

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 2018A 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 2018A Certificate holders will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. See "TAX TREATMENT" for a description of the federal alternative minimum tax, including alternative minimum tax on corporations for taxable years beginning before January 1, 2018, and certain other federal tax consequences of ownership of the Series 2018A Certificates. No opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2018A 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 2018A Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2018A 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 2018A Certificates following termination of the Master Lease as a result of non-appropriation of funds or the occurrence of an event of default thereunder.

\$114,770,000

**CERTIFICATES OF PARTICIPATION,
SERIES 2018A**

**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 2018A (the "Series 2018A Certificates") offered hereby evidence undivided proportionate interests in 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 Schedule 2002B, as amended and restated as of February 1, 2018 ("Schedule 2002B," and together with the Master Lease, the "Series 2002B Lease") providing for the lease purchase financing and refinancing by the School Board of certain educational facilities, as described herein.

The Series 2018A 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 2018A Supplemental Trust Agreement, dated as of February 1, 2018, 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 2018A Certificates is payable on August 1 and February 1 of each year, commencing August 1, 2018 (each a "Payment Date") by check or draft of the Trustee mailed to the Series 2018A 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 2018A 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 2018A Certificates (the "Beneficial Owners") will not receive physical delivery of the Series 2018A Certificates. Ownership by the Beneficial Owners of the Series 2018A 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 2018A 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 Schedule 2002B 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 2018A Certificates, the initial Beneficial Owners of the Series 2018A Certificates shall be deemed to have consented to such amendments. See "CERTAIN AMENDMENTS TO THE MASTER LEASE AND SCHEDULE 2002B" and "APPENDIX C - CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement" and "- Form of Schedule 2002B" herein.

The Series 2018A Certificates are not subject to optional prepayment prior to maturity, but are subject to extraordinary prepayment. See "THE SERIES 2018A 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 SERIES 2002B LEASE 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 SERIES 2002B LEASE. SEE "RISK FACTORS" HEREIN.

SEE THE INSIDE COVER FOR CERTAIN ADDITIONAL INFORMATION RELATING TO THE SERIES 2002B LEASE AND THE SERIES 2018A 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 2018A Certificates are offered when, as and if delivered and received by the Underwriters, subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida and Edwards & 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. Moskowitz, Mandell, Salim & Simowitz, P.A., Fort Lauderdale, Florida, is serving as Counsel to the Underwriters. PFM Financial Advisors LLC, Orlando, Florida, is acting as Financial Advisor to the School Board. It is expected that the Series 2018A Certificates will be available for delivery in New York, New York through the offices of DTC on or about February 13, 2018.

**BofA Merrill Lynch
Morgan Stanley**

**J.P. Morgan
Raymond James**

Wells Fargo Securities

DAC Bond

ADDITIONAL INFORMATION

The Series 2018A 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 2014A (the "Refunded Certificates"), (ii) paying a termination payment under the interest rate exchange agreement related to the Refunded Certificates and (iii) paying certain costs of issuance with respect to the Series 2018A Certificates.

The initial term of the Series 2002B Lease commenced on March 20, 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 Series 2002B Lease, 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 Series 2002B Lease. 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 2018A 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 Series 2002B Lease. Transfers of the Series 2018A 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

\$114,770,000 Serial Series 2018A Certificates

<u>Maturity (August 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Initial CUSIP No.</u> ⁽¹⁾
2018	\$ 2,780,000	5.00%	1.38%	101.677	696550C83
2019	10,260,000	5.00	1.53	105.013	696550C91
2020	10,680,000	5.00	1.68	107.988	696550D25
2021	11,255,000	5.00	1.82	110.635	696550D33
2022	11,795,000	5.00	1.95	112.985	696550D41
2023	12,365,000	5.00	2.07	115.069	696550D58
2024	12,965,000	5.00	2.24	116.528	696550D66
2025	13,535,000	5.00	2.40	117.675	696550D74
2026	14,225,000	5.00	2.52	118.801	696550D82
2027	14,910,000	5.00	2.65	119.560	696550D90

⁽¹⁾ CUSIP is a registered trademark of American Bankers Association. CUSIP data herein is provided by S&P Global Market Intelligence, a division of S&P Global Inc. CUSIP data herein is provided for convenience of reference only. The School Board, the Financial Advisor and the Underwriters and their agents take no responsibility for the accuracy of such data.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA

BOARD MEMBERS

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

SUPERINTENDENT OF SCHOOLS

Robert Avossa, Ed.D.*

CHIEF FINANCIAL OFFICER

Michael J. Burke

TREASURER

Leanne Evans, CTP

COUNSEL TO THE SCHOOL BOARD

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

CO-SPECIAL TAX COUNSEL

Greenberg Traurig, P.A.
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

* Dr. Avossa has announced his resignation effective June 12, 2018. See "THE DISTRICT – Biographical Information for Certain Administrators" herein.

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

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

UPON ISSUANCE, THE SERIES 2018A 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 2018A 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 2018A 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 2018A Certificates are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

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

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APPENDIX D	FORM OF CO-SPECIAL TAX COUNSEL OPINION
APPENDIX E	FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

OFFERING STATEMENT

\$114,770,000

**CERTIFICATES OF PARTICIPATION, SERIES 2018A
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 \$114,770,000 aggregate principal amount of Certificates of Participation, Series 2018A (the "Series 2018A Certificates"). The Series 2018A Certificates evidence undivided proportionate interests of the owners thereof in the Basic Lease Payments to be made by The School Board of Palm Beach County, Florida (the "School Board") under the Series 2002B Lease (as such term is defined below). The Series 2018A 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 2018A Supplemental Trust Agreement dated as of February 1, 2018 (the "Series 2018A 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 Schedule 2002B (as described 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 2018A Certificates, the initial Beneficial Owners of the Series 2018A Certificates shall be deemed to have consented to such amendments. See "CERTAIN AMENDMENTS TO THE MASTER LEASE AND SCHEDULE 2002B" and "APPENDIX C -

CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement" and "- Form of Schedule 2002B" herein.

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The following table provides a summary of the Leases expected to be in effect following delivery of the Series 2018A 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 2017A	62,205,000 ⁽⁷⁾
Series 2002A ⁽²⁾	Series 2002A-1 and Series 2002A-2	August 1, 2027	Series 2015A	5,295,000 ⁽⁶⁾
			Series 2011C	1,355,000
Series 2002B	Series 2002B	August 1, 2027	Series 2018A	114,770,000 ⁽⁸⁾
Series 2002C	Series 2002C	August 1, 2027	Series 2015A	10,550,000 ⁽⁶⁾
			Series 2017A	85,645,000 ⁽⁷⁾
Series 2002D ⁽³⁾	Series 2002D-1 and Series 2002D-2	August 1, 2028	Series 2012B	101,990,000
			Series 2012A	1,795,000
			Series 2015A	11,100,000 ⁽⁶⁾
			Series 2017B	16,930,000 ⁽¹⁰⁾
Series 2003A	Series 2003A	August 1, 2021	Series 2011D	15,325,000
Series 2003B	Series 2003B	August 1, 2029	Series 2003B	124,295,000
Series 2004A-1	Series 2004A-1	August 1, 2029	Series 2012C	59,965,000
Series 2004-QZAB	Series 2004-QZAB	April 29, 2020	Series 2004-QZAB	441,356 ⁽¹¹⁾
Series 2005-QZAB	Series 2005-QZAB	December 15, 2020	Series 2005-QZAB	322,885 ⁽¹¹⁾
Series 2006A	Series 2006A-1	August 1, 2031	Series 2015B	138,790,000
Series 2007A-1	Series 2007A-1	August 1, 2031	Series 2014C	33,280,000
			Series 2015D	113,250,000 ⁽⁹⁾
Series 2007B	Series 2007B	August 1, 2032	Series 2015C	62,970,000
			Series 2011A	17,860,000
			Series 2017B	25,015,000 ⁽¹⁰⁾
Series 2007E ⁽⁴⁾	Series 2007E-1 and Series 2007E-2	August 1, 2032	Series 2015D	108,390,000 ⁽⁹⁾
		August 1, 2020		
Series 2010A ⁽⁵⁾	Series 2010A	August 1, 2032	Series 2010A	67,665,000
Total				<u>\$1,353,204,241</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.

(8) Reflects the refunding of the Refunded Certificates (as defined herein) with a portion of the proceeds of the Series 2018A Certificates. See "PURPOSE OF THE SERIES 2018A CERTIFICATES" and "PLAN OF REFUNDING" herein.

(9) 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.

(10) The listed principal amounts represent the approximate principal portion of the Series 2017B Certificates allocated to each of the Series 2002D Leases and Series 2007B Lease.

(11) Reflects remaining sinking fund payments net of earnings on guaranteed investment contracts.

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 2014B Certificates, the Series 2014C Certificates, the Series 2015A Certificates, the Series 2015B Certificates, the Series 2015C Certificates, the Series 2015D Certificates, the Series 2017A Certificates and the Series 2017B Certificates are collectively referred to herein as the "Outstanding Certificates." The Series 2000A Lease, the Series 2001A Leases, the Series 2002A Leases, the Series 2002C 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 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 Series 2002B Lease, the School Board may authorize other Leases in the future. See "THE MASTER LEASE FACILITIES," "THE PRIOR FACILITIES" and "THE MASTER LEASE PROGRAM."

In addition to refunding of the Refunded Certificates described herein, the School Board has also authorized the refunding of all of its other 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 2018A CERTIFICATES - Interest Rate Exchange Agreements" herein.

The Facilities currently leased by the School Board under the Master Lease constitute approximately 39% of all student stations in the District and approximately 37% of all gross square feet of educational facilities space in the District. See "THE MASTER LEASE FACILITIES," "THE SERIES 2002B 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 May 27, 2015, as amended by a resolution duly adopted by the School Board on September 6, 2017, authorized the execution and delivery of Schedule 2002B, as amended and restated as of February 1, 2018 (together with the Master Lease, the "Series 2002B Lease") providing for the lease purchase financing and refinancing by the School Board of certain educational facilities, as described herein.

The initial term of the Series 2002B Lease commenced on March 20, 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 2002B Lease include the modernization/replacement of four elementary schools, the modernization/replacement of a middle school, the construction of one middle school and the acquisition of land for a middle school (the "Series 2002B Facilities"). See "THE SERIES 2002B LEASE" and "THE SERIES 2002B FACILITIES."

The School Board currently holds title to all of the sites on which the Series 2002B Facilities are located (the "Series 2002B Facility Sites"). Pursuant to the Series 2002B Ground Lease dated as of March 1, 2002, as amended (the "Series 2002B Ground Lease"), the School

Board is leasing the Series 2002B Facility Sites to the Corporation for an initial term which commenced on March 20, 2002 and ends on August 1, 2032, subject to Permitted Encumbrances (as defined in the Series 2002B Ground Lease), and subject to earlier termination or extension as set forth therein. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Series 2002B Ground Lease."

Pursuant to the Series 2002B Assignment Agreement dated as of March 1, 2002 (the "Series 2002B Assignment"), between the Corporation and the Trustee, the Corporation has irrevocably assigned to the Trustee for the benefit of the owners of the Series 2018A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2002B Lease (e.g., a Series of Certificates issued to refund the Series 2018A Certificates) substantially all of its right, title and interest in and to the Series 2002B Ground Lease and the Series 2002B Lease including the right to receive the Basic Lease Payments and all other amounts due under the Series 2002B Lease, as herein described. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Series 2002B Assignment."

Brief descriptions of the District, the School Board, the Corporation and the Series 2002B Facilities are included in this Offering Statement together with summaries of certain provisions of the Series 2018A Certificates, the Master Lease, the Series 2002B Lease, the Series 2002B Ground Lease, the Trust Agreement and the Series 2002B Assignment. Such descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Series 2002B Lease, the Trust Agreement, the Series 2002B Ground Lease and the Series 2002B Assignment are qualified in their entirety by reference to the respective complete documents. Copies of the documents may be obtained upon written request and payment of the costs of duplication to the Trustee at 10161 Centurion Parkway, Jacksonville, Florida 32256, or to the District at 3300 Forest Hill Boulevard, Suite A-334, West Palm Beach, Florida 33406-5813, Office of the Treasurer. Capitalized terms used herein and not otherwise defined will have the meanings given them in "APPENDIX C - CERTAIN LEGAL DOCUMENTS."

PURPOSE OF THE SERIES 2018A CERTIFICATES

The Series 2018A Certificates are being issued for the principal purposes of (i) providing funds, together with other legally available funds of the School Board, sufficient to prepay all of the outstanding Series 2014A Certificates (the "Refunded Certificates") and thereby refinance the costs of the Series 2002B Facilities, (ii) paying a termination payment under the interest rate exchange agreement related to the Refunded Certificates and (iii) paying costs associated with the issuance of the Series 2018A 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 the date of delivery of the Series 2018A Certificates 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 2018A Certificates, a portion of the proceeds of the Series 2018A Certificates, together with other legally available funds of the School Board, will be applied to refund the Refunded Certificates.

EXPECTED ISSUANCE OF OTHER CERTIFICATES

In addition to the refunding of the Refunded Certificates, the School Board has also authorized the refunding of all of its other 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. In particular, the School Board expects to cause the issuance of approximately \$104,475,000* aggregate principal amount of Certificates of Participation, Series 2018B (the "Series 2018B Certificates") on or about February 28, 2018 in order to refund the Series 2012B Certificates and finance the termination payment with respect to the interest rate exchange agreement related thereto. A separate Preliminary Offering Statement, dated February 7, 2018, has been 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 Series 2002B Lease or the Current Leases. See "SECURITY FOR THE SERIES 2018A CERTIFICATES - Interest Rate Exchange Agreements" herein.

THE SERIES 2018A CERTIFICATES

General

The Series 2018A 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 2018A Certificates will initially be issued exclusively in "book-entry" form and ownership of one fully registered Series 2018A 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 2018A Certificates are payable in the manner set forth under "- BOOK-ENTRY ONLY SYSTEM" herein. Individual purchases of the Series 2018A Certificates will be made in increments of \$5,000 or integral multiples thereof.

The principal portion of Basic Lease Payments represented by the Series 2018A 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 the Series 2002B Lease. The interest component of Basic Lease Payments represented by the Series 2018A Certificates is payable on August 1 and February 1 of each year, commencing on August 1, 2018, to and including the date of maturity or earlier prepayment (each a "Payment Date"), and represents undivided proportionate interests in the interest portion of Basic Lease Payments due on the June 30 and December 30 prior to each Payment Date to and including the maturity or earlier prepayment of the Series 2018A Certificates under the Series 2002B Lease. The interest portion of the Basic Lease Payments represented by the Series 2018A 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 2018A Certificates is payable to the registered owner

* Preliminary, subject to change.

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 2018A Certificates, the interest portion of the Basic Lease Payments represented by the Series 2018A 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 2018A 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 2018A Certificates are not subject to optional prepayment prior to maturity.

Extraordinary Prepayment. The principal portion of Basic Lease Payments due under the Series 2002B Lease represented by the Series 2018A Certificates shall be subject to prepayment in the event the Series 2002B Lease terminates prior to payment in full of all of the Basic Lease Payments due thereunder to the extent the Trustee has moneys available for such purpose pursuant to the Series 2018A Trust Agreement and the Series 2002B Lease, as applicable, to the extent and subject to the limitations provided in the Master Lease.

No Extraordinary Prepayment in the Event of Damage, Destruction or Condemnation of the Series 2002B Facilities. The Series 2018A Certificates are not subject to extraordinary prepayment prior to maturity in the event of damage, destruction or condemnation of the Series 2002B Facilities. See "THE SERIES 2002B LEASE - Lease Payments" for information regarding the required use of any insurance or condemnation proceeds related to the Series 2002B Facilities in the event of damage, destruction or condemnation of such Facilities.

Selection of Series 2018A Certificates for Prepayment. If less than all of the Series 2018A Certificates are called for prepayment, the particular Series 2018A Certificates, or portions thereof to be prepaid will be in multiples of \$5,000 and, except as otherwise provided in the Trust Agreement, the maturity of the Series 2018A Certificates to be prepaid will be determined by the Trustee. If less than all of the Series 2018A Certificates of like maturity are called for prepayment, the particular Series 2018A Certificates or portions thereof to be prepaid will be selected by lot by the Trustee in such manner as the Trustee deems fair and appropriate. The portion of any Series 2018A Certificate of a denomination of more than \$5,000 to be prepaid will be in the principal amount of \$5,000 or an integral multiple thereof, and, in selecting portions of such Series 2018A Certificates for prepayment, the Trustee will treat each such Series 2018A Certificate as representing that number of Series 2018A Certificates in \$5,000 denominations which is obtained by dividing the principal amount of such Series 2018A Certificate to be prepaid in part by \$5,000.

DTC Procedures. Investors should note that while DTC is the registered owner of the Series 2018A Certificates, partial prepayments of the Series 2018A Certificates will be determined in accordance with DTC's procedures. The School Board intends that prepayment

allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the School Board and the Beneficial Owners of the Series 2018A Certificates be made in accordance with the method of selection of Series 2018A Certificates for a partial prepayment described above. However, the selection of the Series 2018A Certificates for prepayment in DTC's book-entry only system is subject to DTC's practices and procedures as in effect at the time of any such partial prepayment. The School Board can provide no assurance that DTC or the DTC Participants or any other intermediaries will allocate prepayments among Beneficial Owners in accordance with the method of selection of Series 2018A Certificates for a partial prepayment described above.

Notice of Prepayment. So long as the Series 2018A Certificates are issued in book-entry only form, notice of prepayment will be mailed, postage prepaid (not less than five days nor more than ten days before the Prepayment Date in the case of prepayment for termination of the Lease Term in certain events of non-appropriation or default under any Lease, unless a different notice period is required by DTC), to Cede & Co., as nominee for DTC, and the Trustee will not mail any prepayment notice directly to the Beneficial Owners of the Series 2018A Certificates. See "– BOOK-ENTRY ONLY SYSTEM" herein.

Effect of Prepayment. If, on the Prepayment Date, moneys for the payment of the Prepayment Price of the Series 2018A Certificates or portions thereof to be prepaid are held by the Trustee and available therefor on the Prepayment Date and if notice of prepayment has been given as required, then from and after the Prepayment Date, the interest represented by the Series 2018A Certificates or the portion thereof called for prepayment will cease to accrue. If such moneys are not available on the Prepayment Date, the principal represented by such Series 2018A Certificates or portions thereof will continue to bear interest until paid at the same rate as would have accrued had it not been called for prepayment.

BOOK-ENTRY ONLY SYSTEM

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

The Depository Trust Company ("DTC") will act as securities depository for the Series 2018A Certificates. The Series 2018A 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 2018A 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 2018A Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2018A Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2018A 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 2018A 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 2018A Certificates, except in the event that use of the book-entry system for the Series 2018A Certificates is discontinued.

To facilitate subsequent transfers, all Series 2018A 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 2018A 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 2018A Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018A 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 2018A Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018A Certificates, such as prepayments, defaults,

and proposed amendments to the Series 2018A financing documents. For example, Beneficial Owners of Series 2018A Certificates may wish to ascertain that the nominee holding the Series 2018A Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Prepayment notices shall be sent to DTC. If less than all of the Series 2018A Certificates are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Certificates to be prepaid.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2018A 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 2018A Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Prepayment proceeds and other payments on the Series 2018A Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the School Board or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the School Board, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of prepayment proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the School Board and/or the Trustee for the Series 2018A 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 2018A 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 2018A 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 2018A 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 2018A 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 2018A Certificates will be printed and delivered to DTC.

SECURITY FOR THE SERIES 2018A CERTIFICATES

General

The Series 2018A Certificates evidence undivided proportionate interests in the principal portion and interest portion of Basic Lease Payments made by the School Board under the Series 2002B Lease. The Series 2018A Certificates are secured by and payable from the Trust Estate established for the Series 2018A 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 Series 2002B Lease and all amounts held in the funds and accounts under the Trust Agreement in accordance with the provisions of the Series 2002B Lease and the Trust Agreement, including investment earnings thereon, and any and all monies received by the Trustee pursuant to the Series 2002B Lease and the Trust Agreement which are not required to be remitted to the School Board or the Corporation pursuant to the Series 2002B Lease or the Trust Agreement.

Neither the Corporation nor the School Board will mortgage or grant a security interest in the Series 2002B Facilities to the Trustee. Upon termination of the Series 2002B Lease upon the occurrence of an event of non-appropriation or in the case of certain events of default, however, the Series 2002B Lease provides that the School Board must surrender possession of the Series 2002B Facilities to the Trustee as assignee of the Corporation for disposition by sale or re-letting of its interest in such Series 2002B Facilities as provided in the Trust Agreement. Any proceeds of any such disposition of the Series 2002B Facilities will be applied to the payment of the Series 2018A Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2002B Lease. With respect to the Series 2002B Lease, the School Board may not be dispossessed of any personal property financed or refinanced, in whole or in part, with proceeds of the Series 2018A Certificates. See "THE SERIES 2002B FACILITIES" herein for a description of the Series 2002B Facilities against which the Trustee may exercise rights on behalf of the Owners of the Series 2018A Certificates. See also "THE SERIES 2002B LEASE - Effect of Termination for Non-Appropriation or Default."

Lease Payments

All Lease Payments and all other amounts required to be paid by the School Board under the Series 2002B Lease and 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 Series 2002B Facilities are described under "OPERATING REVENUES OF THE DISTRICT" and

"AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS." Such revenues are also used to pay other outstanding obligations of the District.

The Master Trust Agreement, as supplemented by the Series 2002B Supplemental Trust Agreement, dated as of March 1, 2002, provides for the establishment and maintenance of a Series 2002B Lease Payment Account for deposit of Basic Lease Payments appropriated and paid under the Series 2002B Lease. Separate Lease Payment Accounts are established for each new group of Facilities to be financed by a Series of Certificates issued under the Trust Agreement. Lease Payments due under the schedules to the Master Lease are subject to annual appropriation by the School Board on an all-or-none basis and are payable 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 SERIES 2002B LEASE 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 SERIES 2002B LEASE. 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 Series 2002B Lease 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 Series 2002B Lease. Upon any such termination of the Lease Term of all Leases, the School Board must surrender all Facilities (except for certain designated Facilities), including the Series 2002B Facilities, to the Trustee for sale or re-letting of the Trustee's interest. The proceeds of any such disposition of the Series 2002B Facilities will be applied to the payment of the Series 2018A Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2002B Lease. With respect to the Series 2002B Lease, the School Board may not be dispossessed of any personal property financed, in whole or in part, with proceeds of the Series 2018A Certificates. Except as herein described, in no event will owners of the Series 2018A 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 Series 2002B Facilities against which the Trustee has rights will produce sufficient amounts to pay the outstanding Series 2018A Certificates.

For a discussion of remedies available to the Trustee upon the occurrence of an event of the non-appropriation of funds to pay Lease Payments or upon the occurrence of an event of default, see "THE SERIES 2002B LEASE - Termination of Lease Term" and "- Effect of Termination for Non-Appropriation or Default" and "APPENDIX C - 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 2018A 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 2018A Certificates and in connection therewith remove all or a portion of the Series 2002B Facilities from the Series 2002B Lease and from the lien of the Series 2002B Ground Lease by paying the Purchase Option Price for the specific Series 2002B Facilities being purchased or, to the extent permitted by law, by substituting other Facilities for the Series 2002B Facilities to be released. In such event, Series 2018A Certificates representing an interest in the prepaid Basic Lease Payments would be paid on the next available date for paying the Series 2018A Certificates. No such partial payment of the Series 2018A Certificates which is accomplished by the deposit in escrow of the prepayment price and the removal of Facilities from the Series 2002B Lease and from the lien of the Series 2002B Ground Lease may be made without the prior consent of the 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 Series 2002B Lease; (ii) minus any credits pursuant to the provisions of the Series 2002B Lease; (iii) plus an amount equal to the interest to accrue with respect to the Series 2018A Certificates and any other Certificates representing an interest in the Series 2002B Lease to be prepaid from such Lease Payment Date to the next available date for paying the Series 2018A Certificates; (iv) plus an amount equal to any other amounts then due and owing under the Series 2002B Lease. See also "CERTAIN AMENDMENTS TO THE MASTER LEASE AND SCHEDULE 2002B" for information regarding an amendment to Schedule 2002B allowing for the release of Series 2002B Facilities 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 SERIES 2002B LEASE - TERMINATION OF LEASE TERM" AND "- EFFECT OF TERMINATION FOR NON-APPROPRIATION OR DEFAULT." THERE CAN BE NO ASSURANCE THAT THE REMEDIES AVAILABLE TO THE TRUSTEE IN THE EVENT OF NON-APPROPRIATION WILL PRODUCE SUFFICIENT AMOUNTS TO FULLY PAY THE OUTSTANDING CERTIFICATES FOR PAYING SUCH CLAIMS.

No Reserve Account for Series 2018A Certificates

There is no Reserve Account for the Series 2018A Certificates. However, pursuant to a Supplemental Trust Agreement authorizing the issuance of any Series of Certificates, there may

be established and maintained a separate Reserve Account to secure the payment of the principal and/or interest portion of the Basic Lease Payments related to such Series of Certificates. Each such Reserve Account shall secure only the Series of Certificates for which it has been established. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - The Master Trust Agreement."

Interest Rate Exchange Agreements

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"). On January 31, 2014, the Series 2002B Certificates were refunded with a portion of the proceeds of the Refunded Certificates and the 2002B Interest Rate Exchange Agreement was amended to relate to the Refunded Certificates (the "2014A Interest Rate Exchange Agreement"). As described herein, the School Board has authorized the refunding of the Refunded Certificates and the termination of the Series 2014A Interest Rate Exchange Agreement. In connection with the pricing of the Series 2018A Certificates, the Series 2014A Interest Rate Exchange Agreement was terminated on January 31, 2018 and the School Board is financing the termination payment from proceeds of the Series 2018A Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS" herein. For additional information on the 2014A Interest Rate Exchange Agreement, see Notes 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2017 attached as Appendix B hereto.

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

2002D Interest Rate Exchange Agreement (2005) and finance the termination payment, if any, from proceeds of the Series 2018B Certificates which may result in an increase in the Basic Lease Payments under the related Leases. See "EXPECTED ISSUANCE OF OTHER CERTIFICATES" herein. For additional information on the 2002D Interest Rate Exchange Agreement (2005), see Notes 10 and 11 to the District's audited financial statements for the Fiscal Year ended June 30, 2017 attached as Appendix B hereto.

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

Payments made by the School Board under the above described agreements constitute Additional Lease Payments under the Master Lease and are secured by the Leases to which the respective interest rate exchange agreement relates. Each agreement described above is subject to termination prior to the scheduled termination date thereof under certain circumstances. If a termination event were to occur under one or more of such agreements the School Board may be confronted with the need to appropriate a significant termination payment or payments within a single Fiscal Year. Such an obligation could have a material adverse effect on the School Board's ability to make lease payments, including payments required under the Series 2002B Lease.

CERTAIN AMENDMENTS TO THE MASTER LEASE AND SCHEDULE 2002B

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) provide that except in certain enumerated circumstances, the terms of the Master Lease or any Schedule thereto shall not be waived, altered, modified, supplemented or amended except upon receipt of the consent of the holders of a majority of the principal amount of Certificates Outstanding who are affected thereby (or in the case of insured Certificates, the related Credit Facility Issuer in lieu of the holders of the Certificates it insures provided such Credit Facility Issuer has not been downgraded below the rating of the District). See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement" for the specific amendments to the Master Lease. Upon receipt of consents to such amendments from holders of not less than a majority in principal amount of Certificates then Outstanding under the Trust Agreement, together with required consents, if any, of municipal bond insurers, such amendments will become effective. **At the time of issuance of the Series 2018A Certificates, the initial Beneficial Owners of the Series 2018A Certificates, through their purchase of the Series 2018A Certificates, shall be deemed to have consented to the amendments set forth in the Amendment to the Master Lease. Upon their issuance, the Series 2018A Certificates will represent approximately 8.5% of the Certificates Outstanding for purposes of the consent to the Amendment to the Master Lease. Additionally, the School Board has received the consent from Beneficial Owners of approximately 14.0% of certain of the Outstanding Certificates for purposes of the Amendment to the Master Lease. The School Board is also seeking consent to the amendment set forth in the Amendment to Master Lease from a certain Credit Facility Issuer that represents approximately 16.7% of all Certificates Outstanding for purposes of the Amendment to Master Lease. However, at this time, the School Board cannot predict, if or when, the amendments contained in the Amendment to Master Lease will become effective.**

In addition, Schedule 2002B contains certain amendments intended to (i) allow for the substitution of Facilities upon meeting certain conditions (see "THE SERIES 2002B FACILITIES - Substitution of the Series 2002B 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 2002B Facilities in the event of damage, destruction and condemnation of such Facilities (see "THE SERIES 2002B LEASE – Lease Payments" for required use of such Net Proceeds as set forth in the amendment provision), (iii) allow for the release of a Series 2002B Facility or Series 2002B Facilities at such time as the total construction cost of the remaining Series 2002B Facilities exceeds the principal portion of the Basic Lease Payments payable under the Series 2002B Lease, and (iv) allow for the amendment of Schedule 2002B 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 Schedule 2002B from holders of not less than a majority in principal amount of Certificates then Outstanding under the Series 2002B Lease such amendments will become effective. **The**

amendments described in clauses (ii) and (iv) have already received the required consent from the holder of the Refunded Certificates and are already in effect. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - Form of Schedule 2002B" for the specific amendments.

At the time of issuance of the Series 2018A Certificates, the initial Beneficial Owners of the Series 2018A Certificates, through their purchase of the Series 2018A Certificates, shall be deemed to have consented to the amendments set forth in Schedule 2002B. Upon their issuance, the Series 2018A Certificates will represent 100.0% of the Certificates Outstanding under the Series 2002B Lease. As such, the amendments described in clauses (i) and (iii) of the preceding paragraph and set forth in Schedule 2002B will become effective immediately upon the issuance of the Series 2018A Certificates.

Purchasers of the Series 2018A Certificates should carefully review the proposed amendments. See "APPENDIX C - CERTAIN LEGAL DOCUMENTS - Form of Amendment to Master Lease Purchase Agreement" and "- Form of Schedule 2002B." 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 against which the Trustee does not have the right to exercise remedies upon an event of default or event of non-appropriation by the School Board.

The Underwriters are not providing consent to or approval of the herein described amendments and the School Board will not deem such amendments to have been consented to or approved by the Underwriters as a result of the Underwriters' purchase of the Series 2018A Certificates in their capacity as underwriters as defined in Section 2(a)(11) of the Securities Act of 1933, as amended.

THE MASTER LEASE FACILITIES

The Series 2002B Facilities are being financed and refinanced under the School Board's existing Master Lease as part of the School Board's master lease purchase program (the "Master Lease Program") with the Corporation. The Facilities financed or refinanced by the School Board under the Master Lease Program are subject to annual appropriation on an all or none basis. Currently, approximately 39% of all student stations in the District and 37% of all gross square feet of educational facilities space in the District are subject to the Master Lease. For a complete description of the Facilities under the Master Lease Program see "THE SERIES 2002B 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 2002B Facilities (other than certain designated Facilities), to the Trustee for the benefit of the Owners of the Certificates which financed or refinanced such Facilities.

THE SERIES 2002B FACILITIES

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

Belvedere Elementary School Modernization/Replacement. 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. New construction included nine kindergarten classrooms, nine intermediate classrooms, three ESE classrooms, five resource rooms, two supplementary instruction rooms, music rooms, art rooms, 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. Furniture, fixture and equipment for this project were financed from the proceeds of Certificates of Participation, Series 2002A (the "Series 2002A Certificates"). The modernized school has a student capacity of 750 and opened in 2003.

Boca Raton/Delray Area Middle School (98-GG) Site Acquisition. This project included the purchase of land and an existing building, located in the southern part of Palm Beach County, in the City of Boca Raton. The building has 134,440 gross square feet and is used as a middle school, which opened in 2004.

Greenacres Elementary School Modernization/Replacement. This school, located in the central part of Palm Beach County in the City of Greenacres, has a recommended student capacity of 650 with a core capacity of 750. The modernized school has five kindergarten classrooms, 11 primary classrooms, seven intermediate classrooms, four ESE classrooms, two supplementary instruction rooms, music rooms, art rooms, two skills labs, physical education storage, covered play area, five regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. Remaining classrooms were remodeled. Furniture, fixtures and equipment for this project were financed from the proceeds of the Series 2002A Certificates. This school opened in 2003.

Jupiter Elementary School Modernization/Replacement. This school, located in the northern part of Palm Beach County in the Town of Jupiter, has a recommended student capacity of 750. The modernized school has five kindergarten classrooms, 14 primary classrooms, eight intermediate classrooms, three ESE classrooms, two supplementary instruction rooms, music rooms, art rooms, two skills labs, physical education storage, five regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. Furniture, fixtures and equipment for this project were financed from the proceeds of the Series 2002A Certificates. Remaining classrooms were remodeled. This school opened in 2004.

Lantana Middle School Modernization/Replacement. This school, located in the central part of Palm Beach County in the Town of Lantana, has a recommended student capacity of 1,018. The modernized school has 16 general classrooms, six science demonstration classrooms, two ESE classrooms, three skills labs, two supplementary instruction rooms, observation room, one time-out room, music rooms, art rooms, gymnasium, two technology labs, two exploration labs, five regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. Remaining classrooms were remodeled. Furniture, fixtures and equipment for this project were financed from the proceeds of the Series 2002A Certificates. This school opened in 2004.

South Olive Elementary School Modernization/Replacement. This school, located in the central part of Palm Beach County in the City of West Palm Beach, has a recommended student capacity of 800. The modernized school provides enrollment relief for adjacent elementary schools. The school has five kindergarten classrooms, 15 primary classrooms, nine intermediate classrooms, three ESE classrooms, two supplementary instruction rooms, music rooms, art rooms, two skills labs, physical education storage, covered play area, five regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. Remaining classrooms were remodeled. Furniture, fixtures and equipment for this project were financed from the proceeds of the Series 2002A Certificates. This school opened in 2003.

Jeaga Middle School (98-EE). This school, located in the central part of Palm Beach County, has a recommended student capacity of 1,301. This school has 21 general classrooms, seven science demonstration classrooms, seven ESE classrooms, three ESE resource rooms, three skills labs, three supplementary instruction rooms, three observation rooms, music rooms, art rooms, gymnasium, two business labs, two technology labs, two exploration labs, five regular resource rooms, media, administration and guidance, food service, teacher dining, teacher planning, stage and support, multipurpose, textbook storage and equipment storage. Furniture, fixtures and equipment for this project were financed from the proceeds of the Series 2002A Certificates. This school opened in 2004.

Substitution of Series 2002B Facilities

The following reflects the amendments to Section 6.4 of the Master Lease set forth in Schedule 2002B. See "CERTAIN LEGAL DOCUMENTS – Master Lease" for the current provision and "CERTAIN LEGAL DOCUMENTS - Form of Schedule 2002B" for the amended provision.

To the extent permitted by law, on or after the Completion Date, the School Board may substitute for any portion of the Series 2002B Facilities other facilities owned by the School Board, provided such substituted facilities: (a) have the same or greater remaining useful life; (b) have a fair market value equal to or greater than the portion of the Series 2002B Facilities for which they are substituted (based on an assessment prepared by the District); (c) are of substantially equal usefulness as the Series 2002B 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, Series 2002B Facilities and the applicable Series 2002B Facility Site to be

replaced will be released from the encumbrance of the Series 2002B Lease and the Series 2002B 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 Series 2002B Lease and Series 2002B Ground Lease. Schedule 2002B will be appropriately amended and the Series 2002B 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 2002B 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)
Jupiter High School modernization
Lake Park Elementary School modernization
Pahokee Elementary School, classroom building
Palmetto Elementary School modernization
Palm Beach Central High School (96-JJJ)
Village Academy (98-P)

Series 2001A-1 Facilities

Benoist Farms Elementary School (96-D)
Boca Raton Elementary School modernization
Crosspointe Elementary School (98-I)
Discovery Key Elementary School (96-L)
Forest Hill Elementary modernization
Freedom Shores Elementary School (97-M)
Frontier Elementary School (96-B)
Lake Worth High School, classroom addition

Pleasant City Elementary School (98-N)
Royal Palm Beach Elementary School (96-J)
Sunrise Park Elementary School (96-H)

Series 2001A-2 Facilities*

Portable replacement program

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*

Furnishings/equipment for six schools
Portable replacement program
Site Acquisition

Series 2002C Facilities

Diamond View Elementary School (01-R)
Equestrian Trails Elementary School (02-S)
Forest Hill High School modernization
Panther Run addition and HVAC replacement
U.B. Kinsey/Palmview Elementary School modernization
Village Academy addition
West Boca Raton Community High School (01-LLL)

Series 2002D-1 Facilities

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

Series 2002D-2 Facilities*

Portable replacement program
Site Acquisition
West Boca Raton Community High School buildout

Series 2003A Facilities

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

Series 2003B Facilities

Atlantic High School replacement
Bak Middle School of the Arts modernization

L.C. Swain Middle School (03-KK)
Portable/Modular Replacement Program

Series 2004A-1 Facilities

Coral Sunset Elementary School addition
Hammock Pointe Elementary School addition
JC Mitchell Elementary School modernization
Meadow Park Elementary School modernization
SD Spady Elementary School modernization

Series 2004-QZAB Facilities*

Equipment for designated Qualified Zone Academies

Series 2005-QZAB Facilities*

Technology upgrades for designated Qualified Zone Academies

Series 2006A-1 Facilities

Barton Elementary School modernization
DD Eisenhower Elementary School
Marsh Pointe Elementary School (03-X)
Palm Beach Gardens High School modernization
Rolling Green Elementary School modernization

Series 2006A-2 Facilities*

Portable/Modular Replacement Program
Voice/Data Equipment

Series 2007A-1 Facilities

C.O. Taylor Elementary School modernization
Gladeview Elementary School modernization
Rosenwald Elementary School modernization
Royal Palm School modernization
Suncoast High School modernization
Westward Elementary School modernization

Series 2007B Facilities

Carver Middle School addition
Hagen Road Elementary School modernization
Lake Worth Middle School addition
Palm Beach Gardens Elementary School modernization
Sunset Palms Elementary School (03-Z)
Wellington High School Auditorium

Series 2007E-1 Facilities

Allamanda Elementary School modernization
Banyan Creek Elementary School addition
Hope-Centennial Elementary School (06-D)

Wellington Elementary School addition
Whispering Pines Elementary School addition

Series 2007E-2 Facilities*

Benoist Farms Elementary School Pre-K addition
Crestwood Middle School addition
New sports stadium for Pahokee High School
Portable/Modular replacement program
Seminole Trails Elementary School addition
Site Acquisition

Series 2010A Facilities

Belle Glade Elementary School roof replacement
Galaxy Elementary School modernization
Gove Elementary School modernization
Pioneer Park Elementary School roof replacement

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

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ESTIMATED SOURCES AND USES OF FUNDS

It is estimated that proceeds received from the sale and delivery of the Series 2018A Certificates, together with other legally available funds, are expected to be used as follows:

Estimated Sources:

Par Amount of Series 2018A Certificates	\$114,770,000.00
Plus: Bond Premium	16,131,909.35
Other Legally Available Funds ⁽¹⁾	<u>170,613.38</u>
 Total Sources of Funds	 <u><u>\$131,072,522.73</u></u>

Estimated Uses:

Refunding of Refunded Certificates ⁽²⁾	\$115,520,613.38
Series 2018A Costs of Issuance ⁽³⁾	418,776.59
Payment of Termination Payment ⁽⁴⁾	14,865,000.00
Underwriters' Discount	<u>268,132.76</u>
 Total Uses of Funds	 <u><u>\$131,072,522.73</u></u>

⁽¹⁾ Represents funds on deposit in certain accounts for the benefit of the Refunded Certificates.

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

⁽³⁾ Includes counsel fees, financial advisor fees and other costs of issuance.

⁽⁴⁾ To be applied to pay the termination payment under the 2014A Interest Rate Exchange Agreement. See "SECURITY FOR THE SERIES 2018A CERTIFICATES – Interest Rate Exchange Agreements – 2002B Interest Rate Exchange Agreement/2014A Interest Rate Exchange Agreement" herein.

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CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES

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

Certificate Year Ending August 1	Series 2003B Certificates ⁽¹⁾	QZAB Certificates ⁽²⁾	Series 2010A Certificates ⁽³⁾	Series 2011A Certificates	Series 2011C Certificates	Series 2011D Certificates	Series 2012A Certificates	Series 2012B Certificates ⁽⁴⁾	Series 2012C Certificates
2018	\$5,667,852	\$254,747	\$142,097	\$1,337,444	\$1,378,577	\$4,839,580	\$458,090	\$10,683,480	\$6,739,250
2019	5,667,852	254,747	6,549,525	6,479,350		4,842,496	89,750	5,093,720	6,738,000
2020	5,675,659	254,747	9,532,531	6,478,500		4,837,244	89,750	5,020,080	6,742,400
2021	8,790,045	107,628	9,116,158	6,629,950		1,708,956	89,750	11,135,080	6,738,400
2022	10,650,124		8,699,785				1,884,750	8,462,100	6,743,000
2023	10,626,424		8,283,412					11,096,580	6,739,750
2024	10,615,101		7,867,039					11,033,900	6,740,250
2025	10,583,008		7,222,727					10,821,660	6,738,750
2026	10,565,360							10,831,880	6,739,750
2027	10,545,164							10,737,600	6,737,500
2028	10,528,806							53,778,240	6,741,500
2029	84,134,378								6,735,750
2030									
2031									
2032									
Total⁽⁵⁾	\$184,049,773	\$871,869	\$57,413,274	\$20,925,244	\$1,378,577	\$16,228,276	\$2,612,090	\$148,694,320	\$80,874,300

⁽¹⁾ In March 2008, the School Board elected to convert the Series 2003B Certificates, which were originally issued as variable rate demand obligations, into a private placement floating rate note with Dexia. Commencing May 1, 2008, the interest rates were set monthly as one month LIBOR plus a spread of 30 bps. Commencing August 1, 2008, the Series 2003B Certificates interest rate is set based on SIFMA plus a spread of 65 bps.

⁽²⁾ Includes the Series 2004-QZAB Certificates and the Series 2005-QZAB Certificates. Reflects remaining sinking fund payments net of earnings on guaranteed investment contracts. Pursuant to Section 1397E of the Code, the holders of such QZAB Certificates receive a tax credit equal to the applicable tax credit rate on the date such QZAB Certificates were issued multiplied by the face amount of the QZAB Certificates held by the holder thereof on the applicable credit allowance date.

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

⁽⁴⁾ 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.

⁽⁵⁾ Totals may not add due to rounding.

CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES

Estimated payment requirements on the Series 2014A Certificates and Outstanding 2014B, 2014C, 2015A, 2015B, 2015C, 2015D, 2017A and 2017B Certificates are as follows:

Certificate Year Ending August 1	Series 2014A Certificates ⁽¹⁾	Series 2014B Certificates	Series 2014C Certificates	Series 2015A Certificates	Series 2015B Certificates	Series 2015C Certificates	Series 2015D Certificates	Series 2017A Certificates	Series 2017B Certificates
2018	\$2,721,375	\$21,761,000	\$1,664,000	\$20,371,186	\$14,019,500	\$3,148,500	\$29,997,000	\$5,955,069	\$1,252,524
2019		21,687,250	1,664,000	19,421,922	14,020,500	3,148,500	15,411,250	7,392,500	2,097,250
2020		21,531,500	1,664,000	6,089,628	14,018,750	3,148,500	15,407,500	20,197,500	2,097,250
2021		21,547,000	1,664,000	9,821,658	14,023,500	3,148,500	15,410,750	10,492,250	2,097,250
2022		21,468,750	1,664,000	9,811,164	14,018,500	3,148,500	15,410,000	10,555,250	8,432,250
2023		21,379,500	1,664,000		14,023,250	3,148,500	15,409,750	21,385,750	8,145,500
2024		21,300,500	1,664,000		14,021,250	3,148,500	15,414,250	21,444,750	8,152,250
2025		21,194,250	1,664,000		14,021,750	3,148,500	16,122,500	21,563,250	6,752,750
2026			1,664,000		14,018,500	3,148,500	34,768,500	42,716,250	846,500
2027			1,664,000		14,020,500	3,148,500	34,772,750	43,044,750	846,500
2028			9,554,000		14,021,250	3,148,500	26,879,750		17,776,500
2029			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⁽²⁾	<u>\$2,721,375</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>	<u>\$204,747,319</u>	<u>\$58,496,524</u>

⁽¹⁾ Reflects the refunding of the Refunded Certificates with proceeds of the Series 2018A Certificates, but includes the interest payment made on February 1, 2018.

⁽²⁾ Totals may not add due to rounding.

COMBINED CERTIFICATE PAYMENT SCHEDULE

The estimated combined payment requirements on the Series 2018A Certificates and the Outstanding Certificates are as follows:

Certificate Year Ending August 1	Series 2018A Certificates			Outstanding Certificates ⁽¹⁾	Total ⁽²⁾
	Principal Component	Interest Component	Subtotal		
2018	\$ 2,780,000	\$2,677,967	\$ 5,457,967	\$132,391,271	\$137,849,238
2019	10,260,000	5,599,500	15,859,500	120,558,612	\$136,418,112
2020	10,680,000	5,086,500	15,766,500	122,785,538	\$138,552,038
2021	11,255,000	4,552,500	15,807,500	122,520,876	\$138,328,376
2022	11,795,000	3,989,750	15,784,750	120,948,173	\$136,732,923
2023	12,365,000	3,400,000	15,765,000	121,902,416	\$137,667,416
2024	12,965,000	2,781,750	15,746,750	121,401,790	\$137,148,540
2025	13,535,000	2,133,500	15,668,500	119,833,145	\$135,501,645
2026	14,225,000	1,456,750	15,681,750	125,299,240	\$140,980,990
2027	14,910,000	745,500	15,655,500	125,517,264	\$141,172,764
2028				142,428,546	\$142,428,546
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	\$114,770,000	\$32,423,717	\$147,193,717	\$1,700,902,500	\$1,848,096,217

⁽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 C - CERTAIN LEGAL DOCUMENTS - The Master Lease."

The Series 2002B Lease is one of the Leases entered into under the Master Lease and provides for the leasing of the Series 2002B Facilities by the Corporation to the School Board. See "THE SERIES 2002B FACILITIES" and "THE SERIES 2002B LEASE." 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 2018A CERTIFICATES - Additional Leases" and "- Additional Certificates."

In addition, the School Board may, in the future, also enter into lease purchase arrangements upon terms and conditions other than those in the Master Lease. Failure to make payments under any such lease agreement, or an event of default under any such lease agreement, will not affect the Lease Term or cause the termination of the Series 2002B Lease or any other Leases.

THE SERIES 2002B LEASE

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

Authority

The Series 2002B Lease is 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 Series 2002B Facilities.

Lease Term

Under the Series 2002B Lease, the Corporation is leasing to the School Board, and the School Board is leasing from the Corporation, the Series 2002B Facilities. The initial term of the Series 2002B Lease commenced on March 20, 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 in accordance with the provisions of the Series 2002B Lease. See "THE SERIES 2002B LEASE - Termination of Lease Term."

Lease Payments

Subject to the conditions stated in the Series 2002B Lease, the School Board has expressed its current intent to make all Lease Payments due under the Series 2002B Lease; PROVIDED, HOWEVER, THAT 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 SERIES 2002B LEASE 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 SERIES 2002B LEASE, 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 Series 2002B Lease will be made from current or other funds authorized by law and regulations of the State of Florida Department of Education and appropriated for such purpose by the School Board.

On June 30, 2018, and thereafter on December 30 and June 30 of each year, the Lease Payment Dates preceding each Payment Date, the School Board is required to pay to the Trustee the Basic Lease Payment allocable to the Series 2018A Certificates due on such date, which amount corresponds to the amount due to Series 2018A Certificate holders on the next succeeding 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 2018A 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 Series 2002B Lease 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 Series 2002B Lease 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 Term of the Series 2002B Lease, with respect to the amounts, if any, remaining on deposit in the Acquisition Account thereunder shall be transferred to the Lease Payment Account to be applied to Basic Lease Payments next coming due under the Series 2002B Lease.

The following reflects the amendments to Section 5.4(b) of the Master Lease as set forth in Schedule 2002B.

(c) The Trustee will deposit in the Lease Payment Account or Acquisition Account, Net Proceeds realized in the event of damage, destruction or condemnation of the Series 2002B Facilities to be applied to the prompt repair, restoration or replacement of such Series 2002B 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 Series 2002B 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 Series 2002B Facilities and (b) equal or less than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Series 2002B Lease, then such Net Proceeds may, at the option of the School Board, (i) be deposited in the Series 2002B Lease Payment Account to be credited against Basic Lease Payments next coming due under the Series 2002B Lease in accordance with the Master Lease or (ii) deposited in the Acquisition Account for the Series of Certificates relating to such Series 2002B Facilities and applied to pay costs of other Facilities, in which case such other Facilities shall become subject to the provisions of the related Series 2002B 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 Series 2002B Facilities or (2) greater than the amount of Basic Lease Payments coming due in the immediately following Fiscal Year under such Series 2002B Lease, then the pro rata portion of such Net Proceeds allocable to the Series 2018A 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 Series 2002B 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 Series 2002B Lease Payment Account to be credited against Basic Lease Payments next coming due under the Series 2002B Lease.

Assignment of Lease to Trustee

Pursuant to the Series 2002B Assignment, substantially all right, title and interest of the Corporation in and to the Series 2002B Ground Lease and in and to the Series 2002B Lease, including the right to receive Basic Lease Payments thereunder, has been absolutely and unconditionally assigned by the Corporation to the Trustee for the benefit of the owners of the Series 2018A Certificates and any other Certificates representing an undivided proportionate interest in a portion of the Basic Lease Payments payable under the Series 2002B Lease. The School Board has consented to such assignment.

Lease Covenants

Under the Series 2002B Lease, the School Board is responsible for the acquisition, construction and installation of the Series 2002B Facilities pursuant to the specifications of the School Board, including the letting of all contracts for the acquisition, construction and installation of the Series 2002B Facilities. In the Series 2002B Lease, the School Board covenants that it will: (i) maintain the Series 2002B Facilities at all times during the Lease 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 Series 2002B Lease.

Budget and Appropriation

The cost and expense of the performance by the School Board of its obligations under the Series 2002B Lease, under the Current Leases and any Additional Leases and the incurrence of any liabilities of the School Board under the Series 2002B Lease, 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 Series 2002B Lease.

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

If the School Board declares its intent at such public meeting prior to the end of the then current Fiscal Year not to appropriate the funds necessary to make Lease Payments under all Leases, no Leases will be automatically renewed for the following Fiscal Year, but will terminate on June 30 of the current Fiscal Year. For a discussion of the effect of termination of the Lease Term of the Leases, see "THE SERIES 2002B LEASE - Effect of Termination for Non-Appropriation or Default."

Termination of Lease Term

The Lease Term of each Lease, including the Series 2002B Lease, 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 SERIES 2002B LEASE - 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) 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 2018A Certificates and any other Certificates evidencing an interest in the Series 2002B Lease. The proceeds derived from any such sale or reletting of the School Board's leasehold interest in such Facilities, if any, will be applied first to the payment of the fees and expenses of the Trustee, second to payment in full of the Series of Certificates relating to such Facilities and then to the payment of other outstanding amounts as described in said Lease(s). The proceeds of any such disposition of the Series 2002B Facilities will be applied to the payment of the Series 2018A Certificates, after payment of the expenses of the Trustee, in accordance with the terms of the Series 2002B Lease. With respect to the Series 2002B Lease and Series 2018A Certificates, the School Board may not be dispossessed of any personal property financed or refinanced, in whole or in part, with the proceeds of the Series 2018A Certificates. See "RISK FACTORS - Limitation Upon Disposition; Ability to Sell or Relet." IN NO EVENT WILL OWNERS OF THE SERIES 2018A 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 2018A CERTIFICATES.

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

There can be no assurance that the remedies available to the Trustee upon any termination of the Lease Term of all Leases for non-appropriation or default and the disposition of the Series 2002B Facilities will produce sufficient amounts to pay the Series 2018A Certificates. Federal income tax status of payments made to Series 2018A 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 2018A 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 2018A 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 Series 2002B Assignment, the Corporation has made an absolute and unconditional assignment of substantially all of its right, title and interest under the Series 2002B Lease to the Trustee, retaining its rights to indemnification, its right to hold title to certain of the Series 2002B Facilities, and to receive notices under the Master Lease. In accordance therewith, the Trustee collects directly all of the Basic Lease Payments which are the primary source of and security for payment of the Series 2018A 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 tenth largest school district in the United States and the fifth largest in Florida as measured by student enrollment. The geographic boundaries of the District are coterminous with those of Palm Beach County, Florida (the "County"). The County, established in 1909, had a 2016 population of 1,443,810. It is the third largest county in Florida in terms of population and encompasses a land area of approximately 2,023 square miles. The District services the unincorporated areas of the County and all 38 incorporated municipalities within the boundaries of the County, including the municipalities of Palm Beach, West Palm Beach, Jupiter, Delray Beach and Boca Raton.

As of June 30, 2017, the District included 183 schools and had approximately 189,324 unweighted full time equivalent students and approximately 22,058 full-time equivalent employees, including approximately 15,528 instructional personnel. Management of the schools is independent of the County and the various municipal governments in the County. The Tax Collector collects ad valorem taxes for the District, but the County exercises no control over

expenditures by the District. Additional information concerning the County is contained in "APPENDIX A – INFORMATION CONCERNING 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 CONCERNING 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 and charter school students.

⁽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 ⁽²⁾	46,724	49,192	49,923	49,956	48,722
Grades 4-8 ⁽²⁾	62,330	63,254	64,407	65,617	66,997
Grades 9-12 ⁽²⁾	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 ⁽³⁾	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 (including charter school students).

⁽²⁾ Includes ESE students Level I-III

⁽³⁾ ESOL/Intensive English

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

The School Board

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

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

The Board also has broad financial responsibilities, including the approval of the annual budget, adoption of the school tax levy and the establishment of a system of accounting and budgetary controls. The annual budget and accounting reports must be filed with the State of Florida Department of Education.

The Chairman of the Board is elected by the members of the Board annually. The Superintendent of Schools is the ex-officio Secretary of the Board. The present members of the Board, their respective offices and the expiration of their respective terms are as follows:

<u>Name/Office</u>	<u>District</u>	<u>Term Expires</u>
Chuck Shaw, Chairman	2	November 2020
Debra L. Robinson, M.D., Vice Chairwoman	7	November 2018
Barbara McQuinn, Member	1	November 2020
Karen M. 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.

On February 5, 2018, Dr. Avossa announced his resignation from the position of Superintendent effective June 12, 2018. In his letter of resignation, Dr. Avossa asked the School

Board to consider hiring an internal candidate as his successor. At this time, it is unclear whether the School Board will look internally for his replacement or conduct a broader search.

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>

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

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

* Awaiting final ratification by union members.

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

Budget Process

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

Capital Improvement Program

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

FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT

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

Financial Results

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

General Fund Revenue Sources

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

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	\$7,987,000	\$528,776,000	\$1,034,569,000	\$1,571,332,000
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. Includes fund balance.

⁽⁴⁾ Does not include transfers in.

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

General Fund Operations

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

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

	For the Fiscal Years Ended June 30				Budget 2018 ⁽²⁾
	Audited				
	2014	2015	2016	2017	
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	70.9	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⁾ 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)

	Audited				Budget
	2014	2015	2016	2017	2018 ⁽¹⁾
Beginning Fund Balance:					
Beginning Fund Balance	\$217.2	\$139.3	\$87.1	\$111.2	\$183.3
Revenues:					
Local Sources					
Ad Valorem Taxes	\$202.9	\$216.3	\$241.1	\$258.4	\$273.8
Local Sales Tax	-	-	-	65.8	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>\$332.7</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>\$348.6</u>	<u>\$410.6</u>
Adjustments to Fund Balance	-	-	-	-	-
Total Revenues and Fund Balance	\$428.7	\$390.5	\$346.9	\$459.8	\$593.9
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	\$221.4	\$539.1
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	248.9
Debt Service	-	-	-	-	-
Total Expenditures	<u>\$66.5</u>	<u>\$65.7</u>	<u>\$34.7</u>	<u>\$38.1</u>	<u>\$289.1</u>
Excess of Revenues Over (Under) Expenditures	\$145.0	\$185.5	\$225.1	\$310.5	\$121.5
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>(\$77.9)</u>	<u>(\$52.2)</u>	<u>\$24.1</u>	<u>\$72.1</u>	<u>\$66.7</u>
Ending Fund Balance:	<u>\$139.3</u>	<u>\$87.1</u>	<u>\$111.2</u>	<u>\$183.3</u>	<u>\$250.0</u>

⁽¹⁾ Budgeted figures.

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

Liabilities

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

**Selected Financial Information of
The School District of Palm Beach County, Florida
and Palm Beach County, Florida
Direct and Overlapping Long-Term Debt Statement (in thousands)
June 30, 2017**

	<u>General Obligation</u>	<u>Non-Self Supporting Revenue Debt</u>
DISTRICT 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	<u>\$ 0</u>	<u>\$34,881</u>
	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
	<u>General Obligation</u>	<u>Non-Ad Valorem Revenue Bonds</u>
OVERLAPPING DEBT (COUNTY)		<u>Revenue Bonds</u>
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	34,881
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$122,760</u>	<u>\$827,962</u>

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 Series 2002B Lease or any other Leases. In 2014, the School Board entered into an annual appropriation lease purchase agreement with TD Equipment Finance under which it has financed to date \$14.0 million of buses and equipment, \$4.3 million of which is presently outstanding. In July 2015, the School Board entered into an annual appropriation master lease purchase agreement with Banc of America Public Capital Corp. ("BAPCC") under which the School Board has financed \$14.2 million in buses and equipment to date, \$8.6 million of which is presently outstanding. In October 2015, the School Board borrowed an additional \$7.2 million under the BAPCC master lease to finance chillers at various schools, \$5.0 million of which is presently outstanding. In March 2016, the School Board entered into an additional lease under the BAPCC master lease

under which it has financed \$7.0 million of school buses and equipment, \$5.6 million of which is presently outstanding. These leases are not part of the Master Lease. See Note 10 to "APPENDIX B – EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" herein.

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

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

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

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

The SBA administers the FRS Investment Plan, a defined contribution plan available to eligible FRS members as an alternative to the FRS Pension Plan. Retirement benefits are based upon the value of the member's account upon retirement. Regardless of membership class, FRS Investment Plan contributions vest after one year of service. A member vests immediately in all

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

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

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

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

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

years of creditable service is increased from 30 to 33 and the vesting period is increased to eight years (formerly six).

Subject to provisions of Section 121.091, Florida Statutes, the Defined Retirement Option Program (the "DROP") permits employees eligible for normal retirement under the FRS to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a period not to exceed 60 months while the member's benefits accumulate in the FRS Trust Fund. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. As of June 30, 2017, the FRS Trust Fund projected \$2,255,747,029 in accumulated benefits and interest for 34,810 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, 2017, the balance of legally required reserves for all defined benefit pension plans was \$154,053,262,968. Such funds are reserved to provide for total current and future benefits, refunds and administration of the FRS Pension Plan.

The District's liability for participation is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the District.

The District's contributions, including employee contributions, to the FRS Pension Plan and FRS Investment Plan for the Fiscal Year ended June 30, 2017, totaled \$89.0 million, which was equal to the required contribution for such Fiscal Year. This excludes the HIS Program contribution. The District's contributions to the HIS Plan for the Fiscal Year ended June 30, 2017, totaled \$17.2 million.

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

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

As of June 30, 2017, the District reported a net pension liability of \$378.3 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined 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 fiscal year 2015-16 contributions relative to the total fiscal year 2015-16 contributions of all participating members. At June 30, 2016, the District's proportionate share was 3.246%, which was a decrease of 0.047% from its proportionate share measured as of June 30, 2015. See APPENDIX B hereto, including Management's Discussion and Analysis, Note 12 to the Basic Financial Statements and the

Required Supplementary Information, to the District's audited financial statement for the Fiscal Year ended June 30, 2017 for additional information relating to the District's implementation of GASB Statements Nos. 68 and 71.

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

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

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

OPERATING REVENUES OF THE DISTRICT

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

State Sources

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

FEFP categorical programs are lump sum appropriations from the State intended to supplement local school district revenues to enhance the delivery of educational and support services by each school district. In recent years, most categorical programs have been eliminated and the funds are now earmarked within the FEFP base student allocation. The only remaining categorical program is class size reduction. The allocation for class size reduction is based on a funding formula. The majority of the funds available require appropriation by the Board for the purposes for which they were provided. Class size reduction funds were \$212,395,962 and \$216,753,540 for Fiscal Years 2015-16 and 2016-17, respectively, and are budgeted at \$222,543,649 for Fiscal Year 2017-18.

Student enrollment trends have changed over the past several years. Following five years of high growth of more than 5,000 students per year from Fiscal Year 2001 through Fiscal Year 2005 enrollment was flat in Fiscal Year 2006, and decreased by 3,000 students during Fiscal Year 2007. Enrollment was flat again during Fiscal Years 2008 and 2009 but has increased by an average of just over 2,000 for Fiscal Years 2010 through 2016. The District's enrollment for

Fiscal Year 2018 is 192,148, which reflects an increase of approximately 2,824 students from Fiscal Year 2017. Future enrollment is projected to continue to increase slowly over the next three years.

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

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

Local Sources

Ad Valorem Taxes. Local revenue for District operating support is derived almost entirely from ad valorem real and tangible personal property taxes. In addition, the District earns interest on cash invested and collects other miscellaneous revenues.

The Florida Constitution limits the non-voted millage rate that school boards may levy on an annual basis for operational funds to 10 mills (\$10 per \$1,000 of taxable real and personal property value). Chapter 1011, Florida Statutes, further limits the millage levy for operational purposes to an amount established each year by the State appropriations act and finally certified by the Commissioner of the State of Florida Department of Education. Within this operational limit, each school district desiring to participate in the State's allocation of FEFP funds for current operations must levy a non-voted millage rate that is determined annually by the State Legislature and certified by the Commissioner of the State of Florida Department of Education and is referred to as the district "required local effort." For Fiscal Year ending June 30, 2017, the District's required local effort was 4.563 mills and for the Fiscal Year ending June 30, 2018, is 4.263 mills. In addition to such required local effort millage for Fiscal Year 2016-17, the District levied a Prior Period Funding Adjustment Millage of 0.009 mills and is levying 0.008 mills for Fiscal Year 2017-18 as required by Section 1011.62(4)(e), Florida Statutes. Such Prior Period Funding Adjustment Millage is levied when the preliminary taxable value for the prior year is greater than the final taxable value for such year, thereby resulting in lower than expected revenues from the required local effort millage.

In addition to the "required local effort," school districts are entitled an additional non-voted current operating "discretionary millage" not to exceed an amount established annually by the Legislature and up to 1.5 mills for capital outlay and maintenance of school facilities. However, the District may levy up to an additional 0.25 mills for capital outlay and maintenance of school facilities in lieu of operating discretionary millage. For Fiscal Year ended June 30, 2017, the District's discretionary operating millage was 0.748 mills and is 0.748 mills for the Fiscal Year ended June 30, 2018. The District did not levy, and is not levying, any capital outlay discretionary millage for the Fiscal Years ended June 30, 2017 and June 30, 2018. See "AD VALOREM TAXATION - Millage Rates and "- Historical Millages" herein.

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

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

<u>Operating Millage</u>	<u>District Levy</u>	<u>Description</u>	<u>Max</u>
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 decreased slightly from \$960,757,689 for Fiscal Year 2015-16 to \$959,828,342 for Fiscal Year 2016-17. Ad valorem taxes for operating purposes are budgeted to be \$964,104,012 for Fiscal Year 2017-18.

Federal Sources

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

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

Class Size Reduction

Amendment 9 to the State Constitution required the State Legislature provide funding for sufficient classrooms so that class sizes can be reduced to certain constitutional class size maximums by the beginning of the 2010 school year. Amendment 9 and Section 1003.03,

Florida Statutes, which implements Amendment 9 are referred to herein as the "Class Size Legislation."

The Class Size Legislation established constitutional class size maximums limiting students per class to no more than 18 for pre-kindergarten through 3rd grade, 22 for grades 4 through 8 and 25 for grades 9 through 12. Compliance is determined on a period-by-period basis. In the event a school district is not in compliance with such requirements (based on October student enrollment), the legislation provides that the State shall reduce the class size funding, which can be adjusted for good cause. For those school districts that are in compliance with the constitutional amendment, a reallocation bonus of up to 5% of the base student allocation shall be distributed. School districts not in compliance are required to submit to the Commissioner of Education a corrective action plan that describes specific actions the district will take in order to fully comply with the requirements by October of the following year. If the district submits the certified plan by the required deadline, 75% of the funds remaining after the reallocation to school districts will be reallocated based upon each school district's proportion of the total reduction.

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

The Class Size Legislation requires each school board to consider implementing various policies and methods to meet these constitutional class sizes, including encouraging dual enrollment courses, encouraging the Florida Virtual School, maximizing instructional staff, reducing construction costs, using joint-use facilities, implementing alternative class scheduling, redrawing attendance zones, implementing evening and multiple sessions and implementing year-round and non-traditional calendars.

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

Pre-K Programs

Amendment 8 to the Constitution provides that every 4-year old child in the State shall be offered a free, high quality pre-kindergarten learning opportunity by the State. Part V of Chapter 1002, Florida Statutes, creates a statewide Voluntary Pre-Kindergarten Education Program (the "Pre-K Program"). Among other things, the Pre-K Program provides eligibility and enrollment requirements, authorizes parents to enroll their children in a school-year prekindergarten ("Pre-K") program delivered by a private Pre-K provider, a summer program delivered by a public school or a private Pre-K provider, or if offered in a school district that meets class-size

reduction requirements, a school year Pre-K program delivered by a public school. The Pre-K Program also requires school districts to deliver summer Pre-K programs and permits school districts to deliver school-year Pre-K programs. Additionally, the Pre-K Program appropriates State funds to finance the Pre-K programs and provides the method for calculating the funds allocated to each Pre-K provider. The Pre-K Legislation provides State funding for the Pre-K programs.

Reading Mandate

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

AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS

The School Board derives its revenues for capital outlay projects from certain State and local sources. The major categories of these revenue sources are briefly described below. In Fiscal Year 2016-17, the revenue sources for capital improvements, excluding any Certificate proceeds and existing fund balances, were approximately 74.8% from local millage, 18.1% from local sales surtax, 4.6% from State revenues and 2.5% from other local sources.

State Sources

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

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

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

Local Sources

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

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

On May 17, 2016, the Board of County Commissioners of 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 Series 2002B Lease.

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

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

School boards may levy non-voted millage (the "Local Option Millage Levy") for capital outlay and maintenance purposes, pursuant to Section 1011.71(2), Florida Statutes. In 2008, the maximum amount of Local Option Millage Levy was reduced to 1.75 mills (previously 2.00 mills) and in 2009, it was further reduced from 1.75 mills to 1.50 mills. Under certain circumstances, a school board may levy in excess of 1.50 mills for capital outlay purposes. See "AD VALOREM TAXATION – Millage Rates." Revenues from the Local Option Millage Levy may be used to fund, among other things, new construction, remodeling, site acquisition and improvement; maintenance and repair; school bus purchases; payments under lease purchase agreements and certain short-term loans. Prior to July 1, 2012, payments from this millage for lease purchase agreements for educational facilities and sites were not permitted to exceed three-fourths of the proceeds of the Local Option Millage Levy. However, effective July 1, 2012, the

three-fourths limitation was waived for lease-purchase agreements originally entered into prior to June 30, 2009. **The School Board is not required to levy any millage for capital outlay purposes in the future. Since revenues from the levy of the Local Option Millage Levy may be used for, but not pledged to, the payment of Lease Payments under the Leases, the failure of the School Board to levy all of the Local Option Millage Levy would have an adverse effect on available revenues from which the School Board may appropriate to make Lease Payments. SEE "AD VALOREM TAXATION – Millage Rates" for information concerning legislation that may adversely affect the District's taxable assessed valuation, local option millage levy and the capital outlay millage available to make lease payments.**

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

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 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 Series 2002B Lease) that are being satisfied by Local Option Millage Levy revenues, which for the School Board for Fiscal Year 2017-18 is \$141,543,580, 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. For Fiscal Year 2017-18 based on the revised criteria in HB 7069, the amount of funds from the District's Local Option Millage Levy paid by the District for charter school capital outlay, based on the preliminary 2018 tax roll, was \$9,272,353 (taking into account budgeted Fiscal Year 2017-18 State charter school capital outlay funding). However, see "AD VALOREM TAXATION – Recent Legislative and Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes – *Distribution of Local Option Millage Funds to Charter Schools*" herein for information regarding recently introduced legislation that revises certain of the provisions of HB 7069 described above.

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

On September 27, 2017, the School Board voted to file its own lawsuit challenging the provisions of HB 7069 requiring school districts to distribute Local Option Millage Levy revenues to charter schools. On September 28, 2017, the School Board filed its lawsuit in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida challenging those provisions of HB 7069 and seeking declaratory and injunctive relief. The complaint alleges the provisions of HB 7069 requiring the School Board to distribute Local Option Millage Levy revenues to charter schools in the District (1) constitute an unlawful infringement on the School Board's constitutionally granted authority to operate, control and supervise all free public schools in the District, (2) place an unconstitutional constraint on the School Board's authority to levy ad valorem taxes for its own purposes and (3) are in effect an ad valorem tax levied by the State in violation of the Florida Constitution. On January 18, 2018, the Court denied the School Board's motion for a preliminary injunction. As such, on or about February 1, 2018, the School Board made the payments required by HB 7069 to the eligible charter schools in the District for Fiscal Year 2017-18, although such payments are subject to recoupment if the School Board ultimately prevails in its suit.

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

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

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 2018A 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 2018A Certificates**

Net Taxable Assessed Valuation (FY 2018)⁽¹⁾	\$190,165,751,792
Local Option Millage Levy	1.500
Assumed Tax Collection Rate	96.0%
Total Revenue Generated by 1.50 mill Levy at 96% collection (FY 2018)	\$273,838,683
<i>FY2018 Millage Levy Required to Satisfy Maximum Annual Basic Lease Payments Represented by the Outstanding Certificates and the Series 2018A 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	\$141,543,580 ^{(4) (5)}
Estimated Total Allocation of Local Option Millage Levy to Eligible District Charter Schools	\$12,649,032 ⁽⁵⁾
Less Total Amount of State Charter School Capital Outlay Funding Allocated to Eligible District Charter Schools	\$ 3,376,679 ⁽⁵⁾
Maximum Local Option Millage Levy to be Shared with Eligible District Charter Schools	\$9,272,353 ⁽⁵⁾
Maximum Local Option Millage Levy to be Shared with Eligible District Charter Schools	0.051 mills
Minimum Revenue Remaining from the Local Option Millage Levy after Charter School Payments	\$264,566,330
<i>Local Option Millage Levy Available After Basic Lease Payments and Charter School Payments</i>	
Minimum Remaining Millage Levy	0.658 mills
Total Minimum Revenue Anticipated from Remaining Local Option Millage Levy	\$120,087,702

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

⁽²⁾ Assumes the Outstanding Certificates have the financial arrangements, assumptions and accounting practices described in footnotes under "CERTIFICATE PAYMENT SCHEDULE I FOR OUTSTANDING CERTIFICATES" and "CERTIFICATE PAYMENT SCHEDULE II FOR OUTSTANDING CERTIFICATES." Reflects the refunding of the Refunded Certificates and termination of the 2014A Interest Rate Exchange Agreement.

⁽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 Series 2002B Lease. 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 Series 2002B Lease) that are paid from Local Option Millage Revenues.

⁽⁵⁾ Data provided by the Florida Department of Education.

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	178,279,409	75.08
2016	217,610,910	164,866,398	75.76
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, 2017 for Fiscal Years ending June 30, 2013-2017. Fiscal Year 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 School 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).

School Board Millage Rates						
	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 School 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 School 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: School District of Palm Beach County, Florida.

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

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

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	\$1,260,435	\$1,214,201	\$1,218,207	96.33%
2016	1,238,476	1,193,392	1,201,557	96.36
2015	1,137,084	1,094,037	1,095,063	96.21
2014	1,049,222	1,009,053	1,012,800	96.17
2013	1,032,289	991,951	1,001,130	96.09
2012	1,080,158	1,037,782	1,047,289	96.08
2011	1,096,466	1,050,949	1,064,848	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, 2017.

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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**

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	\$146,505,135		14.18%	\$68,403,459		6.99%

Source: The School Board of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ending June 30, 2017.

Recent Legislative Initiatives and Constitutional Amendments Concerning Ad Valorem Taxes

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

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

Exemption for Surviving Spouse of Veteran. In the November 2012 General Election, voters approved a constitutional amendment which allows the State Legislature to provide ad

valorem tax relief to the surviving spouse of a veteran who died from service-connected causes while on active duty as a member of the United States Armed Forces and to the surviving spouse of a first responder who died in the line of duty. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. The amendment became effective on January 1, 2013.

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

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

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

Various Changes to Ad Valorem Assessments, Exemptions and Definitions. During its 2013 Regular Session, the Florida Legislature passed Senate Bill 1830 ("SB 1830"), which was signed into law by the Governor and creates a number of changes affecting ad valorem taxation which became effective as of July 1, 2013. First, SB 1830 provides long-term lessees the ability to retain their homestead exemption and related assessment limitations and exemptions in certain instances and extends the time for property owners to appeal value adjustment board decisions on transfers of assessment limitations to conform with general court filing time frames. Second, SB 1830 inserts the term "algaculture" in the definition of "agricultural purpose" and inserts the term "aquacultural crops" in the provision specifying the valuation of certain annual agricultural crops, nonbearing fruit trees and nursery stock. Third, SB 1830 allows for an automatic renewal for assessment reductions related to certain additions to homestead properties used as living quarters for a parent or grandparent and aligns related appeal and penalty provisions to those for other homestead exemptions. Fourth, SB 1830 deletes a statutory requirement that the owner of Florida real property permanently reside upon such property in order to qualify for a homestead exemption. This change conforms the statute at issue with the Florida Constitution by allowing non-resident owners of property to claim a homestead exemption if a person legally or naturally dependent upon the owner permanently resides on such property. Fifth, SB 1830 clarifies a

drafting error regarding the property tax exemptions counties and cities may provide for certain low income persons age 65 and older. Sixth, SB 1830 removes a residency requirement that a senior disabled veteran must have been a Florida resident at the time they entered the service to qualify for certain property tax exemptions. Seventh, SB 1830 repeals the ability for limited liability partnerships with a general partner that is a charitable 501(c)(3) organization to qualify for the affordable housing property tax exemption. Finally, SB 1830 exempts from property taxes property used exclusively for educational purposes when the entities that own the property and the educational facility are owned by the same natural persons.

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

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

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

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

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

Extending the Limitation on Assessed Values of Non-Homesteaded Real Property. During the Florida Legislature's 2017 Regular Session, the Florida Legislature approved CS/HJR 21 ("HJR 21") which proposes an amendment to the State Constitution to remove the scheduled January 1, 2019 repeal of the limitation prohibiting the increase in the

assessed value of non-homestead property to 10% per year. The limitation does not apply to property taxes levied by school districts. In order for the 10% assessment limitation to continue, this constitutional amendment will need to be approved by at least 60% of the electors of the next general election in November 2018.

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

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

Distribution of Local Option Millage Funds to Charter Schools. During the Florida Legislature's 2017 Regular Session, the Florida Legislature passed HB 7069 which, among other things, requires school districts to distribute local capital outlay funds from the Local Option Millage Levy to charter schools. HB 7069 establishes the calculation methodology to determine the amount of local capital outlay funds from the Local Option Millage Levy a school district must distribute to each eligible charter school. Such calculation provides that the amount of local capital outlay funds from the Local Option Millage Levy a school district must distribute to each eligible charter school will first be reduced by the school district's annual debt service for obligations issued or incurred as of March 1, 2017 (which includes the Series 2002B Lease) that are being satisfied by Local Option Millage revenues, which for the School Board for Fiscal Year 2017-18 is \$141,543,580, 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. For Fiscal Year 2017-18 based on the revised criteria in HB 7069, the amount of funds from the District's Local Option Millage Levy paid by the District for charter school capital outlay, based on the preliminary 2018 tax roll, was \$9,272,353 (taking into account budgeted Fiscal Year 2017-18 State charter school capital outlay funding). At this time,

the impact of HB 7069 on the School Board is not expected to adversely affect the ability of the School Board to make Basic Lease Payments.

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

On September 27, 2017, the School Board voted to file its own lawsuit challenging the provisions of HB 7069 requiring school districts to distribute Local Option Millage Levy revenues to charter schools. Such lawsuit will be funded from proceeds of a settlement with British Petroleum related to the Deepwater Horizon oil spill. On September 28, 2017, the School Board filed its lawsuit against the Florida State Board of Education, the Florida Department of Education, and its Commissioner, in the Circuit Court of the Second Judicial Circuit in and for Leon County, Florida, seeking declaratory and injunctive relief. The complaint alleges the provisions of HB 7069 requiring the School Board to distribute Local Option Millage Levy revenues to charter schools in the District (1) constitute an unlawful infringement on the School Board's constitutionally granted authority to operate, control and supervise all free public schools in the District, (2) place an unconstitutional constraint on the School Board's authority to levy ad valorem taxes for its own purposes and (3) are in effect an ad valorem tax levied by the State in violation of the Florida Constitution. On January 18, 2018, the Court denied the School Board's motion for a preliminary injunction. As such, on or about February 1, 2018, the School Board made the payments required by HB 7069 to the eligible charter schools in the District for Fiscal Year 2017-18, although such payments are subject to recoupment if the School Board ultimately prevails in its suit.

On November 13, 2017, nine Florida district school boards (the "Petitioner School Boards") filed petitions for writs of quo warranto and mandamus in the Supreme Court of Florida against the Speaker of the Florida House of Representatives, the President of the Florida Senate, the Florida House of Representatives, the Florida Senate, the Secretary State of Florida and the Florida Commissioner of Education (collectively, the "Respondents"). The petition requests the

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

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

CS/HB 7055 ("CS/HB 7055") has been introduced during the Florida Legislature's current 2018 Regular Session, which, among other things, revises certain of the requirements of HB 7069 relating to the required sharing of the Local Option Millage revenues with charter schools. CS/HB 7055 specifies that charter school capital outlay funds shall consist of State funds when such funds are appropriated. However, if in any given year the amount of State funds is not equal to, or is less than, the average charter school capital outlay funds per unweighted FTE student for the 2018-2019 fiscal year, multiplied by the estimated number of charter school students for the applicable fiscal year and adjusted for inflation from the previous year, charter school capital outlay funds shall also consist of Local Option Millage revenue. The bill also seeks to clarify that the debt service obligation that can be reduced from the distribution to charter schools is the debt service obligation incurred as of March 1, 2017, which has not been subsequently retired, and also requires each school district annually, by October 1, to certify to the Florida Department of Education the amount of the debt service obligation that can be reduced from the distribution to charter schools. The bill provides that such amount shall be verified by the Auditor General during its operational audit. In the event aggregate lease-purchase agreement payments, including lease-purchase agreements entered into prior to June 30, 2009, exceed three-fourths of the Local Option Millage revenues, the bill provides that a school district may not withhold administrative expenses authorized by law from any charter school operating in the school district. At this time, it is uncertain whether CS/HB 7055 will be enacted into law, or whether the final legislation will contain the provisions described above.

Other Legislative Proposals Affecting District Finances

General. During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation and other 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. Other proposals have sought to restrict the ability of local governments to use certain revenues for payment of debt service or provide for additional procedures and notices in order to

issue tax-supported debt. There can be no assurance that similar or additional legislative or other proposals will not be introduced in the current legislative session or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

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

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

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

HB 7029 amended Section 103.64(6)(b) in a number of ways. First, school districts are required to maintain accurate documentation related to the costs of all new construction of educational plant space and the Auditor General will review such documentation and verify compliance with the statutory limits; however, the Florida Department of Education ("FDOE") will make the final determination on compliance based on the recommendation of the Auditor General. Second, beginning July 1, 2017, in addition to the funding sources listed above, a school district may not use funds from any sources for new construction of educational plant space exceeding the total cost per student station. Third, for all new construction initiated on or after July 1, 2017, a school district exceeding the total cost per student station will be subject to sanctions, unless the Auditor General determines that such cost per student station overage is de

minimis or due to extraordinary circumstances outside the control of the school district. The sanctions are as follows: (1) the school district is ineligible for allocations from the Public Education Capital Outlay and Debt Service Trust fund for the next three years in which the school district would have received allocations; and (2) the school district is subject to the supervision of a district capital outlay oversight committee comprised of one appointee of the Commissioner who has significant financial management, school facilities construction, or related experience, one appointee of the office of the State Attorney with jurisdiction over the school district, and one appointee of the Chief Financial Officer who is a licensed certified public accountant. The capital outlay oversight committee is authorized to approve all capital outlay expenditures of the school district for the three Fiscal Years following the violation.

Schools of Hope. HB 7069, among other things, also authorized the establishment of charter schools, to be known as "schools of hope," and designation of "hope operators" to provide students in areas of persistently low-performing schools with a high-quality education option designed to close the opportunity gap and increase student achievement. HB 7069 (i) establishes criteria for schools of hope and hope operators; (ii) defines persistently low-performing schools as those subject to differentiated accountability (that is, the escalating interventions and supports that must be provided to schools receiving school grades of "D" or "F") for more than three years or closed as a result of school improvement requirements; (iii) authorizes the FDOE to identify and designate hope operators who meet specified criteria; (iv) removes barriers to hope operators by creating a new notice and agreement process that is exempt from the current charter school law and State procurement laws; (v) provides a school of hope with certain exemptions from Chapters 1000-1013, Florida Statutes; (vi) provides provisions for facilities and funding for schools of hope; (vii) establishes a grant program to cover specified operational expenses; (viii) establishes the Schools of Hope Revolving Loan Program to help schools of hope cover school building construction and startup costs and (ix) allows "schools of hope" to be designated as a local education agency, if requested, allowing the school to apply for and receive State and Federal funds independently. As described above, various provisions of HB 7069, including the establishment of "schools of hope" are subject to legal challenge by the Plaintiff School Boards. In the complaint, the Plaintiff School Boards allege that the creation of "schools of hope" constitutes a direct violation of Article IX, Section 1(a) of the Florida Constitution which requires a uniform system of free public schools in the State. The Petitioner School Boards are also challenging this provision of HB 7069. 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 a HICMO in a critical need area in the Florida Public Charter School Grant Program competitions, and adds HICMO-operated charter schools to an exception that allows a charter school that earns two consecutive grades of "F" to continue to operate in the State if the school serves a specified student population and the school earns at least a grade of "D" in its third year of operation; (iii) requires the FDOE to provide school districts with technical assistance to ensure federal funds are allocated to charter schools using an appropriate methodology; (iv) removes the requirement that a charter school must have satisfactory student achievement 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 2018A Certificates is subject to certain risks and each prospective purchaser of Series 2018A 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 2018A Certificates to an extent that cannot be determined.

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

Although the School Board has determined that the Series 2002B Facilities are necessary to its operations and currently intends to continue the Series 2002B Lease in force and effect for the Lease Term and has covenanted in the Series 2002B Lease that the Superintendent will include a sufficient amount in the tentative budget to enable the School Board to make 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 Series 2002B Lease or any Additional Lease, or if no final budget is adopted as of the last day upon which a final budget is required to have been adopted under Florida law for payment of its obligations under the Series 2002B Lease, the Master Lease shall terminate as of the date of adoption of the final official budget, or such last day, whichever is earlier.

THE LIKELIHOOD THAT THE SERIES 2002B LEASE WILL BE TERMINATED AS THE RESULT OF AN EVENT OF NON-APPROPRIATION IS DEPENDENT UPON CERTAIN FACTORS THAT ARE BEYOND THE CONTROL OF THE SERIES 2018A CERTIFICATE HOLDERS, INCLUDING THE CONTINUING FUTURE UTILITY OF THE SERIES 2002B FACILITIES AND OTHER FACILITIES OF THE SCHOOL BOARD AND CHANGES IN POPULATION OR DEMOGRAPHICS WITHIN THE DISTRICT.

Limitation Upon Disposition; Ability to Sell or Relet

Following an event of default under the Series 2002B Lease or non-appropriation of funds, the Trustee as assignee of the Corporation may take possession of the Series 2002B Facilities and sell or re-let the leasehold interests therein. The Trustee's ability to actually achieve such a disposition of such Series 2002B Facilities is limited by its inability to convey fee simple title to the Series 2002B Facilities and by the governmental nature of the Series 2002B Facilities. Moreover, it is possible that a court of competent jurisdiction could enjoin the sale or re-letting of the Trustee's interest in the Series 2002B Facilities because of the essential governmental nature thereof. There can be no assurance that the remedies available to the Trustee upon any such termination of the Lease Term of all Leases and the disposition of the Series 2002B Facilities will produce sufficient amounts to make timely payments of the principal and interest portions due on the outstanding Series 2018A Certificates.

Tax Effect Upon Termination of Series 2002B Lease

Upon termination of the Series 2002B Lease there is no assurance that payments made by the Trustee with respect to the Series 2018A 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 Series 2002B Lease, the transfer of a Series 2018A 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 2018A Certificates will not be impaired following termination of the Series 2002B Lease.

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.

On November 14, 2017, Governor Rick Scott released his budget proposal for the State's fiscal year ending June 30, 2019, including an increase of approximately \$770 million in PreK-12 public schools funding over the current year. If the budget is enacted as submitted, funding per student would increase by approximately \$200 per student, or around 2.74% over the current fiscal year. Based on Governor Scott's proposed budget and individual department submissions, the Florida Legislature prepares its own version of the budget, which may or may not reflect Governor Scott's recommendations. While typically containing a number of executive branch recommendations, the final approved budget has historically changed from the version submitted by the Governor. On January 23, 2018, the Florida House of Representatives released its initial budget proposal, which has since been revised. The current House budget proposal includes an increase of approximately \$506.8 million in PreK-12 public schools funding over the current year. Under that proposal, funding per student would increase by approximately \$100 per student or 1.37% over the current year. On January 24, 2018, the Florida Senate released its initial budget proposal, which has since been revised. The current Senate budget proposal includes an increase of approximately \$535.2 million in PreK-12 public schools funding over the current year. Under that proposal, funding per student would increase by approximately \$110 per student or 1.50% over the current year. Upon the passage of budget bills by each chamber of the Legislature, members of both houses of the Legislature will meet in an Education Budget Conference Committee to resolve differences between the House and Senate budgets and related implementing and conforming bills. Once finalized, the conforming budget and related implementing and conforming bills will be sent to the full House and Senate for adoption and then to the Governor for approval. At this time, no assurance can be given that funding for PreK-12 public schools will increase in accordance with any of the proposals described herein.

Additional Leases

Pursuant to the Master Lease, the School Board may enter into other Leases in addition to the Current Leases and the Series 2002B Lease. Failure to appropriate funds to make Lease Payments under any such Lease will, and an event of default under any such Lease may, result in the termination of all Leases, including the Series 2002B Lease. Upon any such termination of all Leases, the School Board must surrender certain Facilities, including the Series 2002B Facilities but excluding certain designated 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 2018A 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 2002B Facilities will produce sufficient amounts to pay the outstanding Series 2018A 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 2018A 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. Other proposals have sought to provide for new or increased exemptions to ad valorem taxation, limit increases in assessed valuation of certain types of property or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the District or its finances.

Effect of Sequestration on Lease Payments

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

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

through the end of federal fiscal year 2024, with reductions in subsidy payments expected to vary between 5.5 percent and 7.3 percent of what would otherwise be received.

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

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

Market dislocation or other unusual market conditions could adversely impact the ability of the District to remarket or refund certain Term Rate or Floating Rate Certificates on their respective mandatory tender dates (which mandatory tender dates are generally separated by at least six months). The District has approximately \$217.34 million aggregate principal amount of outstanding Certificates subject to such remarketing risk, which represents approximately 16.1% of the District's outstanding Certificates of Participation. However, the School Board has authorized the refunding of all of such Certificates (including the Refunded 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 2002D Interest Rate Exchange Agreements (2005) and 2003B Interest Rate Exchange Agreement. Under certain circumstances, such interest rate exchange agreements are terminable at the option of the related counterparty thereto (Citi or UBS). In the event Citi or UBS exercises its option to terminate the interest rate exchange agreements, the School Board may be obligated to pay a termination payment or termination payments with respect thereto, which could be a substantial amount. While the School Board's scheduled payments under the 2002D Interest Rate Exchange Agreement (2005) are guaranteed by the applicable Swap Policies, such swap policies do not guarantee termination payments under the related interest rate exchange agreements unless such termination is at the direction of the insurer thereof. In the event the School Board is required to pay a termination payment under any such agreement, its ability to make Lease Payments may be adversely affected. The 2003B Interest Rate Exchange Agreement has a Swap Policy issued by Ambac. Pursuant to actions taken by the Commissioner of Insurance for the State of Wisconsin, such Swap Policy has been deposited to a 'segregated account.' Pursuant to a Plan of Rehabilitation in connection with any Swap Policy in the segregated account, 25% of the permitted claim will be paid in cash and 75% in surplus notes bearing interest at the rate of 5.1% per year with a scheduled maturity on June 7, 2020. In addition, the District would be exposed to credit risk if an interest rate exchange agreement has a positive fair market value and the Counterparty is downgraded which could result in required collateralization of the value of the swap and put financial pressure on the Counterparty. Further, the intended benefit of an interest rate exchange

agreement may not be realized because the floating rate the District receives under such interest rate exchange agreement may be less than the floating rate payable by the District on the applicable Certificates. See "SECURITY FOR THE SERIES 2018A CERTIFICATES - Interest Rate Exchange Agreements" herein.

Notwithstanding the foregoing, as described herein, the School Board has authorized the refunding of all of its variable rate Certificates (including the Refunded 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 2018A CERTIFICATES - Interest Rate Exchange Agreements" herein.

Property Insurance

Principally as a result of the substantial property damage caused by hurricanes and other storms in Florida and other parts of the United States over the last few years, property insurance premiums have risen dramatically for Florida property owners. It has become impossible or economically impracticable for many school districts within the State, including the District, to obtain property insurance with the level of coverage they have historically secured. Under the current provisions of the Master Lease, the District is required to purchase not less than \$85 million of property insurance to the extent that such insurance is available at commercially reasonable costs. The District property insurance for calendar year 2017 provides for \$100 million in coverage with the first \$10 million layer being self-insured. The District also has a \$10 million FEMA Buyback Policy which covers facilities that received FEMA funding in the past and are not eligible for FEMA reimbursement at this time. As such, the District currently is in compliance with the property insurance requirements contained within the Master Lease provisions. However, as described herein, the School Board and Corporation have authorized the Amendment to Master Lease to allow the amount of property insurance required to be maintained under the Master Lease to be determined annually by the Superintendent, in consultation with the Risk Management Department of the School Board. Such provision provides that the School Board shall follow the recommendation of the Superintendent so long as the recommended insurance is available at commercially reasonable costs and otherwise satisfies the requirements of the Master Lease. The School Board is also required to maintain eligibility for assistance by the Federal Emergency Management Agency ("FEMA"). See "CERTAIN AMENDMENTS TO THE MASTER LEASE AND SCHEDULE 2002B" herein. In the event the District suffers substantial damage to its property that is not covered by its current insurance or is not eligible for Federal reimbursement, the District's financial condition could be adversely impacted.

Impact of Hurricane Irma

Hurricane Irma, a Category 4 hurricane, impacted the Florida peninsula, including the District, on Sunday, September 10, 2017. A damage assessment has found minimal damage to real property in the District (including District-owned facilities), with the primary issues being power outage and downed trees and signage. Additionally, none of the Facilities under the Master Lease suffered significant damage. The District estimates costs from Hurricane Irma to

be approximately \$8 million, with approximately \$2 million of that being clean-up and shelter costs which are expected to be reimbursed by FEMA. The remaining \$6 million may be reimbursed from FEMA or insurance policies that cover sites for which FEMA paid a claim in a previous storm. In any case, the District does not expect any adverse impact on its ability to make Basic Lease Payments under the Master Lease as a result of the storm.

Certain Constitutional Amendments

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

LITIGATION

There is no litigation now pending or threatened: (i) to restrain or enjoin the issuance or sale of the Series 2018A Certificates; (ii) questioning or affecting the validity of the Series 2002B Lease or the obligation of the School Board to make Lease Payments; or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the Series 2018A Certificates.

The District is involved in certain 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 Inc. ("Moody's") and Fitch Ratings ("Fitch") have assigned ratings of "Aa3" (stable outlook) and "AA-" (stable outlook), respectively, to the Series 2018A Certificates. An explanation of the rating and outlook given by Moody's may be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, (212) 553-0501. An explanation of the rating and outlook given by Fitch may be obtained from Fitch at One State Street Plaza, New York 10004, (212) 908-0500. Certain information and materials concerning the Series 2018A 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 2018A Certificates. The above ratings and outlooks are not recommendations to buy, sell or hold the Series 2018A 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 2018A Certificates are subject to the approving legal opinion of Greenberg Traurig, P.A., Miami, Florida, and Edwards & Feanny, P.A., Miami, Florida, Co-Special Tax Counsel. The proposed form of such opinion is included herein as Appendix D. Certain legal matters relating to disclosure will be passed upon for the School Board by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Co-Disclosure Counsel. Certain legal matters will be passed upon for the School Board and the Corporation by the Office of General Counsel of the District. Certain legal matters will be passed upon for the Underwriters by Moskowitz, Mandell, Salim & Simowitz, P.A., Fort Lauderdale, Florida, Underwriters' Counsel. Co-Special Tax Counsel, Co-Disclosure Counsel and Underwriters' Counsel will receive fees for services provided in connection with the issuance of the Series 2018A Certificates, which fees are contingent upon the issuance of the Series 2018A 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 2018A Certificates are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated and the other underwriters listed on the cover page hereof (collectively, the "Underwriters") at an aggregate purchase price of \$130,633,776.59 which represents the \$114,770,000.00 aggregate principal amount of the Series 2018A Certificates, plus a bond premium of \$16,131,909.35 and less an underwriters' discount of \$268,132.76. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Series 2018A Certificates if any Series 2018A Certificates are purchased. The Series 2018A Certificates may be offered and sold to certain dealers at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

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

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Series 2018A Certificates, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLP ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2018A Certificates from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2018A Certificates that such firm sells.

Morgan Stanley & Co., LLC, one of the Underwriters of the Series 2018A Certificates, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co., LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co., LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2018A Certificates.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934. Wells Fargo Bank, National Association, acting through its Municipal Products Group ("WFBNA"), one of the Underwriters of the Series 2018A Certificates, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name Wells Fargo Advisors) ("WFA"), for the distribution of certain municipal securities offerings, including the Series

2018A Certificates. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2018A Certificates with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate, Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2018A Certificates. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC and WFA are each wholly-owned subsidiaries of Wells Fargo & Company. Certain subsidiaries of Wells Fargo & Company (parent company of Wells Fargo Bank, National Association, one of the Underwriters of the Series 2018A Certificates), have provided, from time to time, investment banking services, commercial banking services or advisory services to the District, for which they have received customary compensation. Wells Fargo & Company or its subsidiaries may, from time to time, engage in transactions with and perform services for the District in the ordinary course of their respective businesses.

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 2018A Certificates in order that the interest portion of the Basic Lease Payments represented by the Series 2018A 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 2018A Certificate holders to be included in gross income for Federal income tax purposes retroactively to the date of execution and delivery of the Series 2018A 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 2018A 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 2018A Certificates substantially in the form set forth in Appendix D.

In the opinion of Co-Special Tax Counsel, assuming continuing compliance by the School Board with the tax covenants referred to above and the accuracy of certain representations of the School Board, under existing statutes, regulations, rulings and court decisions, the interest portion of the Basic Lease Payments represented by the Series 2018A Certificates will be excludable from gross income for Federal income tax purposes. The interest portion of the Basic Lease Payments represented by the Series 2018A Certificates will not be an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals. Federal legislation enacted in 2017 eliminates alternative minimum tax for corporations for taxable years beginning after December 31, 2017. For taxable years beginning before January 1, 2018, corporations should consult their tax advisor regarding alternative minimum tax implications of owning the Series 2018A Certificates. No opinion is expressed with respect to the Federal income tax consequences of any payments received with respect to the Series 2018A 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 2018A Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2018A 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 2018A 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 2018A Certificate holders or the ownership or disposition of the Series 2018A Certificates. Prospective purchasers of Series 2018A Certificates should be aware that the ownership of Series 2018A 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 2018A 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 2018A Certificates, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the interest portion of the Basic Lease Payments represented by the Series 2018A Certificates, (iii) the inclusion of the interest portion of the Basic Lease Payments represented by the Series 2018A 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 2018A 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 2018A Certificates in determining whether a portion of such benefits are included in gross income for Federal income tax purposes. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Series 2018A Certificates. Prospective purchasers of the Series 2018A Certificates should consult their own tax advisors as to the impact of these other tax consequences.

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above, including, without limitation, the excludability from gross income of interest on the Series 2018A Certificates, adversely affect the market price or marketability of the Series 2018A Certificates, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. 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 2018A Certificates. Prospective purchasers of the Series 2018A Certificates should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations such as the Series 2018A 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 2018A 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 2018A Certificates, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Series 2018A Certificates and proceeds from the sale of Series 2018A Certificates. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2018A Certificates. This withholding generally applies if the owner of Series 2018A 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 2018A 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 2018A Certificates ("Premium Certificates") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Certificate, based on the yield to maturity of that Premium Certificate (or, in the case of a Premium Certificate callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Certificate), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Certificate. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Certificate, the owner's tax basis in the Premium Certificate is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Certificate for an amount equal to or less than the amount paid by the owner for that Premium Certificate.

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

FINANCIAL ADVISOR

PFM Financial Advisors LLC, Orlando, Florida, is serving as Financial Advisor to the School Board. The Financial Advisor assisted in matters relating to the planning, structuring, execution and delivery of the Series 2018A 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 2018A Certificates. The fees of the Financial Advisor are contingent upon the issuance of the Series 2018A Certificates. Fees may also be paid to PFM Swap Advisors LLC for swap advisory services to the School Board.

BASIC FINANCIAL STATEMENTS

Excerpted information from the comprehensive annual financial report of the District for the Fiscal Year ended June 30, 2017, included in this Offering Statement have been audited by RSM US LLP, independent certified public accountants, as stated in their report appearing in Appendix B. RSM US LLP has not performed any examinations or audits in connection with the issuance of the Series 2018A Certificates.

FORWARD LOOKING STATEMENTS

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

CONTINUING DISCLOSURE

The School Board has covenanted and undertaken for the benefit of the Series 2018A Certificate holders to execute and deliver a Disclosure Dissemination Agent Agreement (the "Disclosure Agreement") on the date of initial issuance of the Series 2018A 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 2018A 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 2018A Certificates remain Outstanding under the Series 2002B Lease, the Series 2002B Lease has not been terminated or there has not occurred an event of non-appropriation resulting in a termination. The agreement shall also terminate upon the termination of the continuing disclosure requirements of Rule 15c2-12(b)(5), as amended (the "Rule"), of the Securities and Exchange Commission pursuant to

the Securities and Exchange Act of 1934, by legislative, judicial or administration action. The Annual Report will be filed by the School Board with the Municipal Securities Rulemaking Board (the "MSRB") via its Electronic Municipal Market Access System described in the Disclosure Agreement attached hereto as Appendix E. The notices of material events will be filed by the School Board, or its dissemination agent, if any, with the MSRB. The specific nature of the information to be contained in the Annual Report and the notices of material events are described in "APPENDIX E - FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT" to be dated and delivered at the time of issuance of the Series 2018A Certificates. These undertakings have been made in order to assist the Underwriters 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 Series 2002B Lease, the Trust Agreement or the Disclosure Agreement; however, any Series 2018A 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 2018A Certificates, no party other than the School Board is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the aforementioned Rule. Due to an administrative oversight, the District did not timely file a notice of redemption related to one Series of Certificates. The District intends to fully comply with all current and future continuing disclosure undertakings. In furtherance thereof, the District has engaged Digital Assurance Certification, L.L.C. as its dissemination agent, in order to ensure ongoing and future compliance with its obligations under the Rule, particularly as it relates to material event filings.

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MISCELLANEOUS

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

This Offering Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. Any statements in this Offering Statement involving matters of opinion, whether or not expressly so stated are intended as such and not as representations of fact. This Offering Statement is not to be construed as a contract or agreement between the District and the purchasers or the holders of any of the Series 2018A Certificates.

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

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

By: /s/ Chuck Shaw
Chairman

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

APPENDIX A

INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

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INFORMATION CONCERNING PALM BEACH COUNTY, FLORIDA

General Information

Palm Beach County, Florida (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 (the "State"). 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

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 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.
2006	60,471	156.1	158.5	38,738	101.6
2007	64,044	161.0	160.8	39,788	99.9
2008	61,489	155.1	149.7	39,655	96.5
2009	54,049	145.8	137.3	37,065	94.1
2010	55,555	143.8	137.9	38,624	95.9
2011	59,721	147.5	140.7	40,476	95.3
2012	63,220	154.3	142.8	40,983	92.6
2013	62,290	152.8	140.1	40,771	91.7
2014	66,578	155.3	143.4	42,868	92.4
2015	68,743	154.7	142.9	44,429	92.3

Source: Florida Research and Economic Information Database Application.

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

Palm Beach County Population Distribution by Age Group 2013-2016

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

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 employment by major industry.

Palm Beach County, Florida Average Monthly Employment Covered by Unemployment Compensation 2015-2016

	Average Monthly Employment		Percent of Total*	
	2015	2016	2015	2016
All Industries	565,272	584,898	100.00%	100.00%
Accommodation and Food Services	63,834	67,067	11.29	11.47
Administrative and Waste Services	47,336	48,714	8.37	8.33
Agriculture, Forestry, Fishing & Hunting	6,374	7,445	1.13	1.27
Arts, Entertainment, and Recreation	17,217	17,616	3.05	3.01
Construction	30,383	33,508	5.37	5.73
Educational Services (private & public)	36,781	36,765	6.51	6.29
Finance and Insurance	23,119	22,418	4.09	3.83
Health Care and Social Assistance	84,814	87,969	15.00	15.04
Information	9,896	10,131	1.75	1.73
Management of Companies and Enterprises	10,152	10,381	1.80	1.77
Manufacturing	17,062	18,903	3.02	3.23
Mining	71	67	0.01	0.01
Other Services, Ex. Public Admin	24,211	24,981	4.28	4.27
Professional and Technical Services	40,734	43,114	7.21	7.37
Public Administration	25,485	25,885	4.51	4.43
Real Estate and Rental and Leasing	15,432	16,168	2.73	2.76
Retail Trade	77,689	78,411	13.74	13.41
Transportation and Warehousing	11,355	12,237	2.01	2.09
Unclassified	130	0	0.02	0.00
Utilities	2,154	2,528	0.38	0.43
Wholesale Trade	21,043	20,590	3.72	3.52

* Percentages may not equal due to rounding.

Source: Florida Research and Economic Information Database Application.

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%	4.0%	4.6%
2008	628,411	6.8	6.3	5.8
2009	615,500	10.7	10.4	9.3
2010	645,737	11.0	11.1	9.6
2011	652,697	10.0	10.0	8.9
2012	660,994	8.5	8.5	8.1
2013	672,574	7.2	7.2	7.4
2014	685,142	5.9	6.3	6.2
2015	690,078	5.1	5.4	5.3
2016	710,513	4.8	4.9	4.9

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 was 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, 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

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

**Building Permit Activity
County of Palm Beach, Florida
(Dollars in Thousands)
2008 - 2017**

Calendar Year	Single and Multi-Family	Residential Valuation
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
2017	2,054	650,494

Source: The School District of Palm Beach County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017.

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
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
2017	48,374,000	2,255,000

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

APPENDIX B

**EXCERPTED INFORMATION FROM THE COMPREHENSIVE ANNUAL
FINANCIAL REPORT OF THE SCHOOL BOARD OF PALM BEACH COUNTY,
FLORIDA FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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Comprehensive Annual Financial Report

The School District of Palm Beach County



2017

For Fiscal Year Ended June 30, 2017

3300 Forest Hill Boulevard, West Palm Beach, Florida 33406

COMPREHENSIVE ANNUAL FINANCIAL REPORT

The School District of Palm Beach County, Florida

for the

Fiscal Year Ended June 30, 2017



Issued by:

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

Prepared by:

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

**The School District of Palm Beach County
3300 Forest Hill Boulevard
West Palm Beach, Florida 33406**

SECTION

Financial





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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

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

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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 29, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

RSM US LLP

West Palm Beach, Florida
November 29, 2017

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

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

FINANCIAL HIGHLIGHTS

- The net position of the District increased \$0.085 billion, or 6.5%, from \$1.310 billion to \$1.395 billion. Funding per student has slowly increased since the low point in school year 2011-12, although it has still not recovered to school year 2007-08 levels. Enrollment at district schools increased 1.5%, approximately 2,435 students. The increase in net position is mainly related to the revenue received for the new ½ penny sales tax with limited expenditures prior to year end.
- The District's total long-term debt decreased by \$128.7 million or 7.7% primarily due to debt repayments of \$85.9 million, amortization of issuance premiums of \$13.4 million, and a decrease in negative fair value of hedging derivative instruments of \$29.1 million (discussed in Notes 10 and 11).
- Total revenues increased by \$161.0 million or 8.1%, from \$1.987 billion to \$2.148 billion when compared to the prior year.
 - General revenue accounted for \$1.559 billion, or 72.6%, of all revenues and increased \$131.5 million or 9.2%. This increase is primarily attributed to new sales tax revenue of \$65.8 million, property tax increase of \$16.7 million (mainly due to 8% increase in property values offset by 6% lower millage rate), increase in the Florida Education Finance Program (FEFP) revenue of \$44.7 million and \$5 million increase in Medicaid revenue.
 - Program specific revenue in the form of charges for services, grants and contributions accounted for \$588.4 million, or 27.4% of all revenues and increased \$29.5 million or 5.3%. The increase is primarily attributed to an increase in reimbursements for school lunch and breakfast programs, increase in Class Size Reduction revenue, PECO, Charter School Capital Outlay and other State revenue, and an increase in Afterschool Program fees.
- Total expenses increased \$106.4 million from \$1.956 billion to \$2.063 billion. The increase in expenses is primarily due to \$72 million higher pension expense in the current year based on actuarially determined Net Pension Liability (and related Deferred Inflows and Outflows) as determined under General Accounting Standards Board (GASB) Statement No. 68, raises given to employees in 2017, and an increase in the amount passed through to charter schools of \$7.3 million.

- The District’s governmental funds reported combined fund balances of \$469.5 million.
 - 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. COPS Debt Service fund, a major fund, has a restricted fund balance of \$116.4 million, and the remaining debt service funds which are included with the other non-major governmental funds have a restricted fund balance of \$5.7 million.
 - Capital Project funds ended the year with a fund balance of \$183.3 million and is restricted or assigned to fund existing and future capital projects. The Capital Improvement fund, a major fund, has a restricted fund balance of \$55.6 million. Total Non-Major capital funds have a restricted fund balance of \$92.0 million, mainly comprised of new sales tax fund (\$59.8 million), COPS Capital (\$15.1 million), and remaining Capital funds (\$17.1 million), and an assigned fund balance of \$35.7 million in Other Capital Projects Fund.
 - Special Revenue funds ended the year with a fund balance of \$25.6 million, of which \$20.4 million is restricted to child nutrition costs, and \$5.2 million is nonspendable inventory.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District’s operations *in more detail* than the government-wide statements.
- The *governmental funds* statements tell how *basic* services like instruction and instructional support services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary funds* statements offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as group health self-insurance and long term claim self-insurance.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure 1				
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.

Fund Financial Statements

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

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

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, the District provides additional information with the governmental funds statements that explain the relationship (or differences) between them.
- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There are two types of proprietary funds:
 - *Enterprise funds* account for goods and services provided to those outside the District, generally on a user-charge basis. Currently, the District has no enterprise funds.
 - *Internal service funds* report self-insurance activities charged to the District's other programs and activities.
- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.
 - The District excludes these activities from the government-wide financial statements because the District cannot use these assets to finance its operations.

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

Other Information – In addition to the basic financial statements and accompanying notes, this report also provides certain required supplementary information, as well as combining and individual fund statements and schedules beginning with page 77.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Government-Wide

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

Table 1

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

Capital assets (net) decreased \$81.9 million or 2.4% compared to prior year and primarily reflects the impact of current year depreciation exceeding capital spending. See Note 7 of the Notes to the Financial Statements for more information on capital assets. Cash and other assets increased \$217.1 million or 32.3%, primarily as a result of \$115 million TANS outstanding at the end of year, and \$65.3 million of cash and taxes receivable generated by the new Sales Tax fund in the second half of the year.

The analyses in Table 1, on page 7, and Table 2, below, focus on the summary of net position and summary of changes in net position for the District's governmental activities.

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

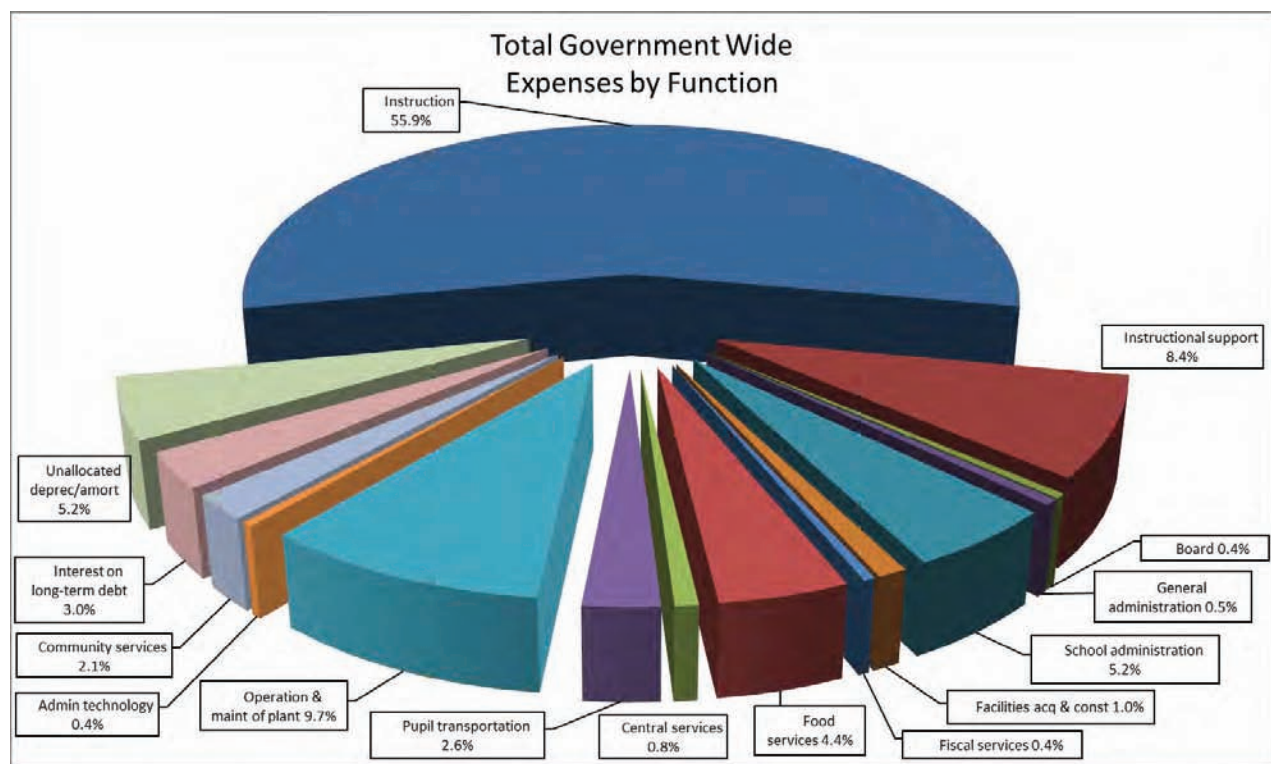
The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2, above, takes the information from that statement and rearranges them slightly so the reader can see the total revenues and expenses for the current year compared to fiscal year 2016.

As reported in the Statement of Activities, the cost of all of the governmental activities this year was \$2.063 billion. Some costs were paid by those who benefited from the programs (\$54.4 million), or by other governments and organizations who subsidized certain programs with grants and contributions (\$534.0 million). The District paid for the remaining “public benefit” portion of the governmental activities with \$1.2 billion in property taxes, \$65.8 million in Sales Tax, \$228.2 million in grants and contributions not restricted to specific programs, \$6.0 million in investment earnings, and \$40.9 million in other general revenue.

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

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

The pie chart below represents total expenses classified by function.



FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Governmental Funds

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

The General Fund, which is the chief operating fund of the District and is always considered a major fund, had a fund balance of \$138.5 million which is an increase of \$11.3 million or 8.9%. The increase is

primarily due to higher than anticipated revenues, staff vacancies and less than expected charter school enrollment. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$52.0 million.

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

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

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

Proprietary Funds

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

General Fund Budgetary Highlights

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

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As shown in Table 3, on the next page, at June 30, 2017, the District had \$3.289 billion invested in a broad range of capital assets, including land, construction in progress, improvements other than buildings, buildings and fixed equipment, furniture, fixtures and equipment, motor vehicles, audio visual materials and computer software. This amount represents a net decrease (including additions, deletions and depreciation) of \$81.9 million from last year. The decrease is primarily due to depreciation expense of \$107.6 million exceeding capital spending of \$26.2 million. Capital spending in the current year reflects

the acquisition of 100 buses for \$11.4 million, completion of the installation of new air conditioner chillers at 18 locations for \$3.8 million, and land donation of \$3.7 million for a future Elementary School.

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

Table 3

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

Table 4

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	61,946	91,076	(29,130)
Plus: Issuance Premium	81,587	95,002	(13,415)
Total	<u>\$ 1,647,602</u>	<u>\$ 1,776,258</u>	<u>\$ (128,656)</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 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, other post-employment benefits, and the reporting requirement of GASB No. 68 related to net pension liabilities.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

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

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

In recent years, districts throughout Florida have been hard hit by the reduction in local capital outlay taxing authority and the decline in property values. While property values continue to recover, the 2008 and 2009 Florida Legislature reduced the capital millage authority of local school boards to 1.5 mills from 2.0 mills. Over time, the substantial loss of capital revenue crippled the ability of school districts to meet school facility maintenance, classroom technology, and bus fleet demands.

Voters in Palm Beach County stepped up in November 2016 to address this significant shortfall by increasing the local sales tax by one penny in order to address the backlog of critical capital needs including school security and safety, classroom technology, and safe and reliable school buses. The District is anticipated to receive \$1.345 billion over the next 10 years. Although the passage of HB 7069, this legislative cycle, has again exacerbated the problem by requiring districts to provide charter schools a pro-rata share of local capital outlay millage funding. Without additional funds to compensate for the loss in revenue, an estimated \$230 million over the next ten years, the District will again face a backlog of critical capital needs.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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

Visit our website at:

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

View an electronic copy of our CAFR at:

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

BASIC FINANCIAL STATEMENTS



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THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF NET POSITION
JUNE 30, 2017
(amounts expressed in thousands)

	Primary Government
	Governmental Activities
ASSETS	
Cash, cash equivalents and investments	\$ 794,014
Ad Valorem and Sales Taxes receivable	44,342
Accounts, deposits and interest receivable	889
Due from other governments or agencies	28,891
Inventories	13,201
Restricted assets (cash with fiscal agent)	2,885
Other assets	5,935
Capital assets:	
Land	342,380
Construction in progress	3,656
Improvements other than buildings	58,834
Buildings and improvements	4,172,921
Furniture, fixtures and equipment	129,525
Motor vehicles	118,641
Audio/video materials and software	40,278
Less accumulated depreciation	<u>(1,577,471)</u>
Total capital assets, net of depreciation	<u>3,288,764</u>
TOTAL ASSETS	<u>4,178,921</u>
DEFERRED OUTFLOWS OF RESOURCES	
Accumulated decreases in fair value of hedging derivatives	61,946
Deferred loss on debt refunding	61,781
Pension	<u>378,156</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCE	<u>501,883</u>
LIABILITIES	
Accounts and contracts payable	37,678
Accrued payroll and payroll deductions	85,425
Current notes payable	115,000
Retainage payable on contracts	256
Deposits payable	365
Interest payable	35,578
Unearned revenue	1,455
Noncurrent liabilities:	
Portion due or payable within one year:	
Loans/note payable	8,454
Bonds payable	1,543
Liability for compensated absences	15,654
Certificates of participation payable	76,850
Borrowing-swap upfront payment	229
Estimated claims	26,560
Portion due or payable after one year:	
Loans/note payable	15,031
Bonds payable	11,104
Liability for compensated absences	170,046
Certificates of participation payable	1,470,245
Borrowing-swap upfront payment	2,201
Derivative instrument - Hedging	61,946
Estimated claims	35,468
Other post-employment benefits obligation	111,919
Net Pension Liability	<u>965,450</u>
TOTAL LIABILITIES	<u>3,248,457</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	<u>36,952</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>36,952</u>
NET POSITION	
Net Investment in capital assets	1,756,568
Restricted for:	
Categorical carryover programs	4,010
Debt service	88,145
Capital projects	183,212
School food service	25,568
Other purposes (See Footnote 14)	19,068
Unrestricted (deficit)	<u>(681,176)</u>
TOTAL NET POSITION	<u>\$ 1,395,395</u>

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(amounts expressed in thousands)

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

General revenues:

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

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

Net (Expense)
Revenue and Changes
in Net Position

Primary Government
Governmental
Activities

\$	(818,810)
	(116,707)
	(7,468)
	(7,135)
	(101,446)
	(12,252)
	(6,749)
	(239)
	(15,264)
	(26,345)
	(121,084)
	(73,741)
	(271)
	786
	(59,870)
	(107,633)
	(109)
	<hr/>
	(1,474,337)
	<hr/>

	959,828
	258,379
	65,783
	228,152
	6,047
	40,947
	<hr/>
	1,559,136
	<hr/>
	84,799
	<hr/>
	1,310,596
	<hr/>
\$	1,395,395
	<hr/>

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017
(amounts expressed in thousands)

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>
ASSETS		
Cash, cash equivalents and investments	\$ 325,406	\$ 116,492
Ad Valorem and Sales taxes receivable	17,493	-
Accounts and interest receivable	889	-
Due from other governments or agencies	6,470	-
Due from other funds	8,460	-
Inventories	7,969	-
Other assets	15	-
TOTAL ASSETS	<u>366,702</u>	<u>116,492</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts and contracts payable	21,688	76
Accrued payroll and payroll deductions	86,666	-
Tax anticipation notes payable	115,000	-
Accrued interest payable	1,648	-
Due to other funds	-	-
Retainage payable on contracts	-	-
Deposits payable	365	-
Unearned revenue	589	-
TOTAL LIABILITIES	<u>225,956</u>	<u>76</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue	2,200	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,200</u>	<u>-</u>
FUND BALANCES		
Nonspendable	7,969	-
Restricted	20,378	116,416
Committed	-	-
Assigned	58,199	-
Unassigned	52,000	-
TOTAL FUND BALANCES	<u>138,546</u>	<u>116,416</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 366,702</u>	<u>\$ 116,492</u>

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

CAPITAL IMPROVEMENT	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 53,219	\$ 138,776	\$ 633,893
4,711	22,138	44,342
-	-	889
-	20,232	26,702
-	-	8,460
-	5,232	13,201
-	22	37
<u>57,930</u>	<u>186,400</u>	<u>727,524</u>
2,153	11,677	35,594
-	5,760	92,426
-	-	115,000
-	-	1,648
-	8,460	8,460
182	74	256
-	-	365
-	1,231	1,820
<u>2,335</u>	<u>27,202</u>	<u>255,569</u>
-	238	2,438
-	238	2,438
-	5,232	13,201
55,595	117,990	310,379
-	35	35
-	35,703	93,902
-	-	52,000
<u>55,595</u>	<u>158,960</u>	<u>469,517</u>
<u>\$ 57,930</u>	<u>\$ 186,400</u>	<u>\$ 727,524</u>



**THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017
(amounts expressed in thousands)**

Total Fund Balances - Governmental Funds \$ 469,517

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	\$	4,866,235	
Accumulated depreciation		(1,577,471)	
Total capital assets, net of depreciation			3,288,764

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. 724

Deferred outflow of resources are reported at the fair values of the corresponding hedging derivative instruments in the statement of net position. 61,946

Deferred outflow of resources are reported at net carrying amount for refunding transactions in the statement of net position. 61,781

Deferred outflows of resources related to pensions are recorded in the statement of net position. 377,719

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

An internal service fund is used by management to charge the costs of health premiums, worker's compensation, auto and general liability to individual funds. The net position of the internal service fund is included in governmental activities in the statement of net position.

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

Revenues that are unavailable or unearned in the governmental funds but are recognized as revenue in the governmental-wide financial statements. 2,803

Deferred inflows of resources related to pensions are recorded in the statement of net position. (36,909)

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

Loans / Note payable		23,485	
Bonds payable		12,647	
Certificates of participation payable		1,547,095	
Borrowing-swap upfront payment		2,430	
Hedging derivative instruments		61,946	
Compensated absences		178,434	
Other post employment benefits		111,813	
Net Pension Liability		964,337	
Accrued interest on long-term debt		33,930	
			(2,936,117)

Total Net Position - Governmental Activities \$ 1,395,395

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

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

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>
REVENUES:		
Local sources:		
Ad valorem taxes	\$ 959,828	\$ -
Local sales taxes	-	-
Interest income and other	3,867	119
School age child care fees	37,872	-
Food service sales	239	-
Impact fees	-	-
Local grants and other	32,763	-
Total local sources	<u>1,034,569</u>	<u>119</u>
State sources:		
Florida education finance program	277,399	-
Capital outlay and debt service	115	-
Food service	-	-
Class size reduction	216,754	-
Charter school capital outlay	-	-
State grants and entitlements	34,508	-
Total state sources	<u>528,776</u>	<u>-</u>
Federal sources:		
Federal grants and entitlements	7,987	-
National school lunch act	-	-
Total federal sources	<u>7,987</u>	<u>-</u>
TOTAL REVENUES	<u>1,571,332</u>	<u>119</u>
EXPENDITURES:		
Current:		
Instruction	1,081,637	-
Instructional support services	120,022	-
Board	7,295	-
General administration	7,537	-
School administration	105,345	-
Facilities acquisition and construction	349	-
Fiscal services	6,662	-
Food services	117	-
Central services	15,133	-
Student transportation services	53,559	-
Operation of plant	127,091	-
Maintenance of plant	73,064	-
Administrative technology services	7,540	-
Community services	42,298	-
Total Current Expenditures	<u>1,647,649</u>	<u>-</u>

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

<u>CAPITAL IMPROVEMENT</u>	<u>OTHER NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
\$ 258,379	\$ -	\$ 1,218,207
-	65,783	65,783
977	435	5,398
-	-	37,872
-	13,226	13,465
-	6,948	6,948
-	7,884	40,647
<u>259,356</u>	<u>94,276</u>	<u>1,388,320</u>
-	-	277,399
-	7,678	7,793
-	995	995
-	-	216,754
-	5,329	5,329
-	10,076	44,584
<u>-</u>	<u>24,078</u>	<u>552,854</u>
-	122,065	130,052
-	75,187	75,187
-	197,252	205,239
<u>259,356</u>	<u>315,606</u>	<u>2,146,413</u>
-	67,189	1,148,826
-	53,526	173,548
-	-	7,295
-	3,314	10,851
-	25	105,370
15,414	5,396	21,159
-	104	6,766
-	89,814	89,931
-	790	15,923
-	340	53,899
-	7	127,098
-	-	73,064
-	-	7,540
-	830	43,128
<u>15,414</u>	<u>221,335</u>	<u>1,884,398</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, 2017
(amounts expressed in thousands)

	<u>GENERAL FUND</u>	<u>COPS DEBT SERVICE</u>
Capital outlay	1,896	-
Debt service:		
Retirement of principal	-	75,205
Interest	666	66,252
Fiscal charges	-	219
TOTAL EXPENDITURES	<u>1,650,211</u>	<u>141,676</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(78,879)</u>	<u>(141,557)</u>
OTHER FINANCING SOURCES (USES):		
Transfers in	90,260	139,180
Transfers out	(92)	-
Issuance of long-term and refunded debt	-	-
Net premium (discount) from issuance of long-term and refunded debt	-	-
Payments to refunded debt escrow agent	-	-
Proceeds from loss recoveries	7	-
Sale of capital assets and other	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>90,175</u>	<u>139,180</u>
NET CHANGE IN FUND BALANCES	11,296	(2,377)
FUND BALANCES, JULY 1, 2016	<u>127,250</u>	<u>118,793</u>
FUND BALANCES, JUNE 30, 2017	<u>\$ 138,546</u>	<u>\$ 116,416</u>

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

CAPITAL IMPROVEMENT	OTHER NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
4,572	19,310	25,778
-	10,678	85,883
-	4,624	71,542
-	12	231
<u>19,986</u>	<u>255,959</u>	<u>2,067,832</u>
<u>239,370</u>	<u>59,647</u>	<u>78,581</u>
-	9,418	238,858
(223,908)	(14,858)	(238,858)
-	-	-
-	-	-
-	-	7
-	224	224
<u>(223,908)</u>	<u>(5,216)</u>	<u>231</u>
15,462	54,431	78,812
<u>40,133</u>	<u>104,529</u>	<u>390,705</u>
<u>\$ 55,595</u>	<u>\$ 158,960</u>	<u>\$ 469,517</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, 2017
(amounts expressed in thousands)**

Total net change in fund balances - governmental funds	\$	78,812
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense (\$107,633) in excess of capitalized capital outlay (\$26,255) in the current period.		(81,378)
Governmental funds report the effect of bond insurance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Bond Insurance Cost Amortization	(109)	
Debt Refunding Amortization	(6,349)	
Premium/Discount Amortization	<u>13,414</u>	6,956
Investment loss related to derivative instruments reported in the statement of activities that are not reported as revenue in the governmental funds		(25)
Revenues reported in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		2,803
Revenues reported in the governmental funds that were reported as revenue in the statement of activities in the prior year under full accrual.		(2,324)
Repayment of notes / loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		8,361
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		77,522
The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		(480)
Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds.		
Prepaid Insurance & Software	(259)	
Compensated Absences	(2,287)	
Other Post Employment Benefits	(4,433)	
Pension Expense	(38,740)	
Borrowing-SWAP	228	
Accrued Interest on Long-Term Debt	<u>1,742</u>	(43,749)
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.		<u>38,301</u>
Change in net position of governmental activities	\$	<u>84,799</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, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017
(amounts expressed in thousands)

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
REVENUES:					
Local sources	\$ 1,021,613	\$ 1,034,568	\$ 1,034,569	\$ 12,955	\$ 1
State sources	513,081	528,776	528,776	15,695	-
Federal sources	3,807	7,987	7,987	4,180	-
TOTAL REVENUES	<u>1,538,501</u>	<u>1,571,331</u>	<u>1,571,332</u>	<u>32,830</u>	<u>1</u>
EXPENDITURES:					
Instruction	1,126,207	1,146,281	1,084,027	(20,074)	62,254
Instructional support services	119,428	122,074	120,039	(2,646)	2,035
Board	7,743	8,013	7,302	(270)	711
General administration	7,476	7,625	7,537	(149)	88
School administration	99,517	105,578	105,347	(6,061)	231
Facilities acquisition and construction	497	717	349	(220)	368
Fiscal services	6,768	7,048	6,662	(280)	386
Food Services	17	120	117	(103)	3
Central services	14,987	15,617	15,147	(630)	470
Student transportation services	52,743	53,656	53,585	(913)	71
Operation of plant	133,281	135,405	127,099	(2,124)	8,306
Maintenance of plant	79,316	73,569	73,731	5,747	(162)
Administrative Technology Services	7,916	7,871	7,540	45	331
Community services	50,794	52,516	42,480	(1,722)	10,036
Debt service	577	667	666	(90)	1
TOTAL EXPENDITURES	<u>1,707,267</u>	<u>1,736,757</u>	<u>1,651,628</u>	<u>(29,490)</u>	<u>85,129</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(168,766)</u>	<u>(165,426)</u>	<u>(80,296)</u>	<u>3,340</u>	<u>85,130</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	93,600	90,261	90,260	(3,339)	(1)
Transfers out	(84)	(92)	(92)	(8)	-
Proceeds from loss recoveries	-	7	7	7	-
TOTAL OTHER FINANCING SOURCES	<u>93,516</u>	<u>90,176</u>	<u>90,175</u>	<u>(3,340)</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (75,250)</u>	<u>\$ (75,250)</u>	<u>9,879</u>	<u>\$ -</u>	<u>\$ 85,129</u>
FUND BALANCE, JULY 1, 2016 (GAAP BASIS)			<u>127,250</u>		
FUND BALANCE, JUNE 30, 2017 (BUDGETARY BASIS)			<u>137,129</u>		
Adjustment To Conform With GAAP:					
Elimination of encumbrances			<u>1,417</u>		
FUND BALANCE, JUNE 30, 2017 (GAAP BASIS)			<u>\$ 138,546</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, 2017
(amounts expressed in thousands)

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017
(amounts expressed in thousands)

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES:	
Premium revenue	\$ 246,172
Pharmacy Rebates	10,580
Other operating revenue	1,027
TOTAL OPERATING REVENUES	257,779
OPERATING EXPENSES:	
Salaries	1,212
Benefits	1,062
Purchased services	495
Claims and other expenses	217,383
TOTAL OPERATING EXPENSES	220,152
OPERATING INCOME	37,627
NONOPERATING REVENUES:	
Interest and other income	674
TOTAL NONOPERATING REVENUES	674
CHANGE IN NET POSITION	38,301
NET POSITION - Beginning of year	61,692
NET POSITION - End of year	\$ 99,993

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

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2017
(amounts expressed in thousands)

	Governmental Activities
	Internal Service Fund
	Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash receipts from interfund services provided	\$ 246,172
Cash payments for claims and administration	(217,963)
Cash receipts for pharmacy rebates	10,580
Cash payments for salaries and benefits	(1,589)
Other receipts	5,550
Net cash provided by operating activities	<u>42,750</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest and other income	674
Net cash provided by investing activities	<u>674</u>
Net increase in cash and cash equivalents	43,424
Cash and cash equivalents, beginning of year*	<u>119,582</u>
Cash and cash equivalents, end of year*	<u><u>\$ 163,006</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	<u>\$ 37,627</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in due from other agencies	307
Decrease in payroll and payroll deductions	(34)
Decrease in accounts payable	(85)
Increase in pension	719
Increase in estimated unpaid claims	4,216
Total adjustments	<u>5,123</u>
Net cash provided by operating activities	<u><u>\$ 42,750</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, 2017
(amounts expressed in thousands)**

	<u>PRIVATE- PURPOSE TRUST FUND</u>	<u>AGENCY FUND</u>
	<u>FLORIDA FUTURE EDUCATORS OF AMERICA</u>	<u>SCHOOL INTERNAL FUNDS</u>
ASSETS		
Cash, cash equivalents and investments	\$ 335	\$ 18,936
Accounts receivable	-	1,248
TOTAL ASSETS	<u>\$ 335</u>	<u>\$ 20,184</u>
LIABILITIES		
Accounts payable	\$ -	\$ 249
Due to student organizations	-	19,935
TOTAL LIABILITIES	<u>-</u>	<u>\$ 20,184</u>
NET POSITION		
Held in trust for scholarships	<u>335</u>	
TOTAL NET POSITION	<u>\$ 335</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, 2017
(amounts expressed in thousands)**

	PRIVATE- PURPOSE TRUST FUND FLORIDA FUTURE EDUCATORS OF AMERICA
ADDITIONS	
Donations	\$ 111
Interest	<u>2</u>
TOTAL ADDITIONS	<u>113</u>
DEDUCTIONS	
Scholarships	<u>45</u>
TOTAL DEDUCTIONS	<u>45</u>
CHANGE IN NET POSITION	68
NET POSITION - Beginning of year	<u>267</u>
NET POSITION - End of year	<u><u>\$ 335</u></u>

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

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

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

Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for Fiduciary Funds. The District eliminates from the Statement of Net Position and the Statement of Activities all interfund

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

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

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

Fund Financial Statements

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

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

GOVERNMENTAL FUNDS

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

General Fund

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

COPS Debt Service Fund

The COPS Debt Service Fund accounts for the repayment of the certificates of participation.

Capital Improvement Fund

The Capital Improvement Fund accounts for locally received funds, primarily ad valorem tax revenue, and funds are used to service COPs debt.

Other Non-Major Governmental Funds

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

PROPRIETARY FUNDS

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

Internal Service Fund

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

FIDUCIARY FUNDS

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

Agency Funds

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

Private Purpose Trust Fund

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

BASIS OF ACCOUNTING

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

Modified Accrual

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction

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

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

Accrual

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

Revenue Recognition

Program Revenues – Amounts reported as program revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

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

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

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

in which they are received.

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

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

C. Budgetary Policies

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

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

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

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

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

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

D. Encumbrances

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

E. Cash, Cash Equivalents and Investments

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

F. Inventories

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

G. Prepaid Items

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

H. Capital Assets

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

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
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			Ending Balance
	<u>June 30, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2017</u>
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	\$ 91,076	\$ -	\$ 29,130	\$ 61,946
Deferred Loss on Debt Refunding	68,131	-	6,350	61,781
Pension Related - FRS (see footnote 12)	113,703	241,355	60,417	294,641
Pension Related - HIS (see footnote 12)	46,158	54,536	17,179	83,515
Total Outflows of Resources	<u>\$ 319,068</u>	<u>\$ 295,891</u>	<u>\$ 113,076</u>	<u>\$ 501,883</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 \$2.4 million Unavailable Deferred Revenue (\$2.2 million is related to Medicaid administration claims) that qualifies as a deferred inflow of resources and it is shown in the governmental funds Balance Sheet under the modified accrual basis of accounting.

On the Government-Wide financial statements Deferred Inflows of Resources total \$37.0 million as shown below (in thousands):

	Ending Balance			Ending Balance
	June 30, 2016	Increase	Decrease	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 entered into interest rate swap agreements to modify interest rates on outstanding debt. The fair value of these instruments is reflected on the government-wide financial statements (See Notes 10 and 11).

K. Self-Insurance

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

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

L. Compensated Absences

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

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

M. Pensions

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

N. Accounting Estimates

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

O. Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

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

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

In December 2015 GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, will be effective for the District beginning with its year ending June 30, 2017. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The adoption of this statement did not impact the District's financial statements.

In January 2016, GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, will be effective for the District beginning with its year ending June 30, 2017. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The adoption of this statement did not impact the District’s financial statements.

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

Recently Issued Accounting Pronouncements

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

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

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

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, will be effective for the District beginning with its year ending June 30, 2018. The objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management is currently evaluating the impact of the adoption of this statement on the District’s financial statements.

In June 2017, GASB Statement No. 87, *Leases*, will be effective for the District beginning with its year ending June 30, 2020. This Statement outlines new guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The goal is to better align reporting these leases with their particular situations, as well as provide greater transparency and usefulness of financial statements. Management is currently evaluating the impact of the adoption of this statement on the District's financial statements.

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

2. AD VALOREM TAXES

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

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

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

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

Florida Statutes authorize the deposit of District funds in demand deposits or time deposits of financial institutions approved by the State Treasurer and are defined as public deposits. All District public deposits are held in qualified public depositories pursuant to chapter 280, Florida Statutes, the "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125%

depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. All bank balances of the District are fully insured or collateralized. At June 30, 2017, the carrying amount of the District's cash deposits was approximately \$258.4 million and the bank balance was approximately \$261.8 million. The carrying amount of the Agency Fund - School Internal Funds cash deposits was approximately \$18.9 million.

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

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

Investments

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

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

As of June 30, 2017, the District had the following unrestricted cash and investments with stated maturities that were categorized as Level 1 and Level 2 (amounts in thousands):

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	-	0.25
Federal Agency - Bond/Notes	22,683	-	22,683	1.61
Corporate Notes	5,220	-	5,220	0.67
Municipal Bonds	999	-	999	0.83
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%	A+/A1
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	<u>535,670</u>	<u>67.46%</u>	
Plus Cash Deposits	258,344	32.54%	
Total Cash and Investments	<u>\$ 794,014</u>	<u>100.00%</u>	

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

Credit Risk

The District's Investment Policy lists the authorized investment types as well as the minimum allowable credit rating for each investment type. Corporate notes purchased for investment must be issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long term debt rating, at the time of purchase, at a minimum "A" by Moody's and a minimum long term debt rating of "A" by Standard & Poor's ("S&P"). The maximum length to maturity for corporate notes shall be three (3) years from the date of purchase. As of June 30, 2017, the District held \$5.2 million of corporate notes of which had an S&P rating between AA- and AA+. All investments in the Federally Backed Securities (Fannie Mae, Freddie Mac (also known as Federal Home Loan Mortgage Corporation) and Farmer Mac) had an S&P rating of AA+ and a Moody's rating of Aaa for securities held for more than one year. All other rated investments were rated between A-1 and AAAm by S&P. As of June 30, 2017, the Local Government Investment Pools were rated AAAm by S&P.

Custodial Risk

The District’s investment policy requires that all securities, with the exception of certificates of deposit, be held with a third party custodian; and all securities purchased by, and all collateral obtained by the District should be properly designated as an asset of the District. The securities must be held in an account separate and apart from the assets of the financial institution. A third party custodian is defined as any bank depository chartered by the Federal government, the state of Florida, or any other state or territory of the United States which has a branch or principal place of business in the state of Florida as defined in § 658.12, F.S., or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the state of Florida. Certificates of deposit will be placed in the provider's safekeeping department for the term of the deposit. Security transactions between a broker/dealer and the custodian involving the purchase or sale of securities by transfer of money or securities are made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. As of June 30, 2017, the District’s investment in fixed income securities was held with a third-party custodian.

4. INVESTMENT DERIVATIVE INSTRUMENTS

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

5. DUE FROM OTHER GOVERNMENTS OR AGENCIES

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

	General Fund	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	-	-	2,189	2,189
Other	871	281	-	1,152
Total Due From Other Governments or Agencies	\$ 6,470	\$ 20,232	\$ 2,189	\$ 28,891

* 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 Non-Major Governmental Funds	-	8,460
Total Interfund	<u>\$ 8,460</u>	<u>\$ 8,460</u>

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

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

Transfer from:	Transfer to:			Total
	General Fund	COPS Debt Service	Other Non-Major Governmen tal Funds	
Capital Improvement	\$ 75,402	\$ 139,180	\$ 9,326	\$ 223,908
General Fund	-	-	92	92
Other Non-Major Governmental Funds	14,858	-	-	14,858
Total	<u>\$ 90,260</u>	<u>\$ 139,180</u>	<u>\$ 9,418</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 COPS Debt Service and Other Non-Major Governmental funds mainly relate to amounts transferred to make debt service payments and to fund minor capital projects.

7. CAPITAL ASSETS

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

	Beginning Balance July 1, 2016	Additions and Transfer In	Retirements and Transfers Out	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	339,830	6,206	-	346,036
<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	4,516,168	20,049	16,018	4,520,199
<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	(1,485,376)	(107,633)	(15,538)	(1,577,471)
Capital Assets, Net	\$ 3,370,622	\$ (81,378)	\$ 480	\$ 3,288,764

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

8. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; administrative errors and omissions; injuries to employees, students and guests; as well as natural disasters and employee health and medical insurance. The District is self-insured for portions of its general and automobile liability insurance, workers compensation and employee health and medical insurance. Losses involving auto and general liability claims are limited (generally) by provisions of the Florida State Statute 768.28. These self-insured funds are administered by a third party. The District purchases commercial insurance for other risks including property, construction and other miscellaneous risks. The District has not experienced any significant reduction in insurance coverage from previous years nor has it paid any settlements in excess of insurance coverage in the past three years. This liability is typically liquidated from the internal service fund.

The employee health insurance claims liability is based on an analysis performed by management, which is based on historical trends. The remaining claims liability is based on an actuarial evaluation performed by an independent actuary as of June 30, 2017 using a discounted rate factor of 4.0%. The liability consists of claims reported and payable, as well as an estimate for claims incurred but not reported. At June 30, 2017, the liability for claims consisted of approximately \$14.0 million, \$16.3 million and \$31.7 million for employee health, auto and general liability, and workers' compensation, respectively.

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

	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		-		(29,130)		61,946		-
		<u>1,681,256</u>		<u>-</u>		<u>(115,241)</u>		<u>1,566,015</u>		<u>87,076</u>
Plus Issuance Premium		95,002		-		(13,415)		81,587		-
Total Bonds, Notes and Other Payable		<u>1,776,258</u>		<u>-</u>		<u>(128,656)</u>		<u>1,647,602</u>		<u>87,076</u>
Other Liabilities:										
Compensated Absences		183,080		17,126		(14,506)		185,700		15,654
Self-Insurance										
Claims and Judgments		57,812		207,061		(202,845)		62,028		26,560
Post Employment Benefits		107,486		9,763		(5,330)		111,919		-
Net Pension Liability		640,495		324,955		-		965,450		-
Total Other Liabilities		<u>988,873</u>		<u>558,905</u>		<u>(222,681)</u>		<u>1,325,097</u>		<u>42,214</u>
Total Governmental Activities										
Long-Term Liabilities	\$	<u>2,765,131</u>	\$	<u>558,905</u>	\$	<u>(351,337)</u>	\$	<u>2,972,699</u>	\$	<u>129,290</u>

Notes/Loans Payable

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

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

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

On March 18, 2016, the District entered into loan agreement 2016 with Banc of America Public Capital Corp for financing the acquisition of 60 buses and other equipment \$6.9 million issue with a coupon rate of 1.255%. Under the terms of the loan agreement the debt is payable over five years.

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

Bus & Equipment Loans	Date of Issue	Amount Issued	Remaining Interest Rates (Percent)	Final Maturity Date	Debt Outstanding June 30, 2016	Debt Redeemed	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):

Year Ended June 30	Principal	Interest	Total Principal and Interest
2018	\$ 8,454	\$ 267	\$ 8,721
2019	7,115	162	7,277
2020	5,760	81	5,841
2021	2,156	18	2,174
Total	<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 Capital Outlay		Total	
	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	3,190	661	3,851	
2028-2032	1,695	136	1,831	
Total	<u>\$ 11,396</u>	<u>\$ 2,606</u>	<u>\$ 14,002</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	N/A
2005 QZAB	12/15/2005	2,150	-		12/15/2020	2,150	-	2,150	N/A
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	1.277%	*	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	62,970	5.00%		08/01/2032	62,970	-	62,970	08/01/2032
		<u>\$ 2,328,583</u>				<u>\$ 1,541,963</u>	<u>\$ 75,205</u>	<u>\$ 1,466,758</u>	

* 2014A - Variable rate paid to certificate holders 70% of 1 month Libor +42 basis points. Resets weekly, 1.277% at 6/30/2017

** 2003B - Variable rate paid to certificate holders SIFMA + 65 basis points. Resets weekly, 1.56% at 6/30/2017

*** 2010A QSCB - Average coupon rate before IRS subsidy is 5.4%. Net interest rate with IRS subsidy is 0.5681%

**** 2012B - Variable rate paid to certificate holders SIFMA +49 basis points. Resets weekly, 1.40% at 6/30/2017

Notes to Certificates of Participation Series leases on previous pages:

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

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

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

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

All Certificates of Participation issued are subject to arbitrage rebate. At June 30, 2017, the arbitrage liability was zero.

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

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	\$ 124,295	\$ 13,990	\$ 177,265	\$ 5,215	\$ 44,520	\$ 1,585	\$ 19,650	\$ 20,085

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	\$ 107,120	\$ 63,645	\$ 115,350	\$ 153,725	\$ 33,280	\$ 84,150	\$ 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
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	\$ 221,640	\$ 2,923	\$ 2,150	\$ 67,665	\$ 1,466,758	\$ 572,649	\$ 2,039,407

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, Legislator reduced district debt service capacity by 25%. Debt service payments remain in compliance at 52.6% of capital millage proceeds. The District's legal lease purchase agreement remaining debt issuance capacity is \$61.2 million, however Board Policy recommends no additional issuance until debt service falls below 50% of capital millage.

Defeased Debt

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

Certificates of Participation:

Series	Maturities	Outstanding (in thousands)	Call Date	Defeased by COPS Series
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		\$ 234,670		

Hedging Derivative Instrument Payments and Hedged Debt

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

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

Fiscal Year Ending June 30	Principal	Interest	Hedging Derivative Instruments, Net	Total
2018	\$ 5,130	\$ 4,705	\$ 12,027	\$ 21,862
2019	8,415	4,612	11,760	24,787
2020	10,500	4,533	11,524	26,557
2021	10,810	4,410	11,156	26,376
2022	20,615	4,171	10,478	35,264
2023-2027	124,390	16,315	40,106	180,811
2028-2032	86,435	4,142	9,122	99,699
2033-2035	80,470	-	-	80,470
	\$ 346,765	\$ 42,888	\$ 106,173	\$ 495,826

Borrowings of Hybrid Derivative Instruments

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

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

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

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	59	293
2023-2027	1,040	153	1,193
2028-2032	246	6	252
	\$ 2,429	\$ 553	\$ 2,982

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
		Classification	Amount	Classification	Amount	Notional	Levels
<u>Governmental Activities Hedging Derivatives:</u>							
2002B/2014A Pay-fixed Interest Rate Swap	Deferred outflow of resources		\$ 8,239	Liability	\$ (18,562)	\$ 115,350	Level 2
2003B Pay-fixed Interest Rate Swap	Deferred outflow of resources		11,501	Liability	(23,060)	124,295	Level 2
2002D/2012B Pay-fixed Interest Rate Swap	Deferred outflow of resources		9,390	Liability	(20,324)	107,120	Level 2
Total Hedging Derivative Instruments			<u>\$ 29,130</u>		<u>\$ (61,946)</u>		
<u>Investment Derivatives:</u>							
	Investment earnings						
2003B-Barrier Option at 7%	(Loss)		\$ (25)	Asset	\$ -	100,000	Level 2
Total Investment Derivative Instruments			<u>\$ (25)</u>		<u>\$ -</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 \$29.1 million classified as a decrease of deferred outflows of resources. All expected derivatives cash flows have been calculated using the zero-coupon method by an independent party. This method calculates the future net settlement payments required by the derivatives, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the derivatives using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows and time value of money. The observability of inputs used to perform the measurement results in the derivatives fair values being categorized as level 2.

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

Objective and Terms of Derivative Instruments

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

	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	\$ 115,350	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.	Baa1, BBB+, 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	A1,A,A
2002D/2012B - Interest Rate Swap	Hedge changes in cash flows on the 2012B Certificates	107,120	8/1/2012	8/1/2028	\$ 4,240	Pay 4.71%; receive SIFMA Swap Index	Citibank N.A. New York	A1,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	A1,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 no investment derivative instruments in asset positions and no hedging derivative instruments in asset positions at June 30, 2017.

Interest rate risk

The District is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swaps, as LIBOR or the SIFMA swap index decreases, the District's net payment on the swap increases which is offset by the variable rate paid on the hedged debt.

Termination risk

The District or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract including if either parties credit rating falls below designated levels. In addition, the District is exposed to termination risk on its 2003B interest rate swap with barrier option because the counterparty has the option to terminate the swap if the 180 day average of the BMA index exceeds 7.0% at any time beginning on the commencement date. If at the time of termination, a hedging derivative instrument is in a liability position, the District would be liable to the counterparty for a payment equal to the liability, subject to netting arrangements.

12. RETIREMENT PLANS

Florida Retirement System (FRS)

General Information about the FRS

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

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

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

FRS Pension Plan - Defined Benefit

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, "except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service"). All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service

“except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service”). Members of the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

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

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

<u>Class, Initial Enrollment, and Retirement Age/Years of Service % 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	42.47
FRS, Senior Management Service	3.00	21.77
FRS, Special Risk Regular	3.00	22.57
DROP - Applicable to Members from All of the Above Classes	0.00	12.99
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 0.06 percent for administrative costs of the
- (2) Contribution rates are dependent upon retirement class in which reemployed.

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a liability of \$587.1 million for its proportionate share of the Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 2.325 percent, which was a decrease of 0.108 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$25.2 million (\$85.6 million due to the District's share of changes in deferred inflows and deferred outflows of resources, reduced by \$60.4 million for the District's contributions subsequent to the measurement date) related to the FRS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

<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	60,417	-
Total	\$ 294,641	\$ (29,177)

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

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2018	\$ 25,198
2019	25,197
2020	89,713
2021	57,393
2022	5,703
Thereafter	1,843

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

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

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

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013

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

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (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

In the comprehensive annual financial report issued by FRS for the plan year ended June 30, 2016, management of the plan included a disclosure about the investment rate of return assumption as set by the 2016 FRS Actuarial Assumption Conference and the exception taken (unreasonable assumption) by the Plan Actuary in its Actuarial Valuation report of the Plan as of and for the year ended June 30, 2016. Management of the District considered this information, other information as well as the audited financial statements of the FRS Pension Plan and Employer Allocation Reports issued by the Auditor General of the State of Florida as of and for the year ended June 30, 2016, which both contained unmodified opinions and has concluded that the information provided by the Plan for reporting by the cost-sharing employers was reasonable.

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 to the Plan required for the fiscal year ended June 30, 2017.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Florida Department of Management Services.

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. The District contributed 100 percent of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The District's contributions to the HIS Plan totaled \$17.2 million for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the District reported a net pension liability of \$378.3 million for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The District's proportionate share of the net pension liability was based on the District's 2015-16 fiscal year contributions relative to the total 2015-16 fiscal year contributions of all participating members. At June 30, 2016, the District's proportionate share was 3.246 percent, which was a decrease of 0.047 from its proportionate share measured as of June 30, 2015.

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$14.3 million (\$31.5 million due to the District's share of changes in deferred inflows and deferred outflows of resources, reduced by \$17.2 million for the District's contributions subsequent to the measurement date) related to the HIS Plan. In addition, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<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	17,179	-
Total	\$ 83,516	\$ (7,775)

The deferred outflows of resources related to pensions, totaling \$17.2 million, resulting from District contributions to the HIS Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<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):

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
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. The postemployment health care and life insurance plan does not issue a stand-alone financial report, and is not included in the report of a public employee retirement system (PERS) or another entity.

Plan Description

Pursuant to Section 112.0801, Florida Statutes, the District is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees pay 100% of the blended (active and retiree combined) equivalent premium rates. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The plan is a single employer plan.

Funding Policy

The District is financing the post-employment benefits on a pay-as-you-go basis. Expenditures for these insurance premiums are prorated between the General Fund and other funds where the personnel are located. For fiscal year 2017, 1,065 retirees received health care benefits. The District provided required contributions of approximately \$10.1 million toward the annual OPEB cost. Retiree contributions totaled approximately \$5.3 million, which represents 0.5 percent of covered payroll.

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 10,069
Interest on Net OPEB Obligation	3,848
Adjustment to Annual Required Contribution	<u>(4,154)</u>
Annual OPEB Cost (Expense)	9,763
Contribution Towards OPEB Cost	<u>(5,330)</u>
Increase in Net OPEB Obligation	4,433
Net OPEB Obligation - Beginning of Year	<u>107,486</u>
Net OPEB Obligation - End of Year	<u>\$ 111,919</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	\$ 9,763	55%	\$ 111,919
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 \$115.1 million, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1.0 billion, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.4%.

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

Methods and Assumptions

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

The Projected Unit Cost method (PUC) with benefits attributed from date of hire to expected retirement age was used in the actuarial valuation as of June 30, 2017. The unfunded actuarial accrued liability is amortized over the maximum acceptable period of thirty years on an open basis. It is calculated assuming a level dollar percentage. The remaining amortization period at June 30, 2017 is thirty years (open basis).

The following assumptions were made:

Retirement Age – Annual retirement probabilities have been determined based on the Florida Retirement System Actuarial Valuation as of July 1, 2016.

Spouse Age – Spouse dates of birth were provided by the District. Where this information is missing, male spouses are assumed to be three years older than female spouses.

Per Capita Health Claim Cost – Per capita health claim costs are developed based on 2 years of historical claim experience June 2017. The per capita cost at age 60 is \$10,500 and at age 70 is \$5,500.

Age Based Morbidity – The assumed per capita health claim costs are adjusted to reflect expected increases related to age and gender. These increase are based on a 2013 Society of Actuaries study, with sample rates shown below.

Sample Age	Male	Female
45	4.6%	1.6%
50	6.2%	4.2%
55	5.4%	2.4%
60	4.7%	3.6%
65	1.7%	2.4%
70	1.8%	2.0%
75	1.2%	1.3%
80	0.8%	1.1%

Mortality – Life expectancies were based on Generational Mortality Table. The RP-2014 Table projected to 2030 using Scale MP-16 and applied on a gender specific basis.

Healthcare Cost Trend Rate - The expected rate of increase in healthcare insurance premiums was based on District historical experience, market-place knowledge and macro-economic theory. A rate of 7.0% for under age 65 and 6.0% over age 65 initially, reduced 0.5% each year until reaching the ultimate trend rate of 4.5%.

Retiree Contributions – Contributions are required for both retiree and dependent coverage. Retirees contribute the full active premium equivalent rates for coverage.

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

Termination – The rate of withdrawal for reasons other than death and retirement has been developed from the Florida Retirement System Actuarial Valuation as of July 1, 2016. The annual termination probability is dependent on an employee’s age, gender, and years of service.

Plan Participation Percentage – It is assumed that 30% of all future retirees and their dependents who are eligible for benefits participate in the post-employment benefit plan.

Census Data – The census data was provided as of July 2017.

Salary Increase Assumption – 2.5% per annum.

Discount Rate – 3.58% per annum

Inflation Rate – 2.5%

14. NET POSITION AND FUND BALANCE REPORTING

Fund Balance

GASB 54 categorizes fund balance as either nonspendable or spendable. Nonspendable is defined as the portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. District nonspendable items include inventories.

Spendable is defined as a hierarchy of fund balance classifications that is available to be spent based on the element to which the District is bound to observe constraints imposed upon the use of resources:

- Restricted fund balance is constrained by external parties, and constitutional provisions or enabling legislation. District restricted balances includes: Carryover balances as a result of revenue received with constraints from Federal laws, Florida Statute, Florida School Board Rules, local ordinances or contract provisions.
- Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the School Board. District committed balance includes: Funds committed by the School Board on June 2, 2010 for future purchase and installation of equipment needed to transmit and receive programming for The Education Network (TEN).
- Assigned fund balances are amounts that are constrained by the School Board or Superintendent to be used for a specific purpose. Florida Statute 1001.51, Duties and Responsibilities of District School Superintendent, delegates certain financial authority to the Superintendent.
- Unassigned fund balance is the residual classification for the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted assets first, followed by unrestricted assets. Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District has not established a stabilization arrangement. Instead, the Board has established policy 2.55, Fund Balance for Contingency to set aside 3% of total annual operating fund appropriations and transfers from the operating fund to cover unanticipated financial needs and to avoid a budget deficit. At the end of the fiscal year, the unassigned general fund balance was \$52.0 million or 3.15% of general fund total expenditures.

The following table shows the District's fund balance classification at June 30, 2017 (in thousands):

	Major Funds				Total Governmental
	General Fund	COPS Debt Service	Capital Improvement	Other Non-Major 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	15	-	-	-	15
Total Nonspendable	7,969	-	-	5,232	13,201
<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 Projects	-	-	-	59,766	59,766
Workforce development	1,806	-	-	-	1,806
Child nutrition	-	-	-	20,336	20,336
Debt service	-	116,416	-	5,659	122,075
Capital projects	-	-	55,595	32,229	87,824
Total Restricted	20,378	116,416	55,595	117,990	310,379
<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	675	-	-	-	675
<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	58,199	-	-	35,703	93,902
Unassigned	52,000	-	-	-	52,000
Total fund balance	\$ 138,546	\$ 116,416	\$ 55,595	\$ 158,960	\$ 469,517

15. COMMITMENTS AND CONTINGENCIES

The District receives funding from the State that is based, in part, on a computation of the number of full time equivalent ("FTE") students enrolled in different types of instructional programs. The accuracy of data compiled by individual schools supporting the FTE count is subject to State audit and, if found to be in error, could result in refunds or in decreases in future funding allocations. It is the opinion of management that any amounts of revenue which may be remitted back to the State due to errors in the FTE count, if any, will not be material to the financial position of the District.

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the District.

The District is involved in various lawsuits arising in the ordinary course of operations. In the opinion of management, the District's estimated aggregate liability with respect to probable losses has been provided for in the estimated liability for insurance risks and pending claims in the accompanying financial statements, after giving consideration to the District's related insurance coverage, as well as the Florida statutory limitations of governmental liability on uninsured risks. It is the opinion of management in consultation with legal counsel that any final settlements in these matters will not result in a material adverse effect on the financial position of the District.

As part of its capital outlay program, the District has entered into various construction contracts. The District's construction commitments of \$16.1 million and other encumbrances of \$3.7 million as of June 30, 2017 are shown below (amounts in thousands):

	<u>Encumbrances</u>	<u>Construction Commitments</u>	<u>Total</u>
General Fund	\$ 1,417	\$ -	\$ 1,417
Capital Improvement	-	5,477	5,477
Other Non-Major Governmental	2,235	10,662	12,897
Total Commitments	<u>\$ 3,652</u>	<u>\$ 16,139</u>	<u>\$ 19,791</u>

16. SUBSEQUENT EVENTS

On September 26, 2017, the District issued Tax Anticipation Notes ("TANS") Series 2017. The \$115.0 million issue has a coupon rate of 3.00% with an effective yield of 0.95%. The notes are dated October 10, 2017.

On September 26, 2017, the District issued \$147.9 million (plus a premium of \$31.9 million) in Certificates of Participation, Series 2017A to refund the Series 2007C publicly owned Certificates. Refinancing the Series 2007C Series will generate \$32.0 million cash flow savings for 2018 through 2027. The Series 2017A Certificates possess underlying credit ratings of Aa3 Moody's and AA- Fitch.

THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT BENEFITS PLAN
JUNE 30, 2017
(amounts expressed in thousands)

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	\$ -	\$ 115,142	\$ 115,142	0.0%	\$ 1,011,258	11.4%
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
June 30, 2017

Schedule of the District's Proportionate Share of the Net Pension Liability -
Florida Retirement System Pension Plan (1)
(amounts expressed in thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>
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	59.32%	32.53%	15.92%
FRS Plan fiduciary net position as a percentage of the total pension liability	84.88%	92.00%	96.09%

Schedule of District Contributions -
Florida Retirement System Pension Plan (1)
(amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required FRS contribution	\$ 60,417	\$ 57,082	\$ 59,324	\$ 55,536
District FRS contributions in relation to the contractually required contribution	<u>(60,417)</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	5.97%	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
June 30, 2017

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

	<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)**
(amounts expressed in thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required HIS contribution	\$ 17,178	\$ 16,674	\$ 12,227	\$ 11,321
District HIS contributions in relation to the contractually required contribution	<u>(17,178)</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.



**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Independent Auditor's Report

To the Chairperson and Members
The School District of Palm Beach County, Florida
West Palm Beach County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The School District of Palm Beach County, Florida (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

West Palm Beach, Florida
November 29, 2017

APPENDIX C

CERTAIN LEGAL DOCUMENTS

The Master Lease

Form of Amendment to Master Lease Purchase Agreement

Form of Schedule 2002B

The Series 2002B Ground Lease

The Master Trust Agreement

Form of Series 2018A Supplemental Trust Agreement

The Series 2002B 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").

W I T N E S S E T H

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

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

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

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

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

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

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

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

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

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

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

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

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

WHEREAS, Section 239.23(9), Florida Statutes, as amended, provides that the provisions of this Master Lease shall be subject to approval by the Florida Department of Education, which approval has been received; and

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

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

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ARTICLE I.

DEFINITIONS AND EXHIBITS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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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"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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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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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 Years, and (iii) 10% of the stated principal amount (or issue price net of accrued

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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 S. 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 agencies 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 peacefully 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

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

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

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

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

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

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

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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 HEREBUNDER 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 HEREBUNDER 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 HEREBUNDER. 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 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.

ARTICLE IV.

TERMINATION

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

(a) with respect to all Leases, on the latest Lease Payment Date set forth in any Schedule attached to this Master Lease;

(b) with respect to all Leases, in the event of nonappropriation of funds for payment of Lease Payments as provided in Sections 3.1, 3.4 and 3.5 of this Master Lease;

(c) with respect to all Leases, upon a default by the School Board with respect to any Lease and the termination of the Lease Term of all Leases by the Trustee pursuant to Section 8.2(1) of this Master Lease;

(d) with respect to a particular Lease, upon payment by the School Board of the Purchase Option Price of the particular Facilities leased under such Lease, or upon provision for such payment pursuant to Section 7.3 hereof, provided, however, that upon such provision for payment the obligation to make Lease Payments under such Lease shall continue to be payable solely from such provision for payment.

SECTION 4.2. Effect of Termination.

(a) Upon the termination of the Lease Term for the reason referred to in Section 4.1(b) or (c) hereof, the provisions of Section 3.6 shall be applicable. Upon such termination for the reason referred to in Section 4.1(c) hereof, the provisions of Sections 8.2 and 8.3 shall also be applicable.

(b) In the event of termination of the Lease Term for the reason referred to in Section 4.1(d) hereof, there shall be applied solely from the amounts deposited pursuant to Section 7.3 hereof as a reduction against such Basic Lease Payments to become due after such termination an amount equal to the Basic Lease Payments applicable to the Facilities.

(c) Notwithstanding the termination of the Lease Term pursuant to Section 4.1 hereof, the representations of the School Board set forth in Section 2.10 hereof and the provisions of Sections 5.7 and 5.10 hereof shall survive such termination.

ARTICLE V.

COVENANTS OF SCHOOL BOARD

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

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

SECTION 5.3. Provisions Regarding Insurance. During acquisition, construction and installation of the Facilities the School Board shall require any contractor to provide Workers' Compensation, Comprehensive General Liability Insurance, Property Insurance, Property coverage for contractor's equipment, Professional Liability Insurance, Builders Risk Insurance, Automobile Liability Insurance, and other insurance pursuant to the terms of the Instructions to Bidders and the General Conditions of the School Board. Contractors shall be required to provide builders' all risk property damage insurance in an amount not less than the full value of all work in place and materials and equipment provided or

delivered by each supplier. The Trustee and the Corporation shall be named as additional insureds and loss payees wherever the School Board is to be so named, and shall be entitled to written notice of cancellation to the same extent as the School Board.

The School Board shall, during the Lease Term, purchase and maintain property insurance coverage in an amount not less than \$85,000,000 per occurrence, to the extent such insurance is available at commercially reasonable costs, covering the replacement cost of its property including the Facilities, insuring against the perils of FIRE, LIGHTNING, WINDSTORM, HAIL, HURRICANE, WINDBLOWN RAIN, DAMAGE FROM WATER, EXPLOSION, AIRCRAFT, VEHICLES, SMOKE, VANDALISM AND MALICIOUS MISCHIEF, TRANSPORTATION HAZARDS, THEFT AND BURGLARY. The School Board shall maintain a self-insurance program for its combined general and automobile liability insurance coverage in an amount not less than \$200,000 per occurrence pursuant to the provisions contained within Florida Statute 768.28. The School Board shall also purchase and maintain, or cause to be purchased and maintained, boiler & machinery insurance coverage (including air conditioning equipment) in an amount not less than \$20,000,000 per accident.

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

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

(a) the self-insurance program shall be approved by the Insurance Consultant;

(b) The self-insurance program shall include a sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated at least annually by the Insurance Consultant; and any deficiencies in the fund shall be remedied in accordance with the recommendations of the Insurance Consultant;

(c) The self-insurance claims reserve fund shall be held in a bank account created for the purpose of maintaining such self-insurance funds, which bank account may be under the control of the School Board and may not be commingled with other School Board moneys; and

(d) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund shall be maintained.

The School Board may also self-insure for the amount of the deductible portion of the above described insurance coverage. The School Board's present maximum self-insured limits are \$100,000 per occurrence for property coverage not including wind, and a maximum of \$10,000,000 and a minimum of \$10,000,000 per occurrence resulting from wind damage; \$200,000/\$200,000 per occurrence for combined general and automobile liability coverage; \$10,000 per accident for boiler & machinery (including air conditioning equipment). If the School Board revises such limits such that its self-insured retention exceeds 10% of the amount of property insurance recommended by the insurance consultant, the School Board will cause 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 769.28 Florida Statutes, the School Board shall indemnify and save the Corporation and the Trustee harmless from and against any and all

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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, CMA, 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, under any insurance standard (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 asbestos form vari-

ties of (a) chrysotile (serpentine); (b) crocidolite (riebeckite); (c) amosite (cumingtonite-grunerite); (d) anthophyllite; (e) tremolite; and (f) actinolite.

"Environmental Regulations" shall mean all Laws and Regulations, now or hereafter in effect, with respect to Hazardous Materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601, et seq.) (together with the regulations promulgated thereunder, "CERCLA"), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901, et seq.) (together with the regulations promulgated thereunder, "RCRA"), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001, et seq.) (together with the regulations promulgated thereunder, "Title III"), the Clean Water Act, as amended (33 U.S.C. Section 1321, et seq.) (together with the regulations promulgated thereunder, "CWA"), the Clean Air Act, as amended (42 U.S.C. Section 7401, et seq.) (together with the regulations promulgated thereunder, "CAA"), the Florida Radiation Protection Act, as amended (Fla. Stat. Chapter 404) (together with all regulations promulgated thereunder, "FRPA") and the Toxic Substances Control Act, as amended (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,

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, subcontractors 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 a 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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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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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 of all Lease Payments or 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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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

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.

ARTICLE VII.

ASSIGNMENT, OPTION TO PURCHASE, AND PREPAYMENT

SECTION 7.1. Assignments; Subleasing.

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

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

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

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

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

(iv) No sublease by the School Board shall cause the Facilities to be used for any purpose which would adversely affect the exclusion from federal income taxation of the designated interest component of the Basic Lease Payments payable by the School Board under the Lease relating to such Facilities, or which would violate the Constitution, statutes or laws of the State, or the rules and regulations of the State Department of Education; and

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

SECTION 7.2. Prepayment.

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

(B) **Extraordinary.** In the event that:

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

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

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

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

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

(i) With respect to (a) and (b) above, the Corporation and the School Board shall pay such remaining Acquisition Account monies and Net Proceeds to the Trustee, and the Trustee shall deposit such funds in the respective Prepayment Accounts applicable to each Series of Certificates relating to such Leases to be used to prepay such Series of Certificates in the manner provided in the Trust Agreement; and

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

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

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

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

In such event all covenants, agreements and other obligations of the School Board under the related Lease, or with respect to a

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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

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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-

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.

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.

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 By: Jody Gleason
C. Monica Uhlhorn Jody Gleason
Secretary Vice President

Date: November 16, 1994 Date: November 16, 1994

[SEAL] THE SCHOOL BOARD OF PALM
BEACH COUNTY, FLORIDA

By: C. Monica Uhlhorn By: Jody Gleason
C. Monica Uhlhorn Jody Gleason
Secretary Vice Chairman

Date: November 16, 1994 Date: November 16, 1994

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

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 thereunto duly authorized, signed, sealed with the seal of said corporation, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

Carmen M. Zopf
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



(Place of Notary Public, Print, Stamp or Type in Commencement.)
 Personally known to me, or
 Produced identification: Id. Certificate
(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 aforesaid, do hereby certify that Jody Gleason and C. Monica Uhlhorn, personally known to me to be the same persons whose names are, respectively, as Vice Chairman and Secretary, respectively of THE SCHOOL DISTRICT OF PALM BEACH COUNTY, FLORIDA, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, sealed with the seal of said School Board, and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 16th day of November, 1994.

Carmen M. Zopf
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



(Place of Notary Public, Print, Stamp or Type in Commencement.)
 Personally known to me, or
 Produced identification: Id. Certificate
(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 meaning 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
----------	------	----------	--------------	--------------

A - 2

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	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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[SEAL] PALM BEACH SCHOOL BOARD LEASING CORP.

Attest: _____
By: _____

[SEAL] THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

Attest: _____
By: _____

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.

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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 therefore 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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otherwise satisfies the criteria set forth herein. The School Board shall maintain eligibility for assistance by the Federal Emergency Management Agency.

In addition, the School Board may elect to self-insure for all or any portion of such coverage, as provided above. The self-insurance program shall be reviewed annually by the Superintendent, in consultation with the Insurance Consultant and risk management department.

Flood insurance shall be maintained for its property, including any of the Facilities, located in a 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.

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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

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SECTION 3. AMENDMENT OF SECTION 9.4 OF THE ORIGINAL MASTER LEASE. Section 9.4 of the Original Master Lease is hereby deleted in its entirety and in lieu thereof the following shall be inserted:

SECTION 9.4. Amendments. The terms of this Master Lease and any Schedule shall not be 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

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a majority in principal amount of the Outstanding Certificates or with the consent of the related Credit Facility Issuer, if any, in lieu of the consent of the holders of Certificates it insures.

IN WITNESS WHEREOF, the Trustee has caused this Amendment to Master Lease Purchase Agreement to be executed in its corporate name by its duly authorized officer, and the Corporation has caused this Amendment to Master Lease Purchase Agreement to be executed in its name by its duly authorized members or officers, and the School Board has caused this Amendment to Master Lease Purchase Agreement to be executed in its name by its duly authorized members or officers all as of the Effective Date.

[SEAL]

PALM BEACH COUNTY SCHOOL BOARD LEASING CORPORATION

Attest:

By: _____

Robert M. Avossa, Ed.D.
Secretary

By: _____

President

[SEAL]

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

Attest:

By: _____

Robert M. Avossa, Ed.D.
Secretary

By: _____

Chairman

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: _____

Vice President

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SCHEDULE 2002B
dated as of March 1, 2002
As Amended and Restated as of June 1, 2004,
As Amended and Restated as of July 1, 2011,
As Amended and Restated as of January 1, 2014,
As Amended as of September 15, 2016, and
As Amended and Restated as of February 1, 2018

to the
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 2002B (the "Schedule") is hereby entered into as of February 1, 2018, under and pursuant to that certain Master Lease Purchase Agreement dated as of November 1, 1994 (the "Master Lease"), pursuant to which the Corporation has agreed to finance the lease purchase unto the School Board and the School Board has agreed to lease purchase from the Corporation, subject to the terms and conditions of the Master Lease incorporated herein, the Series 2002B Facilities herein described. The 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 2002B Facilities and the Series 2002B Facility Sites described herein, together with the rights described in clauses (i), (ii) and (iii) of Section 1 in the Series 2002B 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 2002B Lease". All terms and conditions contained in the Master Lease, unless otherwise amended or superseded hereby are incorporated herein by reference.

Section 1. Definitions. For purposes of the Series 2002B Lease the following terms have the meaning set forth below. All terms used herein and not otherwise defined herein

shall have the meanings given to them in the Master Lease or the Trust Agreement, including the Series 2018A Supplemental Trust Agreement, as appropriate.

"Assignment Agreement" shall mean the Series 2002B Assignment Agreement dated as of March 1, 2002, between the Corporation and the Trustee.

"Certificates" or "Series of Certificates" shall mean the \$114,770,000 Certificates of Participation, Series 2018A dated February 13, 2018, 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 2002B Lease is March 20, 2002.

"Series 2002B Facilities" shall mean the Facilities described in this Schedule 2002B, as this Schedule may be further amended or supplemented from time to time.

"Series 2002B Facility Sites" shall mean the Facility Sites described in this Schedule 2002B ground leased by the School Board to the Corporation, as the same may be further amended or supplemented from time to time.

"Series 2002B Ground Lease" shall mean the Series 2002B Ground Lease dated as of March 1, 2002, as amended as of June 1, 2004 and as of January 1, 2014, between the School Board as Lessor and the Trustee as assignee of the Corporation as Lessee, as the same may be further amended or supplemented from time to time.

"Series 2018A Certificates" shall mean the \$114,770,000 Certificates of Participation, Series 2018A dated as of February 13, 2018, 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 2018A Supplemental Trust Agreement" shall mean the Series 2018A Supplemental Trust Agreement dated as of February 1, 2018, between the Corporation and the Trustee.

Section 2. Lease Term. The total of all Lease Terms of the Series 2002B Lease is expected to be approximately twenty-five (25) years and four (4) months consisting of an "Original Term" from March 20, 2002, through and including June 30, 2002, and twenty-five (25) Renewal Terms, each from July 1 through and including June 30 of the next succeeding calendar year, commencing July 1, 2002, and ending June 30, 2027, and the last Renewal Term of approximately one (1) month from July 1, 2027, through and including August 1, 2027. Each Lease Term shall be subject to annual renewal pursuant to the provisions of Article III of the Master Lease.

Section 3. Series 2002B Facilities Lease Purchased. The Series 2002B Facilities lease-purchased under the Series 2002B Lease are described in Exhibit A hereto. The School Board reserves the right to substitute other facilities for the facilities set forth herein, in accordance with the requirements of the Master Lease.

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interest rates set forth in Section 215.84, Florida Statutes, since the Series 2018A Certificates are rated within the three highest rating categories by a nationally recognized rating service.

Section 7. Additional Lease Payments. Additional Lease Payments with respect to the Series 2002B Lease consist of the following:

1. Trustee Fees: Acceptance Fee of \$1,000.
Annual fee of \$3,850, payable annually in advance.
2. Trustee Expenses: Expenses to be billed at cost. Legal fee for Trustee counsel at closing of \$1,500. Thereafter, reasonable costs and expenses pursuant to the Master Lease or Trust Agreement.

Section 8. Prepayment Provisions. In addition to or in lieu of the prepayment provisions of Section 7.2 of the Master Lease, the principal portions of the Basic Lease Payments due as provided in Section 6 of this Schedule 2002B are subject to the following prepayment provisions:

(a) **Optional Prepayment.**

The principal portion of Basic Lease Payments is not subject to prepayment at the option of the School Board.

(b) **Extraordinary Prepayment.**

In lieu of the Extraordinary Prepayment provisions set forth in Section 7.2(b) of the Master Lease, the following shall constitute Events of Extraordinary Prepayment with respect to the Series 2002B Lease:

Section 7.2(b)(a) and (b) of the Master Lease shall not apply to the Series 2018A Certificates. The Series 2018A Certificates are not subject to extraordinary prepayment prior to maturity in the event of damage or destruction or condemnation of the Series 2002B Facilities. Notwithstanding anything in the Series 2002B 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 2018A 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 2002B Lease as fully as if they were the originally leased Series 2002B 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 2002B Lease Payment Account to be credited against Basic Lease Payments next coming due in accordance with Section 3.2(c) of the Master Lease.

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Section 4. Series 2002B Facility Sites Ground Leased to the Corporation and Permitted Encumbrances. The legal descriptions of the Series 2002B Facility Sites ground leased to the Corporation and Permitted Encumbrances (in addition to those specified in the Master Lease) are set forth in Exhibit B hereto. Substitutions may be made in accordance with the requirements of the Master Lease and the Series 2002B Ground Lease.

Section 5. Application of Certain Proceeds of Series 2018A Certificates. Pursuant to the provisions of Section 402 of the Series 2018A Supplemental Trust Agreement the Trustee deposited the following sums attributable to the Series 2002B Facilities lease purchased hereunder in the following accounts from the proceeds of the Series 2018A Certificates and from amounts provided by, or on behalf of, the School Board:

Amount	Account
\$115,520,613.38	Series 2002B Prepayment Account*
\$14,865,000.00	Series 2002B Loan Payment Account**
\$ 418,776.59	Series 2018A Cost of Issuance Account

* To be used to prepay the Series 2014A Certificates.

** To be disbursed by the Trustee to the 2002B Swap Provider, amounts owed pursuant to the Series 2014A Interest Rate Exchange Agreement.

Section 6. Basic Lease Payments.

(a) The principal portion and the interest portion of the Basic Lease Payments, the Lease Payment Dates (each June 30 and December 30, commencing June 30, 2018) and the remaining principal portion with respect to the Series 2002B Facilities lease purchased and the Series 2018A Certificates attributable to such Series 2002B Facilities are set forth in Exhibit C hereto. If, upon delivery of the Certificate of Acceptance indicating completion of the acquisition, construction, installation and payment of all costs of the Series 2002B Facilities, or if the School Board determines not to acquire, construct or install one or more components of the Series 2002B Facilities, it is determined that the cost of, and consequently the actual amount of Basic Lease Payments for, a Series 2002B Facility is different from the amount set forth herein, Exhibit C shall be revised as necessary to reflect the adjusted Schedule of Basic Lease Payments for all Series 2002B Facilities to be lease-purchased, and for each individual Series 2002B Facility or group of Series 2002B Facilities. The Schedule of Basic Lease Payments shall be no less than the principal and interest payments with respect to the portion of the Series 2018A Certificates relating to the Series 2002B Facilities and shall only be amended in the event of a prepayment or a prepayment deposit of the principal portion of Basic Lease Payments represented by such portion of the Series 2018A Certificates pursuant to Section 7.2 or 7.3 of the Master Lease, and prepayment or defeasance of a portion of Series 2018A Certificates pursuant to Article III of the Series 2018A Supplemental Trust Agreement or Section 801 of the Master Trust Agreement.

(b) The interest portion of the Basic Lease Payments represented by the Series 2018A Certificates, expressed as an annual interest rate, is exempt from the limitations on

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The principal portion of Basic Lease Payments shall be subject to prepayment in the event the Series 2002B Lease terminates prior to payment in full of all of the Basic Lease Payments due thereunder, to the extent the Trustee has moneys available for such purpose pursuant to the Series 2018A Trust Agreement and the Series 2002B Lease, to the extent and subject to the limitations provided in the Series 2002B Lease.

Section 9. Other Special Provisions.

A. Section 5.4(b) of the Master Lease. For purposes of the Series 2002B 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.

B. 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 2002B 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 2002B.

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Purchase of the Series 2018A Certificates shall constitute consent by holders of the Series 2018A Certificates.

For purposes of the Series 2002B 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.

C. Section 9.4 of the Master Lease. For purposes of the Series 2002B Lease, Section 9.4 of the Master Lease shall read as follows:

E. Reserved

F. Continuing Disclosure. The School Board hereby covenants and agrees to comply with the terms and provisions of the Disclosure Agreement. Notwithstanding any other provision of the Series 2002B Lease, 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 in Outstanding Series 2018A Certificates, shall) or any Holder of the Series 2018A Certificates or Beneficial Owner of any of them 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.F. For purposes of this Section, "Beneficial Owner" means any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2018A Certificates (including persons holding Series 2018A Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2018A Certificates for federal income tax purposes.

G. Effective Date. Schedule 2002B, as amended and restated as of February 1, 2018, shall be effective as of the February 13, 2018.

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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, with the consent the Holders of at least a majority in principal amount of the Series 2018A Certificates Outstanding. Notwithstanding the foregoing, a Schedule may be amended without obtaining the consent of Holders of the affected Certificates, 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 or portion thereof if such Facility or portion thereof has been released from the lien of the Lease in accordance with the provisions thereof.

D. Release of Series 2002B Facilities and Series 2002B Facility Sites. The following provision shall become effective upon execution by the School Board, the Corporation and the Trustee of this Schedule 2002B 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 2018A Certificates shall constitute consent by holders of the Series 2018A Certificates.

Notwithstanding anything to the contrary in the Master Lease, one or more Series 2002B Facilities financed by the Series 2002B Lease and the related Series 2002B 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 2002B Facilities subject to the lien of the Series 2002B Lease exceeds the remaining principal portion of the Basic Lease Payments payable under the Series 2002B Lease. The Series 2002B Facilities and the related Series 2002B Facility Sites released under this Section 9.D. shall be deemed to be paid and fee simple title to such Series 2002B Facilities and the related Series 2002B 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 2002B Facilities and the related Series 2002B 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 2002B Facility or Series 2002B Facilities and the related Series 2002B Facility Sites in the School Board subject only to Permitted Encumbrances. The Series 2002B Ground Lease shall then be modified to remove the Series 2002B Facility Site or Series 2002B Facility Sites related to the released Series 2002B Facility or Series 2002B 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.

IN WITNESS WHEREOF, the Trustee has caused this Amended and Restated Schedule 2002B to be executed in its corporate name by its duly authorized officer, and the Corporation has caused this Amended and Restated Schedule 2002B to be executed in its name by its duly authorized members or officers, and the School Board has caused this Amended and Restated Schedule 2002B 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: Janalee R. Scott, Vice President

**SERIES 2002B
GROUND LEASE**

Dated as of March 1, 2002

between

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

and

PALM BEACH SCHOOL BOARD LEASING CORP.
as Lessee

(Series 2002B Facility Sites)

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EXHIBIT A - SERIES 2002B FACILITY SITE

SERIES 2002B GROUND LEASE
(Series 2002B Facility Sites)

THIS SERIES 2002B GROUND LEASE dated as of March 1, 2002, between THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA, (the "School Board") acting as the governing body of the School District of Palm Beach County, Florida (the "District"), as Lessor and PALM BEACH SCHOOL BOARD LEASING CORP. (the "Corporation"), a not-for-profit corporation organized and existing under and pursuant to Chapter 617 and Section 237.40, Florida Statutes, as Lessee

WITNESSETH:

WHEREAS, the School Board has the power, under Section 230.23(2) Florida Statutes, as amended, to receive, purchase, acquire, lease, sell, hold, transmit and convey title to real and personal property for educational purposes, and under Section 230.23(9) Florida Statutes, as amended, to enter into leases or lease-purchase agreements of grounds and educational facilities, or of educational facilities for school purposes; and

WHEREAS, the Corporation has the authority to acquire educational facilities by lease or deed for the benefit of the School Board; and

WHEREAS, the Corporation is a "private corporation" within the meaning of Section 230.23(9)(b)6, Florida Statutes, as amended, and is a "direct support organization" within the meaning of Section 237.40, Florida Statutes, as amended; and

WHEREAS, in order to carry out its powers and authority to acquire facilities and equipment, the School Board and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended and supplemented from time to time, the "Master Lease"); and

WHEREAS, the School Board is the owner of certain real property located in Palm Beach County, Florida, and described in Exhibit A attached hereto (which real property, together with all buildings, structures and improvements now or hereafter erected or situated thereon, any easements or other rights or privileges in adjoining property inuring to the fee simple owner of such land by reason of ownership of such land, and all fixtures, additions, alterations or replacements thereto, now or hereafter located in, on or used in connection with or attached or made to such land is hereinafter referred to as a "Series 2002B Facility Site" or, in the case of separate parcels, such parcels are herein collectively referred to as the "Series 2002B Facility Sites"); and

WHEREAS, the School Board desires to lease-purchase one or more particular educational facilities to be located on the Series 2002B Facility Sites (individually and collectively, the "Series 2002B Facilities"), pursuant to Schedule 2002B to the Master Lease (which schedule, upon being executed and delivered by the School Board and the Corporation, together with the terms and provisions of the Master Lease, constitutes a separate lease, as the same may be amended or supplemented from time to time, the "Series 2002B Lease"); and

WHEREAS, it is possible that a portion of the Series 2002B Facilities may be attached to one or more existing structures of the School Board adjacent to the Series 2002B Facility Sites; may be dependent upon adjacent property of the School Board for pedestrian and vehicular ingress, egress and access to and from and between the Series 2002B Facility Sites and the public roads adjoining the adjacent property of the School Board ("Access"); and may further be dependent upon the School Board's adjacent property for utility and other services which would be necessary for the full use and enjoyment of the Series 2002B Facility Sites including, but not limited to, drainage, sewer and water service, electric, telephone and gas service and parking of vehicles (collectively, "Services"); and

WHEREAS, the Corporation desires to acquire from the School Board, pursuant to this Series 2002B Ground Lease, and the School Board is willing to grant to the Corporation, the right to utilize the adjacent property of the School Board to the extent reasonably necessary for Access and for the Services, and the Corporation and the School Board desire to provide for the structural attachment of the Series 2002B Facilities to the adjacent property of the School Board, and

WHEREAS, the ground leasing of the Series 2002B Facility Sites, the sub-leasing of the Series 2002B Facility Sites back to the School Board and the lease-purchase financing and construction of the Series 2002B Facilities are herein collectively referred to as the "Series 2002B Project"; and

WHEREAS, the School Board has on February 11, 2002, after due notice as required by law, held an open, public meeting on the proposal of entering into this Series 2002B Ground Lease, at which meeting a copy of this Series 2002B Ground Lease in final form was available for inspection and review by the public; and

WHEREAS, provisions for the payment of the cost of acquiring and constructing the Series 2002B Facilities have been made by (a) establishing a trust pursuant to the Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2002B Supplemental Trust Agreement dated as of March 1, 2002 (as the same may be further amended or supplemented from time to time, the "Trust Agreement"), between the Corporation and The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York (successor by reorganization to NationsBank of Florida, N.A.), Jacksonville, Florida, as Trustee (the "Trustee"), and irrevocably assigning to the Trustee without recourse all of the Corporation's right, title and interest in and to this Series 2002B Ground Lease and the Series 2002B Lease, as defined in the Trust Agreement, except for certain rights to indemnification, to hold title to the Series 2002B Facilities and to receive notices, (b) directing the Trustee for such trust to execute and deliver to the public certificates of participation (the "Series 2002B Certificates") evidencing undivided proportionate interests of the Owners thereof in the right to receive Basic Lease Payments to be made by the School Board, as Lessee, pursuant to the Series 2002B Lease and (c) directing the Trustee to hold the proceeds of sale of the Series 2002B Certificates in trust subject to application only to pay the costs of acquisition and construction of the Series 2002B Facilities (as defined in the Trust Agreement) (the "Series 2002B Facilities"); and

WHEREAS, each Series 2002B Certificate represents an undivided proportionate interest in the principal portion of the Basic Lease Payments set forth in Schedule 2002B due and

payable on the maturity date or earlier prepayment date of the Series 2002B Certificates and in the interest portion of the Basic Lease Payments set forth in Schedule 2002B due and payable semiannually, to and including such maturity date or earlier prepayment date; and

WHEREAS, the Corporation will assign to the Trustee all of its right, title and interest in and to this Series 2002B Ground Lease, the Series 2002B Lease and the Series 2002B Lease Payments (except for certain indemnification rights, to hold title to the Series 2002B Facilities and the right of the Corporation to receive notices), pursuant to the Series 2002B Assignment Agreement dated as of March 1, 2002 (as the same may be amended or supplemented from time to time, the "Series 2002B Assignment Agreement"); and

WHEREAS, the School Board intends for the Series 2002B Lease to remain in full force and effect until August 1, 2027, which is at least 31 days after the last Lease Payment Date for the Series 2002B Facilities and until payment in full of the Series 2002B Certificates, unless sooner terminated in accordance with the terms provided therein; and

WHEREAS, the School Board intends for this Series 2002B Ground Lease to remain in full force and effect until the termination of the Lease Term, as provided below.

NOW, THEREFORE, the School Board and the Corporation accordingly hereby covenant and agree as follows:

Section 1. Lease of Series 2002B Facility Sites. Subject to Permitted Encumbrances (as described in Exhibit A attached hereto and made a part hereof), the School Board hereby demises and leases the Series 2002B Facility Sites, more particularly described in Exhibit A, to the Corporation, and the Corporation hereby hires, takes and leases the Series 2002B Facility Sites from the School Board, for the term, at the rental and on the conditions herein set forth. Such demising and leasing shall include the following rights:

(i) The right to utilize the adjacent property of the School Board for Access and for the Services reasonably necessary to the full use and enjoyment of the Series 2002B Facility Sites; provided that the locations on the adjacent property of the School Board utilized for such purposes shall be reasonably agreed upon by the Corporation and the School Board; and provided, further, that the rights shall include, but not necessarily be limited to, the right to utilize for such purposes any portion of the adjacent property of the School Board (e.g., the rights shall include, but not necessarily be limited to, the right to utilize for appropriate purposes, any drives, parking areas, drainage facilities or sewer, water, gas, electric or telephone lines from time to time located upon the adjacent property of the School Board, together with the right to "tie-in" or "connect" thereto). If the Lease Term of the Series 2002B Lease terminates prior to the termination of the term of this Series 2002B Ground Lease, the School Board and the Corporation shall each have the right to install such meters or submeters as may be reasonably appropriate to the end that the Corporation is charged for consumption of such utilities on the Series 2002B Facility Sites.

(ii) The adjacent property of the School Board and the Series 2002B Facilities may contain certain elements, features or parts which are structural elements of

both the adjacent property of the School Board and the Series 2002B Facilities. Such adjacent property structural elements include, but are not necessarily limited to, the following:

(A) All utility lines, ducts, conduits, pipes and other utility fixtures and appurtenances which are located on or within either the Series 2002B Facility Sites or Series 2002B Facilities on the one hand or the adjacent property of the School Board on the other hand and which, directly or indirectly, in any way, service the other.

(B) All division walls (hereinafter referred to as "Party Walls") between the Series 2002B Facilities and the adjacent property of the School Board upon the common line between the Series 2002B Facility Sites and the adjacent property of the School Board (hereinafter referred to as the "Lot Line") provided that the mere fact that such a division wall is found not to be on the Lot Line shall not preclude that division wall from being a Party Wall.

(C) The roof and all roof support structures and any and all appurtenances to such roof and roof support structures including, without limitation, the roof covering, roof trim and roof drainage fixtures (collectively the "Roofing") to the extent interrelated between the Series 2002B Facilities and the adjacent property of the School Board. Should the Roofing of any Series 2002B Facilities extend beyond the Lot Line, the right therefor is hereby granted and should the Roofing of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2002B Facility Sites, the right therefor is hereby reserved.

(D) The entire concrete floor slab or wood floor system if utilized in lieu thereof and all foundational and support structures and appurtenances thereto to the extent interrelated between the Series 2002B Facilities and the adjacent property of the School Board (collectively referred to as "Flooring"). Should the Flooring of the Series 2002B Facilities extend beyond the Lot Line, the right therefor is hereby granted and should the Flooring of the adjacent property of the School Board extend beyond the Lot Line onto the Series 2002B Facility Sites, the right therefor is hereby reserved.

(iii) The Series 2002B Facility Sites rights further include the right of the Series 2002B Facilities to encroach upon the adjacent property of the School Board as a result of minor inaccuracies in survey, construction or reconstruction or due to settlement or movement. The encroaching Series 2002B Facilities shall remain undisturbed for as long as same exist and, for so long as such encroachment exists, that portion of the adjacent property of the School Board on which same exists shall be deemed to be a part of the Series 2002B Facility Sites. In addition, the Series 2002B Facility Sites rights include the right to utilize that portion of the adjacent property of the School Board as may be reasonably necessary in order to maintain and repair the Series 2002B Facilities. The Series 2002B Facility Sites rights further include cross rights of support and use over, upon, across, under, through and into the common structural

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Section 3. Rent. (a) So long as the Lease Term has not been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay to the School Board as and for rental for the Series 2002B Facility Sites the sum of one dollar (\$1.00) per annum, which sum shall be due in advance on the Commencement Date (pro rated) and annually thereafter on the first day of each renewal Lease Term. At the option of the Corporation, the Corporation may prepay all or a portion of the Ground Rent payable hereunder for the entire initial lease term hereof from the proceeds of sale of the Certificates or otherwise.

(b) From and after the date on which the Lease Term shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall pay as and for rental for the Series 2002B Facility Sites an amount determined by an M.A.I. appraisal to be the fair market rental for the Series 2002B Facility Sites (the "Appraisal"), which Appraisal shall be prepared by an appraiser selected by the Trustee as assignee of the Corporation (the cost of such Appraisal to be paid by the Trustee and reimbursed as provided in Article VI of the Trust Agreement); provided, however, that such fair market rental and the payment thereof shall be subject to the following adjustments and conditions:

(i) if the Lease Term shall have been terminated on a date other than June 30 of any year, the fair market rental determined pursuant to the Appraisal shall be pro rated for the number of days between the date of termination and the next succeeding July 1;

(ii) for each twelve month period beginning on the July 1 next succeeding the date on which such termination occurs and beginning on each succeeding July 1, the amount of the fair market rental determined by the Appraisal shall be adjusted by the percentage (positive or negative) which is equal to the Implicit Price Deflator of the Consumer Price Index published by the United States Department of Commerce for the region of the United States where Florida is located or for the United States as a whole if not so published for such region;

(iii) the fair market rental due in any year shall be paid in the current year only to the extent that the moneys received by the Trustee as assignee of the Corporation from the exercise of the remedies permitted under the Series 2002B Lease during the preceding twelve months prior to such July 1 exceeded the principal and interest portions of Basic Lease Payments under the Series 2002B Lease payable for such preceding twelve months and other amounts described in Section 504 of the Trust Agreement; provided, however, that any portion of such fair market rental not paid in any year due to the provisions of this clause (iii) shall remain due and payable and shall accumulate from year to year and shall be paid in any future year to the extent that moneys received in such year from the exercise of the remedies permitted by the Series 2002B Lease exceed the principal and interest portions of Basic Lease Payments under the Series 2002B Lease and other amounts described in Section 504 of the Trust Agreement and the fair market rental due in such year; and

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elements in favor of the Corporation (and like rights are hereby reserved unto the School Board) for the continued use, benefit and enjoyment and continued support, service, maintenance and repair of all such common structural elements.

The School Board, at its sole expense, shall bring or cause to be brought to the Series 2002B Facility Sites adequate connections for water, electrical power, telephone, storm sewerage and sewerage, and shall arrange with the appropriate utility companies for furnishing such services and shall provide to the Series 2002B Facility Sites water services and capacity sufficient for the contemplated operation of the Series 2002B Facilities thereon, including, but not limited to, heating, ventilation and air conditioning equipment. Either the School Board or the Corporation shall have the right, at its own expense, to request and receive telephone and communication services from the utility companies furnishing such services subject to the customary rules and regulations of said utility companies whether the companies deliver such services directly through their own conduits or pipes, or through conduits and pipes owned by the School Board. The School Board agrees to grant such utility companies rights of access over, under and across the remaining property of the School Board adjoining the Series 2002B Facility Sites, if any, as shall be necessary and convenient for the efficient operation of the Series 2002B Facility Sites, and which do not materially impair the present and future uses of such remaining property of the School Board, if any.

Section 2. Ground Lease Term; Option to Renew. The initial Ground Lease Term for the Series 2002B Facility Sites shall commence simultaneously with the commencement of the Series 2002B Lease (the "Commencement Date") and shall end on August 1, 2032. If, upon the termination of the Lease Term as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation or the Trustee as the assignee of the Corporation excludes the School Board from possession of the Series 2002B Facility Sites and Series 2002B Facilities, the School Board grants to the Corporation the right and option to renew this Series 2002B Ground Lease for an additional term not to exceed five (5) years, at a fair market rental to be determined, adjusted and paid in the manner set forth in Section 3 of this Series 2002B Ground Lease.

Notwithstanding the foregoing, this Series 2002B Ground Lease may be terminated by the School Board on any date prior to the end of the initial term or any renewal term hereof, which date is at least one (1) day after the date of termination of the Series 2002B Lease, upon not less than ten (10) days prior written notice to the Corporation: (a) upon payment of the Purchase Option Price, pursuant to Section 7.2 of the Master Lease, with respect to the Series 2002B Facilities, and full performance and satisfaction of the School Board's obligations under the Series 2002B Lease, or (b) upon the provision for payment of all Lease Payments under the Series 2002B Lease pursuant to Section 7.3 of the Master Lease, together in each case with payment of the sum of \$1.00. This Series 2002B Ground Lease may likewise be modified at the request of the School Board at any time, upon similar notice and modification of the Series 2002B Lease (a) to reflect the substitution of all or a portion of one or more particular Series 2002B Facilities and Series 2002B Facility Sites in accordance with Section 6.4 of the Master Lease, or (b) upon payment or provision for payment of the Purchase Option Price of all or a portion of the Series 2002B Facilities pursuant to Section 7.3 of the Master Lease, to reflect the release of one or more portions of the Series 2002B Facility Sites from this Series 2002B Ground Lease.

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(iv) the failure to pay any portion of the fair market rental in any year due to insufficiencies of moneys realized from the exercise of the remedies permitted under the Series 2002B Lease (1) shall not give rise to any obligation to pay interest on such unpaid fair market rental and (2) shall not constitute a default under this Series 2002B Ground Lease by the Corporation or the Trustee as the assignee of the Corporation. The Trustee as assignee of the Corporation shall be obligated for payment of Ground Rent only to the extent of funds provided by the School Board, the Corporation, the Certificate holders, the Series 2002B Credit Facility Issuer or any Permitted Transferee (hereinafter defined).

Section 4. Title to Series 2002B Facility Sites; Possession. (a) Upon the Commencement Date and throughout the term of this Series 2002B Ground Lease, fee title to the Series 2002B Facility Sites shall be in the name of the School Board, subject to Permitted Encumbrances; title to the Series 2002B Facilities constructed on the Series 2002B Facility Sites shall be in the name of the Corporation, but shall remain covered from title to the Series 2002B Facility Sites until the earlier of (i) payment in full, or provision for payment, of all Lease Payments under the Series 2002B Lease or payment of the then applicable Purchase Option Price of the Series 2002B Facilities, in accordance with Sections 7.2 or 7.3 of the Master Lease and Section 2 hereof, or (ii) the end of the term of this Series 2002B Ground Lease.

(b) The Corporation shall at all times during the term of this Series 2002B Ground Lease have a leasehold estate in the Series 2002B Facility Sites with full right to vest the use, enjoyment and possession of such leasehold estate therein in a Permitted Transferee (as defined herein).

(c) Possession and use of the Series 2002B Facility Sites, together with all improvements thereon, shall, upon the last day of the term of this Series 2002B Ground Lease or earlier termination of this Series 2002B Ground Lease pursuant to Section 2 hereof, automatically revert to the School Board free and clear of liens and encumbrances other than Permitted Encumbrances without necessity of any act by the Corporation or any Permitted Transferee. Upon such termination of this Series 2002B Ground Lease, the Corporation shall peacefully and quietly surrender to the School Board the Series 2002B Facility Sites together with any improvements located in or upon the Series 2002B Facility Sites. Upon such surrender of the Series 2002B Facility Sites, the Corporation or any Permitted Transferee, at the reasonable request of the School Board, shall execute an instrument in recordable form evidencing such surrender and shall deliver to the School Board all books, records, construction plans, surveys, permits and other documents relating to, and necessary or convenient for, the operation of the Series 2002B Facility Sites in the possession of the Corporation or any Permitted Transferee.

(d) Any personal property of the Corporation, any Permitted Transferee or any Person which shall remain on the Series 2002B Facility Sites after expiration or earlier termination of the term of this Series 2002B Ground Lease and for thirty (30) days after request by the School Board for removal, shall, at the option of the School Board, be deemed to have been abandoned and may be retained by the School

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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 2002B Facility Sites after expiration or earlier termination of this Series 2002B Ground Lease, the Corporation or any Permitted Transferee shall be a tenant at sufferance and shall pay rent equal to the fair market rental of the Series 2002B Facility Sites determined in the manner provided in Section 3(b) hereof.

Section 5. Use of Series 2002B Facility Sites; Assignments and Subleases. The Corporation may use the Series 2002B Facility Sites for any lawful purpose; however, the parties agree that unless the Series 2002B Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Series 2002B Facility Sites shall be used solely for educational purposes. Unless the Series 2002B Lease shall have been so terminated, no assignment of this Series 2002B Ground Lease or subletting of the Series 2002B Facility Sites may be made except as provided in the Series 2002B Assignment Agreement, the Series 2002B Lease, the Trust Agreement and in any agreement with a Credit Facility Issuer (as defined in the Trust Agreement), if any, without the prior written consent of the School Board. In the event that the Series 2002B Lease shall be terminated pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, then the Corporation's interest in this Series 2002B Ground Lease may be assigned by the Trustee to any third party, including a Credit Facility Issuer (a "Permitted Transferee"), who may alter, modify, add to or delete from the Series 2002B Facilities existing from time to time on the Series 2002B Facility Sites.

The School Board represents and covenants that the Series 2002B Facility Sites are presently zoned to allow government use, and that the School Board shall take no action with respect to zoning or other land use regulation applicable to the Series 2002B Facility Sites except as directed by the Corporation. The School Board shall do everything in its power to assist the Corporation in obtaining such building permits, subdivision approvals, or zoning changes or variances as the Corporation may deem necessary or desirable or such other permits, licenses, approvals or other actions which the Corporation deems necessary or desirable in order to enable the Corporation to use the Series 2002B Facility Sites for such purposes as the Corporation shall determine, provided, however, that neither the Corporation nor any Permitted Transferee shall use or permit the Series 2002B Facility Sites to be used in violation of any valid present or future laws, ordinances, rules or regulations of any public or governmental authority at any time applicable thereto.

It is understood that all right, title and interest of the Corporation in and to this Series 2002B Ground Lease is to be irrevocably assigned by the Corporation to the Trustee pursuant to the Series 2002B Assignment Agreement, except that the Corporation shall continue to hold title to the Series 2002B Facilities as described in Section 4 hereof and in the Series 2002B Lease. The School Board agrees that upon such assignment the Trustee shall have all of the rights of the Corporation hereunder assigned to the Trustee, notwithstanding any claim, defense, suit or counterclaim whatsoever (whether arising from a breach of this Series 2002B Ground Lease or otherwise) that the School Board may from time to time have against the Corporation or any

person or entity associated or affiliated therewith. The School Board acknowledges that the Trustee is acting on behalf of the Series 2002B Certificate holders, and may, under certain circumstances assign this Series 2002B Ground Lease to a Permitted Transferee.

Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Series 2002B Ground Lease or any of the transactions contemplated hereby, the parties hereto acknowledge and agree that upon the assignment by the Corporation of its rights hereunder to the Trustee pursuant to the Series 2002B Assignment Agreement, the Corporation shall have no further obligation, liability or responsibility hereunder and no party hereto nor its successors or assigns shall look to the Corporation for any damages, expenses, fees, charges or claims with respect to the failure of any obligations hereunder to be performed.

Section 6. Right of Entry. Unless the Series 2002B Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the School Board shall have the right for any of its duly authorized representatives to enter upon the Series 2002B Facility Sites at any reasonable time to inspect the same or to make any repairs, improvements or changes necessary for the preservation thereof.

Section 7. Default. In the event the Corporation shall be in default in the performance of any obligation on its part to be performed under the terms of this Series 2002B Ground Lease, which default continues for sixty (60) days following notice and demand for correction thereof to the Corporation, the School Board may exercise any and all remedies granted by law; provided, however, that so long as any Series 2002B Certificates are outstanding and except as provided in Section 2 herein, this Series 2002B Ground Lease shall not be terminated. The School Board shall have recourse solely against the leasehold estate of the Corporation in the Series 2002B Facility Sites, and any proceeds thereof, for the payment of any liabilities of the Corporation hereunder. The rights of the School Board under this Section 7 shall be subordinate in all respects to the rights of the holders of the Series 2002B Certificates.

Section 8. Quiet Enjoyment. The Corporation at all times during the term of this Series 2002B Ground Lease shall peacefully and quietly have, hold and enjoy the Series 2002B Facility Sites, without hindrance or molestation subject to the provisions hereof and of the Series 2002B Lease, the Series 2002B Assignment Agreement and the Trust Agreement.

Section 9. Liens. Unless the Series 2002B Lease shall have been terminated as a result of non-appropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, neither the School Board nor the Corporation shall, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to such Series 2002B Facility Sites, other than Permitted Encumbrances. The School Board shall reimburse the Trustee for any expense incurred by the Trustee in order to discharge or remove any such mortgage, pledge, lien, charge, encumbrance or claim. Upon termination of the Series 2002B Lease as provided above, the Corporation, the Trustee and any Permitted Transferees may enter into a mortgage or other encumbrance of its leasehold estate in the Series 2002B Facility Sites, provided, however, that the School Board's title to the Series 2002B Facility Sites shall not be subject to or

encumbered by any such mortgage or other encumbrance, including without limitation any mechanic's or materialman's liens.

Section 10. Condemnation. In the event that any person, public or private, shall by virtue of eminent domain or condemnation proceedings, or by purchase in lieu thereof, at any time during the Ground Lease Term acquire title to the Series 2002B Facility Sites:

(a) So long as the Series 2002B Lease is in effect, the Net Proceeds resulting therefrom shall be applied pursuant to the Master Lease.

(b) After the end of the Lease Term of the Series 2002B Lease, (i) if such person acquires title to such a substantial portion of the Series 2002B Facility Sites that the Corporation determines that it cannot economically make use of the residue thereof for the lawful purposes intended or permitted by this Series 2002B Ground Lease, such acquisition of title or payment of such claim shall terminate the Ground Lease Term, effective as of the date on which the condemning party takes possession thereof or on the date of payment of such claim, as applicable, and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests may appear; and (ii) if such person acquires title to a portion of the Series 2002B Facility Sites such that the Corporation determines that it can economically make beneficial use of the residue thereof for the purposes intended by this Series 2002B Ground Lease, then this Series 2002B Ground Lease shall continue in full force and effect and the Net Proceeds resulting therefrom shall be paid to the School Board and the Corporation, as their respective interests appear.

(c) Any taking of any portion of the Series 2002B Facilities shall be deemed substantial hereunder.

(d) It is understood that the foregoing provisions of this Section 10 shall not in any way restrict the right of the School Board or the Corporation to appeal the award made by any court or other public agency in any condemnation proceeding.

Section 11. Estoppel Certificates. The School Board, at any time and from time to time, upon not less than thirty (30) days prior written notice from the Corporation, will execute, acknowledge and deliver to the Corporation, or to whomsoever it may direct, a certificate of the School Board certifying that this Series 2002B Ground Lease is unmodified (or, if there have been any modifications, identifying the same), that this Series 2002B Ground Lease is in full force and effect and that there is no default hereunder (or, if so, specifying the default). It is intended that any such certificate may be relied upon by any Person.

Section 12. Amendments. No amendment may be made to this Series 2002B Ground Lease without the prior written consent of the Trustee and the Series 2002B Credit Facility Issuer. Notwithstanding the foregoing, this Series 2002B Ground Lease may be amended without the prior written consent of the Trustee and the Series 2002B Credit Facility Issuer for the purpose of adding or modifying a legal description and/or the permitted encumbrances for any designated Series 2002B Facility Site. Copies of all amendments

hereto shall be provided to the Rating Agencies (as defined in the Trust Agreement), whether effected pursuant to Section 702 or Section 703 of the Trust Agreement.

Section 13. Binding Effect. This Series 2002B Ground Lease shall inure to the benefit of and shall be binding upon the Corporation and the School Board and their respective successors and assigns, provided, however, that the Trustee is entitled to the benefits of the provisions hereof.

Section 14. No Merger of Leasehold Estate. There shall be no merger of this Series 2002B Ground Lease or of the leasehold estate hereby created with the fee estate in the Series 2002B Facility Sites by reason of the fact that, through the exercise of remedies hereunder or otherwise, the same person may acquire or hold, directly or indirectly, this Series 2002B Ground Lease or leasehold estate hereby created or any interest herein or therein, and the fee estate in the Series 2002B Facility Sites or any interest in such fee estate. There shall be no merger of this Series 2002B Ground Lease with the Series 2002B Lease by reason of the fact that the School Board is the owner of the fee title in the Series 2002B Facility Sites and the leasehold estate in the Series 2002B Facilities created under the Series 2002B Lease or by reason of the fact that the Corporation is the owner of the leasehold estate in the Series 2002B Facility Sites created hereby and is the owner of the fee title in the Series 2002B Facilities as provided in the Series 2002B Lease.

Section 15. Notices. All notices, certificates, requests or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid to the following addresses, or to such other address or addresses as shall be designated by the parties in writing:

Corporation: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: President

School Board: 3340 Forest Hill Boulevard
West Palm Beach, Florida 33406
Attention: Superintendent of Schools

Series 2002B Credit
Facility Issuer: Financial Security Assurance Inc.
350 Park Avenue
New York, NY 10022-6022
Attention: Managing Director - Municipal
Re: Policy No. 28605B-X

Section 16. Severability. In the event any provision of this Series 2002B Ground Lease shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 17. Applicable Law. This Series 2002B Ground Lease shall be governed by and construed in accordance with the laws of the State of Florida.

Section 18. Execution in Counterparts. This Series 2002B Ground Lease may be executed in several counterparts, each of which shall be an original and all of which constitute but one and the same instrument.

Section 19. Memorandum of Lease. Simultaneously with the execution of this Series 2002B Ground Lease, the School Board and the Corporation shall each execute, acknowledge and deliver a Memorandum of Lease with respect to this Series 2002B Ground Lease. Said Memorandum of Lease shall not in any circumstances be deemed to change or otherwise to affect any of the obligations or provisions of this Series 2002B Ground Lease. Upon the modification of this Series 2002B Ground Lease as provided in Section 2 hereof, the Memorandum of Lease shall be appropriately amended.

Section 20. No Personal Liability. No covenant or agreement contained in this Series 2002B Ground Lease shall be deemed to be the covenant or agreement of any member of the School Board or the Corporation or any officer, employee or agent of the School Board or the Corporation, or of any successor thereto, in an individual capacity, and neither the members of the School Board or the Corporation executing this Series 2002B Ground Lease nor any officer, employee, agent of the School Board or the Corporation shall be personally liable or accountable by reason of the execution or delivery hereof.

Section 21. Third Party Beneficiary. The Series 2002B Credit Facility Issuer shall be deemed to be a third party beneficiary of this Series 2002B Ground Lease.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the Corporation has caused this Series 2002B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers and the School Board has caused this Series 2002B Ground Lease to be executed in its name and its seal to be hereunto affixed by its duly authorized officials, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

[SEAL]

By: William G. Graham
William G. Graham
Vice Chairman

Attest:

By: Art Johnson
Art Johnson, Secretary

PALM BEACH SCHOOL BOARD LEASING CORP.

[SEAL]

By: William G. Graham
William G. Graham
Vice President

Attest:

By: Art Johnson
Art Johnson, Secretary

STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William G. Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Vice 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 12th day of March, 2002.

Rosemary E. Hawley
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



Rosemary E. Hawley
(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or Produced identification: (Type of Identification Produced)
- DID take an oath, or DID NOT take an oath.

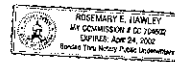
STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William G. Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Vice 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 12th day of March, 2002.

Rosemary E. Hawley
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



Rosemary E. Hawley
(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 2002B FACILITY SITES

A. DESCRIPTION OF REAL ESTATE

Belvedere Elementary School Modernization

The West Half (W 1/2) of Lots 4 and 5, BELVEDERE, according to the Plat recorded in Plat Book 2, page 1, as recorded in the Public Records of Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida.

AND

Lots 12 through 24, inclusive, OMAR ADDITION TO WEST PALM BEACH, according to the Plat recorded in Plat Book 9, page 1, as recorded in the Public Records of Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida.

Site Acquisition (Boca IBM Site)

A portion of the southwest quarter of Section 12, Township 47 South, Range 42 East, Palm Beach County, Florida, more particularly described as follows:

Commencing at the northwest corner of the southwest quarter (SW 1/4) of said Section 12; thence south 01°18'55" east, along the west line of said Section 12, a distance of 70.11 feet; thence south 89°53'34" east, 481.19 feet to the point of beginning, same being the south line of Lake Worth Drainage District Canal (L.W.D.D.) L-43 as described in Official Records Book 2021, Page 1189, of the Palm Beach County Public Records; thence south 89°53'34" east, along south line of said L.W.D.D. Canal L-43, same being a line 150 feet south of and parallel with the centerline of Northwest 40th Street as shown in Road Plat Book 4, Pages 77 through 79 of the Palm Beach County Public Records, 184.88 feet to the point of curvature of a curve concave to the south, having a radius of 2714.79 feet; thence southeasterly along the arc of said curve and along south right of way line of said L.W.D.D. Canal L-43, same being 150 feet south of and concentric with said centerline of Northwest 40th Street, through a central angle of 03°26'24", an arc distance of 162.99 feet to the point of compound curvature of curve concave to the southwest having a radius of 50 feet; thence departing south right of way line of said L.W.D.D. Canal L-43 and said concentric line being 150 feet south of and parallel with said Northwest 40th Street, easterly, southeasterly and southerly along the arc of said curve through a central angle of 85°08'15", an arc distance of 74.30 feet; thence south 01°18'55" east, 1023.69 feet; thence south 88°41'05" west, 359.85 feet; thence north 01°18'55" west, 143.53 feet; thence south

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Commencing at the Northwest corner of the southwest quarter (SW 1/4) of said Section 12; thence South 01°18'55" East, along the West line of said Section 12, a distance of 524.84 feet; thence North 88°41'05" East, 874.35 feet to the Point of Beginning; thence South 90°00'00" East, 90.49 feet; thence South 00°00'00" West, 20.00 feet; thence South 90°00'00" West, 90.04 feet; thence North 01°18'55" West, 20.01 feet to the Point of Beginning.

Said lands lying in the City of Boca Raton, Palm Beach County, Florida.

North/Well Easement

Perpetual and non-exclusive easement created by the Irrigation Easement between Blue Lake, Ltd. and SRA/Building 051, Ltd. recorded in Official Records Book 10286, page 363, of the Public Records of Palm Beach County, Florida, as modified by Modification of Easements recorded contemporaneously herewith, for irrigation purposes, including excavation, access, construction, repair, replacement and maintenance of irrigation facilities under, over and across the following described real property:

A portion of the Southwest quarter of Section 12, Township 47 South, Range 42 East, Palm Beach County, Florida, being more particularly described as follows:

Commencing at the Northwest corner of the Southwest quarter (SW 1/4) of said Section 12; thence South 01°18'55" East, along the West line of said Southwest quarter (SW 1/4) of Section 12, a distance of 232.63 feet; thence North 88°41'05" East, 874.35 feet to the Point of Beginning; thence South 90°00'00" East, 76.80 feet; thence south 00°00'00" West, 20.00 feet; thence South 90°00'00" West, 76.34 feet; thence North 01°18'55" West, 20.01 feet to the Point of Beginning.

Said lands lying in the City of Boca Raton, Palm Beach County, Florida.

South Well Easement

Perpetual and non-exclusive easement created by the Irrigation Easement between Blue Lake, Ltd. and SRA/Building 051, Ltd. recorded in Official Records Book 10286, page 376, of the Public Records of Palm Beach County, Florida, as modified by Modification of Easements recorded contemporaneously herewith, for irrigation purposes, including excavation, access, construction, repair, replacement and maintenance of irrigation facilities under, over and across the following described real property:

A portion of the Southwest quarter of Section 12, Township 47 South, Range 42 East, Palm Beach County, Florida, being more particularly described as follows:

88°41'05" west, 444.50 feet to the east right of way line of Military Trail as shown on the Florida Department of Transportation Right of Way Map Section 92590-2608; thence north 01°18'55" west, along said east right of way line of said Military Trail, 646.70 feet; thence north 88°41'05" east departing the east right of way line of said Military Trail, 50.00 feet; thence north 01°18'55" west, 35.00 feet; thence north 88°41'05" east, 361.04 feet; thence north 01°18'05" west 263.20 feet to the point of beginning. Said lands lying in the City of Boca Raton, Palm Beach County, Florida.

EASEMENT ESTATES

North Drainage Easement

Perpetual and non-exclusive easement created by the Drainage Easement between Blue Lake, Ltd. and SRA/Building 051, Ltd. in Official Records Book 10286, Page 337, of the Public Records of Palm Beach County, Florida, as modified by Modification of Easements recorded contemporaneously herewith, for drainage purposes, including excavation, access, construction, repair, replacement and maintenance of surface drainage facilities under the following described real property:

A portion of the Southwest quarter of Section 12, Township 47 South, Range 42 East, Palm Beach County, Florida, being more particularly described as follows:

Commencing at the Northwest corner of the Southwest quarter (SW 1/4) of said Section 12; thence South 01°18'55" East, along the West line of said Section 12, a distance of 241.24 feet; thence North 88°41'05" East, 874.35 feet to the Point of Beginning; thence South 90°00'00" East, 101.71 feet; thence South 00°00'00" West, 20.00 feet; thence South 90°00'00" West, 101.25 feet; thence North 01°18'55" West, 20.01 feet to the Point of Beginning.

Said lands lying in the City of Boca Raton, Palm Beach County, Florida.

South Drainage Easement

Perpetual and non-exclusive easement created by the Drainage Easement between Blue Lake, Ltd. and SRA/Building 051, Ltd. recorded in Official Records Book 10286, Page 350, of the Public Records of Palm Beach County, Florida, as modified by Modification of Easements recorded contemporaneously herewith, for drainage purposes, including excavation, access, construction, repair, replacement and maintenance of surface drainage facilities under the following described real property:

A portion of the Southwest quarter of Section 12, Township 47, South, Range 42 East, Palm Beach County, Florida being more particularly described as follows:

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Commencing at the Northwest corner of the Southwest quarter (SW 1/4) of said Section 12; thence South 01°18'55" East, along the West line of said Southwest quarter (SW 1/4) of Section 12, a distance of 1557.59 feet; thence North 88°41'05" East, 348.68 feet to the Point of Beginning; thence North 00°00'00" East, 530.77 feet; thence south 88°41'05" East, 20.01 feet; thence South 00°00'00" West, 531.23 feet; thence South 90°00'00" West, 20.00 feet to the Point of Beginning.

Said lands lying in the City of Boca Raton, Palm Beach County, Florida.

North Ingress/Egress Easement

Perpetual and non-exclusive easement created by the Ingress/Egress Easement between Blue Lake, Ltd. and SRA/Building 051, Ltd. recorded in Official Records Book 10286, page 311, of the Public Records of Palm Beach County, Florida, as modified by Modification of Easements recorded contemporaneously herewith, for automobile and pedestrian ingress and egress, and to enter upon, inspect, maintain and use any roads, streets, driveways, ways or walkways over, upon and across the following described real property:

A portion of the Southwest quarter of Section 12, Township 47 south, Range 42 East, Palm Beach County, Florida, being more particularly described as follows:

Commencing at the Northwest corner of the Southwest quarter (SW 1/4) of said Section 12; thence South 01°18'55" East, along the West line of the Southwest quarter (SW 1/4) of said Section 12, a distance of 70.11 feet; thence South 89°53'34" East, 666.07 feet to the point of curvature of a curve concave to the South having a radius of 2714.79 feet, said point also being on the South line of the Lake Worth Drainage District Canal (L.W.D.D.) L-43 as described in Official Records Book 2021, page 1189 of the Public Records of Palm Beach County, Florida; thence Southeasterly along the arc of said curve along the south right of way line of said L.W.D.D. Canal L-43, through a central angle of 03°26'24", an arc distance of 162.99 feet to the Point of Beginning; thence continuing Easterly along the arc of said curve and along the South right of way of said L.W.D.D. Canal L-43 through a central angle of 00°58'12", an arc distance of 45.96 feet; thence South 01°18'55" East departing the South right of way line of said L.W.D.D. Canal L-43, a distance of 45.54 feet to the point of cusp with a curve concave to the Southwest having a radius of 50.00 feet; thence Northerly, Northwesterly and Westerly along the arc of said curve through a central angle of 85°08'15", an arc distance of 74.30 feet to the Point of Beginning.

Said lands lying in the City of Boca Raton, Palm Beach County, Florida.

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South Ingress/Egress Easement

Perpetual and non-exclusive easement created by the Ingress/Egress Easement between Blue Lake, Ltd. and SRA/Building 051, Ltd. recorded in Official Records book 10286, page 324, of the Public Records of Palm Beach County, Florida, as modified by Modification of Easements recorded contemporaneously herewith, for automobile and pedestrian ingress and egress, and to enter upon, inspect, maintain and use any roads, streets, driveways, ways or walkways over, upon and across the following described real property:

A portion of the Southwest quarter of Section 12, Township 47 South, Range 42 East, Palm Beach County, Florida, being more particularly described as follows:

Commencing at the Northwest corner of the Southwest quarter (SW 1/4) of said Section 12; thence South 01°18'55" East, along the West line of said Section 12, a distance of 1570.47 feet; thence North 88°41'05" East, 70.00 feet to a point on the East right-of-way line of Military Trail as shown on the Florida Department of Transportation Right of Way Map Section 93590-2608, said point being on the arc of a non-tangent curve concave to the North, having a radius of 40.00 feet, (a radial line to said point bears South 27°26'31" West); same being the Point of Beginning; thence Easterly along the arc of said curve through a central angle of 17°18'44", an arc distance of 12.09 feet; thence South 79°52'12" East, 23.91 feet; thence North 88°41'05" East, 80.71 feet; thence South 87°03'22" East, 142.93 feet; thence North 88°41'05" East, 409.32 feet to the point of curvature of a curve concave to the Northwest, having a radius of 92.00 feet; thence Easterly, Northeasterly and Northerly along the arc of said curve, through a central angle of 90°00'00", an arc distance of 144.51 feet; thence North 01°18'55" West, 327.47 feet; thence North 88°41'05" East, 26.00 feet; thence South 01°18'55" East, 372.47 feet to the point of curvature of a curve concave to the Northwest, having a radius of 75.00 feet; thence Southerly, Southwesterly and Westerly along the arc of said curve through a central angle of 90°00'00", an arc distance of 117.81 feet; thence South 88°41'05" West, 462.14 feet; thence South 82°55'28" West, 145.31 feet; thence South 88°41'05" West, 89.20 feet to the point of curvature of a curve concave to the Southeast, having a radius of 22.00 feet; thence Southwesterly along the arc of said curve through a central angle of 48°03'45", an arc distance of 78.45 feet to the point on the East right-of-way line of aforesaid Military Trail; thence North 01°18'55" West, along the East right-of-way line of said Military Trail, 69.18 feet to the Point of Beginning.

Said land lying in the City of Boca Raton, Palm Beach County, Florida.

Drainage Easement

Non-Exclusive Easement for stormwater management and stormwater runoff purposes created by the Drainage Easement Agreement between the City of Boca

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**Lantana Middle School
New Replacement School**

PARCEL 1

Lots 10 through 16, inclusive, Block 13, AMENDED PLAT OF LANTANA, FLA., according to the plat thereof, as recorded in Plat Book 9, Page 73, of the Public Records of Palm Beach County, Florida.

AND

The East Half (E1/2) of Government Lot 1, Section 4, Township 45 South, Range 43 East, Palm Beach County, Florida, LESS the North 865 feet and LESS roadway strips conveyed in Deed recorded in Official Records Book 112, Page 110, of the Public Records of Palm Beach County, Florida.

PARCEL 2

A parcel of land in the Southwest Quarter of the Northeast Quarter of Section 4, Township 45 South, Range 43 East, Palm Beach County, Florida and particularly described as follows:

Commencing at the Southeast corner of the Southwest Quarter of the Northeast Quarter of said Section 4 (said Southeast Corner is also known as the intersection of South 72th Street and Drew Street as shown on Plat No. Five Lantana Heights as recorded in Plat Book 25 page 133 in and for the Public Records of Palm Beach County, Florida; thence Westerly along the South line of said Southwest Quarter of the Northeast Quarter of Section 4 and the Westerly projection of the said center line of Drew Street a distance of 130.36 feet to a point on a line 130.09 feet West of when measured at right angles and parallel with the East line of the said Southwest Quarter of the Northeast Quarter of Section 4 and the said centerline of South 12th Street; thence Northerly along the said parallel line making an angle with the preceding course of 85°44'26" when measured from West to North, a distance of 35.10 feet to the point of beginning; thence continue Northerly along the same course a distance of 900.50 feet to a point on a line 390 feet South of when measured at right angles and parallel with the North line of the said Southwest Quarter of the Northeast Quarter of Section 4 and the centerline of West Pine Street as shown on Plat No. One of Lantana Heights as recorded in Plat 24, page 158 and Plat No. Two Lantana Heights as recorded in Plat Book 25 page 47 in and for the Public Records of Palm Beach County, Florida; thence Westerly along the said parallel line making an angle with the preceding course of 93°57'45" when measured from South to West, a distance of 667.32 feet to a point on a line 500 feet East of when measured at right angles and parallel with the West line of the said Southwest Quarter of the Northeast Quarter of Section 4, and the East line of Plat No. Three Lantana Heights as recorded in Plat Book 25 page 72, in and for the Public Records of Palm Beach County, Florida; thence

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Raton and The School Board of Palm Beach County, Florida recorded in Official Records Book 13798 Page 162, Public Records of Palm Beach County, Florida.

Greenacres Elementary School Modernization

PARCEL ONE

PARCEL-1: LOTS 21, 22, 23, 24, 25, AND 27, BLOCK 16, GREENACRES PLAT NO. 2, ACCORDING TO THE PLAT THEREOF, RECORDED IN PLAT BOOK 13, PAGE 3, PUBLIC RECORDS OF PALM BEACH COUNTY, FLORIDA.

PARCEL-2: ALL OF BLOCK 9, GREENACRES PLAT NO. 2, ACCORDING TO THE PLAT THEREOF, RECORDED IN PLAT BOOK 15, PAGE 3, PUBLIC RECORDS OF PALM BEACH COUNTY, FLORIDA.

PARCEL-3: LOTS 26, 28, 29, 30, 31, AND 32, BLOCK 16, GREENACRES PLAT NO. 2, ACCORDING TO THE PLAT THEREOF, RECORDED IN PLAT BOOK 13, PAGE 3, PUBLIC RECORDS OF PALM BEACH COUNTY, FLORIDA, TOGETHER WITH THAT PORTION OF WALKER STREET AS ABANDONED, BOUNDED ON THE NORTH BY THE EASTERLY EXTENSION OF THE SOUTH LINE OF LOT 23, BLOCK 16, AND BOUNDED ON THE SOUTH BY THE EASTERLY EXTENSION OF THE SOUTH LINE OF LOT 32, BLOCK 16.

PARCEL TWO

LOTS 22 AND 23, BLOCK 16, GREENACRES PLAT NO. 2, according to the Plat recorded in Plat Book 13, page 3, as recorded in the Public Records of Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida.

Jupiter Elementary School Modernization

Blocks 14, 15 and 16, LESS the West 60 feet thereof, PINE GARDENS (AN AMENDED PLAT), according to the Plat recorded in Plat Book 11, page 28, as recorded in the Public Records of Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida.

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Southerly along the said parallel line, making an angle with the preceding course of 87°02'00" when measured from East to South a distance of 856.02 feet to a point on a line 35.00 feet North of when measured at right angles and parallel with the South line of the said Southwest Quarter of the Northeast Quarter of said Section 4 and the said Westerly extension of Drew Street; thence Easterly along the said parallel line, making an angle with the preceding course of 93°13'47" when measured from North to East a distance of 683.19 feet to the point of beginning.

South Olive Elementary School Modernization

A parcel or land in Section 10, Township 44 South, Range 43 East, bounded as follows:

On the North by the South line and its Westerly extension of Block 10, HOMEWOOD 2nd ADDITION, according to the Plat thereof on file in the Office of the Clerk of the Circuit Court in and for Palm Beach County, Florida, in Plat Book 23, Page 45, on the West by the East line and its Southerly extension of Block 8, Homewood, 1st Addition, according to the Plat on file in the Office of the Clerk of the Circuit Court in Plat Book 23, Page 26, on the South by the Easterly extension of the South right-of-way line of DeSoto Street, as said street is shown on said plat of Homewood, 1st Addition, and on the East by the West right-of-way line of Olive Avenue, a public highway within the City of West Palm Beach, Florida.

LESS AND EXCEPT:

That part of a parcel of land in the Southwest Quarter (SW1/4) of Section 10, Township 44 South, Range 43 East, Palm Beach County, Florida, said parcel being more particularly described as follows:

Bounded on the North by the South line and Westerly extension thereof of Block 10, Homewood Second Addition, as recorded in Plat Book 23, Page 45, bounded on the West by the East line and Southerly extension thereof of Block 8, Homewood First Addition, as recorded in Plat Book 23, Page 26, on the South by the Easterly extension of the South right-of-way line of DeSoto Road, Homewood First Addition (Plat Book 23, Page 26) and on the East by the West right-of-way line of Olive Avenue, said part which lies Westerly of and within 40 feet of the Baseline of Survey of State Road 5, according to the right-of-way map of Section 93020-2504, State Road 5, as filed in the Office of the Clerk of the Circuit Court, Palm Beach County, Florida, a part of said Baseline being more particularly described as follows:

Beginning on the South line of and 1320.29 feet Easterly of the Southwest corner of said Section 10, run North 02 degrees 06 minutes 04 seconds East, a distance

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of 5415.22 feet to a point on the North line of said Section 10 and the end of said part of said Baseline, said point being 1347.07 feet Easterly of the Northwest corner of said Section 10.

West Palm Beach Area Middle (98-EE)

TRACT M OF HAMILTON BAY according to the Plat recorded in Plat Book 90 page 175 as recorded in the Public Records of Palm Beach County, Florida; said land situate, lying and being in Palm Beach County, Florida.

B. PERMITTED ENCUMBRANCES

Belvedere Elementary School Modernization

1. Restrictions and reservations as indicated on that certain Plat of Subdivision recorded in Plat Book 9, at Page 1.
2. Reservation for public highway purposes contained in Deed recorded in Deed Book 622, page 407.
3. Easement in favor of District of West Palm Beach as reserved in that certain instrument recorded in Deed Book 502, page 234.
4. Easement in favor of District of West Palm Beach as reserved in that certain instrument recorded in Deed Book 502, page 244.
5. Easement in favor of City of West Palm Beach as reserved in that certain instrument recorded in Deed Book 622, page 403.
6. Easement in favor of Southern Bell Telephone and Telegraph Company as reserved in that certain instrument recorded in Official Record Book 8937, page 11.

Site Acquisition (Boca IBM Site)

1. Reservations in favor of United States of America contained in Quit Claim Deed recorded in Deed Book 908, page 453.
2. Terms, conditions, covenants and restrictions contained in instrument recorded in Official Records Book 1456, page 187.

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14. Easement for Ingress and Egress recorded in Official Records Book 10286, page 324, as modified by that certain Modification of Easements recorded in Official Record Book 13758, page 1160.
15. Easement for Drainage recorded in Official Records Book 10286, page 337, as modified by that certain Modification of Easements recorded in Official Record Book 13758, page 1160.
17. Easement for Drainage recorded in Official Records Book 10286, page 350, as modified by that certain Modification of Easements recorded in Official Record Book 13758, page 1160.
18. Easement for Drainage recorded in Official Records Book 10286, page 363, and modified by that certain Modification of Easements recorded in Official Record Book 13758, page 1160.
19. Easement for Drainage recorded in Official Records Book 10286, page 376, and modified by that certain Modification of Easements recorded in Official Record Book 13758, page 1160.
20. Terms and provisions of that certain Drainage Easement Agreement between the City of Boca Raton and The School Board of Palm Beach County, Florida, recorded in Official Record Book 13798, page 163.

Greenacres Elementary School Modernization

PARCEL ONE

1. Restrictions and reservations as indicated on that certain Plat of Greenacres Plat No. 2 recorded in Plat Book 13 at Page 3.

PARCEL TWO

1. Ordinance No. 80-06 recorded in Official Record Book 3251, page 1260.
2. Restrictions and reservations as indicated on that certain Plat of Subdivision recorded in Plat Book 13, at Page 3.

Jupiter Elementary School Modernization

1. Easement(s) in favor of Town of Jupiter as reserved in that certain instrument recorded in Official Record Book 1185, page 180.

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3. Terms, conditions, restrictions and assessment rights contained in instrument recorded in Official Records Book 10286, page 502, as affected by that certain Notice of Termination of Declaration of Covenants, Conditions, Restrictions and Easements for Blue Lake recorded in Official Record Book 13457, page 1734 and that certain Disclaimer and Termination Agreement recorded in Official Record Book 13758, page 1147.
4. Terms, conditions, covenants, restrictions and assessment rights contained in Warranty Deed recorded in Official Records Book, 10286, page 308.
5. Terms and conditions as set out in that certain Emergency Management Facility Agreement, between Boca Technology Center, L.L.C, a Florida limited liability company and the City of Boca Raton, a Florida municipal corporation, recorded in Official Record Book 12009, page 887.
6. Easement in favor of Florida Power & Light Company recorded in Official Records Book 1710, page 720.
7. Easement in favor of Florida Power & Light Company recorded in Official Records Book 2035, page 582.
8. Easement in favor of Florida Power & Light Company recorded in Official Records Book 3248, page 1499.
9. Easement in favor of the City of Boca Raton recorded in Official Records Book 4093, page 912.
10. Easement in favor of Blue Lake, Ltd. Recorded in Official Records Book 10286, page 389.
11. Terms and conditions of the Agreement made by and between Blue Lake, Ltd. And SRA/Building 051, Ltd. as evidenced by a memorandum thereof recorded in Official Records Book 10286, page 531.
12. Terms and conditions of the Development Order created under Resolution No. 37-99, as recorded in Official Records Book 12048, page 32, as amended by Resolution No. 167-2000, recorded in Official Records Book 12948, page 80.
13. Easement for Ingress and Egress recorded in Official Records Book 10286, page 311, as modified by that certain Modification of Easements recorded in Official Record Book 13758, page 1160.

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2. Easement(s) in favor of Florida Power and Light Company as reserved in that certain instrument recorded in Official Record Book 2573, page 10.
3. Easement(s) in favor of Town of Jupiter as reserved in that certain instrument recorded in Official Record Book 2943, page 1961.
4. Easement(s) in favor of Town of Jupiter as reserved in that certain instrument recorded in Official Record Book 2943, page 1963.
5. Easement(s) in favor of Palm Beach County as reserved in that certain instrument recorded in Official Record Book 5504, page 1050.
6. Easement(s) in favor of Florida Power and Light Company as reserved in that certain instrument recorded in Official Record Book 5808, page 839.
7. Restrictions, reservations and easements, as reserved and shown on that certain Plat of Subdivision as recorded in Plat Book 11 at Page 28.

**Lantana Middle School
New Replacement School**

1. Easement and Right-of-Way in favor of The Town of Lantana recorded in Official Record Book 865, page 58

South Olive Elementary School Modernization

1. Easement in favor of City of West Palm Beach as reserved in that certain instrument recorded in Deed Book 1139, page 293.
2. Easement in favor of Florida Power and Light Company as reserved in that certain instrument recorded in Official Record Book 2384, page 929.

West Palm Beach Area Middle (98-EE)

1. Tentative Construction Easements in favor of Palm Beach County, recorded in Official Record Book 11139, page 1134, and Official Record Book 11158, page 721.
2. Terms, conditions and provisions of Memorandum of Development Agreement from Water and Wastewater Service, recorded in Official Record Book 8784, page 1231.

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3. Terms, conditions and provisions of Development Agreement, recorded in Official Record Book 10723, page 287, and amended by that certain First Amendment to Development Agreement recorded in Official Record Book 12619, page 1930.
4. Notice of Disclosure of Taxing Authority by Northern Palm Beach County Improvement District, recorded in Official Record Book 6318, page 1377 and Official Record Book 10293, page 919.
5. Pair Share Contribution Agreement, recorded in Official Record Book 12625, page 1297.
6. Easements as reserved and shown on that certain Plat of Hamilton Bay, as recorded on Plat Book 90 at Page 175.

FIRST AMENDMENT

Dated as of June 1, 2004

TO

SERIES 2002B GROUND LEASE

Dated as of March 1, 2002

BETWEEN

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

AND

THE BANK OF NEW YORK TRUST COMPANY, N.A.
(“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 2002B Facility Sites – Partial Releases)

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THIS FIRST AMENDMENT, dated as of June 1, 2004 (the “First Amendment”), to the Series 2002B Ground Lease dated as of March 1, 2002 (the “Series 2002B 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 2002B Assignment Agreement dated as of March 1, 2002 (the “Series 2002B 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 2002B Ground Lease. The Series 2002B Ground Lease is hereinafter referred to as the “Series 2002B Ground Lease”.

WITNESSETH:

WHEREAS, as of March 1, 2002, the School Board and the Corporation entered into the Series 2002B Ground Lease; and

WHEREAS, the Corporation assigned all of its interest in the Series 2002B Ground Lease to the Trustee pursuant to the Series 2002B Assignment Agreement; and

WHEREAS, the Series 2002B 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 2002B Facility Site to be ground leased pursuant to the Series 2002B Ground Lease; and

WHEREAS, the School Board wishes to amend the Series 2002B Ground Lease in order to release portions of the following designated Series 2002B Facility Sites: two portions of Site: Acquisition (Boca IBM Site), consisting of approximately 5.73 acres in the aggregate, and a portion of Lantana Middle School New Replacement School, consisting of approximately 10.26 acres, from the term of the Series 2002B Ground Lease by this First Amendment thereto because such portions of land will be used for the construction of additional projects to be financed through the issuance of additional series of certificates of participation;

NOW, THEREFORE, the parties hereto mutually agree to the following amendments to the Series 2002B Ground Lease, as previously amended:

I. Exhibit A - Part A. **DESCRIPTION OF REAL ESTATE** is hereby amended by (i) releasing the real estate described in Exhibit A hereto under the heading “Site Acquisition (Boca IBM Site),” from the legal description currently set forth under such heading in the Series 2002B Ground Lease, a Memorandum of which is recorded in Official Records Book 13348, Pages 1778, *et seq* of the Public Records of Palm Beach County, Florida; and (ii) releasing the real estate described in Exhibit A hereto under the heading “Lantana Middle School New Replacement School” from the legal description currently set forth under such heading in the

Series 2002B Ground Lease, a Memorandum of which is recorded in Official Records Book 13348, Pages 1778, *et seq* of the Public Records of Palm Beach County, Florida.

Section 12 of the Series 2002B Ground Lease provides that the prior written consent of the Series 2002B Credit Facility Issuer to the execution of this First Amendment is required. Such consent has been obtained. 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 2002B 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 2002B Ground Lease.

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IN WITNESS WHEREOF, the School Board has caused this First Amendment to Series 2002B 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 2002B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

[SEAL]

By: Thomas E. Lynch
Thomas E. Lynch
Chairman

Attest:

By: Art Johnson
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
Sheryl Lear
Authorized Signatory

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IN WITNESS WHEREOF, the School Board has caused this First Amendment to Series 2002B 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 2002B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

[SEAL]

By: Thomas E. Lynch
Thomas E. Lynch
Chairman

Attest:

By: Art Johnson
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
Sheryl Lear
Authorized Signatory

3

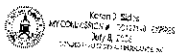
STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

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 11 day of June, 2004.

Karen Q. Sides
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or
 Produced identification:

(Type of Identification Produced)

DID take an oath, or
 DID NOT take an oath.

3

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 11 day of June, 2004.

Diana L. Shirley
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or Type as Commissioned.)

Personally known to me, or
 Produced identification:

(Type of Identification Produced)

DID take an oath, or
 DID NOT take an oath.

3

EXHIBIT A
SERIES 2002B FACILITY SITES
SITE ACQUISITION (Boca IBM Site)
(Portions Released)

A parcel of land being a portion of the southwest quarter (SW 1/4) of Section 12, Township 47 South, Range 42 East, Palm Beach County, Florida, said parcel being more particularly described as follows:

Commencing at the northwest corner of the southwest quarter (SW 1/4) of Section 12; thence south 01°18'55" east along the west line of said section 12, a distance of 70.11 feet; thence south 89°53'34" east, 561.16 feet to the point of beginning, same being the south line of Lake Worth Drainage District Canal (L.W.D.D.) L-43 as described in official Record Book 2021, Page 1189 of the Public Records of Palm Beach County, Florida. Thence south 89°53'34" east along the south line of said L.W.D.D. Canal L-43, same being line 150 feet south of and parallel with the centerline of northwest 40th Street as shown in Road Plat Book 4, Pages 77 through 79 of the Palm Beach County Public Records, 104.91 feet to the point of curvature of a curve concave to the south, having a radius of 2714.79 feet; thence southeasterly along the arc of said curve and along the south right-of-way line of said L.W.D.D. Canal L-43, same being 150 feet south of and concentric with said centerline of northwest 40th Street through a central angle of 03°26'24", an arc distance of 162.99 feet to the point of compound curvature of curve concave to the southwest having a radius of 50 feet; thence departing south right of way line of said L.W.D.D. Canal L-43 and said concentric line being 150 feet south of and parallel with said Northwest 40th Street, easterly, southeasterly and southerly along the arc of said curve through a central angle of 85°08'15", an arc distance of 74.30 feet; thence south 01°18'55" east, 409.85 feet; thence south 88°41'05" west, 343.36 feet; thence north 01°18'55" west, 210.00 feet; thence north 88°41'05" east, 30.60 feet; thence north 01°18'55" west, 261.21 feet to the point of beginning afore described.

AND

A parcel of land being a portion of the southwest quarter (SW 1/4) of Section 12, Township 47 South, Range 42 East, Palm Beach County, Florida, said parcel being more particularly described as follows:

Commencing at the northwest corner of the southwest quarter (SW 1/4) Section 12; thence south 01°18'55" east along the west line of said section 12, a distance

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of 970.49 feet; thence north 88°41'05" east, a distance of 70.00 feet to a point on the east right-of-way line of Military Trail (State Road 809, per Florida Department of Transportation Right-Of-Way Map Section 93590-2608), said point also being the point of beginning; thence continue north 88°41'05" east, a distance of 804.35 feet; thence south 01°18'55" east, a distance of 200.00 feet; thence south 88°41'05" west, a distance of 359.85 feet; thence north 01°18'55" west, a distance of 143.53 feet; thence south 88°41'05" west, a distance of 444.50 feet; thence north 01°18'55" west, a distance of 56.47 feet to the point of beginning.

LANTANA MIDDLE SCHOOL NEW REPLACEMENT SCHOOL

(Portions Released)

PARCEL ?

Lots 10 through 16, inclusive, Block 13, AMENDED PLAT OF LANTANA, FLA., according to the plat thereof, as recorded in Plat Book 9, Page 73, of the Public Records of Palm Beach County, Florida.

AND

The East Half (E1/2) of Government Lot 1, Section 4, Township 45 South, Range 43 East, Palm Beach County, Florida, LESS the North 865 feet and LESS roadway strips conveyed in Deed recorded in Official Records Book 112, Page 110, of the Public Records of Palm Beach County, Florida.

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SECOND AMENDMENT
Dated as of January 1, 2014
TO
SERIES 2002B GROUND LEASE
Dated as of March 1, 2002

BETWEEN

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

AND

THE BANK OF NEW YORK MELLON 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 2002B Facility Site - Partial Release)

THIS SECOND AMENDMENT, dated as of January 1, 2014 (the "Second Amendment"), to the Series 2002B Ground Lease dated as of March 1, 2002 (the "Series 2002B Ground Lease"), as amended by the First Amendment dated as of June 1, 2004, 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 MELLON TRUST COMPANY, N.A. (successor by acquisition to NationsBank of Florida, N.A.) (the "Trustee") as Trustee and Assignee pursuant to a Series 2002B Assignment Agreement dated as of March 1, 2002 (the "Series 2002B 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 2002B Ground Lease. The Series 2002B Ground Lease as amended is hereinafter referred to as the "Series 2002B Ground Lease".

WITNESSETH:

WHEREAS, as of March 1, 2002, the School Board and the Corporation entered into the Series 2002B Ground Lease; and

WHEREAS, the Corporation assigned all of its interest in the Series 2002B Ground Lease to the Trustee pursuant to the Series 2002B Assignment Agreement; and

WHEREAS, the Series 2002B 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 2002B Facility Site to be ground leased pursuant to the Series 2002B Ground Lease; and

WHEREAS, as of June 1, 2004, the School Board amended the Series 2002B Ground Lease in order to release portions of the following designated Series 2002B Facility Sites: portions of Site Acquisition (Boca IBM Site), consisting of approximately 5.73 acres in the aggregate, and a portion of Lantana Middle School New Replacement School, consisting of approximately 10.26 acres, from the lien of the Series 2002B Ground Lease because such portions of land were to be used for the construction of additional projects to be financed through the issuance of additional series of certificates of participation;

WHEREAS, the School Board wishes to further amend the Series 2002B Ground Lease in order to (i) release a portion of the Series 2002B Facility Site designated as Site Acquisition (Boca IBM Site), consisting of approximately 0.48 of an acre in the aggregate, from the lien of the Series 2002B Ground Lease because such land was not used and is not needed for the construction of educational facilities and has been used by the City of Boca Raton, Florida continuously as a right-of-way, and (ii) change the heading for such site to the current name of the school: Don Estridge High Tech Middle School;

NOW, THEREFORE, the parties hereto mutually agree to the following amendments to the Series 2002B Ground Lease, as previously amended:

I. Exhibit A - Part A. DESCRIPTION OF REAL ESTATE is hereby amended to (i) release the real estate described in Exhibit A hereto under the heading "Site Acquisition (Boca IBM Site)," from the legal description currently set forth under such heading in the Series 2002B Ground Lease, a Memorandum of which is recorded on June 26, 2002 in Official Records Book 13848, Pages 1778, et seq of the Public Records of Palm Beach County, Florida, as amended by Memorandum of First Amendment recorded on June 29, 2004 in Official Records Book 17181, Pages 1864, et seq of the Public Records of Palm Beach County, Florida, and (ii) add to the heading for such site the current name of the school: "Don Estridge High Tech Middle School."

Section 12 of the Series 2002B Ground Lease provides that the prior written consent of the Series 2002B Credit Facility Issuer to the execution of this Second Amendment is not required. The School 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 2002B Ground Lease shall remain in full force and effect and the parties hereto, by their execution hereof, hereby ratify and confirm the Series 2002B Ground Lease.

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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 Chuck Shaw and E. Wayne Gent, 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 30th day of January, 2014.

Carol Keller Bass
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



CAROL KELLER BASS
(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.

IN WITNESS WHEREOF, the School Board has caused this Second Amendment to Series 2002B 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 2002B Ground Lease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officer, all as of the date first above written.

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

[SEAL]

By: Chuck Shaw, Chairman

Attest: E. Wayne Gent, Secretary

[SEAL]

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee and Assignee of Palm Beach School Board Leasing Corp.

By: Linda Boenish, Vice President

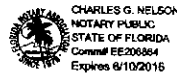
STATE OF FLORIDA)
) SS:
COUNTY OF DUVAL)

I HEREBY CERTIFY that on this day, before me, an officer duly authorized in the State and County aforesaid to take acknowledgments, personally appeared Linda Boenish, who is a Vice President of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, 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 31st day of January, 2014.

Charles G. Nelson
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or Type as Commissioned.)

- Personally known to me, or
Produced identification:

(Type of Identification Produced)

- DID take an oath, or
DID NOT take an oath.

EXHIBIT A

SERIES 2002B FACILITY SITE

DON ESTRIDGE HIGH TECH MIDDLE SCHOOL
(f/k/a SITE ACQUISITION (Boca IBM Site))

(Portion Released)

A parcel of land described in that certain Quitclaim Deed recorded in Official Record Book 25579, Page 243, Public Records of Palm Beach County, Florida, being a portion of the southwest quarter (SW 1/4) of Section 12, Township 47 South, Range 42 East, Palm Beach County, Florida, said parcel being more particularly described as follows:

Commencing at the northwest corner of the southwest one-quarter (SW 1/4) of Section 12; thence south $01^{\circ}18'55''$ east along the west line of said Section 12, a distance of 70.11 feet; thence south $89^{\circ}53'34''$ east, a distance of 70.02 feet to a point on a line 70.00 feet east of, and parallel with the west line of said Section 12, and the east right of way line of Military Trail (State Road 809, per Florida Department of Transportation Right of Way Map Section 93590-2698), said point also being the point of intersection of the south right of way line of Lake Worth Drainage District Canal (L.W.D.D.) L-43, (as described in Official Record Book 2021, Page 1189, of the Palm Beach County Public Records) with said east right of way line of Military Trail; thence continue south $89^{\circ}53'34''$ east, along said south line of the L.W.D.D. Canal L-43, a distance of 411.17 feet to the Point of Beginning, (thence continue south $89^{\circ}53'34''$ east along said south line of the L.W.D.D. Canal L-43, same being a line 150 feet south of and parallel with, the centerline of Northwest 40th Street, as shown in Road Plat Book 4, Pages 77 through 79 of the Palm Beach County Public Records, for a distance of 80.02 feet; thence south $01^{\circ}18'55''$ east, for a distance of 261.22 feet; thence south $88^{\circ}41'05''$ west, for a distance of 80.00 feet; thence north $01^{\circ}18'55''$ west, for a distance of 263.20 feet to the point of beginning.

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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");

W I T N E S S E T H:

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:

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.

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"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-

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.

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"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 (FHA's)
- Federal Housing Administration

(d) Senior debt obligations rated "AAA" by Standard & Poor's Ratings Group and "Aaa" by Moody's Investors Service issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, and other senior debt obligations of other government-sponsored agencies approved by the Credit Facility Issuer insuring the Series of Certificates relating to the moneys invested.

(e) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks (including the Trustee and any of its affiliates) which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(f) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's Ratings Group and "P-1" by Moody's Investors Service and which matures not more than 270 days after the date of purchase.

(g) Investments in a money market fund rated "AAAm" or "AAAa-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

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(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 and 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 Year, 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 & Quental, 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)

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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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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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 thereof, 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 of Facilities or mandatory sinking fund prepayment, and not less than 5 days nor more than 10 days before the Prepayment Date in the case of extraordinary prepayment resulting from termination of all Leases as a result of nonappropriation or default by the School Board, to the Holders of any Certificates or portions of Certificates which are to be prepaid, at their last addresses appearing upon the registry books, but any defect in the notice to a particular Certificate holder shall not affect the validity of the proceedings for the prepayment of other Certificates. Notwithstanding anything in this Section 314 to the contrary, the Trustee shall not give notice that the Certificates are subject to optional prepayment pursuant to a Supplemental Trust Agreement unless and until the School Board shall have deposited with the Trustee to the credit of the related Prepayment Account an amount sufficient to pay in full the principal of the Certificates subject to prepayment, plus accrued interest and premium, if any, on such Certificates to the date established for such prepayment. Notice of such prepayment shall be provided to any depository not less than two days prior to mailing of such notice, to the extent available.

315. Payment of Prepaid Certificates. Notice having been given in the manner provided in Section 314, the Prepayment Price of the Certificates or portions thereof so called for prepayment shall become due and payable on the Prepayment Date so designated at the Prepayment Price, plus the interest portion accrued and unpaid to the Prepayment Date, and, upon presentation and surrender thereof at the office specified in such notice such Prepayment Price of the Certificates, or portions thereof shall be paid. If there shall be selected for prepayment less than all of the Certificates, the Trustee shall execute and deliver, upon the 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, teletype or other similar means of communication. No such arrangements with The Depository Trust Company of New York may adversely affect the interest of any of the beneficial owners of the Certificates, provided, however, that the Trustee shall not be liable with respect to any such arrangements it may make pursuant to this Section. Without limiting the foregoing, the Trustee may deliver a Series of Certificates to a bank or trust company serving as custodian (which may be the Trustee serving in the capacity of custodian) to provide for a book-entry or similar method for the registration and registration of transfers of such Series of 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(5) 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 405 hereof, the Trustee shall, within five (5) days of such valuation, provide written notice to the School Board of such deficiency and the School Board shall pay within thirty (30) days of receipt of notice of such deficiency from the Trustee, as Supplemental Payments, an amount necessary to restore the balance in such Reserve Account to the appropriate Reserve Account Requirement applicable thereto.

(c) Whenever the amount in any Reserve Account, together with the amount in the related Lease Payment Account, is sufficient to pay in full the interest portion and principal portion of the Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms, the funds

on deposit in such Reserve Account shall be transferred to the related Lease Payment Account. Any provision of the Trust Agreement to the contrary notwithstanding, so long as there shall be held in any Lease Payment Account an amount sufficient to pay in full the interest portion and principal portion of all Basic Lease Payments represented by all Outstanding Certificates of a Series in accordance with their terms, 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 405(b) hereof shall be credited toward the interest portion of Basic Lease Payments represented by such Series next coming due, and the Trustee shall (to the extent reasonably ascertainable) notify the School Board thirty (30) days before each Lease Payment Date of the funds to be available for such transfer.

(f) Notwithstanding the foregoing, in lieu of the required deposits into the related Reserve Account, the Trustee is hereby authorized to accept and the Issuer may cause to be deposited into the Reserve Account pursuant to Section 3.1 of the Master Lease, a Reserve Account Letter of Credit/Insurance Policy either in lieu of any cash amount required to be deposited therein in connection with the issuance of any Series of Certificates or in substitution for the full amounts then on deposit therein or in an amount equal to the difference between the amount required to be deposited and the sum, if any, then on deposit in the Reserve Account, which Reserve Account Letter of Credit/Insurance Policy shall be payable (upon the giving of notice as required thereunder) on any Payment Date on which a deficiency exists which cannot be remedied by moneys in any other fund or account held pursuant to the Trust Agreement and available for such purpose. If any such Reserve Account Letter of Credit/Insurance Policy is substituted for moneys on deposit in the Reserve Account, or if on a valuation date there are excess moneys in the Reserve Account, the excess moneys in the Reserve Account shall be transferred to and deposited in the related Lease Payment Account. If a disbursement is made from a Reserve Account Letter of Credit/Insurance Policy, the School Board shall be obligated to either reinstate the maximum limits of such Reserve Account Letter of Credit/Insurance Policy immediately following such disbursement or to deposit into the Reserve Account, as provided in Section 3.1 of the Master Lease for restoration of withdrawals from the Reserve Account, funds in the

amount of the disbursement made under such Reserve Account Letter of Credit/Insurance Policy.

In the event that upon the occurrence of any deficiency in a Lease Payment Account, the Reserve Account is then funded with a Reserve Account Letter of Credit/Insurance Policy, the Trustee shall, on a Payment Date to which such deficiency relates, draw upon or cause to be paid under the Account Letter of Credit/Insurance Policy an amount sufficient to remedy such deficiency, in accordance with the terms and provisions of the Reserve Account Letter of Credit/Insurance Policy as applicable, and any corresponding reimbursement or other agreement governing the Reserve Account Letter of Credit/Insurance Policy; provided, however, that if at the time of such deficiency the Reserve Account is only partially funded with a Reserve Account Letter of Credit/Insurance Policy, prior to drawing on the Reserve Account Letter of Credit/Insurance Policy, as applicable, the Trustee shall first apply any cash and securities on deposit in the Reserve Account to remedy the deficiency in accordance with the Section 4.05(b) 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

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)

confirmed in writing, received from an Authorized School Board Representative and the Trustee shall have no responsibility for determining whether Investment Securities are legal under State law for investment of the School Board's funds.

(b) Subject to the first sentence of Section 409, interest (net of that which represents a return of accrued interest paid in connection with the purchase of any investments and net of amounts deemed Excess Earnings) earned on any moneys or investments in an Acquisition Account shall be either (i) at the direction of an Authorized School Board Representative retained in such account until delivery of a Certificate of Acceptance, or (ii) automatically transferred to the related Lease Payment Account without need for any requisition or other direction and, together with interest earnings on investments in such Lease Payment Account, applied on the next occurring Lease Payment Date as a credit against the Basic Lease Payment then due on such date under the related Lease and deemed to be payment of the interest portion thereof. Interest earned on any moneys or investments in each Cost of Issuance 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, and all such deeds, conveyances and instruments in writing shall, on request, and as far

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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 successor Trustee may adopt the authorized signature of any predecessor Trustee so executing such Certificates and deliver such Certificates so executed; and in case any of the said Certificates shall not have been executed, any successor Trustee may execute such Certificates in the name of the predecessor Trustee, or in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Certificates or in this Trust Agreement provided that the certificate of the Trustee shall have.

611. Indemnification to Trustee. The School Board has in Section 5.7 of the Master Lease agreed, to the extent permitted by law, including the provisions of Section 768.28 Florida Statutes, to indemnify and save the Trustee harmless from and against all liabilities, including consequential damages and reasonable legal fees and expenses arising out of the administration of the trusts pursuant to this Trust Agreement, and all matters concerning the Trustee's duties and obligations with respect to the Leases and the Assignment Agreements including the issuance of the Certificates, except in the case of liability, obligations and damages arising out of the Trustee's negligence or willful misconduct.

612. Obligation to Act on Defaults. If any Event of Default shall have occurred and be continuing, the Trustee shall, subject to the provisions of Section 501, exercise such of the rights and remedies vested in it by this Trust Agreement and shall use the same degree of care in their exercise as a prudent man would exercise or use in the circumstances in the conduct of his own affairs; provided that if in the opinion of the Trustee such action may tend to involve expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

613. Intervention by Trustee. The Trustee may intervene, and upon the written request of Certificate holders of a majority in aggregate principal amount of each Series of Certificates then

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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 percentages in principal amount of Certificates shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the School Board and the Corporation a written statement that the Holders of such required percentages in principal amount of Certificates have filed such consent. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Trust Agreement (which may be referred to as a Supplemental Trust Agreement entered into by the parties thereto on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages in principal amount of Certificates and will be effective as provided in this Section 703, may be given to Certificate holders by the Trustee by mailing such notice to Certificate holders (but failure to mail such 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 date 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

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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.

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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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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 Secretary By: Jody Gleason Vice President

(SEAL)

NATIONSBANK OF FLORIDA, N.A., as Trustee

By: 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 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: (Type of Identification Required) DID take an oath, or DID NOT take an oath.

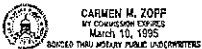
STATE OF FLORIDA) COUNTY OF PALM BEACH) SS:

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 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: (Type of Identification Required) DID take an oath, or DID NOT take an oath.

EXHIBIT A FORM OF CERTIFICATE OF PARTICIPATION

Front of Certificate

REGISTERED NUMBER REGISTERED \$

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

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 to the Trustee at the principal corporate trust office of 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

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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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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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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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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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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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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)
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:

<u>Name & Address</u> <u>of Payee</u>	<u>Purpose of Payment</u>	<u>Amount</u>
--	---------------------------	---------------

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:

<u>Payee</u>	<u>Purpose of Payment</u>	<u>Amount</u>
--------------	---------------------------	---------------

TOTAL \$ _____

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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 2018A 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 February 1, 2018

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WHEREAS, to provide funds for the acquisition and construction of the Series 2002B Facilities, on March 20, 2002, Certificates of Participation, Series 2002B (the "Series 2002B Certificates"), representing undivided proportionate interests in the principal portion and interest portion of the basic lease payments to be made by the School Board under the Series 2002B Lease, were issued in the aggregate principal amount of \$115,350,000 pursuant to the Master Trust Agreement, as supplemented by a Series 2002B Supplemental Trust Agreement dated as of March 1, 2002 (the Master Trust Agreement, as so supplemented is referred to herein as the "Series 2002B Trust Agreement"); and

WHEREAS, the Corporation assigned substantially all of its interest in the Series 2002B Ground Lease, the Series 2002B Lease to the Trustee pursuant to a Series 2002B Assignment Agreement dated as of March 1, 2002; and

WHEREAS, Assured Guaranty Municipal Corp. ("AGM") issued a Municipal Bond Insurance Policy (the "Certificate Policy") insuring the scheduled payments of the principal portion and interest portion of Basic Lease Payments represented by the Series 2002B Certificates; and

WHEREAS, the School Board entered into an ISDA Master Agreement, Schedule and Confirmation, each dated March 6, 2002, and with respect to the Confirmation as amended and restated as of April 8, 2009 (collectively, the "2002B Interest Rate Exchange Agreement"), with Salomon Brothers Holding Company Inc., now known as Citigroup Financial Products Inc. (the "2002B Swap Provider"), in connection with the Series 2002B Certificates; and

WHEREAS, AGM also issued its Financial Guaranty Insurance Policy (as defined below, the "Swap Policy") dated August 17, 2005, insuring certain payments relating to the Series 2002B Interest Rate Exchange Agreement; and

WHEREAS, pursuant to the provisions of Sections 7.4 of the Master Lease and Section 302 of the Master Trust Agreement, the Corporation and the School Board may direct the Trustee to issue refunding Certificates; and

WHEREAS, on January 31, 2014, the School Board refinanced its obligations under the Original Series 2002B Lease and refunded the outstanding Series 2002B Certificates through the further amendment and restatement as of January 1, 2014 of Schedule 2002B, and the issuance, pursuant to a Series 2014A Supplemental Trust Agreement, between the Corporation and the Trustee (as subsequently amended by the Omnibus Amendment dated as of September 15, 2016, between the Corporation and the Trustee, the "Series 2014A Supplemental Trust Agreement"), of refunding Certificates of Participation, Series 2014A, in an aggregate principal amount of \$115,560,000 (the "Series 2014A Certificates"), representing undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Series 2002B Lease; and

WHEREAS, although the Certificate Policy terminated by its terms upon the refunding of the Series 2002B Certificates, AGM agreed to maintain the Swap Policy after the termination of the Certificate Policy upon certain conditions; and

THIS SERIES 2018A SUPPLEMENTAL TRUST AGREEMENT, dated as of February 1, 2018 (the "Series 2018A Supplemental Trust Agreement"), supplementing the Master Trust Agreement, dated as of November 1, 1994 (the "Master Trust Agreement" and together with this Series 2018A Supplemental Trust Agreement, the "Series 2018A 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 2018A 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 (i) a Series 2002B Ground Lease dated as of March 1, 2002, as amended as of June 1, 2004 and January 1, 2014, and (ii) Schedule 2002B to the Master Lease dated as of March 1, 2002, as amended and restated as of June 1, 2004, July 1, 2011 and January 1, 2014, as amended by the Omnibus Amendment dated as of September 15, 2016, between the Corporation and the Trustee (which Schedule together with the Master Lease is herein referred to as the "Original Series 2002B Lease"), pursuant to which the School Board leases certain real property to the Corporation and subleases from the Corporation such real property and leases the improvements thereon, known respectively as the "Series 2002B Facility Sites" and the "Series 2002B Facilities"; and

WHEREAS, the Corporation has entered into the Master Trust Agreement providing for the issuance and sale of series of Certificates of Participation to the public from time to time, representing undivided proportionate interests in the principal portion 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, in connection with the issuance of the Series 2014A Certificates, (i) the Series 2002B Interest Rate Exchange Agreement was amended by amending and restating the Confirmation to the ISDA Master Agreement dated as of January 31, 2014, which, among other things, changed references to the Series 2002B Certificates to the Series 2014A Certificates (the "Series 2014A Interest Rate Exchange Agreement"), and (ii) a Swap Management Agreement (the "Swap Management Agreement") between the School Board and AGM dated as of January 31, 2014, was entered into which provides, among other things, for the replacement and termination of the Series 2014A Interest Rate Exchange Agreement within six months of the date on which the market value of the Series 2014A Interest Rate Exchange Agreement is positive to the School Board in an amount of at least \$200,000; and

WHEREAS, as a result of a favorable market for municipal securities in connection with the termination of the Series 2014A Interest Rate Exchange Agreement, the School Board has determined that it is in the best interest of the District to terminate the Series 2014A Interest Rate Exchange Agreement, refinance its obligations under the Series 2002B Lease and refund all of the Series 2014A Certificates (the "Refunded Certificates") through an amendment and restatement of Schedule 2002B; and

WHEREAS, to accomplish such refinancing the Corporation is entering into this Series 2018A Supplemental Trust Agreement providing for the issuance of refunding Certificates of Participation, Series 2018A (the "Series 2018A Certificates") (i) to refund the Refunded Certificates, which Series 2018A Certificates will represent undivided proportionate interests of the owners thereof in Basic Lease Payments to be made by the School Board pursuant to the Series 2002B Lease and (ii) to pay costs of issuance of the Series 2018A Certificates; and

WHEREAS, the Trustee has received an order from an Authorized Corporation Representative relating to the issuance of the Series 2018A Certificates; and

WHEREAS, a portion of the proceeds of the Series 2018A Certificates will be deposited with the Trustee, and used, together with other legally available moneys, to refund the unpaid Basic Lease Payments represented by the Refunded Certificates, on the Closing Date, the Prepayment Date for the Refunded Certificates, and to pay the settlement amount and any other amounts due upon the termination of the Series 2014A Interest Rate Exchange Agreement; and

WHEREAS, all things necessary to make the Series 2018A 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 2018A Supplemental Trust Agreement, and the creation, execution and issuance of the Series 2018A Certificates subject to the terms thereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS SERIES 2018A 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 2018A Supplemental Trust Agreement, the following words and terms as used herein with respect to the Series 2018A Certificates shall have the following meaning unless the context or use indicates another or different meaning or intent:

“Amended and Restated Schedule 2002B” shall mean that certain Schedule 2002B to the Master Lease dated as of March 1, 2002, as amended and restated as of February 1, 2018, 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.

“Closing Date” shall mean February 13, 2018, the date of delivery of the Series 2018A Certificates to the respective Series 2018A Underwriters against payment therefor.

“Disclosure Agreement” shall mean that certain Disclosure Dissemination Agent Agreement, dated the Closing Date, by and between the School Board and Digital Assurance Certification, L.L.C. executed and delivered in connection with the issuance of the Series 2018A Certificates.

“Interest Payment Date” shall mean (a) each February 1 and August 1, commencing August 1, 2018, (b) with respect to any Series 2018A Certificates which are to be prepaid, any date on which such prepayment is made, and (c) the applicable Maturity Date.

“Maturity Date” shall mean each of the dates set forth as such in Section 201(b).

“Participating Underwriter” shall mean any of the original underwriters of the Series 2018A Certificates required to comply with the Rule in connection with the offering of the Series 2018A 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 2014A Certificates.

“Series 2002B Lease” shall mean the Master Lease as supplemented by Amended and Restated Schedule 2002B.

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“Series 2018A Certificates” shall mean the \$114,770,000 Certificates of Participation, Series 2018A 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 2018A Cost of Issuance Account” shall mean the Series 2018A Cost of Issuance Account within the Project Fund established in Section 401 hereof.

“Series 2018A Interest” means the interest portion of Basic Lease Payments represented by the Series 2018A Certificates.

“Series 2018A Principal” means the principal portion of Basic Lease Payments represented by the Series 2018A Certificates.

“Series 2018A Underwriters” means Merrill Lynch, Pierce, Fenner & Smith Incorporated, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC, Raymond James & Associates, Inc., and Wells Fargo Bank, National Association.

ARTICLE II

THE SERIES 2018A CERTIFICATES

SECTION 201. AUTHORIZATION OF SERIES 2018A CERTIFICATES.

(a) There is hereby created a Series of Certificates to be issued under the Series 2018A Trust Agreement to be known as “Certificates of Participation, Series 2018A, 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 2018A 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, (ii) paying Costs of Issuance of the Series 2018A Certificates and (iii) paying amounts due under the Series 2014A Interest Rate Exchange Agreement upon the termination thereof.

(b) The Series 2018A Certificates shall be dated as of the Closing Date and shall also show the date of authentication thereof. The Series 2018A 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 2018A Certificate is issued prior to August 1, 2018, in which case the Series 2018A Certificate shall represent the right to receive interest from the Closing Date. The Series 2018A Certificates shall initially be issued in the aggregate principal amount of \$114,770,000, 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

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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
2018	\$ 2,780,000	5.00%	2023	\$ 12,365,000	5.00%
2019	10,260,000	5.00	2024	12,965,000	5.00
2020	10,680,000	5.00	2025	13,535,000	5.00
2021	11,255,000	5.00	2026	14,225,000	5.00
2022	11,795,000	5.00	2027	14,910,000	5.00

(c) The Series 2018A Principal due at maturity or upon prepayment thereof, whichever is earlier, shall represent undivided proportionate interests in the principal portion of the Basic Lease Payments due on each of the Lease Payment Dates set forth on Amended and Restated Schedule 2002B.

(d) The Series 2018A Interest shall be payable on each Interest Payment Date as set forth herein. Said interest shall represent an undivided proportionate interest in the interest portion of Basic Lease Payments due on each Lease Payment Date as set forth on Amended and Restated Schedule 2002B to the maturity or earlier prepayment date of each Series 2018A Certificate.

(e) The Series 2018A 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 2018A Certificates shall be lettered and numbered in such manner as the Trustee shall deem adequate and appropriate. Subject to the provisions of the Series 2018A Supplemental Trust Agreement, the Series 2018A Certificates shall be substantially in the form set forth in Exhibit A of the Master Trust Agreement.

(f) The Series 2018A Principal or Prepayment Price of the Series 2018A 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 2018A Certificates, the Series 2018A Interest shall be payable by check or draft of the Trustee mailed to the Series 2018A Certificate holder at the address of such Series 2018A Certificate holder shown on the registration records maintained by the Trustee as of the Record Date next preceding the Interest Payment Date. Such Series 2018A 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 2018A 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 2018A Certificate holder a reasonable fee for the cost of the wire transfer.

(g) So long as there shall be maintained a book-entry only system with respect to the Series 2018A Certificates, the following provisions shall apply:

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The Series 2018A 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 2018A Certificates and so long as the Series 2018A 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 2018A 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 2018A Certificates (“Beneficial Owners”).

The principal and interest portions of Basic Lease Payments represented by the Series 2018A 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 2018A Certificates shall initially be issued in the form of one fully registered Series 2018A 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 2018A Certificates, through DTC Participants and Indirect Participants.

DURING THE PERIOD FOR WHICH CEDE & CO. IS REGISTERED OWNER OF THE SERIES 2018A 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 2018A Certificates in the form of fully registered Series 2018A Certificates in denominations of \$5,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

SECTION 202. ISSUANCE OF SERIES 2018A CERTIFICATES. The Series 2018A 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.

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ARTICLE III

PREPAYMENTS

SECTION 301. EXTRAORDINARY PREPAYMENT.

The Series 2018A Principal shall be subject to prepayment in the event the Series 2002B Lease terminates prior to payment in full of all of the Basic Lease Payments due thereunder, to the extent the Trustee has moneys available for such purpose pursuant to the Series 2018A Trust Agreement and the Series 2002B Lease, to the extent and subject to the limitations provided in the Series 2018A Trust Agreement and the Series 2002B Lease.

SECTION 302. NO OPTIONAL PREPAYMENT OF SERIES 2018A CERTIFICATES.

The Series 2018A Certificates are not subject to prepayment at the option of the School Board.

ARTICLE IV

ESTABLISHMENT OF ACCOUNTS; APPLICATION OF SERIES 2018A CERTIFICATE PROCEEDS

SECTION 401. ESTABLISHMENT OF ACCOUNTS.

(a) There is hereby established within the Project Fund the Series 2018A Cost of Issuance Account therein, more particularly described in Section 402 of the Master Trust Agreement. The Series 2002B Supplemental Trust Agreement has established the Series 2002B Lease Payment Account and the Series 2002B Prepayment Account within the Project Fund, as more particularly described in Sections 404 and 406, respectively, of the Master Trust Agreement and Section 401 of the Series 2002B Supplemental Trust Agreement.

(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 2018A Trust Agreement. Moneys in the Series 2002B Lease Payment Account shall be paid in accordance with Section 404 of the Master Trust Agreement to the holders of the Series 2018A Certificates. Moneys in the Series 2002B Prepayment Account shall be paid in accordance with Section 406 of the Master Trust Agreement to the holders of the Series 2018A Certificates.

SECTION 402. APPLICATION OF PROCEEDS OF SERIES 2018A CERTIFICATES. From the \$130,901,909.35 of proceeds of the Series 2018A Certificates, and \$170,613.38 of other funds held under the Series 2014A Supplemental Trust Agreement, the Trustee shall deposit (i) into the Series 2002B Prepayment Account the amount of \$115,520,613.38 to pay the prepayment price of the Series 2014A Certificates, (ii) into the Series 2018A Cost of Issuance Account the amount of \$418,776.59 to pay costs of issuance, and (iii) into the Series 2002B Lease Payment Account, the amount of \$14,865,000, which is to be

SECTION 506. NO BROKER CONFIRMATIONS. With respect to the Series 2018A 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]

disbursed by the Trustee to the 2002B Swap Provider in payment of amounts due to the 2002B Swap Provider upon termination of the Series 2014A Interest Rate Exchange Agreement.

ARTICLE V

MISCELLANEOUS PROVISIONS RELATING TO SERIES 2018A CERTIFICATES

SECTION 501. CONTINUING DISCLOSURE. Pursuant to the Series 2002B 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 2018A Certificates or any other person with respect to the Rule. Notwithstanding any other provision of the Series 2018A 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 2018A Certificates, shall) or any owner of the Series 2018A 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 2002B 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 2018A Certificates (including persons holding Series 2018A Certificates through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2018A 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 2018A Supplemental Trust Agreement, the terms hereof shall control.

SECTION 503. COUNTERPARTS. This Series 2018A 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 2018A Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 505. LAWS. This Series 2018A 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.

IN WITNESS WHEREOF, the parties have executed this Series 2018A Supplemental Trust Agreement by their duly authorized officers as of the date and year first written above.

(SEAL)

PALM BEACH SCHOOL BOARD LEASING CORP.

Attest: _____
Robert M. Avossa, Ed.D.
Secretary

By: _____
Chuck Shaw
President

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By: _____
Janalee R. Scott
Vice President

The School Board of Palm Beach County, Florida hereby consents to the execution of this Series 2018A 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



06/26/2002 16:17:53 20020325611
OR BK 13848 PG 1768
Palm Beach County, Florida

This instrument was prepared by and when
recorded should be returned to:

ROBERT C. GANG, ESQ.
Greenberg Traurig, P.A. ✓
1221 Brickell Avenue
Miami, Florida 33131

(This space reserved for Clerk)

**SERIES 2002B
ASSIGNMENT AGREEMENT**

BETWEEN

PALM BEACH SCHOOL BOARD LEASING CORP.

AND

THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.
as agent for The Bank of New York
(successor by acquisition to NationsBank of Florida, N.A.)
As Trustee

Dated as of March 1, 2002

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SERIES 2002B
ASSIGNMENT AGREEMENT

THIS AGREEMENT, made and entered into as of this 1st day of March, 2002, by and between the PALM BEACH SCHOOL BOARD LEASING CORP. a not-for-profit corporation organized under the laws of the State of Florida (the "Corporation"), and THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., Jacksonville, Florida, as agent for The Bank of New York (successor by acquisition to NationsBank of Florida, N.A.), as Trustee (the "Trustee");

WITNESSETH THAT, in the joint and mutual exercise of their powers, and in consideration of \$10.00 and other good and valuable consideration and the mutual covenants herein contained, the parties hereto recite and agree as follows:

Section 1. Recitals.

1.01. The School Board of Palm Beach, Florida (the "School Board"), and the Corporation have entered into a Master Lease Purchase Agreement dated as of November 1, 1994 (as the same may be amended or supplemented from time to time, the "Master Lease"), and have executed Schedule 2002B thereto, dated as of March 1, 2002, which Master Lease together with each separate schedule constitutes a separate lease (the "Series 2002B Lease"), with respect to certain new educational facilities and sites and the latter with respect to certain improvements and certain educational facilities being financed and have entered into a Series 2002B Ground Lease dated as of March 1, 2002 (as the same may be amended or supplemented from time to time, the "Series 2002B Ground Lease"), with respect to the Series 2002B Facilities (hereinafter defined).

1.02. Pursuant to the Series 2002B Lease, the School Board and the Corporation have agreed that there shall be financed, acquired, constructed and installed for lease-purchase to the School Board certain educational facilities and sites as described in Schedule 2002B to the Master Lease (the "Series 2002B Facilities"), such facilities being located on certain lands described in Schedule 2002B (which, together with the improvements thereon are hereinafter collectively referred to as the "Series 2002B Facility Sites"). Schedule 2002B sets forth the Lease Payments to be paid by the School Board for the Series 2002B Facilities (collectively, the "Series 2002B Lease Payments"). The School Board has agreed to lease-purchase the Series 2002B Facilities from the Corporation.

1.03. The Corporation and the Trustee have entered into a Master Trust Agreement dated as of November 1, 1994, as supplemented by a Series 2002B Supplemental Trust Agreement dated as of March 1, 2002 (as the same may be further amended or supplemented from time to time, the "Trust Agreement"), which acknowledges and contemplates the execution of this Agreement in conjunction therewith. This Agreement is made for the purpose of enabling the Trustee to act as lessor under the Series 2002B Lease.

1.04. The Corporation desires to sell, assign and convey all its right, title and interest as lessee of the Series 2002B Facility Sites under the Series 2002B Ground Lease, and as sublessor

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of the Series 2002B Facility Sites and lessor of the Series 2002B Facilities under the Series 2002B Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2002B Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2002B Ground Lease and its right to receive notices under the Master Lease), to the Trustee for the benefit of the holders of the Series 2002B Certificates to be issued under the Trust Agreement.

1.05. The Trustee is willing to accept this assignment on the terms and conditions hereinafter provided.

1.06. Each of the parties has authority to enter into this Agreement and has taken all actions necessary to authorize its execution by the officers signing it.

All terms capitalized but not defined herein shall have the meanings given to them in the Trust Agreement and the Series 2002B Lease.

Section 2. Assignment

2.01. The Corporation hereby absolutely and unconditionally sells, assigns and conveys to the Trustee, without recourse, for the benefit of all of the Series 2002B Certificate holders, all of its right, title and interest under the Series 2002B Ground Lease and the Series 2002B Lease (except for its right to indemnification under Section 5.7 of the Master Lease, its right to hold title to the Series 2002B Facilities under Section 6.1 of the Master Lease and Section 4 of the Series 2002B Ground Lease and its right to receive notices under the Master Lease), including, without limitation, all Series 2002B Lease Payments and other amounts required to be paid by the School Board under the Series 2002B Lease. Said assignment is absolute and unconditional and the Corporation shall have no right to receive or recover the right, title and interest herein assigned. Said assignment is not given as additional security and is not intended to be nor shall it be construed to be a mortgage, or other security agreement of any nature whatsoever, and the Corporation will hereafter have no further right or interest or claims in and to the right, title and interest herein assigned, or any part thereof, or the interest or profits and other proceeds that may be derived therefrom of any kind whatsoever. Accordingly, upon execution of this Agreement, the Corporation shall deliver to the Trustee executed counterparts of the Series 2002B Ground Lease and the Series 2002B Lease. Delivery to the Trustee of such documents shall make the sale, assignment and conveyance of the Series 2002B Ground Lease and the Series 2002B Lease herein made, complete and effective for all purposes. Title to the Series 2002B Facility Sites shall remain vested in the School Board throughout their Lease Terms; title to the Series 2002B Facilities shall remain vested in the Corporation throughout their Lease Terms; provided, however, that upon termination of the Lease Terms as a result of nonappropriation or default pursuant to Section 4.1(b) or 4.1(c) of the Master Lease, the Corporation shall, upon request of the Trustee, transfer title to such Series 2002B Facilities to the Trustee, or to any Permitted transferee designated by the Trustee.

2.02. With respect to the sale, assignment and conveyance of the rights and interests contemplated hereunder to the Trustee, the Corporation represents, warrants and covenants to and with the Trustee and the Series 2002B Certificate holders that, upon the date of execution of

this Agreement and the effective date of the sale, assignment and conveyance of the Corporation's rights under the Series 2002B Ground Lease and the Series 2002B Lease, the facts stated below are and will be true and correct:

A. The Corporation is a not-for-profit corporation duly organized, validly existing and in good standing under the laws of the State of Florida, with corporate powers and authority to own its property and carry on its business as now being conducted, and is qualified wherever necessary to perform its obligations under the Series 2002B Ground Lease, the Series 2002B Lease, the Trust Agreement and this Agreement.

B. The Corporation has full power, authority and legal right to enter into and perform its obligations under the Series 2002B Ground Lease, the Series 2002B Lease, the Trust Agreement and this Agreement; the execution, delivery and performance of the Series 2002B Ground Lease, the Series 2002B Lease, the Trust Agreement and this Agreement by the Corporation have been duly authorized by all necessary corporate actions on the part of the Corporation, and all required approvals and consents have heretofore been duly obtained; and the Series 2002B Ground Lease, the Series 2002B Lease, this Agreement and the Trust Agreement are in full force and effect.

C. The execution, delivery and performance of the Series 2002B Ground Lease, the Series 2002B Lease, the Trust Agreement and this Agreement do not contravene any provision of the Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any agreement or instrument to which the Corporation is a party or by which it or any of its property is bound or any constitutional or statutory provision, or order, rule, regulation, decree or ordinance of any Federal or State court, government or governmental body having jurisdiction over the Corporation or any of its properties and by which the Corporation or any of its property is bound.

D. The Series 2002B Ground Lease, the Series 2002B Lease, this Agreement and the Trust Agreement are in full force and effect and the Corporation is not in default thereunder; the Series 2002B Ground Lease, the Series 2002B Lease, this Agreement and the Trust Agreement are legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms, all such enforcement being subject to certain laws relating to bankruptcy, reorganization, moratorium and creditors' rights generally, and to principles of equity in the event that equitable remedies are sought.

E. The Series 2002B Ground Lease and the Series 2002B Lease delivered to the Trustee are duly executed duplicate originals and, together with all Exhibits thereto, comprise the entire writing, obligation and agreement between the Corporation and School Board respecting the Series 2002B Facility Sites and the Series 2002B Facilities.

F. The Corporation has complied and will at all times hereafter comply with and duly perform its obligations under the Series 2002B Ground Lease, the Series 2002B Lease, the Trust Agreement and this Agreement.

G. Except as disclosed in the Offering Statement dated March 2, 2002, there is no pending or, to the knowledge of the Corporation, threatened action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency in any way affecting the ability of the Corporation to perform its obligations under the Series 2002B Ground Lease, the Series 2002B Lease, the Trust Agreement or this Agreement.

H. The Series 2002B Ground Lease and the Series 2002B Lease being herein assigned are free and clear of all claims, liens, security interests and encumbrances arising through any act or omission of the Corporation or any person claiming by, through or under it, except the rights of the School Board under the Series 2002B Lease and the Series 2002B Ground Lease, including the fact that fee title to the Series 2002B Facility Sites and Series 2002B Facilities is vested in the School Board.

2.03. Except as otherwise set forth in Section 2.01, from and after the date of delivery to the Trustee of this Agreement, the Corporation shall have no further rights or interest under the Series 2002B Ground Lease or the Series 2002B Lease or in any Series 2002B Lease Payments or other moneys due with respect thereto or to become due under the Series 2002B Lease.

2.04. The Corporation agrees to execute and deliver to the Trustee upon request by the Trustee, any documents deemed necessary by the Trustee to further evidence or perfect the assignment and conveyance herein made with respect to the Series 2002B Ground Lease and the Series 2002B Lease.

2.05. The Corporation hereby irrevocably constitutes and appoints the Trustee, its successors and assigns, as its lawful attorney, with full power of substitution and resubstitution, to collect and to sue on behalf of the Corporation in the name of the Corporation or otherwise in any court for any Series 2002B Lease Payment or other amounts due under the Series 2002B Lease, or any part thereof, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Series 2002B Lease upon any terms, all without the assent of the Corporation, and, further, to take possession of and to endorse in the name of the Corporation any instrument for the payment of moneys received on account of the Series 2002B Lease Payments or other amounts due under the Series 2002B Lease.

2.06. The Corporation agrees that it will authorize and direct the School Board to pay to the Trustee, its successors and assigns, all Series 2002B Lease Payments and all other amounts coming due under the Series 2002B Lease.

2.07. Upon request of the Trustee, the Corporation agrees to cooperate in the Trustee's efforts to collect and cause to be remitted to the Trustee any Series 2002B Lease Payment or other amount.

2.08. In the event the Corporation receives notice from the School Board that it will exercise its option under Section 7.2 of the Master Lease to prepay the Series 2002B Lease Payments to become due thereunder or that the Series 2002B Lease will not be renewed as a result of any event of non-appropriation under the Series 2002B Lease, the Corporation shall

notify the Trustee of this fact in writing no later than five Business Days after such receipt, provided, however, that failure to provide such notice shall not create any liability on the part of the Corporation.

Section 3. Administrative Provisions.

3.01. This Agreement shall be construed and governed in accordance with the laws of the State of Florida.

3.02. Any provision of this Agreement found to be prohibited by applicable laws shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Agreement.

3.03. This Agreement may not be amended without the prior written consent of the Series 2002B Credit Facility Issuer.

3.04. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

3.05. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same Agreement.

Section 4. Non-Recourse.

4.01. The assignment contained in this Agreement is agreed to be non-recourse with respect to the Corporation and the Corporation shall have no liability to the Trustee, or any Certificate holders hereunder with respect to the occurrence of any event of default by the School Board under the Series 2002B Lease whether such default consists of failure to pay moneys, breach of covenant or otherwise; provided, however, that nothing contained in this Section 4 shall excuse the Corporation from performance of its obligations under Section 2.04 through 2.08 hereof.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for the assignment effected by Section 2 hereof or for any claim based thereon under this Agreement against any member, officer, employee or agent of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Series 2002B Assignment Agreement on the date set forth below their respective signatures and as of the day and year first written above.

[SEAL]
WITNESSETH
By: Art Johnson
Secretary

PALM BEACH SCHOOL BOARD LEASING CORP.
By: William G. Graham
Vice President

THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as agent for The Bank of New York, as Trustee
By: Sheryl Lear
Authorized Signatory

[SEAL]

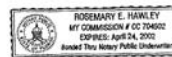
STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that William G. Graham and Dr. Art Johnson, personally known to me to be the same persons whose names are, respectively, as Vice 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 15th day of March, 2002.

[Signature]
NOTARY PUBLIC, STATE OF FLORIDA

NOTARY PUBLIC
SEAL OF OFFICE:



(Name of Notary Public, Print, Stamp or Type as Commissioned.)

[X] Personally known to me, or
[] Produced identification:

(Type of Identification Produced)

[] DID take an oath, or
[X] DID NOT take an oath.

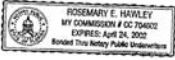
STATE OF FLORIDA)
) SS:
COUNTY OF PALM BEACH)

The undersigned, a Notary Public in and for the said County in the State aforesaid, do hereby certify that Sheryl Lear, personally known to me to be the same person whose name is, as Authorized Signatory of The Bank of New York Trust Company of Florida, N.A., as agent for The Bank of New York, as Trustee, a bank organized under the laws of the State of New York, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that she, being thereunto duly authorized, signed on behalf of said association, and delivered the said instrument as the free and voluntary act of said association and as her own free and voluntary act, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal this 12th day of March, 2002.

Rosemary E. Hawley
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:

DRIVERS LIC
(Type of Identification Produced.)

- DID take an oath, or
- DID NOT take an oath.

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APPENDIX D

FORM OF CO-SPECIAL TAX COUNSEL OPINION

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APPENDIX D

PROPOSED FORM OF CO-SPECIAL TAX COUNSEL OPINION

On the date of issuance of the Series 2018A Certificates in definitive form, Greenberg Traurig, P.A., and Edwards & Feanny, P.A., Co-Special Tax Counsel, propose to render an approving opinion in substantially the following form.

February 13, 2018

The School Board of Palm Beach County, Florida
3300 Forest Hill Boulevard
West Palm Beach, Florida 33406

Re: \$114,770,000 Certificates of Participation, Series 2018A 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 \$114,770,000 aggregate principal amount of Certificates of Participation, Series 2018A, 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 2018A 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 2002B, dated as of March 1, 2002, as amended and restated as of February 1, 2018 ("Schedule 2002B"), 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 2002B, together with the Master Lease being hereinafter collectively referred to as the "Series 2002B Lease"); the Series 2002B Ground Lease dated as of March 1, 2002, as amended to date, between the School Board and the Corporation; the Series 2002B Assignment Agreement dated as of March 1, 2002, between the Corporation and the Trustee; the Master Trust Agreement, dated as of November 1, 1994, as supplemented by a Series 2018A Supplemental Trust Agreement, dated as of February 1, 2018 (collectively, the "Trust Agreement"), between the Corporation and the Trustee; the form of the Series 2018A Certificates; and various other related documents and certificates. The Series 2018A Certificates

are payable from a portion of the Basic Lease Payments made pursuant to the Series 2002B Lease.

The Basic Lease Payments are payable from funds appropriated by the School Board from current and other funds authorized by law and regulations of the Department of Education of the State of Florida. The School Board is not legally required to appropriate money for such purpose. None of the School Board, the School District of Palm Beach County, Florida (the "District"), the State of Florida, or any political subdivision thereof shall be obligated to pay, except from appropriated funds, any sums due under the Series 2002B Lease from any source of taxation, and the full faith and credit of the School Board and the District is not pledged for payment of such sums due thereunder and such sums do not constitute an indebtedness of the School Board or the District within the meaning of any constitutional or statutory provision or limitation.

As to questions of fact material to our opinion, we have relied upon the representations of the School Board contained in the Series 2002B Lease and in the certified proceedings and other certifications of officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The Series 2002B Lease has been duly authorized, executed and delivered by the School Board and, assuming due authorization, execution and delivery by the Corporation, constitutes the valid and legally binding agreement of the School Board enforceable in accordance with its 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 2018A 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 2018A Certificates payable from the Basic Lease Payments made pursuant to the Series 2002B Lease.

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 2018A 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 2018A Certificates is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. For corporations, tax legislation enacted in 2017 eliminated the alternative minimum tax for taxable years beginning after December 31, 2017; we express no opinion with respect to the alternative minimum tax imposed on corporations for taxable years beginning

before January 1, 2018. 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 2018A Certificates, or the ownership or disposition of the Series 2018A Certificates. Furthermore, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the Series 2018A 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 2018A Certificates in order that the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2018A 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 2018A Certificates to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2018A Certificates. The School Board has covenanted to comply with such requirements.

4. The Series 2018A Certificates and the portion of the Basic Lease Payments designated and paid as interest to the owners of the Series 2018A 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 2018A 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 2018A 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 TRAUIG, P.A.
EDWARDS & FEANNY, P.A.

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APPENDIX E

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

THE SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA \$114,770,000 Certificates of Participation, Series 2018A

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated February 13, 2018, 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 (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Certificates in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

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 Offering Statement (hereinafter defined). The following 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.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the School Board for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Certificates" means the \$114,770,000 Certificates of Participation, Series 2018A 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 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.

"Disclosure Representative" means the Treasurer of the School Board, 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.

"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.

"Offering Statement" means that Offering Statement prepared by the School Board in connection with the Certificates, as listed 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 School Board, commencing January 15, 2019. Such date and each anniversary thereof is the "Annual Filing Date." The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the School Board of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the School Board will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern Time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the School Board irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the School Board are prepared but not available prior to the Annual Filing Date, the School Board shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the School Board pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"
2. "Non-Payment related defaults, if material;"
3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. "Modifications to rights of securities holders, if material;"
8. "Bond calls, if material;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities;"
11. "Rating changes;"
12. "Tender Offers;"
13. "Bankruptcy, insolvency or receivership or similar event of the Obligated Person;"
14. "Merger, consolidation or acquisition of the Obligated Person, if material;"
15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the School Board pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service;"
5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;"
10. "derivative or other similar transaction;" and
11. "other event-based disclosures;"

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the School Board pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"
2. "change in fiscal year/timing of annual disclosure;"
3. "change in accounting standard;"

4. "interim/additional financial information/operating data;"
5. "budget;"
6. "investment/debt/financial policy;"
7. "information provided to rating agency, credit/liquidity provider or other third party;"
8. "consultant reports;" and
9. "other financial/operating data."

(viii) provide the School Board evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The School Board may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year. The School Board'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. Revenue sources as described under the headings "OPERATING REVENUES OF THE DISTRICT", and "AVAILABLE REVENUES FOR CAPITAL OUTLAY PROJECTS";

b. The tables entitled "Assessed Value of Taxable Property," "School Board Millage Rates," "Property Tax Levies and Collections" and "Principal Property Tax Payers" under the heading "AD VALOREM TAXATION;"

c. The tables entitled "Summary of Revenues and Expenditures – General Fund," "Summary of Capital Projects Fund Revenue and Expenditures," "Direct and Overlapping Long-Term Debt Statement" and under the heading "FINANCIAL RESULTS AND LIABILITIES OF THE DISTRICT."

2. Description of any material litigation which would have been disclosed in the Offering Statement if such litigation were pending at the time the Offering Statement was prepared.

3. Any other financial information or operating data of the type included in the Offering Statement which would be material to a holder or prospective holder of the Certificates.

(b) If available at the time of such filing, the Audited Financial Statements of the School Board for the prior fiscal year, prepared in accordance with generally accepted auditing standards, and Government Auditing Principles issued by the Comptroller General of the United States. If the School Board's Audited Financial Statements are not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Offering Statement, and the Audited Financial Statements shall be filed in the same manner as the Annual Report when they become available. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

(c) The School Board's Comprehensive Annual Financial Report ("CAFR") for the immediately preceding Fiscal Year. If the School Board's CAFR is not available by the time the Annual Report is required to be filed pursuant to Section 2(a), the Annual Report shall contain the Superintendent's Annual Financial Report (Unaudited) for the immediately prior Fiscal Year and the CAFR shall be filed in the same manner as the Annual Report when it becomes available. The CAFR will be provided in the same manner as the Audited Financial Statements pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including Offering 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 Certificates, or other material events affecting the tax-exempt status of the Certificates;
7. Modifications to rights of holders of the Certificates, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates, if material;
11. Rating changes on the Certificates;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated

Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The School Board shall, in a timely manner not in excess of ten (10) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) of this Section 4 and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the School Board or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two (2) business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the School Board determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and

no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which should be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information, (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the School Board as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB, in accordance with Section 2(e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the School Board shall indicate the full name of the Certificates and the 9-digit CUSIP numbers for the Certificates as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The School Board acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the School Board, and that the duties and responsibilities of the Disclosure Dissemination Agent do not extend to providing legal advice regarding such laws. The School Board acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The School Board may instruct the Disclosure Dissemination Agent to file Voluntary Event Disclosure with the MSRB, from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School

Board desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the School Board as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The School Board may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the School Board desires to make, contain the written authorization of the School Board for the Disclosure Dissemination Agent to disseminate such information, and identify the date the School Board desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the School Board as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(c) The parties hereto acknowledge that the School Board is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the School Board from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the School Board chooses to include any information in any Annual Report, Annual Financial Statement, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that which is specifically required by this Disclosure Agreement, the School Board shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the School Board and the Disclosure Dissemination Agent under this Disclosure Agreement

shall terminate with respect to the Certificates upon the legal defeasance, prior prepayment 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 bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The School Board has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The School Board may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the School Board or DAC, the School Board agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Certificates. Notwithstanding any replacement or appointment of a successor, the School Board shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the School Board.

SECTION 10. Remedies in Event of Default. In the event of a failure of the School Board or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Certificates or under any other document relating to the Certificates, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the School Board has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the School Board and shall not be deemed to be acting in any fiduciary capacity for the School Board, the Holders of the

Certificates or any other party. The Disclosure Dissemination Agent shall have no responsibility for the School Board's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the School Board has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the School Board at all times.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. If the School Board has given its consent to the use of external counsel, the reasonable fees and expenses of such external counsel shall be payable by the School Board.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the School Board and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the School Board and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Certificates and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the School Board or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the School Board. No such amendment shall become effective if the School Board shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the School Board, the Trustee of the Certificates, the Disclosure

Dissemination Agent, the Underwriters, and the Holders from time to time of the Certificates, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the 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: _____
Diana O'Brien
Vice President

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 Person: The School Board of Palm Beach County, Florida

Name of Bond Issue: Certificates of Participation, Series 2018A

Date of Issuance: February 13, 2018

Date of Offering Statement: February 1, 2018

Initial CUSIP Numbers: See below

696550C83
696550C91
696550D25
696550D33
696550D41
696550D58
696550D66
696550D74
696550D82
696550D90

EXHIBIT B
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: THE SCHOOL BOARD OF PALM BEACH COUNTY,
FLORIDA

Obligated Person: The School Board of Palm Beach County, Florida

Name of Bond Issue: Certificates of Participation, Series 2018A

Date of Issuance: February 13, 2018

Date of Offering Statement: February 1, 2018

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 February 13, 2018, 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 Bond Issue: Certificates of Participation, Series 2018A

School Board's Six-Digit CUSIP Number: 696550

Nine-Digit CUSIP Number(s) of the _____
Certificates to which this event notice
relates:

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 holders of Certificates, if material
8. ___ Bond 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 as of February 13, 2018, 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 Bond Issue: Certificates of Participation, Series 2018A

School Board's Six-Digit CUSIP Number: 696550

Nine-Digit CUSIP Number(s) of the Certificates to which this event notice relates: _____

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 as of February 13, 2018, 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 Bond Issue: Certificates of Participation, Series 2018A

School Board's Six-Digit CUSIP Number: 696550

Nine-Digit CUSIP Number(s) of the _____
Certificates to which this event notice
relates:

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: _____

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