreement.

This Certificate shall be issued initially pursuant to a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"), which shall act as securities depository for the Certificates, with no physical distribution of certificates to be made. Any provisions of the Trust Agreement or this Certificate requiring physical delivery of Certificates shall, under the book-entry-only system, be deemed to be satisfied by a notation on the records maintained by DTC of ownership interests of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Certificates ("Beneficial Owners").

This Certificate shall initially be issued in the name of Cede & Co. as nominee for DTC, and so long as this Certificate is held in book-entry-only form Cede & Co. shall be considered the registered owner for all purposes hereof, including the payment of principal and interest portions of Basic Lease Payments represented by this Certificate. Payment to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to individual Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

This Certificate shall be transferable upon the registration books of the Trustee, which shall be kept at the principal corporate trust office of the Trustee upon payment of any charges required. Except when registration of the Certificates is being maintained by persons to a book-entry-only system, the Certificate Holder may transfer this Certificate in person or by such Certificate Holder's attorney duly authorized in writing, upon surrender

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hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Certificate Holder or such Certificate Holder's duly authorized attorney. Upon the transfer of this Certificate, the Trustee shall deliver in the name of the transferee a new Certificate or Certificates of the same aggregate principal amount and maturity as the surrendered Certificate. The Trustee may deem and treat the person in whose name this Certificate is registered upon the register of the Trustee as the absolute owner hereof for all purposes, and all such payments so made to any such Certificate Holder or upon such Certificate Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and the Trustee shall not be affected by any notice to the contrary.

The Certificates shall be delivered in registered form in the denominations of \$5,000 or any integral multiple of \$5,000. The Certificates, upon surrender thereof at the designated corporate trust office of the Trustee with a written instruction satisfactory to the Trustee, duly executed by the Certificate Holder or such Certificate Holder's attorney duly authorized in writing, may, at the option of the Certificate Holder and upon payment by such Certificate Holder of any charges which the Trustee may make as provided in the Trust Agreement, be exchanged for an equal aggregate principal amount of registered Certificates of the same maturity of any other authorized denominations.

Optional Prepayment: Certificates maturing on or before August 1, _____, shall not be subject to prepayment at the option of the School Board.

Certificates maturing after August 1, _____, shall be subject to prepayment on or after August 1, _____, if the School Board elects to prepay the principal portion of Basic Lease Payments due under the Series _____ Leases in whole at any time, or in part on any interest payment date, and if in part, in such order of maturity of Certificates corresponding to the due dates of the principal portion of the Basic Lease Payments under the Series _____ Lease(s) as shall be designated by the School Board to be prepaid, and by lot within a maturity in such manner as the Trustee may determine, at the Prepayment Price expressed as a percentage of the principal portion of Basic Lease Payments represented by the Certificates or portions thereof to be prepaid as set forth opposite such period in the following table, plus the interest accrued to the Prepayment Date:

**Prepayment Period
(Both Dates Inclusive)**

**Prepayment
Price**

August 1, _____ through July 31, _____
August 1, _____ through July 31, _____
August 1, _____ and thereafter

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such manner as the Trustee shall deem fair and appropriate. The portion of any Certificate of a denomination of more than \$5,000 to be prepaid shall be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates in \$5,000 denominations which is obtained by dividing the principal amount of such Certificate to be prepaid in part by \$5,000. Interest represented by Certificates so prepaid shall be paid from the amount then available to prepay Certificates.

When prepayment of Certificates is required pursuant to the Trust Agreement, the Trustee shall give notice of the prepayment of such Certificates, which notice shall specify the maturities of the Certificates to be prepaid, the CUSIP numbers (which shall be for informational purposes only and shall not affect the validity of such notice) the prepayment date and the place or places where amounts due upon such prepayment will be payable and, if less than all of the Certificates are to be prepaid, the letters and numbers or other distinguishing marks of such Certificates to be prepaid, and, in the case of Certificates to be prepaid in part only, such notice shall also specify the respective portions of the principal amount thereof to be prepaid. Such notice shall further state that on such date there shall become due and payable upon each Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof in the case of Certificates to be prepaid in part only, together with interest accrued to the prepayment date, and that from and after such date interest thereon shall cease to accrue and be payable. The Trustee shall mail a copy of such notice, postage prepaid, not less than 30 days before the prepayment date in the case of optional prepayment, extraordinary prepayment resulting from damage, destruction or condemnation of Facilities or mandatory sinking fund prepayment for the Certificates to be prepaid and not less than 5 days nor more than 10 days before the Prepayment Date in the case of extraordinary prepayment resulting from termination of all Leases as a result of nonappropriation or default by the School Board, to the Certificate Holders of any Certificates or portions thereof which are to be prepaid, at their last addresses appearing upon the registry books, but any defect in the notice to a particular Certificate Holder shall not affect the validity of the proceedings for the prepayment of other Certificates Notice, to the extent available, of such prepayment shall be provided to any depository not less than two days prior to mailing of such notice.

THE OBLIGATION OF THE SCHOOL BOARD TO MAKE BASIC LEASE PAYMENTS UNDER SCHEDULE NO. _____ OF THE MASTER LEASE IS A SPECIAL AND LIMITED OBLIGATION, SUBJECT TO ANNUAL APPROPRIATION BY THE SCHOOL BOARD, AS FURTHER PROVIDED ON THE FRONT OF THIS CERTIFICATE.

Form of Opinion of Special Tax Counsel

Statement of Insurance

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Extraordinary Prepayment: (i) Certificates shall be subject to prepayment in whole or in part at any time and if in part, in inverse order of maturity or on a proportional basis, as shall be designated by the School Board, and by lot within a maturity in such manner as the Trustee shall determine to be fair and appropriate, in an amount equal to the principal portion of Basic Lease Payments prepaid under the Series _____ Lease(s), at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if (A) there are Net Proceeds equal to or greater than ten percent (10%) of the remaining principal portion of the Basic Lease Payments relating to the Series _____ Facilities as a result of damage, destruction or condemnation of any portion of the Series _____ Facilities and an election is made by the School Board under Section 5.4(b) of the Master Lease to apply the amount to the prepayment in part of the principal portions of Basic Lease Payments relating to the Series _____ Facilities and represented by the Certificates, or (B) there shall remain in the Series 1994A Acquisition Account an amount greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under the Series _____ Lease(s), upon delivery by the School Board of a Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series _____ Facilities.

(ii) At the election of the Series _____ Credit Facility Issuer, Certificates shall be subject to prepayment in whole at any time, at a Prepayment Price of par plus the interest accrued to the Prepayment Date, if the Lease Term of all Leases is terminated for the reasons referred to in Section 4.1(b) or 4.1(c) of the Master Lease.

Mandatory Sinking Fund Prepayment: Certificates maturing on August 1, _____ are subject to mandatory prepayment prior to maturity in part, from payments of the principal portion of Basic Lease Payments as set forth in the Series _____ Lease, through the operation of a sinking fund on each August 1 in the years and in the following amounts set forth below at a Prepayment Price of par plus the interest accrued to the Prepayment Date.

August 1 of the Year

Principal Amount

\$

* Final Maturity.

If less than all the Certificates of like maturity shall be called for prepayment, the particular Certificates or portions thereof to be prepaid shall be selected by lot by the Trustee in

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ASSIGNMENT

For value received _____ the undersigned does hereby sell, assign and transfer unto the within-mentioned Certificate and hereby irrevocably constitutes and appoints _____ attorney, to transfer the same on the Certificate register of the Trustee with full power of substitution in the premises.

Dated: _____
Signature Guaranteed: _____

NOTE: The signature on this Assignment must correspond with the name as written on the face of the within-mentioned Certificate in every particular without alteration or enlargement or any change whatsoever

Social Security or Other
Identifying Number of
Transferee: _____

The following abbreviations, when used in the inscription on the face of the within Certificate, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with the rights of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - _____ Custodian (Minor)
(Cust) _____
under Uniform Gifts to Minors
Act _____ (State)

Additional abbreviations may also be used though not in the above list.

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EXHIBIT B
REQUISITION NO. _____

CERTIFICATES OF PARTICIPATION
SERIES _____

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

TO: NationsBank of Florida, N.A.
Trustee under the Master Trust Agreement dated as of
November 1, 1994, with Palm Beach School Board Leasing
Corp. ("Trust Agreement").

This Requisition is made pursuant to Section 402(c) to pay
Costs of the Series _____ Facilities.

The Trustee is hereby directed to pay sums out of the Series
Acquisition Account as follows:

Name & Address of Payee	Purpose of Payment	Amount
----------------------------	--------------------	--------

TOTAL _____

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The undersigned hereby certifies that (a) each obligation,
item of cost or expense herein has been properly incurred, (b) each
obligation, item of cost or expense herein is an item of the Cost
of the Series _____ Facilities and has not been the basis of any
previous withdrawal, and (c) such payment will not cause the
balance remaining in the Series Acquisition Account after such pay-
ment to be less than the amount necessary to pay the remaining
estimated Costs to be paid from the Series _____ Acquisition
Account, or sufficient other moneys are available therefor.

Dated: _____

Authorized School Board
Representative

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EXHIBIT C
REQUISITION NO. _____

CERTIFICATES OF PARTICIPATION
SERIES _____

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

TO: NationsBank of Florida, N.A.
Trustee under the Master Trust Agreement dated as of
November 1, 1994, with Palm Beach School Board Leasing
Corp. ("Trust Agreement")

This Requisition is made pursuant to Section 402(d) to pay
Costs of Issuance of the Certificates.

The Trustee is hereby directed to pay sums out of the Cost of
Issuance Subaccount in the Series _____ Acquisition Account as
follows:

Payee	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 2017A 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 October 1, 2017

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WHEREAS, the School Board and the Corporation have entered into a (i) Series 2002C Ground Lease dated as of May 15, 2002, as amended as of June 1, 2003 and as further amended as of June 1, 2004 and (ii) Schedule 2002C dated as of May 15, 2002, as amended and restated as of June 1, 2003, as further amended and restated as of June 1, 2004, as further amended and restated as of March 1, 2005, as further amended and restated as of March 1, 2007, as further amended and restated as of February 1, 2014 and as further amended and restated as of May 1, 2015 (which Schedule together with the Master Lease is herein referred to as the "Original Series 2002C Lease"), pursuant to which the School Board leased certain real property to the Corporation and subleased from the Corporation such real property and leased the improvements thereon, known respectively as the "Series 2002C Facility Sites" and the "Series 2002C Facilities"; 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 Trust Company, N.A. (successor in interest to NationsBank of Florida, N.A.), as trustee (the "Trustee") providing for the issuance of series of Certificates of Participation to 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 relating to such series of Certificates; and

WHEREAS, to provide funds for the acquisition and construction of the Series 2001A Facilities, Certificates of Participation, Series 2001A (the "Series 2001A Certificates") were issued in the aggregate principal amount of \$135,500,000 pursuant to the Trust Agreement, as supplemented by a Series 2001A Supplemental Trust Agreement dated as of April 1, 2001 (the Trust Agreement, as so supplemented is referred to herein as the "Series 2001A Trust Agreement"); and

WHEREAS, to provide funds for the acquisition and construction of the Series 2002C Facilities, Certificates of Participation, Series 2002C (the "Series 2002C Certificates") were issued in the aggregate principal amount of \$161,090,000 pursuant to the Trust Agreement, as supplemented by a Series 2002C Supplemental Trust Agreement dated as of May 15, 2002 (the Trust Agreement, as so supplemented is referred to herein as the "Series 2002C Trust Agreement"); and

WHEREAS, the Corporation assigned substantially all of its interest in the Series 2001A-1 Ground Lease and the Original Series 2001A Leases to the Trustee pursuant to a Series 2001A Assignment Agreement dated as of April 1, 2001; and

WHEREAS, the Corporation assigned substantially all of its interest in the Series 2002C Ground Lease and the Original Series 2002C Lease to the Trustee pursuant to a Series 2002C Assignment Agreement dated as of May 15, 2002; and

WHEREAS, the School Board refunded a portion of its obligations under the Series 2001A Leases and the Series 2002C Lease by amending and restating Schedule 2001A-1, Schedule 2001A-2 and Schedule 2002C and issuing Certificates of Participation, Series 2005A (the "Series 2005A Certificates") in an aggregate principal amount of \$124,630,000 pursuant to the Trust Agreement, as supplemented by a Series 2005A Supplemental Trust Agreement dated

THIS SERIES 2017A SUPPLEMENTAL TRUST AGREEMENT, dated as of October 1, 2017 (the "Series 2017A Supplemental Trust Agreement"), supplementing the Master Trust Agreement, dated as of November 1, 1994 (the "Master Trust Agreement" and together with this Series 2017A Supplemental Trust Agreement, the "Series 2017A Trust Agreement"), by and between **PALM BEACH SCHOOL BOARD LEASING CORP.** (the "Corporation"), a not-for-profit corporation, duly organized and existing under the laws of the State of Florida, as lessor under the within mentioned Master Lease, and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (successor in interest to NationsBank of Florida, N.A.), a national banking association with corporate trust powers qualified to accept trusts of the type set forth in the Series 2017A Trust Agreement, with its designated corporate trust office in Jacksonville, Florida, as trustee (the "Trustee").

WITNESSETH:

WHEREAS, The School Board of Palm Beach County, Florida (the "School Board") has deemed it to be in its best interest to lease-purchase certain real and personal property from time to time and has entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease") between the Corporation, as lessor, and the School Board, as lessee; and

WHEREAS, pursuant to the Master Lease, the School Board may from time to time, by execution of a Schedule to the Master Lease, direct the Corporation to acquire, construct and lease-purchase to the School Board the items of real or personal property described in such Schedule (which items of property are collectively referred to herein as "Facilities"); and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing such Facilities may be made by the issuance and sale from time to time of one or more Series 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 School Board and the Corporation have entered into a (i) Series 2001A-1 Ground Lease dated as of April 1, 2001, as amended as of December 1, 2001, as further amended as of June 1, 2003, and as further amended as of June 1, 2004, (ii) Schedule 2001A-1 dated as of April 1, 2001, as amended and restated as of December 1, 2001, as further amended and restated as of June 1, 2003, as further amended and restated as of June 1, 2004, as further amended and restated as of March 1, 2005, as further amended and restated as of March 1, 2007, as further amended and restated as of February 1, 2014, and as further amended and restated as of May 1, 2015, and (iii) Schedule 2001A-2 dated as of April 1, 2001, as amended and restated as of March 1, 2005, as further amended and restated as of March 1, 2007, as further amended and restated as of February 1, 2014, and as further amended and restated as of May 1, 2015, (which Schedules together with the Master Lease are herein referred to as the "Original Series 2001A Leases"), pursuant to which the School Board leased certain real property to the Corporation and subleased from the Corporation such real property and leased the improvements thereon, known respectively as the "Series 2001A-1 Facility Sites" and the "Series 2001A Facilities"; and

as of March 1, 2005, 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 (i) the Series 2001A Leases payable equally and ratably with the unrefunded Series 2001A Certificates and (ii) the Series 2002C Lease payable equally and ratably with the unrefunded Series 2002C Certificates; and

WHEREAS, the School Board refunded an additional portion of its obligations under the Series 2001A Leases and the Series 2002C Lease by amending and restating Schedule 2001A-1, Schedule 2001A-2 and Schedule 2002C and issuing Certificates of Participation, Series 2007C (the "Series 2007C Certificates") in an aggregate principal amount of \$192,310,000 pursuant to the Trust Agreement, as supplemented by a Series 2007C Supplemental Trust Agreement dated as of March 1, 2007, 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 (i) the Series 2001A Leases payable equally and ratably with the portion of the unrefunded Series 2001A Certificates and the Series 2005A Certificates allocable to the Series 2001A Leases and (ii) the Series 2002C Lease payable equally and ratably with the portion of the unrefunded Series 2002C Certificates and Series 2005A Certificates allocable to the Series 2002C Lease; and

WHEREAS, the School Board refunded an additional portion of its obligations under the Series 2001A Leases and the Series 2002C Lease by amending and restating Schedule 2001A-1, Schedule 2001A-2 and Schedule 2002C and issuing Certificates of Participation, Series 2015A (the "Series 2015A Certificates") in an aggregate principal amount of \$106,315,000 a portion of which was used to refund the Series 2005A Certificates, pursuant to the Trust Agreement, as supplemented by a Series 2015A Supplemental Trust Agreement dated as of May 1, 2015, evidencing undivided proportionate interests of the owners thereof in the portion of the Basic Lease Payments allocable to the Series 2015A Certificates to be made by the School Board pursuant to the Master Lease as supplemented by (i) the Series 2001A Leases payable equally and ratably with the portion of the Series 2007C Certificates allocable to the Series 2001A Leases and (ii) the Series 2002C Lease payable equally and ratably with the portion of the Series 2007C Certificates allocable to the Series 2002C Lease; and

WHEREAS, the School Board has determined that it is in the best interest of the District to refinance a portion of its obligations under the Original Series 2001A Leases and the Original Series 2002C Lease and to refund all of the Series 2007C Certificates (the "Refunded Certificates") through an amendment and restatement of Schedule 2001A-1, Schedule 2001A-2 and Schedule 2002C; and

WHEREAS, to accomplish such refinancing the Corporation is entering into this Series 2017A Supplemental Trust Agreement providing for the issuance of refunding Certificates of Participation, Series 2017A (the "Series 2017A Certificates") and the application of the proceeds of the sale of the Series 2017A Certificates (i) to refund the Refunded Certificates and (ii) to pay costs of issuance of the Series 2017A Certificates; and

WHEREAS, the Trustee has received an order from an Authorized Corporation Representative relating to the issuance of the Series 2017A Certificates; and

WHEREAS, a portion of the proceeds of the Series 2017A Certificates will be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") under a Series 2017A Escrow Deposit Agreement dated as of October 11, 2017 (the "Escrow Deposit Agreement"), between the School Board and the Escrow Agent, and used to prepay the Refunded Certificates on their prepayment date at a prepayment price equal to the principal portion of Basic Lease Payments represented by the Refunded Certificates, and to pay Basic Lease Payments represented by the Refunded Certificates until such prepayment date; and

WHEREAS, all things necessary to make the Series 2017A 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 2017A Supplemental Trust Agreement, and the creation, execution and issuance of the Series 2017A Certificates subject to the terms thereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS SERIES 2017A 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 2017A Supplemental Trust Agreement, the following words and terms as used herein with respect to the Series 2017A Certificates shall have the following meaning unless the context or use indicates another or different meaning or intent:

"**Amended and Restated Schedule 2001A-1**" shall mean that certain Schedule 2001A-1 to the Master Lease dated as of April 1, 2001, as amended and restated as of October 1, 2017, by and among the School Board, the Corporation and the Trustee as assignee of the Corporation.

"**Amended and Restated Schedule 2001A-2**" shall mean that certain Schedule 2001A-2 to the Master Lease dated as of April 1, 2001, as amended and restated as of October 1, 2017, by and among the School Board, the Corporation and the Trustee as assignee of the Corporation.

"**Amended and Restated Schedule 2002C**" shall mean that certain Schedule 2002C to the Master Lease dated as of May 15, 2002, as amended and restated as of October 1, 2017, by and among the School Board, the 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.

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ARTICLE II

THE SERIES 2017A CERTIFICATES

SECTION 201. AUTHORIZATION OF SERIES 2017A CERTIFICATES.

(a) There is hereby created a Series of Certificates to be issued under the Series 2017A Trust Agreement to be known as "Certificates of Participation, Series 2017A, 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 2017A 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 2017A Certificates.

(b) The Series 2017A Certificates shall be dated as of the Closing Date and shall also show the date of authentication thereof. The Series 2017A 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 2017A Certificate is issued prior to February 1, 2018, in which case the Series 2017A Certificate shall represent the right to receive interest from the Closing Date. The Series 2017A Certificates shall initially be issued in the aggregate principal amount of \$147,850,000, 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	Year (August 1)	Principal Amount	Interest Rate
2020	\$ 12,805,000	5.00%	2025	\$16,740,000	5.00%
2021	3,740,000	5.00%	2026	38,730,000	5.00%
2022	3,990,000	5.00%	2027	40,995,000	5.00%
2023	15,020,000	5.00%			
2024	15,830,000	5.00%			

(c) The Series 2017A Principal due at maturity 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 on Amended and Restated Schedule 2001A-1, Amended and Restated Schedule 2001A-2 and Amended and Restated Schedule 2002C.

(d) The Series 2017A Interest shall be payable on each Interest Payment Date as set forth herein. Said interest shall represent an undivided proportionate interest in a portion of the interest portion of Basic Lease Payments due on each Lease Payment Date as set forth on Amended and Restated Schedule 2001A-1, Amended and Restated Schedule 2001A-2 and Amended and Restated Schedule 2002C to the maturity or earlier prepayment date of each Series 2017A Certificate.

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"**Closing Date**" shall mean the date of delivery of the Series 2017A Certificates to the respective Series 2017A Underwriters against payment therefor.

"**Disclosure Agreement**" shall mean that certain Disclosure Dissemination Agreement, dated October 11, 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 2017A Certificates.

"**Interest Payment Date**" shall mean (a) each February 1 and August 1, commencing February 1, 2018, and (b) the applicable Maturity Date.

"**Maturity Date**" shall mean each of the dates set forth as such in Section 201(b).

"**Participating Underwriter**" shall mean the original underwriter of the Series 2017A Certificates required to comply with the Rule in connection with the offering of the Series 2017A Certificates.

"**Record Date**" shall mean the fifteenth (15th) calendar day, whether or not a Business Day, of the month preceding an Interest Payment Date.

"**Refunded Certificates**" shall mean the refunded Series 2007C Certificates.

"**Series 2001A-1 Lease**" shall mean the Master Lease as supplemented by Amended and Restated Schedule 2001A-1.

"**Series 2001A-2 Lease**" shall mean the Master Lease as supplemented by Amended and Restated Schedule 2001A-2.

"**Series 2002C Lease**" shall mean the Master Lease as supplemented by Amended and Restated Schedule 2002C.

"**Series 2017A Certificates**" shall mean the \$147,850,000 Certificates of Participation, Series 2017A Evidencing Undivided Proportionate Interests of the Owners thereof in Basic Lease Payments to be made by The School Board of Palm Beach County, Florida, as Lessee, pursuant to a Master Lease Purchase Agreement with Palm Beach School Board Leasing Corp., as Lessor.

"**Series 2017A Cost of Issuance Account**" shall mean the Series 2017A Cost of Issuance Account within the Project Fund established in Section 401 hereof.

"**Series 2017A Interest**" means the interest portion of Basic Lease Payments represented by the Series 2017A Certificates.

"**Series 2017A Principal**" means the principal portion of Basic Lease Payments represented by the Series 2017A Certificates.

"**Series 2017A Underwriter**" means Wells Fargo Bank, National Association.

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(e) The Series 2017A Certificates shall be delivered in registered form in denominations of \$5,000 or any integral multiple of \$5,000. Unless the Corporation shall otherwise direct, the Series 2017A Certificates shall be lettered and numbered in such manner as the Trustee shall deem adequate and appropriate. Subject to the provisions of the Series 2017A Supplemental Trust Agreement, the Series 2017A Certificates shall be substantially in the form set forth in Exhibit A of the Master Trust Agreement.

(f) The Series 2017A Principal or Prepayment Price of the Series 2017A Certificates shall be payable at the designated corporate trust office of the Trustee. Except as otherwise provided in connection with the maintenance of a book-entry-only system of registration of the Series 2017A Certificates, the Series 2017A Interest shall be payable by check or draft of the Trustee mailed to the Series 2017A Certificate holder at the address of such Series 2017A Certificate holder shown on the registration records maintained by the Trustee as of the Record Date next preceding the Interest Payment Date. Such Series 2017A Interest may be paid by wire transfer within the United States to the registered owners of \$1,000,000 or more in aggregate principal amount of Series 2017A Certificates upon their request in writing received no later than the Record Date next preceding any Interest Payment Date. The Trustee may charge the Series 2017A Certificate holder a reasonable fee for the cost of the wire transfer.

So long as there shall be maintained a book-entry-only system with respect to the Series 2017A Certificates, the following provisions shall apply:

The Series 2017A Certificates shall initially be issued in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), which will act initially as securities depository for the Series 2017A Certificates and so long as the Series 2017A Certificates are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the Series 2017A Certificates shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interest of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with DTC Participants, either directly or indirectly ("Indirect Participants"). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Series 2017A Certificates ("Beneficial Owners").

The principal and interest portions of Basic Lease Payments represented by the Series 2017A Certificates shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners, shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Corporation or the School Board.

The Series 2017A Certificates shall initially be issued in the form of one fully registered Series 2017A Certificate for each maturity (and for each interest rate within a maturity) and shall be held in such form until maturity. Individuals may purchase beneficial interests in the amount of \$5,000 or integral multiples thereof in book-entry-only form, without certificated Series 2017A Certificates, through DTC Participants and Indirect Participants.

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DURING THE PERIOD FOR WHICH CEDE & CO. IS REGISTERED OWNER OF THE SERIES 2017A CERTIFICATES, ANY NOTICE TO BE PROVIDED TO ANY REGISTERED OWNER WILL BE PROVIDED TO CEDE & CO. DTC SHALL BE RESPONSIBLE FOR NOTICE TO DTC PARTICIPANTS AND DTC PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO INDIRECT PARTICIPANTS, AND DTC PARTICIPANTS AND INDIRECT PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO INDIVIDUAL PURCHASERS OF BENEFICIAL INTERESTS.

The School Board and the Trustee have entered into a Blanket Issuer Letter of Representations with DTC providing for such book-entry-only system. Such agreement may be terminated at any time by either DTC or the School Board. In the event of such termination, the School Board shall select another securities depository. If the School Board does not replace DTC, the Trustee will register and deliver to the Beneficial Owners replacement Series 2017A Certificates in the form of fully registered Series 2017A Certificates in denominations of \$5,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

SECTION 202. ISSUANCE OF SERIES 2017A CERTIFICATES. The Series 2017A Certificates shall be issued upon delivery to the Trustee of the documents referred to in Section 304 of the Master Trust Agreement and the payment of the purchase price therefor.

ARTICLE III

PREPAYMENTS

SECTION 301. NO EXTRAORDINARY PREPAYMENT. The Series 2017A Principal shall not be subject to extraordinary prepayment.

SECTION 302. NO OPTIONAL PREPAYMENT OF SERIES 2017A CERTIFICATES. The Series 2017A Certificates are not subject to prepayment at the option of the School Board.

ARTICLE IV

ESTABLISHMENT OF ACCOUNTS; APPLICATION OF SERIES 2017A CERTIFICATE PROCEEDS

SECTION 401. ESTABLISHMENT OF ACCOUNTS.

(a) There is hereby established within the Project Fund the Series 2017A Cost of Issuance Account therein, more particularly described in Section 402 of the Master Trust Agreement. The Series 2001A Trust Agreement has established the Series 2001A Lease Payment Account and the Series 2001A Prepayment Account within the Project Fund, as more particularly described therein. The Series 2002C Trust Agreement has established the Series 2002C Lease Payment Account and the Series 2002C Prepayment Account within the Project Fund, as more particularly described therein.

(b) The moneys on deposit in the Accounts and Subaccounts described herein shall be disbursed by the Trustee in the manner and for the purposes described in the Series 2017A Trust

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or other intermediaries), or (b) is treated as the owner of any Series 2017A 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 2017A Supplemental Trust Agreement, the terms hereof shall control.

SECTION 503. COUNTERPARTS. This Series 2017A 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 2017A Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 505. LAWS. This Series 2017A 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 2017A 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 by the Trustee.

[Signature Page to Follow]

Agreement. (i) Moneys in the Series 2001A Lease Payment Account representing payments made under Schedule 2001A-1 and Schedule 2001A-2 shall be paid in accordance with Section 404 of the Trust Agreement, to the holders of the Series 2017A Certificates equally and ratably with the holders of the portion of the Series 2015A Certificates allocable to Schedule 2001A-1 and Schedule 2001A-2, respectively. Moneys in the Series 2001A Prepayment Account shall be paid in accordance with Section 406 of the Trust Agreement, to the holders of the Series 2017A Certificates equally and ratably with the holders of the portion of the Series 2015A Certificates allocable to Schedule 2001A-1 and Schedule 2001A-2, respectively. (2) Moneys in the Series 2002C Lease Payment Account shall be paid in accordance with Section 406 of the Master Trust Agreement to the holders of the Series 2017A Certificates equally and ratably with the holders of the portion of the Series 2015A Certificates allocable to Schedule 2002C. Moneys in the Series 2002C Prepayment Account shall be paid in accordance with Section 406 of the Master Trust Agreement to the holders of the Series 2017A Certificates equally and ratably with the holders of the portion of the Series 2015A Certificates allocable to Schedule 2002C.

SECTION 402. APPLICATION OF PROCEEDS OF SERIES 2017A CERTIFICATES. The Trustee shall deposit (a) in the escrow deposit trust funds created pursuant to the Escrow Deposit Agreement, \$178,699,900.64 derived from the proceeds of the Series 2017A Certificates, which amount is to be invested in Government Obligations (except for \$0.64 which shall be held uninvested) pursuant to the Escrow Deposit Agreement, to be used to pay when due the portion of Basic Lease Payments represented by, and the Prepayment Price on the respective Prepayment Date of, the Refunded Certificates, all in accordance with the Escrow Deposit Agreement, and (b) in the Series 2017A Cost of Issuance Account, the amount of \$439,285.86 to pay the costs associated with the issuance of the Series 2017A Certificates.

ARTICLE V

MISCELLANEOUS PROVISIONS RELATING TO SERIES 2017A CERTIFICATES

SECTION 501. CONTINUING DISCLOSURE. Pursuant to the Series 2001A-1 Lease, the Series 2001A-2 Lease and the Series 2002C 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 2017A Certificates or any other person with respect to the Rule. Notwithstanding any other provision of the Series 2017A 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 602 of the Master Trust Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Series 2017A Certificates, shall) or any owner of the Series 2017A 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 2001A-1 Lease, the Series 2001A-2 Lease and the Series 2002C Lease. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2017A Certificates (including persons holding Series 2017A Certificates through nominees, depositories

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IN WITNESS WHEREOF, the parties have executed this Series 2017A Supplemental Trust Agreement by their duly authorized officers as of the date and year first written above.

(SEAL)

Attest: _____
Secretary

**PALM BEACH SCHOOL BOARD
LEASING CORP.**

By: _____
Chuck Shaw
President

**THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee**

By: _____
Linda Boenish
Vice President

The School Board of Palm Beach County, Florida hereby consents to the execution of this Series 2017A Supplemental Trust Agreement by the parties hereto and agrees to abide by the terms applicable to it herein.

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

By: _____
Chuck Shaw
Chairman

MIA 185992830v3

This instrument was prepared by
and when recorded should be
returned to:

(This space reserved for Clerk)

ROBERT C. GANG, ESQ.
Greenberg Traurig, P.A.
1221 Brickell Avenue
Miami, Florida 33131

SERIES 2001A
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 April 1, 2001

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SERIES 2001A
ASSIGNMENT AGREEMENT

THIS AGREEMENT, made and entered into as of this 1st day of April, 2001, by and between the PALM BEACH SCHOOL BOARD LEASING CORP., a not-for-profit corporation organized under the laws of the State of Florida (the "Corporation"), and THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as Trustee (the "Trustee");

WITNESSETH THAT, in the joint and mutual exercise of their powers, and in consideration of \$10.00 and other good and valuable consideration and the mutual covenants herein contained, the parties hereto recite and agree as follows:

Section 1. Recitals.

1.01 The School Board of Palm Beach County, Florida (the "School Board"), and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), and have executed Schedules 2001A-1 and 2001A-2 thereto, each dated as of April 1, 2001, which Master Lease together with each separate schedule constitutes a separate lease (individually, the "Series 2001A-1 Lease" and the "Series 2001A-2 Lease", and collectively, the "Series 2001A Leases"), the former with respect to certain educational facilities and sites and the latter with respect to certain improvements and certain education facilities being financed and have entered into a Series 2001A-1 Ground Lease dated as of April 1, 2001 (as the same may be amended or supplemented from time to time, the "Series 2001A-1 Ground Lease"), with respect to the Series 2001A-2 Facilities Sites (hereinafter defined).

1.02 Pursuant to the Series 2001A 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 sites as described in Schedule 2001A-1 to the Master Lease (the "Series 2001A-1 Facilities"), such facilities being located on certain lands described in Schedule 2001A-1 (which, together with improvements thereon are hereinafter collectively referred to as the "Series 2001A-1 Facility Sites") and (ii) there shall be acquired, constructed, installed and equipped for lease-purchase to the School Board certain improvements and there shall be

financed certain educational facilities as described in Schedule 2001A-2 to the Master Lease (the "Series 2001A-2 Facilities"). The 2001A-1 Facilities and the 2001A-2 Facilities are collectively referred to as the "Series 2001A Facilities". Schedules 2001A-1 and 2001A-2 set forth the Lease Payments to be paid by the School Board for the Series 2001A Facilities (collectively, the "Series 2001A Lease Payments"). The School Board has agreed to lease-purchase the Series 2001A 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 2001A Supplemental Trust Agreement dated as of April 1, 2001 (as the same may be further amended or supplemented from time to time, the "Trust Agreement"), which acknowledges and contemplates the execution of this Agreement in conjunction therewith. This Agreement is made for the purpose of enabling the Trustee to act as lessor under the Series 2001A Leases.

1.04 The Corporation desires to sell, assign and convey all its right, title and interest as lessee of the Series 2001A-1 Facility Sites under the Series 2001A-1 Ground Lease, and as sublessor of the Series 2001A-1 Facility Sites and lessor of the Series 2001A Facilities under the Series 2001A Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2001A-1 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2001A-1 Ground Lease and its right to receive notices under the Master Lease), to the Trustee for the benefit of the holders of the Series 2001A Certificates to be issued under the Trust Agreement.

1.05 The Trustee is willing to accept this assignment on the terms and conditions hereinafter provided.

1.06 Each of the parties has authority to enter into this Agreement and has taken all actions necessary to authorize its execution by the officers signing it.

All terms capitalized but not defined herein shall have the meanings given to them in the Trust Agreement and the Series 2001A Lease.

Section 2. Assignment.

2.01 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Trustee, without recourse, for the benefit of all of the Series 2001A Certificate holders, all of its right, title and interest under the Series 2001A-1 Ground Lease and the Series 2001A Leases (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2001A-1 Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2001A-1 Ground Lease and its rights to receive notices under the Master Lease), including, without limitation, all Series 2001A Lease Payments and other amounts required to be paid by the School Board under the Series 2001A Leases. Said assignment is absolute and unconditional and the Corporation shall have no right to receive or recover the right, title and interest herein assigned. Said assignment is not given as additional security and is not intended to be not shall it be construed to be a mortgage, or other security agreement of any nature whatsoever, and the Corporation will hereafter have no further right or interest or claims in and to the right, title and interest herein assigned, or any part thereof, or the interest or profits and other proceeds that may be derived therefrom of any kind whatsoever. Accordingly, upon execution of this Agreement, the Corporation shall deliver to the Trustee executed counterparts of the Series 2001A-1 Ground Lease and the Series 2001A Leases. Delivery to the Trustee of such documents shall make the sale, assignment and conveyance of the Series 2001A-1 Ground Lease and the Series 2001A Leases herein made, complete and effective for all purposes. Title to the Series 2001A-1 Facility Sites and the Series 2001A-2 Facilities shall remain vested in the School Board throughout their Lease Terms; title to the Series 2001A-1 Facilities shall remain vested in the Corporation throughout their Lease Terms; provided, however, that upon termination of the Lease Terms as a result of nonappropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall, upon request of the Trustee, transfer title to such Series 2001A-1 Facilities to the Trustee, or to any Permitted Transferee designated by the Trustee.

2.02 With respect to the sale, assignment and conveyance of the rights and interests contemplated hereunder to the Trustee, the Corporation represents, warrants and covenants to and with the Trustee and the Series 2001A Certificate holders that, upon

the date of execution of this Agreement and the effective date of the sale, assignment and conveyance of the Corporation's rights under the Series 2001A-1 Ground Lease and the Series 2001A Leases, the facts stated below are and will be true and correct:

A. The Corporation is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with corporate powers and authority to own its property and carry on its business as now being conducted, and is qualified wherever necessary to perform its obligations under the Series 2001A-1 Ground Lease, the Series 2001A Leases, the Trust Agreement and this Agreement.

B. The Corporation has full power, authority and legal right to enter into and perform its obligations under the Series 2001A-1 Ground Lease, the Series 2001A Leases, the Trust Agreement and this Agreement; the execution, delivery and performance of the Series 2001A-1 Ground Lease, the Series 2001A Leases, the Trust Agreement and this Agreement by the Corporation have been duly authorized by all necessary corporate actions on the part of the Corporation, and all required approvals and consents have heretofore been duly obtained; and the Series 2001A-1 Ground Lease, the Series 2001A Leases, this Agreement and the Trust Agreement are in full force and effect.

C. The execution, delivery and performance of the Series 2001A-1 Ground Lease, the Series 2001A Leases, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it or any of its property is bound or any constitutional or statutory provision, or order, rule, regulation, decree or ordinance of any Federal or State court, government or governmental body having jurisdiction over the Corporation or any of its properties and by which the Corporation or any of its property is bound.

D. The Series 2001A-1 Ground Lease, the Series 2001A Leases, this Agreement and the Trust Agreement are in full force and effect and the Corporation is not in default thereunder; the Series 2001A-1 Ground Lease, the Series

- 4 -

any Series 2001A Lease Payments or other moneys due with respect thereto or to become due under the Series 2001A Leases.

2.04 The Corporation agrees to execute and deliver to the Trustee upon request by the Trustee, any documents deemed necessary by the Trustee to further evidence or perfect the assignment and conveyance herein made with respect to the Series 2001A-1 Ground Lease and the Series 2001A Leases.

2.05 The Corporation hereby irrevocably constitutes and appoints the Trustee, its successors and assigns, as its lawful attorney, with full power of substitution and resubstitution, to collect and to sue on behalf of the Corporation in the name of the Corporation or otherwise in any court for any Series 2001A Lease Payment or other amounts due under the Series 2001A Leases, or any part thereof, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Series 2001A Leases upon any terms, all without the assent of the Corporation; and, further, to take possession of and to endorse in the name of the Corporation any instrument for the payment of moneys received on account of the Series 2001A Lease Payments or other amounts due under the Series 2001A Leases.

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 2001A Lease Payments and all other amounts coming due under the Series 2001A Leases.

2.07 Upon request of the Trustee, the Corporation agrees to cooperate in the Trustee's efforts to collect and cause to be remitted to the Trustee any Series 2001A Lease Payment or other amount.

2.08 In the event the Corporation receives notice from the School Board that it will exercise its option under Section 7.2 of the Master Lease to prepay the Series 2001A Lease Payments to become due thereunder or that the Series 2001A Leases will not be renewed as a result of any event of non-appropriation under the Series 2001A Leases, the Corporation shall notify the Trustee of this fact in writing no later than five Business Days after such receipt provided, however, that failure to provide such notice shall not create any liability on the part of the Corporation.

2001A Leases, this Agreement and the Trust Agreement are legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms, all such enforcement being subject to certain laws relating to bankruptcy, reorganization, moratorium and creditors' rights generally, and to principles of equity in the event that equitable remedies are sought.

E. The Series 2001A-1 Ground Lease and the Series 2001A 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 2001A-1 Facility Sites and the Series 2001A Facilities.

F. The Corporation has complied and will at all times hereafter comply with and duly perform its obligations under the Series 2001A-1 Ground Lease, the Series 2001A Leases, the Trust Agreement and this Agreement.

G. Except as disclosed in the Offering Statement dated April 12, 2001, there is no pending or, to the knowledge of the Corporation, threatened action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency in any way affecting the ability of the Corporation to perform its obligations under the Series 2001A-1 Ground Lease, the Series 2001A Leases, the Trust Agreement or this Agreement.

H. The Series 2001A-1 Ground Lease and the Series 2001A Leases being herein assigned are free and clear of all claims, liens, security interests and encumbrances arising through any act or omission of the Corporation or any person claiming by, through or under it, except the rights of the School Board under the Series 2001A Leases and the Series 2001A-1 Ground Lease, including the fact that fee title to the Series 2001A-1 Facility Sites and the Series 2001A-2 Facilities is vested in the School Board.

2.03 Except as otherwise set forth in Section 2.01, from and after the date of delivery to the Trustee of this Agreement, the Corporation shall have no further rights or interest under the Series 2001A-1 Ground Lease or the Series 2001A Leases or in

- 5 -

Section 3. Administrative Provisions.

3.01 This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

3.02 Any provision of this Agreement found to be prohibited by applicable laws shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

3.03 This Agreement may not be amended without the prior written consent of the Series 2001A Credit Facility Issuer.

3.04 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.05 This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

Section 4. Non-Recourse.

4.01 The assignment contained in this Agreement is agreed to be non-recourse with respect to the Corporation and the Corporation shall have no liability to the Trustee, or any Certificate holders hereunder with respect to the occurrence of any event of default by the School Board under the Series 2001A Leases whether such default consists of failure to pay moneys, breach of covenant or otherwise; provided, however, that nothing contained in this Section 4 shall excuse the Corporation from performance of its obligations under Section 2.04 through 2.08 hereof.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for the assignment effected by Section 2 hereof or for any claim based thereon under this Agreement against any member, officer, employee or agent of the parties hereto.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement on the date set forth below their respective signatures and as of the day and year first written above.

[SEAL]

ATTEST:

By: [Signature]
Art Johnson
Secretary

Date: April, 24, 2001

PALM BEACH SCHOOL BOARD
LEASING CORP.

By: [Signature]
Thomas E. Lynch
President

Date: April 24, 2001

THE BANK OF NEW YORK TRUST
COMPANY OF FLORIDA, N.A., as
agent for The Bank of New
York, as Trustee

By: [Signature]
Sheryl Lear
Authorized Signatory

Date: April 24, 2001

[SEAL]

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Cheri E. Young, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Dr. Art Johnson, personally known to me to be the same person whose name is, respectively, as 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, 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 his own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 24th day of April, 2001.

NOTARY PUBLIC
SEAL OF OFFICE:

Cheri E. Young
NOTARY PUBLIC, STATE OF FLORIDA

Cheri E. Young
(Name of Notary Public, Print,
Stamp or Type as Commissioned.)

☐ Personally known to me, or ☐
Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or ☒ DID
NOT take an oath.



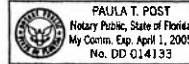
- 10 -

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Paula T. Post, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Thomas E. Lynch, personally known to me to be the same person whose name is, respectively, as President, 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, 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 his own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 24th day of April, 2001.

NOTARY PUBLIC
SEAL OF OFFICE:



Paula T. Post
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print,
Stamp or Type as Commissioned.)

☐ Personally known to me, or ☐
Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or ☐ DID
NOT take an oath.

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STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

I, Cheri E. Young, 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 24th day of April, 2001.

NOTARY PUBLIC
SEAL OF OFFICE:



Cheri E. Young
NOTARY PUBLIC, STATE OF FLORIDA

(Name of Notary Public, Print,
Stamp or Type as Commissioned.)

☐ Personally known to me, or ☒
Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or ☒
DID NOT take an oath.

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- 11 -



07/01/2002 15:48:54 20020334343
OR BK 13865 PG 1548
Palm Beach County, Florida

This instrument was prepared by and when
recorded should be returned to:

(This space reserved for Clerk)

ROBERT C. GANG, ESQ.
Greenberg Traurig, P.A.
1221 Brickell Avenue
Miami, Florida 33131

**SERIES 2002C
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 May 15, 2002

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**SERIES 2002C
ASSIGNMENT AGREEMENT**

THIS AGREEMENT, made and entered into as of this 15th day of May, 2002, by and between the PALM BEACH SCHOOL BOARD LEASING CORP., a not-for-profit corporation organized under the laws of the State of Florida (the "Corporation"), and THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as Trustee (the "Trustee");

WITNESSETH THAT, in the joint and mutual exercise of their powers, and in consideration of \$10.00 and other good and valuable consideration and the mutual covenants herein contained, the parties hereto recite and agree as follows:

Section 1. Recitals.

1.01 The School Board of Palm Beach County, Florida (the "School Board"), and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), and have executed Schedule 2002C dated as of May 15, 2002, which Master Lease together with each separate schedule constitutes a separate lease (the "Series 2002C Lease"), the former with respect to certain educational facilities and sites and the latter with respect to certain improvements and certain education facilities being financed and have entered into a Series 2002C Ground Lease dated as of May 15, 2002 (as the same may be amended or supplemented from time to time, the "Series 2002C Ground Lease"), with respect to the Series 2002C Facilities Sites) hereinafter defined).

1.02 Pursuant to the Series 2002C Lease, the School Board and the Corporation have agreed that there shall be acquired, constructed, installed and equipped for lease-purchase to the School Board certain educational facilities and sites as described in Schedule 2002C to the Master Lease (the "Series 2002C Facilities"), such facilities being located on certain lands described in Schedule 2002C (which, together with improvements thereon are hereinafter collectively referred to as the "Series 2002C Facility Sites"). Schedule 2002C set forth the Lease Payments to be paid by the School Board for the Series 2002C Facilities (the "Series 2002C Lease Payments"). The School Board has agreed to lease-purchase the Series 2002C 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 2002C Supplemental Trust Agreement dated as of May 15, 2002 (as the same may be further amended or supplemented from time to time, the "Trust Agreement"), which acknowledges and contemplates the execution of this Agreement in conjunction therewith. This Agreement is made for the purpose of enabling the Trustee to act as lessor under the Series 2002C Lease.

1.04 The Corporation desires to sell, assign and convey all its right, title and interest as lessee of the Series 2002C Facility Sites under the Series 2002C Ground Lease, and as sublessor

of the Series 2002C Facility Sites and lessor of the Series 2002C Facilities under the Series 2002C Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2002C Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2002C Ground Lease and its right to receive notices under the Master Lease), to the Trustee for the benefit of the holders of the Series 2002C Certificates to be issued under the Trust Agreement.

1.05 The Trustee is willing to accept this assignment on the terms and conditions hereinafter provided.

1.06 Each of the parties has authority to enter into this Agreement and has taken all actions necessary to authorize its execution by the officers signing it.

All terms capitalized but not defined herein shall have the meanings given to them in the Trust Agreement and the Series 2002C Lease.

Section 2. Assignment.

2.01 The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Trustee, without recourse, for the benefit of all of the Series 2002C Certificate holders, all of its right, title and interest under the Series 2002C Ground Lease and the Series 2002C Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2002C Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2002C Ground Lease and its rights to receive notices under the Master Lease), including, without limitation, all Series 2002C Lease Payments and other amounts required to be paid by the School Board under the Series 2002C Lease. Said assignment is absolute and unconditional and the Corporation shall have no right to receive or recover the right, title and interest herein assigned. Said assignment is not given as additional security and is not intended to be nor shall it be construed to be a mortgage, or other security agreement of any nature whatsoever, and the Corporation will hereafter have no further right or interest or claims in and to the right, title and interest herein assigned, or any part thereof, or the interest or profits and other proceeds that may be derived therefrom of any kind whatsoever. Accordingly, upon execution of this Agreement, the Corporation shall deliver to the Trustee executed counterparts of the Series 2002C Ground Lease and the Series 2002C Lease. Delivery to the Trustee of such documents shall make the sale, assignment and conveyance of the Series 2002C Ground Lease and the Series 2002C Lease herein made, complete and effective for all purposes. Title to the Series 2002C Facilities shall remain vested in the Corporation throughout their Lease Terms; provided, however, that upon termination of the Lease Terms as a result of nonappropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall, upon request of the Trustee, transfer title to such Series 2002C Facilities to the Trustee, or to any Permitted Transferee designated by the Trustee.

2.02 With respect to the sale, assignment and conveyance of the rights and interests contemplated hereunder to the Trustee, the Corporation represents, warrants and covenants to and with the Trustee and the Series 2002C Certificate holders that, upon the date of execution of this Agreement and the effective date of the sale, assignment and conveyance of the Corporation's rights under the Series 2002C Ground Lease and the Series 2002C Lease, the facts stated below are and will be true and correct:

A. The Corporation is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with corporate powers and authority to own its property and carry on its business as now being conducted, and is qualified wherever necessary to perform its obligations under the Series 2002C Ground Lease, the Series 2002C Lease, the Trust Agreement and this Agreement.

B. The Corporation has full power, authority and legal right to enter into and perform its obligations under the Series 2002C Ground Lease, the Series 2002C Lease, the Trust Agreement and this Agreement; the execution, delivery and performance of the Series 2002C Ground Lease, the Series 2002C Lease, the Trust Agreement and this Agreement by the Corporation have been duly authorized by all necessary corporate

actions on the part of the Corporation, and all required approvals and consents have heretofore been duly obtained; and the Series 2002C Ground Lease, the Series 2002C Lease, this Agreement and the Trust Agreement are in full force and effect.

C. The execution, delivery and performance of the Series 2002C Ground Lease, the Series 2002C Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it or any of its property is bound or any constitutional or statutory provision, or order, rule, regulation, decree or ordinance of any Federal or State court, government or governmental body having jurisdiction over the Corporation or any of its properties and by which the Corporation or any of its property is bound.

D. The Series 2002C Ground Lease, the Series 2002C Lease, this Agreement and the Trust Agreement are in full force and effect and the Corporation is not in default thereunder; the Series 2002C Ground Lease, the Series 2002C Lease, this Agreement and the Trust Agreement are legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms, all such enforcement being subject to certain laws relating to bankruptcy, reorganization, moratorium and creditors' rights generally, and to principles of equity in the event that equitable remedies are sought.

E. The Series 2002C Ground Lease and the Series 2002C Lease delivered to the Trustee are duly executed duplicate originals and, together with all Exhibits thereto, comprise the entire writing, obligation and agreement between the Corporation and School Board respecting the Series 2002C Facility Sites and the Series 2002C Facilities.

F. The Corporation has complied and will at all times hereafter comply with and duly perform its obligations under the Series 2002C Ground Lease, the Series 2002C Lease, the Trust Agreement and this Agreement.

G. Except as disclosed in the Offering Statement dated May 23, 2002, there is no pending or, to the knowledge of the Corporation, threatened action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency in any way affecting the ability of the Corporation to perform its obligations under the Series 2002C Ground Lease, the Series 2002C Lease, the Trust Agreement or this Agreement.

H. The Series 2002C Ground Lease and the Series 2002C Lease being herein assigned are free and clear of all claims, liens, security interests and encumbrances arising through any act or omission of the Corporation or any person claiming by, through or under it, except the rights of the School Board under the Series 2002C Lease and the Series 2002C Ground Lease, including the fact that fee title to the Series 2002C Facility Sites is vested in the School Board.

2.03 Except as otherwise set forth in Section 2.01, from and after the date of delivery

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Section 3. Administrative Provisions.

3.01 This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

3.02 Any provision of this Agreement found to be prohibited by applicable laws shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

3.03 This Agreement may not be amended without the prior written consent of the Series 2002C Credit Facility Issuer.

3.04 This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.05 This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

Section 4. Non-Recourse.

4.01 The assignment contained in this Agreement is agreed to be non-recourse with respect to the Corporation and the Corporation shall have no liability to the Trustee, or any Certificate holders hereunder with respect to the occurrence of any event of default by the School Board under the Series 2002C Lease whether such default consists of failure to pay moneys, breach of covenant or otherwise; provided, however, that nothing contained in this Section 4 shall excuse the Corporation from performance of its obligations under Section 2.04 through 2.08 hereof.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for the assignment effected by Section 2 hereof or for any claim based thereon under this Agreement against any member, officer, employee or agent of the parties hereto.

[Remainder of Page Intentionally Left Blank]

to the Trustee of this Agreement, the Corporation shall have no further rights or interest under the Series 2002C Ground Lease or the Series 2002C Lease or in any Series 2002C Lease Payments or other moneys due with respect thereto or to become due under the Series 2002C Lease.

2.04 The Corporation agrees to execute and deliver to the Trustee upon request by the Trustee, any documents deemed necessary by the Trustee to further evidence or perfect the assignment and conveyance herein made with respect to the Series 2002C Ground Lease and the Series 2002C Lease.

2.05 The Corporation hereby irrevocably constitutes and appoints the Trustee, its successors and assigns, as its lawful attorney, with full power of substitution and resubstitution, to collect and to sue on behalf of the Corporation in the name of the Corporation or otherwise in any court for any Series 2002C Lease Payment or other amounts due under the Series 2002C Lease, or any part thereof, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Series 2002C Lease upon any terms, all without the assent of the Corporation; and, further, to take possession of and to endorse in the name of the Corporation any instrument for the payment of moneys received on account of the Series 2002C Lease Payments or other amounts due under the Series 2002C 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 2002C Lease Payments and all other amounts coming due under the Series 2002C Lease.

2.07 Upon request of the Trustee, the Corporation agrees to cooperate in the Trustee's efforts to collect and cause to be remitted to the Trustee any Series 2002C Lease Payment or other amount.

2.08 In the event the Corporation receives notice from the School Board that it will exercise its option under Section 7.2 of the Master Lease to prepay the Series 2002C Lease Payments to become due thereunder or that the Series 2002C Lease will not be renewed as a result of any event of non-appropriation under the Series 2002C Lease, the Corporation shall notify the Trustee of this fact in writing no later than five Business Days after such receipt provided, however, that failure to provide such notice shall not create any liability on the part of the Corporation.

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IN WITNESS WHEREOF, the parties hereto have executed this Series 2002C Assignment Agreement on the date set forth below their respective signatures and as of the day and year first written above.

[SEAL]

ATTEST:

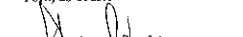
By: 
Ann Johnson
Secretary

PALM BEACH SCHOOL BOARD
LEASING CORP.

By: 
Thomas E. Lynch
President

[SEAL]

THE BANK OF NEW YORK TRUST
COMPANY OF FLORIDA, N.A., as
agent for The Bank of New
York, as Trustee

By: 
Sheryl Lee
Authorized Signatory

[illegible]

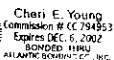
Cheryl E. Young, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Cheryl E. Young, personally known to me to be the same person whose name is, as Authorized Signatory of The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York, as Trustee, a bank organized under the laws of the State of New York, subscribed to the foregoing instrument, authored before me this day in person and severally acknowledged that she, being thereto 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 7th day of June, 2002.

Cheri E. Young
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:

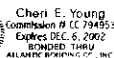
Cheri E. Young
NOTARY PUBLIC STATE OF FLORIDA



☒ Personally known to me, or ☐ Produced identification:

(Type of Identification Produced)

☐ DID take an oath, or ☐ DID NOT take an oath.



(Name of Notary Public, Print, Stamp or Type as Commissioned.)

☐ Personally known to me, or ☒ Produced identification:

DL# 4600-792-62-884-0

☐ DID take an oath, or ☐
DID NOT take an oath.

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APPENDIX E

FORM OF CO-SPECIAL TAX COUNSEL OPINION

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APPENDIX E

PROPOSED FORM OF CO-SPECIAL TAX COUNSEL OPINION

On the date of issuance of the Series 2017A Certificates in definitive form, Greenberg Traurig, P.A., and Edwards & Feanny, P.A., Co-Special Tax Counsel, propose to render their approving opinions in substantially the following form.

_____, 2017

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

Re: Certificates of Participation, Series 2017A 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 \$147,850,000 aggregate principal amount of Certificates of Participation, Series 2017A, 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 2017A 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 2001A-1 and Schedule 2001A-2, each dated as of April 1, 2001, as amended and restated as of October 1, 2017 ("Schedule 2001A-1" and "Schedule 2001A-2", respectively), and Schedule 2002C dated as of May 15, 2002, as amended and restated as of October 1, 2017 ("Schedule 2002C"), 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 2001A-1 and Schedule 2001A-2, together with the Master Lease being hereinafter collectively referred to as the "Series 2001A Leases", and Schedule 2002C, together with the Master Lease being hereinafter referred to as the "Series 2002C Lease"); the Series 2001A-1 Ground Lease dated as of April 1, 2001, as amended to date, between the School Board and the Corporation; the Series 2002C Ground Lease dated as of May 15, 2002, as amended to date, between the School Board and the Corporation; the Series 2001A Assignment Agreement

dated as of April 1, 2001 and the Series 2002C Assignment Agreement dated as of May 15, 2002, each between the Corporation and the Trustee; the Master Trust Agreement, dated as of November 1, 1994, as supplemented by a Series 2017A Supplemental Trust Agreement, dated as of October 1, 2017 (collectively, the “Trust Agreement”), between the Corporation and the Trustee; the form of the Series 2017A Certificates; and various other related documents and certificates. The Series 2017A Certificates are payable from a portion of the Basic Lease Payments made pursuant to the Series 2001A Leases and the Series 2002C Lease equally and ratably with the portion of the Series 2015A Certificates allocable to Schedule 2001A-1 and Schedule 2001A-2, respectively, and with the portion of the Series 2015A Certificates allocable to Schedule 2002C.

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 2001A Leases and the Series 2002C 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 2001A Leases and the Series 2002C 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 2001A Leases and the Series 2002C 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 2017A 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 2001A Leases and the Series 2002C Lease equally and ratably with the portion of the Series 2015A Certificates allocable to Schedule 2001A-1 and Schedule 2001A-2, respectively, and with the portion of the Series 2015A Certificates allocable to Schedule 2002C.

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 2017A 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 2017A 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 2017A Certificates, or the ownership or disposition of the Series 2017A Certificates. Furthermore, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2017A 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 2017A Certificates in order that the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017A 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 2017A Certificates to be included in gross income for federal income tax purposes retroactively to the commencement date of the Series 2017A Certificates. The School Board has covenanted to comply with such requirements.

4. The Series 2017A Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2017A 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 2017A 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 2017A 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.

APPENDIX F

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT
THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA
\$147,850,000
Certificates of Participation, Series 2017A

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated October 11, 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 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.

“Annual Report” means an Annual Report described in and consistent with Section 3 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 shut-down 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, 2018. 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, 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;” and
 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:
 - a. Statistical and financial information about the District under the heading "THE DISTRICT," consisting of the table entitled: "General Statistical Demographic Data," and the heading "FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT," consisting of the tables entitled: "General Fund Revenue Sources," "Summary of Revenues and Expenditures – General Fund," "Summary of Capital Projects Fund Revenue and Expenditures," "Direct and Overlapping Long-Term Debt Statement," "Per Capita Indebtedness," and
 - 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," and "AD VALOREM TAX PROCEDURES," 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 with information 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; and
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 under this Disclosure Agreement 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.

The obligations of the School Board under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Certificates.

- (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: \$147,850,000 Certificates of Participation, Series 2017A

Date of Issuance: October 11, 2017

Date of Offering Statement: September 26, 2017

Initial CUSIP Numbers: See below

Maturity (August 1)	Principal Amount	Interest Rate	Initial CUSIP No.
2020	\$12,805,000	5.000%	696550B35
2021	3,740,000	5.000	696550B43
2022	3,990,000	5.000	696550B50
2023	15,020,000	5.000	696550B68
2024	15,830,000	5.000	696550B76
2025	16,740,000	5.000	696550B84
2026	38,730,000	5.000	696550B92
2027	40,995,000	5.000	696550C26

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: \$147,850,000 Certificates of Participation, Series 2017A

Date of Issuance: October 11, 2017

Date of Offering Statement: September 26, 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 October 11, 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: \$147,850,000 Certificates of Participation, Series 2017A

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 October 11, 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: \$147,850,000 Certificates of Participation, Series 2017A

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:

Name: [C6] _____ Title: [C7] _____

Employer: Digital Assurance Certification, L.L.C. Address: [C8] _____

City, State, Zip Code: _____

Voice Telephone Number: [C9] _____

Date: _____

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 October 11, 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: \$147,850,000 Certificates of Participation, Series 2017A

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: _____

Name: [C6] _____ Title: [C7] _____

Employer: Digital Assurance Certification, L.L.C. Address: [C8] _____

City, State, Zip Code: _____

Voice Telephone Number: [C9] _____

Date: _____

