

State of Florida
Division of Bond Finance

Notice

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Refunding Issue - Book- Entry Only

This Offering Statement has been prepared by the Division of Bond Finance to provide information about the 2021 Certificates. Selected information is presented on this cover page for the convenience of the reader. *To make an informed decision, a prospective investor should read this Offering Statement in its entirety.* Unless otherwise indicated, capitalized terms have the meanings given in Appendix C, D, and E.



REFUNDING CERTIFICATES OF PARTICIPATION
Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent
Payments to be Made Under Lease-Purchase Agreements by the
STATE OF FLORIDA, DEPARTMENT OF CHILDREN AND FAMILIES

\$12,945,000
South Florida Evaluation Treatment Center
Financing Corporation Project
Series 2021A

\$28,520,000
Florida Civil Commitment Center
Financing Corporation Project
Series 2021B



Dated: Date of Delivery

Due: October 1, as shown on the inside front cover

Bond Ratings

Aa2 (stable outlook) | Moody's Investors Service
AA+ (stable outlook) | S&P Global Ratings

Tax Status

In the opinion of Special Counsel, assuming compliance with the covenants in the Trust Indentures and the Lease Agreements, the interest portion of the Basic Rent Payments on the 2021 Certificates is excluded from gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax. The 2021 Certificates and the income thereon are not subject to taxation under the laws of the State of Florida, except estate taxes and taxes under Chapter 220, Florida Statutes, as amended. **However, no opinion is expressed with respect to the federal income tax consequences of any payments received with respect to the 2021 Certificates following termination of the Lease Agreements as a result of an Event of Non-Appropriation or Event of Default thereunder.** See "TAX MATTERS" herein.

Redemption

The 2021 Certificates are not subject to redemption prior to maturity.

Security

The 2021 Certificates represent fractional undivided interests of the Owners of the 2021 Certificates in certain Basic Rent Payments to be made under Lease Purchase Agreements by the Florida Department of Children and Families (the "Department"), as Lessee, under the 2021 Leases. The 2021 Certificates are secured by and are payable solely from the legally available revenues of the Department annually appropriated by the State Legislature for such purpose. **PAYMENTS ON THE 2021 CERTIFICATES ARE SUBJECT TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE.** Neither the State of Florida nor any political subdivision or agency thereof shall be obligated to pay any sums except from available revenues appropriated by the State Legislature for such purpose. **The 2021 Certificates do not constitute a general obligation or a pledge of the faith and credit of the Department, the Corporations, the State of Florida, or any political subdivision, agency, or instrumentality thereof.** See "SECURITY FOR THE 2021 CERTIFICATES" herein.

Lien Priority

The lien of the 2021 Certificates on the Basic Rent Payments under the 2021 Leases constitute a first lien on such revenues. Each series of 2021 Certificates is separately secured.

Purpose

Proceeds will be used to refund all of the Refunded Certificates, and to pay costs of issuance.

Interest Payment Dates April 1 and October 1, commencing April 1, 2021.

Record Dates March 15 and September 15.

Form/ Denomination The 2021 Certificates will initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only through Direct Participants in denominations of \$1,000 and integral multiples thereof. Purchasers will not receive physical delivery of the 2021 Certificates.

Closing/ Settlement It is anticipated that the 2021 Certificates will be available for delivery through the facilities of DTC in New York, New York on February 4, 2021.

Trustee U.S. Bank National Association, Orlando, Florida

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

Issuer Contact Division of Bond Finance of the State Board of Administration of Florida, (850) 488-4782, bond@sbafla.com

Maturity Structure The 2021 Certificates will mature on the dates and bear interest at the rates set forth on the inside front cover.

January 7, 2021

MATURITY STRUCTURE
South Florida Evaluation Treatment Center Financing Corporation Certificates
Series 2021A

Initial CUSIP ©	Due Date	Principal Amount	Interest Rate	Yield¹
34160E BU7	October 1, 2021	\$2,335,000	5.00%	0.16%
34160E BV5	October 1, 2022	2,455,000	5.00	0.18
34160E BW3	October 1, 2023	2,585,000	5.00	0.21
34160E BX1	October 1, 2024	2,715,000	5.00	0.24
34160E BY9	October 1, 2025	2,855,000	5.00	0.29

MATURITY STRUCTURE
Florida Civil Commitment Center Financing Corporation Certificates
Series 2021B

Initial CUSIP ©	Due Date	Principal Amount	Interest Rate	Yield²
34160E BZ6	October 1, 2021	\$2,570,000	5.00%	0.16%
34160E CA0	October 1, 2022	2,705,000	5.00	0.20
34160E CB8	October 1, 2023	2,845,000	5.00	0.23
34160E CC6	October 1, 2024	2,990,000	5.00	0.25
34160E CD4	October 1, 2025	3,140,000	5.00	0.30
34160E CE2	October 1, 2026	3,305,000	5.00	0.39
34160E CF9	October 1, 2027	3,475,000	5.00	0.50
34160E CG7	October 1, 2028	3,650,000	5.00	0.66
34160E CH5	October 1, 2029	3,840,000	5.00	0.78

¹ Yield information provided by the 2021A Underwriter.

² Yield information provided by the 2021B Underwriter.

The State of Florida has not authorized any dealer, broker, salesman, or other person to give any information or to make any representations, other than those contained in this Offering Statement, and if given or made, such other information or representations must not be relied on. Certain information herein has been obtained from sources other than records of the State of Florida which are believed to be reliable. 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 shall, under any circumstances, create any implication that there has been no change in the affairs of the State of Florida since the date hereof. This Offering Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2021 Certificates by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation, or sale.

STATE OFFICIALS

GOVERNOR
RON DESANTIS

STATE CABINET OFFICERS

ATTORNEY GENERAL
ASHLEY MOODY

CHIEF FINANCIAL OFFICER
JIMMY PATRONIS

COMMISSIONER OF AGRICULTURE
NIKKI FRIED

DEPARTMENT OF CHILDREN AND FAMILIES
CHAD POPPELL
Secretary

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION
BOARD OF DIRECTORS

JEREMY BARR
President and Chairman

GENNA MARX BRISSON
Vice President

LORI SCHWARTZMILLER
Treasurer and Secretary

SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION
BOARD OF DIRECTORS

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St. Petersburg, Florida

TRUSTEE, PAYING AGENT, AND REGISTRAR
U.S. BANK NATIONAL ASSOCIATION
Orlando, Florida

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OFFERING STATEMENT

Relating to

\$12,945,000

REFUNDING CERTIFICATES OF PARTICIPATION

**Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the
STATE OF FLORIDA, DEPARTMENT OF CHILDREN AND FAMILIES
(South Florida Evaluation Treatment Center Financing Corporation Project)
Series 2021A**

\$28,520,000

REFUNDING CERTIFICATES OF PARTICIPATION

**Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the
STATE OF FLORIDA, DEPARTMENT OF CHILDREN AND FAMILIES
(Florida Civil Commitment Center Financing Corporation Project)
Series 2021B**

For definitions of capitalized terms not defined in the text hereof, see Appendices C, D, and E.

INTRODUCTION

This Offering Statement, which includes the cover and appendices hereto, provides information relating to the \$12,945,000 Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the State of Florida Department of Children and Families, (South Florida Evaluation Treatment Center Financing Corporation Project), Series 2021A (the “2021A Certificates”), and the \$28,520,000 Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the State of Florida Department of Children and Families, (Florida Civil Commitment Center Financing Corporation Project), Series 2021B (the “2021B Certificates”) (collectively, the 2021A Certificates and the 2021B Certificates are referred to as the “2021 Certificates”).

The State of Florida Department of Children and Families (the “Department”) operates a program to lease-purchase the South Florida Evaluation and Treatment Center, which provides services and treatment for individuals identified as incompetent to proceed or found not guilty in criminal proceedings by reason of insanity, pursuant to a Lease-Purchase Agreement (the “SFETC Lease Agreement”) with the South Florida Evaluation Treatment Center Financing Corporation (“SFETCFC”), and the Florida Civil Commitment Center, which provides services and treatment for individuals adjudicated as sexually violent predators, pursuant to a Lease-Purchase Agreement (the “FCCC Lease Agreement”) with the Florida Civil Commitment Center Financing Corporation (“FCCCFC”). Collectively, SFETCFC and FCCCFC are referred to herein as the “Corporations,” and the SFETC Lease Agreement and the FCCC Lease Agreement are referred to herein as the “Lease Agreements.”

The Department has leasehold interests in the Land where the Projects, are located pursuant to separate lease agreements between the State of Florida Board of Trustees of the Internal Improvement Trust Fund, as lessor, and the Department, as lessee. Pursuant to sublease agreements by and between the Department, as sublessor, and the Corporations, as sublessees, the Department subleases the Land where the Projects are located to the respective Corporations and such Corporations lease the Projects back to the Department pursuant to the Lease Agreements.

The 2021 Certificates, representing fractional undivided interests of the Owners thereof in the right to receive Basic Rent Payments payable under the Department’s respective Lease Agreements with the Corporations, are being issued under separate Trust Agreements between the Department, the Corporations, and the Trustee. See “SECURITY FOR THE 2021 CERTIFICATES” herein for additional information.

The 2021A Certificates are being issued to (i) refund all of the Outstanding Certificates of Participation (South Florida Evaluation Treatment Center Project), Series 2005, Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made Under a Lease-Purchase Agreement by the Florida Department of Children and Family Services, an agency of the State of Florida (the “2005 Certificates”) and (ii) pay costs of issuance associated with the issuance and delivery of the 2021A Certificates. The 2021B Certificates are being issued to (i) refund all of the Outstanding Certificates of Participation (Florida Civil Commitment Center Project), Series 2006, Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made Under a Lease-Purchase Agreement by the Florida Department of Children and Family Services, an agency of the State of Florida (the “2006 Certificates”) and (ii) pay costs of issuance associated with the issuance and delivery of the 2021B Certificates. See “THE REFUNDING PROGRAM” herein for additional information.

All Certificates are subject to annual appropriation by the State Legislature and each series of Certificates is separately secured. If appropriated, Lease Payments will be a current obligation of the State of Florida and the Department. In the event that the State Legislature fails to appropriate sufficient funds to make the full Lease Payments due under one of the Lease Agreements for the next succeeding Renewal Lease Term, such failure shall constitute an Event of Non-Appropriation and the Department is required to peaceably vacate and return possession of such Project to the applicable Corporation, or its assignee or designee, by the end of the then-current Renewal Lease Term. See “SECURITY FOR THE 2021 CERTIFICATES – State Appropriations of Basic Rent Payments” herein for additional information on the appropriation risk for the 2021 Certificates.

The information contained under the heading “RECENT STATE FINANCIAL DEVELOPMENTS” herein has been revised since the Preliminary Offering Statement. The revisions are primarily related to the release of new general revenue forecasts resulting from the State’s Consensus Revenue Estimating Conference held on December 21, 2020. The revisions include updates to actual Fiscal Year 2019-20 and projected Fiscal Year 2020-21 State reserves and updates to the State’s utilization of Coronavirus Relief Funds.

This Offering Statement speaks only as of its date, and the information contained herein is subject to change. Any statements made in this Offering Statement which involve opinions or estimates, whether or not expressly stated, are set forth as such and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. To make an informed decision, a full review should be made of the entire Offering Statement. The descriptions of the 2021 Certificates, the Corporations, the Department, Wellpath, the Projects, and documents related to the issuance of the 2021 Certificates, including without limitation, the Subleases, the Lease Agreements, the Lease Assignments, the Trust Agreements, the Operations Contracts and the amendments thereto, that are included in this Offering Statement do not purport to be comprehensive or definitive. All references to any documents described herein, including without limitation, the Subleases, the Lease Agreements, the Lease Assignments, the Trust Agreements, the Operations Contracts, and amendments thereto are qualified in their entirety by reference to the respective actual documents or forms of such documents. Copies of certain of such documents are included in this Offering Statement in APPENDIX D and APPENDIX E. Copies may also be obtained from the Trustee at 225 East Robinson Street, Suite 250, Orlando, Florida 32801, upon request and upon payment of charges for copying, mailing, and handling.

Certain statements contained in this Offering Statement, including the Appendices hereto, reflect not historical facts but forecasts and constitute “forward-looking statements.” No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe,” “budget,” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements in this Offering Statement are expressly qualified in their entirety by the cautionary statement set forth above. Additionally, estimates are based on information available at the time of the estimates. Such estimates are subject to revision as additional information becomes available. Also, estimates are subject to risks and uncertainties which may cause results to differ materially from those estimates set forth herein. No assurance is given that actual results will not differ materially from the estimates provided herein.

End of Introduction

AUTHORITY FOR THE ISSUANCE OF THE 2021 CERTIFICATES

General Legal Authority

The State Legislature specifically authorized the Corporations to issue the Refunded Certificates through the Lease Agreements pursuant to Section 287.057(14)(b), Florida Statutes, as created by Section 9 of Chapter 2004-269, Laws of Florida, and as amended by Section 6 of Chapter 2005-71, Laws of Florida, and Section 287.057(14)(c), Florida Statutes, as created by Section 4 of Chapter 2006-26, Laws of Florida (collectively, the “Act”). The Trust Agreements provide for the issuance of Refunding Certificates to refinance part or all of the Outstanding Refunded Certificates. The State Legislature has appropriated sufficient moneys to make all rent payments to come due under the Lease Agreements for Fiscal Year 2020-21.

Department of Children and Families

The State of Florida Department of Children and Families (the “Department”) is an executive branch State agency created by Section 20.19, Florida Statutes, and pursuant to Article IV, Section 6 of the Florida Constitution, existing for the purpose of working in partnership with local communities to protect the vulnerable, promote strong and economically self-sufficient families, and advance personal and family recovery and resiliency. The head of the Department is the Secretary of Children and Families, who is appointed by the Governor, and confirmed by the State Senate.

The Department is required, to the extent allowed by law and within specific appropriations, to deliver services by contract through private providers. The Act authorized the Department to enter into agreements with private providers to finance, design, and construct, and thereafter operate all aspects of daily operation within a forensic treatment facility and a secure facility for sexually violent predators. The Act further authorized the selected contractors to sponsor the issuance of tax-exempt certificates of participation or other securities to finance the Projects, and authorized the State, including the Department, to enter into lease-purchase agreements for the facilities. Through a competitive solicitation process the Department entered into contracts with the Corporations to develop, design, and build the facilities authorized in the Act (the “Projects”) and with Wellpath to operate the Projects. The financing and operation of the Projects are supervised by the Department through the Office of Substance Abuse and Mental Health.

The Department oversees a privately-operated, maximum security forensic treatment facility, the South Florida Evaluation and Treatment Center (“SFETC”), which provides services for individuals with mental health issues who are charged with a felony and adjudicated incompetent to proceed or adjudicated not guilty by reason of insanity and involuntarily committed to forensic treatment facilities by the circuit court. The SFETC was financed through the issuance of the 2005 Certificates.

Additionally, the Department oversees a privately-owned secure civil facility, the Florida Civil Commitment Center (“FCCC”), where it evaluates and provides post-incarceration long-term control, care, and treatment for individuals convicted of specified sex offenses who meet the clinical definition of a sexually violent predator. The FCCC was financed through the issuance of the 2006 Certificates.

The Department is authorized to contract with a private entity for the use of and operation of SFETC, FCCC, and other such facilities pursuant to Section 394.9151, Florida Statutes. The Department has contracted with Wellpath Recovery Services, LLC (“Wellpath”) to operate the SFETC and FCCC. Copies of these contracts are available from the Department, upon request.

South Florida Evaluation Treatment Center Financing Corporation

The South Florida Evaluation Treatment Center Financing Corporation (“SFETCFC”), is a Florida not-for-profit, special purpose corporation organized and existing for the sole purpose of acting as the lessor under a lease-purchase agreement with the Department to facilitate the issuance of Certificates of Participation to finance SFETC. The SFETCFC board of directors, by a resolution adopted on December 14, 2020, requested the Division of Bond Finance to issue the 2021A Certificates. A copy of the resolution is attached hereto as APPENDIX C-1.

Florida Civil Commitment Center Financing Corporation

The Florida Civil Commitment Center Financing Corporation (“FCCCFC”), is a Florida not-for-profit, special purpose corporation organized and existing for the sole purpose of acting as the lessor under a lease-purchase agreement with the Department to facilitate the issuance of Certificates of Participation to finance FCCC. The FCCCFC board of directors, by a resolution adopted on December 14, 2020, requested the Division of Bond Finance to issue the 2021B Certificates. A copy of the resolution is attached hereto as APPENDIX C-2.

DESCRIPTION OF THE 2021 CERTIFICATES

The 2021 Certificates are issuable as fully registered (book-entry-only) Certificates in denominations of \$1,000 or any integral multiple thereof. The 2021 Certificates shall be dated the date of delivery thereof, and shall mature in the years and principal amounts set forth on the inside cover page of this Offering Statement. Interest is payable April 1 and October 1 of each year, commencing April 1, 2021 (each a “Certificate Payment Date”), and represents a fractional undivided interest in the Interest Portion of Basic Rent Payments due on March 15 and September 15 of each year (each a “Basic Rent Payment Date”), to and including the maturity date of each 2021 Certificate, at the rates set forth on the inside cover page hereof. The principal amount of the 2021 Certificates payable at maturity or upon redemption thereof, whichever is earlier, shall represent a fractional undivided interest in the Principal Portion of Basic Rent Payments due on September 15 of each year. Interest on the 2021 Certificates will be calculated on the basis of a 360-day year of twelve 30-day months.

Book-Entry Only System

The 2021 Certificates will initially be issued exclusively in “book-entry” form. Ownership of one 2021 Certificate for each maturity of each respective series (as set forth on the inside front cover), each in the aggregate principal amount of such maturity, will be initially registered in the name of “Cede & Co.” as registered owner and nominee for the Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the 2021 Certificates. Individual purchases of the 2021 Certificates will be made in book-entry form only, and the purchasers will not receive physical delivery of the 2021 Certificates or any certificate representing their beneficial ownership interest in the 2021 Certificates. See “APPENDIX H – PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED CERTIFICATES” for a description of DTC, certain responsibilities of DTC, the Department, the Corporations, and the Trustee, and the provisions for registration and registration for transfer of the 2021 Certificates if the book-entry only system of registration is discontinued.

REDEMPTION PROVISIONS

The 2021 Certificates are not subject to redemption prior to maturity.

THE REFUNDING PROGRAM

The 2021A Certificates will refund all of the Outstanding 2005 Certificates (the “Refunded 2005 Certificates”). The 2021B Certificates will refund all of the Outstanding 2006 Certificates (the “Refunded 2006 Certificates”) (collectively, the Refunded 2005 Certificates and the Refunded 2006 Certificates are referred to as the “Refunded Certificates”). The refundings are being effectuated to achieve debt service savings.

The Refunded 2005 Certificates and Refunded 2006 Certificates will each be called for redemption by separate redemption notice approximately 35 days after the date of delivery at a redemption price equal to the principal amount thereof with interest due thereon through the redemption date.

Sources and Uses of Funds

<u>2021A Certificates</u>		<u>2021B Certificates</u>	
Sources:		Sources:	
Par Amount.....	\$12,945,000	Par Amount.....	\$28,520,000
Plus: Original Issue Premium	1,690,355	Plus: Original Issue Premium	6,264,852
Other Legally Available Funds ¹	<u>3,604,697</u>	Other Legally Available Funds ¹	<u>6,788,672</u>
Total Sources	<u>\$18,240,052</u>	Total Sources	<u>\$41,573,524</u>
Uses:		Uses:	
Deposit to 2005 Escrow Deposit Fund	\$18,162,775	Deposit to 2006 Escrow Deposit Fund	\$41,427,263
Underwriters Discount.....	12,198	Underwriters Discount.....	11,103
Costs of Issuance	<u>65,078</u>	Costs of Issuance	<u>135,158</u>
Total Uses	<u>\$18,240,052</u>	Total Uses	<u>\$41,573,524</u>

¹ Represents funds held in the Principal Account, Interest Account, Reserve Account and Earnings Account of each series of Refunded Certificates.

Application of the 2021 Certificate Proceeds

Simultaneously with the delivery of the 2021 Certificates, Escrow Deposit Agreements will be entered into to provide for the investment of the proceeds of the 2021 Certificates among each of the Corporations and the Department and U.S. Bank National Association (the “Escrow Agent”).

Upon receipt of the proceeds of the 2021A Certificates, and after providing for the payment of costs of issuance, the SFETCFC will deposit all remaining proceeds of the 2021A Certificates, along with other legally available moneys, into a trust fund to be known as the “Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the State of Florida Department of Children and Families, (South Florida Evaluation Treatment Center Project), Series 2005 Escrow Deposit Fund” (the “2005 Escrow Deposit Fund”). Likewise, upon receipt of the proceeds of the 2021B Certificates, and after providing for the payment of costs of issuance, the FCCCFC will deposit all remaining proceeds of the 2021B Certificates, along with other legally available moneys, into a trust fund to be known as the “Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the State of Florida Department of Children and Families, (Florida Civil Commitment Center Project) Series 2006 Escrow Deposit Fund” (the “2006 Escrow Deposit Fund”) (collectively, the 2005 Escrow Deposit Fund and the 2006 Escrow Deposit Fund are referred to as the “Retirement Funds”)

The Escrow Agent will invest those proceeds in the Retirement Funds in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (the “Federal Obligations”). The Retirement Funds will be funded in an amount which, together with interest thereon, will be sufficient to meet the redemption requirements on the respective redemption dates. The Refunded Certificates will be considered to be legally defeased, will no longer have any claim upon the Rent Payments and will have a claim only upon the respective Retirement Funds.

SECURITY FOR THE 2021 CERTIFICATES

General Overview

The 2021A Certificates evidence fractional undivided interests of the Owners thereof in the Basic Rent Payments to be made under the SFETC Lease Agreement, as described below, as supplemented by Schedule No. 2021A, and the 2021B Certificates evidence fractional undivided interests of the Owner thereof in the Basic Rent Payments to be made under the FCCC Lease Agreement, as described below, as supplemented by Schedule No. 2021B (collectively, the SFETC Lease Agreement and the FCCC Lease agreements are referred to as the “Lease Agreements,” each one being a “Lease Agreement”).

The 2021 Certificates will be issued pursuant to the applicable Trust Agreements. The 2021 Certificates are payable from rental payments made by the Department pursuant to the SFETC Lease Agreement and the FCCC Lease Agreement, respectively, and certain other funds that may be deposited with the Trustee under the Trust Agreements. The Department is obligated only to make such Basic Rent Payments from amounts paid and collected under the 2021 Leases. **THE LEASE PAYMENTS TO BE MADE BY THE DEPARTMENT ARE SUBJECT TO APPROPRIATION BY THE STATE OF FLORIDA AS PART OF ITS LEGISLATIVE BUDGET PROCESS, AND NO ASSURANCE CAN BE GIVEN THAT SUCH AN APPROPRIATION WILL BE MADE AND THAT, IF MADE, SUCH AN APPROPRIATION WOULD BE ENACTED.**

The Department has covenanted that, for so long as the 2021 Certificates are outstanding, it will take such actions as may be necessary to (i) include all payments due under the Lease Agreements as a separately stated line item in each annual preliminary and final State legislative budget request and (ii) to request that the State Legislature appropriate for an amount necessary to make the Lease Payments due that Fiscal Year. Lease Payments due under all Schedules to the Lease Agreements are subject to annual appropriation by the State Legislature and are payable solely from legally available funds appropriated by the State Legislature for such purpose. When appropriated, Lease Payments become a current obligation of the State of Florida and the Department.

The Lease Payments and the contractual obligation under the Lease Agreements to request an appropriation to pay the same do not constitute a general obligation or a pledge of the faith and credit of the Corporations, the Department, the State of Florida, or any political subdivision or agency thereof within the meaning of any constitutional or statutory provision or limitation. There can be no assurance that sufficient funds will be appropriated or otherwise be made available to make all of the Basic Rent Payments due under the Lease Agreements. **THE STATE OF FLORIDA IS NOT OBLIGATED TO APPROPRIATE FUNDS FOR ANY LEASE PAYMENTS. THE DEPARTMENT HAS NO TAXING POWER.**

Ground Subleases

The land on which the Projects were built is owned by the State of Florida through the Board of Trustees of the Internal Improvement Trust Fund (the “Internal Improvement Trust Fund”). The Department obtained a leasehold interest in the land from the Internal Improvement Trust Fund pursuant to separate State Land Leases, each of which has an initial term of 50 years. The initial terms of the State Land Leases for the land on which Projects are built expire in 2055 and 2056. The Department has subleased the land (the “Ground Subleases”) to the Corporations; the Ground Sublease to SFETCFC is for a term of 20 years, expiring in 2025, and the Ground Sublease to FCCCFC is for a term of 23 years, expiring in 2029. The Ground Subleases are for terms as long as the final maturity of the respective series of 2021 Certificates.

The Corporations do not have fee simple title in the land on which the Projects are located; rather they have a leasehold interest as the sublessee. The Corporations may not assign their rights under the Ground Subleases to the Trustee, nor may any portion of the Projects be secured by a mortgage; **however, the Trustee does have the contractual right to require that the Department, as lessee, or the Corporations or any other sublessees vacate the premises of the Projects leased under the Lease Agreements in the Event of a Non-Appropriation.**

Lease-Purchase Agreements

The Department has agreed to lease the Projects, which were constructed by the Corporations on lands subleased from the Department as described above, from the Corporations pursuant to separate Lease-Purchase Agreements (the “SFETC Lease Agreement” and “FCCC Lease Agreement”). Subject to an Event of Default or an Event of Non-Appropriation or the earlier prepayment of Lease Payments, as described below, the SFETC Lease Agreement between the Department and SFETCFC, which began on October 1, 2005, and has been and is expected to be extended for successive one-year periods, ends on October 1, 2025, and the FCCC Lease Agreement between the Department and FCCCFC, which began on October 1, 2006, and has been and is expected to be extended for successive one-year periods, ends on October 1, 2029. Copies of the SFETC Lease Agreement and the FCCC Lease Agreement are attached hereto as APPENDIX D-3 and APPENDIX E-3, respectively. The Department and the Corporations have entered into separate supplements to the Lease Agreements and new Schedules to the Lease Agreements in connection with the issuance of the 2021 Certificates, copies of which are attached hereto as APPENDIX D-4 and APPENDIX E-4.

During the Initial Lease Term and each Renewal Lease Term under each of the Lease Agreements, the Department is obligated to make specified rental payments (the “Basic Rent Payments”) for the Projects. In addition to the Basic Rent, the Department has agreed to pay Supplemental Rent, which includes, but is not limited to: (i) any prepayment premium; (ii) all payments required for Extraordinary Prepayment not covered by insurance or condemnation proceeds; (iii) the payment of taxes, assessments, or other governmental charges; (iv) the fees and expenses, including legal fees, incurred by the Trustee pursuant to the Trust Agreements; (v) all fees and expenses of the Corporations relating to the lease of the Projects or to their corporate existences, including legal fees; (vi) and the fees of the Rebate Analyst. Supplemental Rent is payable by the Department only from Available Revenues. Basic Rent, Supplemental Rent, and all other amounts owing under the Lease Agreements which are payable by the Department, but excluding Refunding Rent, are collectively referred to herein as “Lease Payments.”

Trust Agreements

The Trust Agreements establish the Trust Estates, which consists of all right, title, and interest of the Trustee, as assignee of the Corporations, under separate assignments of Leases, Rents, and Profits (the “Lease Assignments”) and the Lease Agreements, for the benefit of the Owners of the 2021 Certificates, in and to each of the following:

- (a) All right, title, and interest in the various funds and accounts established under the Trust Agreements (other than the Rebate Funds, the Costs of Issuance Funds, and the Supplemental Rent Funds) and the cash, securities and investments of which they are comprised.
- (b) All right and interest of the Corporations in, to, and under the Ground Subleases.
- (c) All right, title, and interest of the Corporations in, to, and under the Lease Agreements, including (i) the right to receive the Lease Payments, (ii) the right to enter into amendments to the Lease Schedules from time to time, and (iii) the obligation to comply with certain tax covenants in the Lease Agreements.
- (d) All right, title and interest of the Trustee under the Assignment of Leases.
- (e) Any moneys received by the Trustee which are derived from the exercise by the Trustee, as assignee of the Corporations, of any of the remedies under the Trust Agreements, the Subleases and the Lease Agreement.
- (f) All property which by the express provisions of the Trust Agreements or the Lease Agreements is required to be subject to the lien of the Trust Agreements, and any additional property that may from time to time expressly be made subject to the lien of the Trust Agreements by the Trustee, the Corporations, the Department, or anyone authorized to act on their behalf.

The 2021 Leases

The 2021A Certificates are secured on a parity basis by the Basic Rent Payments to be made under the SFETC Lease Agreement, as supplemented by Schedule No. 2021A (the “2021A Lease”), and the 2021B Certificates are secured on a parity basis by the Basic Rent Payments to be made under the FCCC Lease Agreement, as supplemented by Schedule No. 2021B (the

“2021B Lease”) (collectively, the 2021A Lease and the 2021B Lease are referred to the “2021 Leases”). The Department intends to continue the leases contemplated by the Lease Agreements for the Maximum Lease Term of each and believes that funds will be appropriated by the State Legislature and will be made available to the Department in an amount sufficient to pay all Lease Payments for the Maximum Lease Terms thereof. However, no assurance can be given that the Lease Agreements will not be terminated prior to the end of the Maximum Lease Terms.

The original term of the 2021 Leases will be less than one year, beginning on the Date of Delivery and ending on June 30, 2021 (the “Initial Lease Term”). The 2021 Leases shall automatically be renewed for 12-month terms ending on June 30 of each year (the “Renewal Lease Terms”) through October 1, 2025, for the 2021A Lease and through October 1, 2029, for the 2021B Lease as provided in the Lease Schedules (the “Maximum Lease Terms”). The 2021 Leases will remain in effect with respect to the through the Initial Lease Term and all Renewal Lease Terms for the Maximum Lease Term, unless terminated by the occurrence of (i) an Event of Default, or (ii) an Event of Non-Appropriation, or (iii) the Department either paying all Rent to be paid for the Maximum Lease Term, or paying the Option Price for the Projects pursuant to the 2021 Leases, as such are described herein.

State Appropriations of Basic Rent Payments

The Department’s performance and obligation to pay under the Lease Agreements is a limited and special obligation, payable solely from moneys specifically appropriated for such purpose by the State of Florida as part of the legislative budget process. The budgetary process for the State of Florida, including the passage of Appropriations Acts, is typically carried out during the 60-day regular legislative session, or subsequent special session. The Basic Rent Payments are subject to annual appropriation, and the State Legislature is under no continuing obligation to make such appropriation. No assurance can be given that the State Legislature will make such an appropriation or that the Governor will not veto such an appropriation, when or if made. If the State of Florida fails to enact an Appropriation Act that specifically appropriates sufficient funds for a Project, such action may be considered an Event of Non-Appropriation; provided, however, that in the event an Appropriations Act is not enacted at all prior to the expiration of the then-current Initial or Renewal Lease Term for a Project, the occurrence of an Event of Non-Appropriation will be deemed suspended pending the conclusion of the legislative and executive process of enacting such Appropriations Act. For a discussion of the remedies available to the Trustee in the event the State of Florida fails to appropriate sufficient funds to pay Lease Payments, see “EVENTS OF DEFAULT AND REMEDIES UNDER THE LEASE AGREEMENTS” herein.

Appropriations for obligations of the Department, including the Basic Rent Payments under the Lease Agreements, for the Fiscal Year ending June 30, 2021, and all prior fiscal years have been made, and for future years are expected to be made, through appropriations to the Department. See “THE PROJECTS – Historical Appropriations” herein. General information relating to the State of Florida, including certain financial information, is set forth in Appendix A. The Florida General Purpose Financial Statements for Fiscal Year ended June 30, 2021 are set forth in Appendix B.

THE BASIC RENT PAYMENTS DUE UNDER THE LEASE AGREEMENTS ARE TO BE MADE ONLY FROM REVENUES APPROPRIATED BY THE STATE FOR SUCH PURPOSE, AND NEITHER THE DEPARTMENT, THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF SHALL BE OBLIGATED TO PAY ANY SUMS DUE TO THE CORPORATIONS OR THE TRUSTEE UNDER THE LEASE AGREEMENTS FROM SOURCES OTHER THAN APPROPRIATED REVENUES. THE FAITH AND CREDIT OF NEITHER THE DEPARTMENT, NOR THE STATE OF FLORIDA, NOR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED FOR PAYMENT OF SUCH SUMS DUE UNDER THE LEASE AGREEMENTS, AND THE OBLIGATIONS ARISING UNDER THE LEASE AGREEMENTS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DEPARTMENT, OR THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. THE DEPARTMENT HAS NO TAXING POWER.

Covenant to Request Appropriation. The Department has covenanted in each Lease Agreement that it will take such action as may be necessary to include all Lease Payments (other than Lease Payments to the extent paid or to be paid from other funds then on deposit in the Lease Payment Fund) due under each Lease Agreement as a separately stated line item in each annual preliminary and final State budget request and to request that the State Legislature appropriate for each successive Fiscal Year through the maturity of the 2021 Certificates an amount necessary to make the Lease Payments due each Fiscal Year.

Effect of an Event of Non-Appropriation of Lease Payments. The Lease Payments due under each Lease Agreement are subject to annual appropriation by the State Legislature, and if the State Legislature does not specifically appropriate sufficient funds in a final budget (after taking into account any amounts credited or available for credit pursuant to the Lease Agreements), or such appropriation is not enacted by being signed by the Governor, that specific Lease Agreement shall be terminated as a result of an Event of Non-Appropriation. If, in any Fiscal Year, the State of Florida enacts an Appropriation Act in accordance with State law which does not provide sufficient funds to continue making Lease Payments in full for the next succeeding Renewal Lease Term beyond the end of the term for which Lease Payments have been budgeted and appropriated for a specific Lease

Agreement, such action shall constitute an “Event of Non-Appropriation” and that specific Lease Agreement shall terminate as of the last day of the then-current term. If, however, in any Fiscal Year, the State of Florida fails to enact an Appropriation Act prior to expiration of the then-current term, the Lease Term relating thereto shall be deemed renewed and the occurrence of the Event of Non-Appropriation shall be deemed suspended pending the current legislative and executive process of enactment of such Appropriation Act, and the Department shall be liable for any Lease Payments coming due during such period, but only if such Appropriations Act makes available to the Department moneys to be used to make such Lease Payments coming due during such periods.

If an Event of Non-Appropriation occurs, the Department must peaceably vacate and return possession of the respective Project to the appropriate Corporation, or its assignee or designee, no later than the end of the then-current Lease Term. For each day that the Department remains in possession of the Project beyond the date of expiration of said term, the Department shall pay damages in an amount equal to the Lease Payments which would have accrued under the applicable Lease Agreement, calculated on a daily basis, for any such period during which the Department fails to vacate or surrender the Project; provided that such payments shall be payable solely from subsequently appropriated Available Revenues.

Upon the occurrence of an Event of Non-Appropriation, the Department will not be obligated to pay Lease Payments accruing or arising beyond the then-current Fiscal Year but will not be relieved of any obligations arising or accruing prior to such Event of Non-Appropriation, including, without limitation, any obligation to deposit rebatable arbitrage in the Rebate Fund which may accrue prior to such Event of Non-Appropriation, provided that such payments shall be payable solely from Available Revenues.

The likelihood that an Event of Non-Appropriation will occur is dependent upon certain factors that are beyond the control of the 2021 Certificate Owners, including without limitation, the continuing future utility of the respective Projects, in terms of location, design, capacity, and other factors to meet the Department’s needs, and the absence of certain force majeure events which impact the Department’s desire to continue to utilize the Projects. No assurance can be given that either Lease Agreement will not be terminated prior to the end of the respective Maximum Lease Term.

2021 Certificate Payments

Basic Rent Payments and, consequently the Certificate Payments, are payable solely from monies appropriated to the Department by the State of Florida as part of its yearly budget process and other monies that may be available in certain of the funds and accounts established under the Trust Agreements.

The Department agrees to pay Basic Rent Payments as lease rentals under the Lease Agreements for the Projects. The Basic Rent Payments consist of the amounts required to pay the Principal Components and Interest Components of the 2021 Certificates due on the ensuing Certificate Payment Date, which shall be stated in the Lease Schedules. Such Basic Rent Payments shall be made in arrears on the fifteenth day prior to each Certificate Payment Date (each a “Basic Rent Payment Date”). The Department shall pay the Basic Rent to the Trustee at its Principal Office via the deposit of Available Revenues equal to the amount of the Basic Rent Payment coming due on the Basic Rent Payment Date; provided, however, that the Department does not need to deposit Available Revenues when the moneys held in the Interest Account in the Lease Payment Fund are equal to the Interest Component of the Basic Rent Payment coming due on the next Basic Rent Payment Date on which the Interest Component becomes due, and the moneys held in the Principal Account in the Lease Payment Fund are equal to the Principal Component of the Basic Rent Payment coming due on the next Basic Rent Payment Date on which the Principal Component becomes due. The Trustee shall apply such payments to the payment of the principal of and the interest on the 2021 Certificates as provided in the respective Trust Agreements.

The Department further agrees to pay the Supplemental Rent from time to time to meet its obligations under the 2021 Leases, including, without limitation, (i) amounts required to be deposited by the Department to the credit of the Rebate Funds; (ii) amounts payable to the Corporations pursuant to the 2021 Leases; (iii) amounts payable to the Trustee for its services as trustee under the Trust Agreements; and (iv) all other amounts, liabilities, and obligations which the Department assumes or agrees to pay to the Corporations or to others with respect to the Projects. Such Supplemental Rent will be paid with interest on any overdue amount at the Maximum Interest Rate.

All payments of lease rentals and all other payments required to be made by or on behalf of the Department under the 2021 Leases will be made when due without notice or demand, and, subject to an adequate appropriation having been made by the State Legislature for the Lease Term in question, shall be absolute and unconditional and without any set-off, counterclaim, abatement, deduction or defense (other than payment) whatsoever. In the event of an Event of Non-Appropriation, the Department will not be obligated to pay Lease Payments accruing or arising beyond the then-current Fiscal Year but will not be relieved of any obligations arising or accruing prior to such Event of Non-Appropriation, including, without limitation, any obligation to deposit rebatable arbitrage in the Rebate Fund which may accrue prior to such Event of Non-Appropriation, provided that such payments shall be payable solely from Available Revenues.

Assignments of Leases

Pursuant to the Lease Assignments, the Corporations will make a present irrevocable assignment to the Trustee of certain of its right, title, and interest in and to the 2021 Leases, including without limitation, the Basic Rent Payments and any prepayments thereof, and any other amounts required to be paid by the Department under the 2021 Leases, but excluding certain retained rights described therein, including certain rights to the land on which the Projects were built, the right to possession, its rights to indemnification and its rights to enter into additional Schedules. **Nevertheless, the Trustee will have the contract right under the Lease Assignments and the Trust Agreements to act as and on behalf of the Corporations under the respective Lease Agreements to enforce the Lessors' rights thereunder.**

Flow of Funds

The Funds and Accounts. Each Trust Agreement provides for the establishment of the following funds and accounts: (i) the Project Fund, which includes the Project Account, the Costs of Issuance Account, and the Capitalized Interest Account; (ii) the Lease Payment Fund, which includes the Principal Account, the Interest Account, and the Reserve Account; (iii) the Prepayment Fund; (iv) the Rebate Fund; (v) the Earnings Fund; and (vi) Supplemental Rent Fund.

Simultaneously with the issuance of the 2021 Certificates, subaccounts for the 2021 Certificates will be established within the Costs of Issuance Accounts, the Lease Payment Funds, and the Prepayment Funds in the Trust Agreements. No Reserve Accounts are being established in connection with the 2021 Certificates.

Application of Basic Rent Payments. Basic Rent Payments and any other Lease Payments paid to the Trustee, as assignee of the Corporations pursuant to the Lease Agreements and the Assignments, shall be deposited as received by the Trustee in the respective Lease Payment Funds in the following manner and in the following order of priority:

- (1) First, an amount sufficient to pay the interest becoming due on the related 2021 Certificates on the next succeeding Payment Date from the Interest Component of the Basic Rent Payment and other available monies, including accrued interest, shall be deposited to the Interest Account; and
- (2) Second, an amount sufficient to pay the principal and Amortization Installments becoming due on the related 2021 Certificates on the next succeeding Principal Payment Date from the Principal Component of the Basic Rent Payment and other available monies shall be deposited to the Principal Account.

Application of Funds upon an Event of Default or an Event of Non-Appropriation. If at any time following an Event of Default or an Event of Non-Appropriation, the moneys in the applicable Lease Payment Fund are insufficient to pay the interest on or the principal of the related 2021 Certificates as the same shall become due and payable, then the Trustee, subsequent to payment of all reasonable costs and expenses relating to collection of such moneys and reasonable fees and expenses of the Trustee including reasonable legal fees, shall deposit all moneys derived from the re-letting or other disposition of the applicable Project, including moneys and damages collected in connection therewith, and all moneys in the Pledged Accounts into a special account established for the sole benefit of the Owners of the related 2021 Certificates and shall apply moneys in such special account as follows:

- (1) First, to the payment to the Persons entitled thereto of all installments of interest on such Certificates then due and payable in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Certificates;
- (2) Second, to the payment to the Persons entitled thereto of the unpaid principal of any Certificates that shall have become due and payable whether at maturity or upon acceleration, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of such Certificates due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference;
- (3) Third, to the payment of the interest on and the principal of such Certificates, to the purchase and retirement of such Certificates, and to the prepayment of such Certificates, all in accordance with the provisions of the applicable Trust Agreement; and
- (4) Fourth, to the payment of any surplus moneys to the Department.

No Funded Reserve Account

The Trust Agreements establish Reserve Accounts and subaccounts therein for individual series of Certificates to be funded at the Corporations' discretion. No deposit will be made to the Reserve Accounts from the proceeds of the 2021 Certificates. **The Owners of the 2021 Certificates, by virtue of their purchase of the same, consent and agree that the 2021 Certificates will not be secured by a Reserve Account or any subaccount therein.**

Additional Obligations

Pursuant to the Lease Agreements, the Department may be obligated to make payments to the Corporations in excess of Basic Rent Payments to pay certain costs and fees; such additional amounts are considered Supplemental Rent. In the event Supplemental Rent is owed to either of the Corporations, the Department has agreed to request an appropriation for such additional amounts. However, no assurance can be given that the Department will receive an appropriation of additional funds to make such required Supplemental Rent payments. If additional funds are not appropriated to the Department for Supplemental Rent, the Department's failure to pay such Supplemental Rent to the applicable Corporation would be an Event of Non-Appropriation under the applicable Lease Agreements.

ADDITIONAL CERTIFICATES

The number of series of Certificates which may be issued under the Trust Agreements are limited. In addition to the principal amount of the 2021 Certificates, additional Certificates in the nature of Completion Certificates and/or Refunding Certificates may from time to time be authenticated and delivered in one or more series, without limit as to the principal amount thereof to provide necessary funds to complete payment of the Costs of the Project, to finance additional property which shall be added to the Project or which shall be substituted for a portion of the Project.

Such additional Certificates may be issued for the purposes of: (i) providing funds for refunding part or all of the 2021 Certificates at or prior to their maturity or maturities, including the payment of any Prepayment Premium thereon and interest which will accrue on such Certificates to their date of payment; (ii) making a deposit, if necessary, to the subaccount of the Reserve Account which shall secure the Completion and/or Refunding Certificates; and (iii) paying the Costs of Issuance relating to the Completion and/or Refunding Certificates.

Such additional Certificates may be issued only upon compliance with the requirements of the Trust Agreements, including delivering certain certificates of officials and opinions of legal counsel. No such additional Certificates are expected to be issued at this time.

EVENTS OF DEFAULT AND REMEDIES UNDER THE LEASE AGREEMENTS

Event of Default under the Lease Agreements

Each of the following events constitutes an "Event of Default" under the Lease Agreements:

- (a) Failure by the Department to pay any required Basic Rent Payment on the Basic Rent Payment Date to which such Basic Rent Payment pertains, other than as a result of an Event of Non-Appropriation; or
- (b) Failure by the Department to pay any required Supplemental Rent at the time specified therein other than as a result of an Event of Non-Appropriation; or
- (c) Failure by the Department to vacate and return possession of the applicable Project to the Corporation, or its designee or assignee, subsequent to an Event of Non-Appropriation, when required; or
- (d) Failure by the Department to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in (a), (b) or (c) above, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Department by the Corporation, or its assignee, unless the Corporation, or its assignee, has agreed in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, or its assignee, will not unreasonably withhold consent to an extension of such time if corrective action is instituted by the Department within the applicable period and diligently pursued until the default is corrected; or
- (e) The making of materially false representation by the Department, subject to the right of the Department to cure such misrepresentation as set forth in (d) above.

Although the source of payment of Lease Payments under each Lease Agreement is the same, the Lease Agreements are not cross-collateralized, and an Event of Default under one Lease Agreement does not constitute an Event of Default under the other Lease Agreement.

Corporations' Remedies under the Lease Agreements

Upon the occurrence of an Event of Default, the particular Corporation, or its assignee, may exercise any and all remedies available pursuant to law or granted pursuant to its Lease Agreement.

Except in the case of an Event of Default under (c) above, without terminating the applicable Lease Agreement, the Corporations, or their assignees may: (i) re-enter and take possession of the applicable Project, or any portion thereof, and either exclude the Department from using the same until the Default is cured; (ii) sublease such Project, or any portion thereof, in accordance with applicable law for the remaining term of the Ground Sublease; or (iii) take whatever action at law or in equity as may appear necessary or desirable to collect the Lease Payments then due and thereafter to become due during the term of the applicable Lease Agreement, or enforce performance and observance of any obligation, agreement, or covenant of the Department under such Lease Agreement.

In the case of any Event of Default, the Corporation, or its assignee, may terminate the applicable Lease Agreement, if it has not been previously terminated pursuant to the terms thereof, and require the Department to vacate, surrender and transfer possession of the applicable Project to the applicable Corporation or its assignee, in which event the Department shall take all actions necessary to authorize, execute and deliver to the Corporation or its assignee all documents necessary to vest in the Corporation or its assignee all of the Department's interest in and to such Project, and to discharge any lien created by or pursuant to such Lease Agreement in order that the Corporation or its assignee may re-lease such Project in accordance with applicable law for the remaining term of the Sublease; and shall upon request by the Corporation or its assignee, transfer any Equipment to such location within the State of Florida as is specified by the Corporation or its assignee.

In each case, the Department shall be responsible for the payment of damages in an amount equal to the applicable Lease Payments which would have accrued under such Lease Agreement, calculated on a daily basis, for any period during which the Department fails to vacate and surrender the applicable Project or for any other loss suffered by the Corporation or its assignee as a result of the Department's failure to vacate and surrender such Project, all without prejudice to any remedy which might otherwise be available to the Corporation or its assignee for arrears of such Lease Payments or for any breach of the Department's covenants contained in such Lease Agreement, payable only from Available Revenue appropriated therefor.

If the particular Corporation elects to sublease the related Project, or any portion thereof, the Department is liable for the difference between (i) the rent and other amounts paid by the sublessee pursuant to such sublease, and (ii) the Lease Payments and other amounts then payable by the Department under and pursuant to the particular Lease Agreement. Moneys received by the Corporation, or its assignee, from the re-letting of such Project, or any portion thereof, as a result of an Event of Non-Appropriation or an Event of Default shall be the absolute property of the Corporation, or its assignee, and the Department shall have no right thereto. Except that in the event that moneys received from the re-letting exceed the amount necessary to pay the principal of and interest due on the 2021 Certificates to the date of payment thereof, together with all other amounts owing under the applicable Trust Agreement and in regard to such Project, including Trustee fees and expenses, then the Corporation, or its assignee, shall pay such surplus to the Department.

Trustee's Remedies under the Lease Agreements

If an Event of Default or Event of Non-Appropriation occurs under a Lease Agreement, the applicable Ground Sublease provides that the Corporation's interest in the Ground Sublease may be assigned or sublet by the Trustee only upon receipt of the written consent of the Department and the Internal Improvement Trust Fund. The Trustee's ability to actually achieve any disposition of the Project upon the occurrence of an Event of Default or Event of Non-Appropriation under the Lease Agreements is therefore limited, and is further limited by its inability to convey fee simple title to the Projects and by the governmental nature of the Projects. Moreover, it is possible that a court of competent jurisdiction could enjoin the sale or re-letting of the Trustee's interest in the Projects (even if the Department and the Internal Improvement Trust Fund consent) because of the essential governmental nature thereof. No assurance can be given that, if the Trustee attempted to re-let or otherwise dispose of a Project that: (i) said Project would have any commercially practicable use; (ii) anyone would assume the obligations of the Department under the Lease Agreement for the remaining term of the Lease Agreement; (iii) the rental payments would be sufficient to pay the Principal and Interest Components of Basic Rent Payments; or (iv) interest on the applicable 2021 Certificates would remain exempt from gross income for federal income tax purposes. Further, there can be no assurance that the remedies available to the Trustee upon any such terminations of the Lease Agreements and the disposition of the Projects will produce sufficient amounts to pay the then Outstanding 2021 Certificates. See "EVENTS OF DEFAULT AND REMEDIES UNDER THE LEASE AGREEMENTS – Remedies under the Trust Agreements" herein for additional information on the Trustee's remedies.

Events of Default under the Trust Agreements

Each of the following events constitutes an “Event of Default” under each Trust Agreement:

- (a) Failure to pay any installment of interest on any Certificate when the same shall become due and payable; or
- (b) Failure to pay the principal, Amortization Installment, or the Prepayment Premium, if any, of any Certificate when the same shall become due and payable, whether at maturity or by proceedings for mandatory prepayment or otherwise; or
- (c) Default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Trust Agreement or any Supplemental Trust Agreement and such default shall have continued for thirty (30) days after receipt by the Department and the Corporation of a written notice from the Trustee specifying such default and requiring the same to be remedied unless the Trustee has agreed in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Department or the Corporation, or its assignee, within the applicable period and diligently pursued until the default is corrected; or
- (d) An Event of Default shall have occurred under the applicable Lease Agreement, and such event is not remedied or waived.

Remedies under the Trust Agreements

Acceleration of Maturities. Upon the happening and continuance of any Event of Default, or an Event of Non-Appropriation under a Lease Agreement, the Trustee may, at its discretion, declare the principal of all related Certificates then Outstanding (if not then due and payable) to be due and payable immediately by notice in writing to the Department and the applicable Corporation, and upon such declaration the same shall become and be immediately due and payable. The Trustee is obligated to declare the principal of such Certificates due and immediately payable upon the written request of the Owners of a majority in aggregate principal amount of such Certificates then Outstanding. However, following the such declaration, and before the entry of a final judgment or decree in any suit, action, or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the applicable Trust Agreement, certain actions have been taken to remedy such default to the satisfaction of the Trustee, then and in every such case the Trustee may rescind and annul such declaration and its consequences. The Trustee is obligated to rescind and annul such declaration and its consequences upon the written request of the Owners of a majority in aggregate principal amount of the applicable Certificates not then due and payable by their terms (Certificates then due and payable only because of a declaration of acceleration under one of the Trust Agreements shall not be deemed to be due and payable by their terms) and then Outstanding.

Upon the happening and continuance of any Event of Default, or an Event of Non-Appropriation under one of the Lease Agreements, then the Trustee may proceed, subject to the Trustee being indemnified, to protect and enforce its rights and the rights of the Owners under applicable Florida laws, under the applicable Trust Agreement, Ground Sublease, or Lease Agreement by such suits, actions, or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained in such Trust Agreement or in aid of execution of any power granted in said Trust Agreement or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel chosen by the Trustee, shall deem most effectual to protect and enforce such rights. The Trustee may also exercise all remedies that it, or the applicable Corporation, may have under law and under the related Trust Agreement, Sublease, and Lease Agreement. The Trustee is obligated to proceed with such actions upon the written request of the Owners of a majority in aggregate principal amount of the related Certificates then Outstanding.

As provided in each Trust Agreement and subject to the limitations thereof, the Trustee, upon an Event of Default or an Event of Non-Appropriation under the related Lease Agreement, may take possession of the applicable Project, and it shall, if the Department relinquishes possession of such Project pursuant to the related Lease Agreement subsequent to such Event of Default, take possession of said Project, in accordance with the provisions of the Trust Agreement. Upon taking possession of the Project, the Trustee is authorized to re-let or otherwise dispose of the Corporation’s interest in the Project, or any portion thereof, for the benefit of the Owners of the Certificates. However, the rights of the Trustee under this paragraph are subject to the rights and approvals of the Internal Improvement Trust Fund pursuant to the State Land Leases.

Enforcement of Remedies. In the enforcement of any remedy under a Trust Agreement, the Trustee shall be entitled to sue for, enforce payment of, and receive any and all amounts then or during any Event of Default under said Trust Agreement becoming and remaining due from the Department for principal, interest, or otherwise under any of the provisions of such Trust Agreement or of the related Certificates, together with interest on overdue payments of principal at the rate of interest equal to

the then-current weighted average interest rate of the Outstanding related Certificates and all reasonable costs and expenses of collection and of all proceedings under such Trust Agreement, without prejudice to any other right or remedy of the Trustee or of the Owners and to recover and enforce any judgment or decree against the Department, but solely as provided under such Trust Agreement, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect the money adjudged or decreed to be payable in any manner provided by law; provided, however, that such collection may only be made from money available for such purposes.

The Owners of a majority in aggregate principal amount of the Certificates then Outstanding under a Trust Agreement have the right, subject to the Trustee being satisfactorily indemnified, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under said Trust Agreement in regard to such Certificates, provided that such direction shall be in accordance with law and the provisions of the Trust Agreement and the related Lease Agreement. Except for the right to enforce payment in certain circumstances where the Trustee fails to take required actions, no individual Owner shall have any right to institute any suit, action, or proceeding in equity or at law on any Certificate, or for the execution of any trust under the related Trust Agreement, or for any other remedy under such Trust Agreement unless: (i) such individual Owner previously gave written notice to the Trustee of the Event of Default or Event of Non-Appropriation under the applicable Lease Agreement on account of which such suit, action, or proceeding is to be instituted; (ii) the Owners of a majority in aggregate principal amount of Certificates then Outstanding under a Trust Agreement have made a written request of the Trustee after the right to exercise such powers or right of action accrued, and afforded the Trustee a reasonable opportunity to proceed to exercise the powers granted to the Trustee under such Trust Agreement or to institute such action, suit, or proceedings in its or their name; and (iii) the Trustee has been offered reasonable security and indemnity against the costs, expenses, and liabilities to be incurred therein or thereby; and (iv) the Trustee refused or neglected to comply with such request within a reasonable time.

THE DEPARTMENT OF CHILDREN AND FAMILIES

General

The Department provides services to more than 2.6 million Floridians and organizes its activities around services for various client populations. The Department is responsible for the following programs: Adult Services, Child Care Services, Economic Self-Sufficiency, Florida Abuse Hotline, Child Welfare, Domestic Violence, Homelessness, Refugee Services, and Mental Health and Substance Abuse Services. The Department's regional offices are responsible for support services (client and employee relations) contract management, and operations (protective investigations for children and adults and public assistance eligibility determination). Headquarter offices are responsible for administrative services (performance and planning, budget, contract administration, human resources, general services, and information technology) and program management (Child Welfare, Economic Self-Sufficiency, Adult Services, Substance Abuse and Mental Health, and licensing and background screening). The Assistant Secretary for Substance Abuse and Mental Health has direct line authority over forensic as well as civil commitment and treatment facilities, including the SFETC and FCCC.

Forensic Mental Health System

The State's forensic mental health system is a network of facilities and community services for individuals who have a mental illness and are involved with the criminal justice system. The Department's goal is to provide assessment, evaluation, and treatment to individuals adjudicated incompetent to proceed at any stage of a criminal proceeding or not guilty by reason of insanity. In addition to the general psychiatric treatment approaches and milieu, specialized services include: psychosocial rehabilitation; education; treatment modules such as competency, anger management, mental health awareness, medication, and relapse prevention; sexually transmitted disease education and prevention; substance abuse awareness and prevention; vocational training; occupational therapies; enrichment practices; and a full range of medical and dental services. Evaluations for competency to proceed, mental health treatment following a finding of not guilty by reason of insanity, and services to individuals on conditional release in the community are provided. Additionally, in-jail services are provided by local county jails, often with assistance from community mental health providers.

Forensic services are provided to adults over the age of 18 and juveniles adjudicated as adults. Diagnostic categories include all major DSM-V disorder classifications (primarily schizophrenia and mood disorders). Secondary diagnoses, such as substance use and personality disorders, are also present for a significant number of people. Community services are also available to individuals released from State mental health treatment facilities including monitoring of individuals on conditional release and community competency restoration services. Services are provided in local county jails to individuals awaiting State facility admission, to individuals returning from State facilities, and to individuals who are able to proceed with disposition of their criminal charges without requiring facility admission. The Department strives to provide evaluation and treatment to all individuals with dignity and fairness in the least restrictive manner possible, ensuring the safety of the people served and the community. The Department served 3,293 individuals in forensic commitment during Fiscal Year 2019.

Forensic Mental Health Treatment Facilities. The Department oversees maximum secured forensic treatment facilities pursuant to Chapter 916, Florida Statutes (the “Forensic Client Services Act”), which governs the State forensic system, a network of State facilities and community services for individuals with mental health issues who are charged with a felony and adjudicated incompetent to proceed or adjudicated not guilty by reason of insanity. These individuals may be involuntarily committed to forensic mental health treatment facilities by the circuit court. There are four maximum security facilities to serve individuals determined by the court to require treatment in a State mental health treatment facility; two are operated by the Department and two are operated by private providers. Florida State Hospital and North Florida Evaluation and Treatment Center are operated by the Department, SFETC and Treasure Coast Forensic Treatment Center are privately operated by Wellpath, under contract with the Department; collectively, these facilities have the capacity to serve 1,163 people.

Of the two populations utilizing the secure facilities during Fiscal Year 2019 (those identified as incompetent to proceed or found not guilty by reason of insanity), the average length of stay was 155 days for those identified as incompetent to proceed and 797 days for those found not guilty by reason of insanity.

Sexually Violent Predator Program

The civil commitment process created by Part V, Chapter 394, Florida Statutes (the “Involuntary Civil Commitment of Sexually Violent Predators Act” or the “Jimmy Ryce Act”), requires the Department, through establishment of the Sexually Violent Predator Program (“SVPP”), to perform two basic functions which contribute to community protection from sexual predators: (1) The Department evaluates individuals convicted of specified sex offenses who are nearing the end of their criminal sentence to determine whether they meet the clinical definition of a sexually violent predator and should be civilly committed to a secure facility; and (2) following assessment and adjudication as a sexually violent predator, the Department provides long-term control, care, and treatment for such individuals in a secure facility. The Department houses individuals civilly committed as sexually violent predators for treatment at FCCC.

SVPP Referral, Screening, and Evaluation Process. The Jimmy Ryce Act sets forth the multi-step SVPP referral, screening, and evaluation process as follows:

- (a) **Referral.** The Department of Corrections (“DOC”), the Department of Juvenile Justice (“DJJ”), county jails, State Attorney’s Offices, and the Department, each being an agency with jurisdiction over persons convicted of sexually violent offenses, submit names and background information of individuals having at least one conviction for a sex crime, and who are scheduled for release within approximately one year to the Department.
- (b) **Screening.** The SVPP Clinical Specialists contact the applicable state attorney and other agencies to request information concerning the crime, investigations, social history, criminal history, and any other collateral data that would be useful in determining whether the individual meets the criteria of a sexually violent predator. The Clinical Specialists ensure that the file is complete. They also complete an informational cover sheet of the demographic, clinical, and criminal information that aids screening. At least two licensed psychologists or psychiatrists review the file.
- (c) **Multidisciplinary Team Review.** Periodic staffings are held where at least two licensed psychologists of the multidisciplinary team (“MDT”), under contract to the Department, independently review the individual’s records and make a determination as to whether the person meets the criteria of a sexually violent predator. A determination is made as to whether a face-to-face clinical evaluation is required. If an evaluation is not required, the referring agency and the state attorney in the applicable circuit are informed, and the individual is released from custody.
- (d) **Evaluation.** If the referred individual requires a personal evaluation, it is conducted by a licensed psychologist or psychiatrist who is a member of the MDT, under contract with the Department, located near the candidate’s institution. That MDT member evaluates the referred individual in person, prepares a report, and offers an opinion as to whether the individual meets the criteria of a sexually violent predator. If the first evaluator opines in the negative, the MDT reviews the report and decides whether it contains sufficient information to make a decision or whether a second evaluation is needed. A second evaluation is completed by a different evaluator if the first evaluator’s opinion is affirmative or the MDT determines that it needs the benefit of a second evaluation. After the evaluations are conducted, the reports are reviewed by the MDT, which makes a decision regarding whether the referred individual meets the criteria of a sexually violent predator and so advises the referring agency and the applicable state attorney’s office.
- (e) **Judicial Review and Commitment.** The state attorney decides whether to file a petition for civil commitment based on the MDT’s evaluation. If the state attorney files a petition, a judge will review the petition and determine, ex parte, whether there is probable cause for detaining the individual. If the judge finds probable cause, then the individual will be ordered into a secure facility until trial. If the trial results in a finding that the referred individual

does not meet the criteria under the Jimmy Ryce Act, such individual will be released. If the finding is that the referred individual does meet criteria, such individual is committed to the Department.

- (f) Release from Commitment. A yearly mental status examination is conducted on each committed resident to determine if sufficient progress has been made to allow the individual to be safely released to the community. Under such circumstances, the court would find that the resident no longer requires confinement in a secure facility. In addition, a resident may file a petition for habeas corpus at any point after involuntary commitment.

WELLPATH RECOVERY SOLUTIONS

Wellpath Recovery Solutions, LLC was originally incorporated as a Florida corporation on April 24, 1997, as “Atlantic Shores Health Inc.” On August 18, 2005, the corporation was renamed “GEO Care, Inc.” and then converted to “GEO Care, LLC” on December 26, 2012. In 2014, GEO Care, LLC became an affiliate of Correct Care Solutions, LLC, and changed its name to “Correct Care, LLC” on August 26, 2014, and has been known as “Wellpath Recovery Solutions, LLC” since December 4, 2018. (Atlantic Shores Health Inc., GEO Care, Inc., GEO Care, LLC, Correct Care, LLC, and Wellpath Recovery Solutions, LLC are collectively referred to herein as “Wellpath”).

Wellpath operates civil and forensic state hospitals, inpatient and residential treatment facilities, sex offender treatment, and competency restoration programs in California, Colorado, Florida, Massachusetts, South Carolina, Texas, and Washington. Wellpath currently cares for approximately 2,800 adult and adolescent patients in residential treatment settings. Each of its facilities provide safe, therapeutic environments that foster recovery through trauma-informed care, evidence-based programs, and community partnerships designed to improve the continuity of care. With more than 2,500 skilled professionals, Wellpath continues to grow by providing clients with services that meet or exceed performance requirements and standards of care.

Contractual Arrangements with the Department

Wellpath has contracts with the Department to operate and or manage four facilities: the South Florida State Hospital (“SFSH”), SFETC, FCCC, and Treasure Coast Forensic Treatment Center (“TCFTC”). Wellpath entered into a Management Agreement with the Department in August 1998 to manage SFSH; Wellpath and the Department entered into a new contract in July 2018 to update and replace the prior Management Agreement. GEO Group, Inc., entered into contracts with the Department in November 2005 and November 2006 to assume operations of the SFETC and the FCCC, respectively; subsequently, in December 2012, GEO Group, Inc. assigned these contracts to Wellpath. Wellpath entered into a contract with the Department in February 2007 to establish operations at TCFTC; Wellpath and the Department entered into a new contract in July 2018 to update and replace the prior contract.

THE CORPORATIONS

South Florida Evaluation Treatment Center Financing Corporation

SFETCFC, is a Florida not-for-profit, special purpose corporation organized and existing for the sole purpose of acting as the lessor under the SFETC Lease Agreement with the Department to facilitate the issuance of Certificates of Participation to finance the SFETC. SFETCFC has no capital stock and its sole member is the Department. Upon dissolution of SFETCFC, all of its assets will be distributed to the Department.

The SFETCFC board of directors consists of three directors, all of whom are current Wellpath employees: the Assistant General Counsel, the President of the Recovery Solutions Division, and the Vice President of Operations and Contract Administration for Wellpath. Its principal office and registered place of business is located in Deerfield Beach, Florida.

Other than the SFETC, the Project financed pursuant to the SFETC Lease Agreement, SFETCFC has no other assets subject to the lien of the related Trust Agreement. SFETCFC is not financially liable for the Basic Rent Payments under the SFETC Lease Agreement and the Owners will have no right to look to the SFETCFC for any payment with respect to the 2021A Certificates. Therefore, the financial position of SFETCFC is not material to any of the transactions contemplated in this Offering Statement. No financial information concerning SFETCFC has been included herein, nor is it contemplated that any such financial information will be included in any future Offering Statement relating to the sale of any additional series of related Certificates or other obligations of the Department or SFETCFC. See “SECURITY FOR THE 2021 CERTIFICATES” herein.

Florida Civil Commitment Center Financing Corporation

FCCCFC, is a Florida not-for-profit, special purpose corporation organized and existing for the sole purpose of acting as the lessor under the FCCC Lease Agreement with the Department to facilitate the issuance of Certificates of Participation to

finance FCCC. FCCCFC has no capital stock and its sole member is the Department. Upon dissolution of FCCCFC, all of its assets will be distributed to the Department.

The FCCC board of directors consists of three directors, all of whom are current Wellpath employees: the Assistant General Counsel, the President of the Recovery Solutions Division, and the Vice President of Operations and Contract Administration for Wellpath. Its principal office and registered place of business is located at in Deerfield Beach, Florida.

Other than the FCCC, the Project financed pursuant to the FCCC Lease Agreement, FCCCFC has no other assets subject to the lien of the Trust Agreement. FCCCFC is not financially liable for the Basic Rent Payments and the Owners will have no right to look to the FCCCFC for any payment with respect to the 2021B Certificates. Therefore, the financial position of FCCCFC is not material to any of the transactions contemplated in this Offering Statement. No financial information concerning FCCCFC has been included herein, nor is it contemplated that any such financial information will be included in any future Offering Statement relating to the sale of any additional series of related Certificates or other obligations of the Department or FCCCFC. See “SECURITY FOR THE 2021 CERTIFICATES” herein.

THE PROJECTS

South Florida Evaluation and Treatment Center

SFETC is a 249-bed licensed forensic hospital located on 40 acres of State-owned land in Florida City, Miami-Dade County, Florida, which is operated by Wellpath under contract with the Department. It was the first forensic State hospital in Florida to be accredited by The Joint Commission under the Hospital Accreditation Standards. SFETC originally opened in 1986 in Miami and moved to a new facility in Florida City in 2008. SFETC is a secure mental health treatment facility.

SFETC provides mental health assessments and psychiatric rehabilitation treatment to individuals who have been declared incompetent to proceed to trial or not guilty by reason of insanity by the State circuit courts. Individuals are committed to SFETC pursuant to the Forensic Client Services Act, and most individuals require treatment in a secure setting to restore competency to participate in their forthcoming trials, while others who have been found not guilty by reason of insanity require treatment before transfer to a less restrictive facility or release to the community. Separate treatment programs are geared towards each patient profile and include support services that provide the basic requirements for survival and to sustain an acceptable quality of life. Treatment services include assessments, individualized treatment planning, medical and dental care, psychiatric, psychological, substance abuse treatment, group therapy, peer support, educational programs, and aftercare.

The tables below show the historical and projected population for the SFETC. Regardless of current census, the Department is obligated to pay Wellpath for the availability of 249 beds. The projections are based on the best information available when the estimates are made, which is believed to be accurate. *Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein.*

Historical Annual SFETC Census ¹		Projected Annual SFETC Census ¹	
<u>Fiscal Year</u>	<u>Population</u>	<u>Fiscal Year</u>	<u>Population</u>
2010-11	229	2020-21	239
2011-12	232	2021-22	248
2012-13	227	2022-23	248
2013-14	232	2023-24	248
2014-15	240	2024-25	248
2015-16	237		
2016-17	247		
2017-18	250		
2018-19	248		
2019-20	239		

¹ Source: Department of Children and Families.

Florida Civil Commitment Center

FCCC is a 720-bed secure civil commitment and treatment facility on 125 acres of State-owned land in unincorporated DeSoto County, Florida, which is operated by Wellpath under contract with the Department. FCCC provides custody and treatment services in a maximum security setting for individuals who have been adjudicated as sexually violent predators pursuant to the Jimmy Ryce Act, or who are awaiting trial as suspected sexually violent predators. The FCCC is responsible for providing effective management, sexual offender specific treatment programming, and a full array of comprehensive mental health and

medical service delivery to the entire resident population, while ensuring public safety, long-term treatment, and effective relationships with the Department, courts, and agencies involved with custody, care and treatment of sexually violent predators.

Services rendered at the FCCC include comprehensive assessment, evaluation, and treatment of individuals determined to be sexually violent predators, including (i) evaluations and assessments of individuals convicted of sexually violent offenses prior to release from total confinement with the Department, DOC, or DJJ, to determine whether such individuals are sexually violent predators, (ii) commitment and treatment following a determination that individuals are sexually violent predators, and (iii) annual mental status examinations are conducted on committed residents to determine if sufficient progress has been made to allow the individual to be safely released into the community. Separate treatment programs are designed based on commitment status, and include basic support services that provide the basic requirements for survival and to sustain an acceptable quality of life. Treatment services include assessments, sex offender-specific treatment, individualized treatment planning, medical and dental care, psychiatric, psychological, group therapy, peer support, and educational programs. Health care services are intended to identify and treat physical illness and promote good health and optimum individual functioning.

The table below shows the historical SVPP referrals to FCCC by agency for the last ten Fiscal Years. Agencies with jurisdiction over individuals who have committed sexually violent offenses, including DOC, DJJ, county jails, and State Attorneys Offices (“SAO”) are required to refer such individuals to the Department prior to their release from total confinement.

Historical SVPP Referrals to FCCC¹					
Fiscal Year	Referring Agency				Total Referrals
	DCF	DJJ	DOC	Jail / SAO	
2010-11	150	81	2,921	-	3,152
2011-12	126	60	2,884	-	3,070
2012-13	139	54	2,819	-	3,012
2013-14	118	57	4,265	-	4,440
2014-15	119	41	3,958	496	4,614
2015-16	131	55	3,700	372	4,258
2016-17	120	39	3,751	327	4,237
2017-18	143	57	3,642	273	4,115
2018-19	142	55	3,882	279	4,358
2019-20	117	59	3,763	227	4,166

¹ Source: Department of Children and Families.

The tables below show the historical and projected population for the FCCC. Regardless of current census, the Department is obligated to pay Wellpath for the availability of 600 beds. The projections are based on the best information available when the estimates are made, which is believed to be accurate. *Projections are statements of opinion and are subject to future events which may cause the actual results to differ materially from those set forth herein.*

Historical Annual FCCC Census¹		Projected Annual FCCC Census²	
<u>Fiscal Year</u>	<u>Population</u>	<u>Fiscal Year</u>	<u>Population</u>
2010-11	677	2020-21	537
2011-12	679	2021-22	532
2012-13	656	2022-23	527
2013-14	634	2023-24	522
2014-15	638		
2015-16	620		
2016-17	595		
2017-18	560		
2018-19	545		
2019-20	544		

¹ Source: Department of Children and Families.

² Source: November 20, 2020 Criminal Justice Estimating Conference

Historical Appropriations

For Fiscal Year 2020-21, the Legislature appropriated \$3.4 billion (approximately 56% State general revenue appropriations and approximately 44% trust fund appropriations) and 12,045 positions to the Department. The majority of the

Department's budget (approximately 79%) is used to buy services through contracts or other agreements, to provide direct services through Department-operated programs, and for direct payments to clients who qualify for such payments. Administration comprises the other portion of the Department's budget (approximately 21%) and includes evaluation and quality assurance, statewide information systems, budget and financial management, personnel services, and district administration.

For Fiscal Year 2020-21, the Legislature appropriated over \$1.2 billion for programs that serve mental health clients. General revenue funds accounted for approximately \$844 million of the total, and trust funds accounted for approximately \$379 million. Appropriations for each program component within the Department's Mental Health Services budget and Substance Abuse and Mental Health budget for Fiscal Year 2020-21 are as follows:

**Fiscal Year 2020-21 Appropriations to the Department for
Mental Health Services and Substance Abuse and Mental Health¹**

<u>Budget Entity and Program</u>	Fiscal Year 2020-21 Appropriations		
	<u>General Revenue</u>	<u>Trust Funds</u>	<u>Total Appropriated</u>
Mental Health Services			
Civil Commitment Program	\$98,150,299	\$87,519,892	\$185,670,191
Forensic Commitment Program	160,953,285	12,900	160,966,185
Sexual Predator Program	<u>33,809,761</u>	<u>-</u>	<u>33,809,761</u>
Total Mental Health Services	\$292,913,345	\$87,532,792	\$380,446,137
Substance Abuse and Mental Health			
Community Mental Health Services	\$395,303,548	\$81,329,976	\$476,633,524
Community Substance Abuse Services	121,665,636	198,490,909	320,156,545
Executive Leadership/Support Services	<u>34,492,447</u>	<u>11,643,479</u>	<u>46,135,926</u>
Total Substance Abuse and Mental Health	\$551,461,631	\$291,464,364	\$842,925,995
Total Funding for Mental Health	<u>\$844,374,976</u>	<u>\$378,997,156</u>	<u>\$1,223,372,132</u>

¹ Source: Department of Children and Families.

The table below shows the historical appropriations for each program component within the Department's Mental Health Services budget and Substance Abuse and Mental Health budget for Fiscal Year 2015-16 through 2019-20.

**Historical Appropriations to the Department for
Mental Health Services and Substance Abuse and Mental Health¹**

<u>Budget Entity and Program</u>	Fiscal Year				
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Mental Health Services					
Civil Commitment Program	\$167,651,007	\$173,921,027	\$176,430,907	\$180,482,902	\$183,449,923
Comprehensive/Eligible/Services	1	-	-	-	-
Executive Leadership/Support Services	223,338	-	1,461	-	-
Forensic Commitment Program	137,043,216	145,563,272	148,850,673	151,381,886	157,536,118
Sexual Predator Program	<u>32,324,824</u>	<u>34,225,397</u>	<u>33,899,699</u>	<u>33,370,483</u>	<u>32,894,050</u>
	\$337,242,386	\$353,709,696	\$359,182,740	\$365,235,271	\$373,880,097
Substance Abuse and Mental Health					
Community Mental Health Services	\$397,649,617	\$434,849,810	\$425,857,301	\$465,206,715	\$461,259,288
Community Substance Abuse Services	233,087,210	259,731,918	255,189,356	295,464,612	325,042,078
Executive Leadership/Support Services	<u>39,237,466</u>	<u>46,687,700</u>	<u>39,352,110</u>	<u>47,128,427</u>	<u>45,790,983</u>
	\$669,974,293	\$741,269,428	\$720,398,767	\$807,799,754	\$832,092,349
Total Funding for Mental Health	<u>\$1,007,216,679</u>	<u>\$1,094,979,124</u>	<u>\$1,079,581,507</u>	<u>\$1,173,035,025</u>	<u>\$1,205,972,440</u>

¹ Source: Department of Children and Families.

Operating and debt service funds for the Projects are appropriated to the Department. The following table summarizes the appropriations and budgets for Fiscal Years 2015-16 through 2019-20. These amounts have not been audited.

Historical Appropriations for Operation of the Projects¹

Project	Fiscal Year				
	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
SFETC					
Contractual Services ²	\$26,274,669	\$27,773,759	\$27,660,403	\$28,482,271	\$28,554,809
Lease Payments (Debt Service)	<u>3,421,712</u>	<u>3,427,255</u>	<u>3,418,016</u>	<u>3,421,712</u>	<u>3,421,712</u>
TOTAL	\$29,696,381	\$31,201,014	\$31,078,419	\$31,903,983	\$31,976,521
FCCC					
Contractual Services ¹	\$24,540,866	\$26,115,948	\$26,498,855	\$25,999,224	\$25,868,880
Lease Payments (Debt Service)	<u>5,101,231</u>	<u>5,102,395</u>	<u>5,095,636</u>	<u>5,101,231</u>	<u>5,101,231</u>
TOTAL	\$29,642,097	\$31,218,343	\$31,594,491	\$31,100,455	\$30,970,111
Total Annual Budget:	<u>\$59,338,478</u>	<u>\$62,419,357</u>	<u>\$62,672,910</u>	<u>\$63,004,438</u>	<u>\$62,946,632</u>

¹ Source: Department of Children and Families.

² The Department's contract for services with Wellpath for each facility is inclusive of all operating expenses, including staffing, medical services, substance abuse treatment, mental health services treatment, facility maintenance and operations, internal security, perimeter security, secure transportation, pharmacy, and food services.

CERTIFICATE PAYMENT SCHEDULES

The table below shows the payment requirements for the 2021A Certificates and the total debt service.

2021A Certificate Payments			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 102,481	\$ 102,481
2022	2,335,000	588,875	2,923,875
2023	2,455,000	469,125	2,924,125
2024	2,585,000	343,125	2,928,125
2025	2,715,000	210,625	2,925,625
2026	<u>2,855,000</u>	<u>71,375</u>	<u>2,926,375</u>
Total	<u>\$12,945,000</u>	<u>\$1,785,606</u>	<u>\$14,730,606</u>

The table below shows the payment requirements for the 2021B Certificates and the total debt service.

2021B Certificate Payments			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 225,783	\$ 225,783
2022	2,570,000	1,361,750	3,931,750
2023	2,705,000	1,229,875	3,934,875
2024	2,845,000	1,091,125	3,936,125
2025	2,990,000	945,250	3,935,250
2026	3,140,000	792,000	3,932,000
2027	3,305,000	630,875	3,935,875
2028	3,475,000	461,375	3,936,375
2029	3,650,000	283,250	3,933,250
2030	<u>3,840,000</u>	<u>96,000</u>	<u>3,936,000</u>
Total	<u>\$28,520,000</u>	<u>\$7,117,283</u>	<u>\$35,637,283</u>

RECENT STATE FINANCIAL DEVELOPMENTS

This “RECENT STATE FINANCIAL DEVELOPMENTS” section has been revised since the Preliminary Offering Statement. The revisions are primarily related to the release of new general revenue forecasts resulting from the State’s Consensus Revenue Estimating Conference held on December 21, 2020. The revisions include updates to actual Fiscal Year 2019-20 and projected Fiscal Year 2020-21 State reserves and updates to the State’s utilization of Coronavirus Relief Funds.

The State’s budget is required to be kept in balance with current revenues each State fiscal year, with the final budget subject to adjustment during the fiscal year if necessary to ensure that no shortfall occurs. See Appendix A, “STATE FINANCIAL OPERATIONS – Financial Control” herein for more detailed information.

COVID-19

The economic, financial and budgetary impacts on the State and its economy from the measures taken to combat the spread of COVID-19 are expected to be significant but manageable.

State Actions – In response to the public health crisis created by the strain of coronavirus which causes the Coronavirus Disease 2019 (“COVID-19”), the Governor of the State of Florida declared a state of emergency on March 9, 2020. The declaration allows for certain executive actions to respond to the impacts of COVID-19, including granting broad spending authority to meet the State’s financial needs during the pandemic. The Governor subsequently issued numerous additional executive orders in response to COVID-19 in an effort to reduce community spread of the virus and protect Florida’s most vulnerable citizens. Those measures included, among others, closing or restricting access to certain businesses and activities and limiting movement of persons in Florida through April 30, 2020, to those necessary to obtain or provide essential services or conduct essential activities.

During the week of April 20, 2020, the Governor convened the Re-Open Florida Task Force to evaluate how to safely reopen the State. In response to the recommendations published by the task force, the Governor issued an executive order, effective May 4, 2020, to begin reopening the State through a multi-step, three-phased process of easing restrictions after considering medical data in consultation with state health officials. On May 14, 2020, the Governor issued an executive order which brought all Florida counties into Phase 1 allowing for limited reopening of businesses and activities statewide. All Florida counties, excluding Broward, Miami-Dade and Palm Beach, were brought into Phase 2 on June 3, 2020, in accordance with an executive order, which further relaxed business capacity restrictions. On June 26, 2020, the State suspended the sale of alcoholic beverages for on-premises consumption at all bars statewide following an increase in COVID-19 cases. On September 4, 2020, and September 15, 2020, the Governor issued executive orders moving Palm Beach, Broward and Miami-Dade counties into Phase 2 of reopening, bringing all 67 counties into Phase 2. On September 14, 2020, bars were permitted to open for on-premises consumption in compliance with Phase 2 of the State’s reopening plan. On September 25, 2020, the Governor issued an executive order which brought all Florida counties into Phase 3 and removed the remaining restrictions on businesses and activities statewide, with the exception that indoor restaurant capacity may be limited to 50% capacity by a local government order under certain circumstances.

Federal Actions – On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law by the President, with the State receiving an allocation of Coronavirus Relief Funds (“CRF”) totaling \$5.9 billion (State allocation of \$4.6 billion plus an additional \$1.3 billion for local governments not qualified to receive direct federal support). There are federal restrictions on the use of these funds and the State has developed a process to track COVID-19 expenditures and expects that it will satisfy various conditions such that all CRF moneys are fully utilized for qualified COVID-19 expenditures. The State has reported to the federal government the full amount of \$5.9 billion of eligible COVID-19 related expenditures, including the distributions to local governments in the State.

Additional federal support has been made available to the State through an adjustment to the Federal Medical Assistance Percentage (“FMAP”) applicable to Medicaid funding, and reimbursement of 75% of the State’s eligible COVID-19 costs by the Federal Emergency Management Agency (“FEMA”) pursuant to the Stafford Act. The temporary increase of the FMAP reimbursement rate to the State by 6.2% to 67.7%, effective January 1, 2020, resulted in budgetary savings of \$592.3 million during Fiscal Year 2019-20 and an estimated \$411.7 million during Fiscal Year 2020-21. There may be further federal legislation that provides additional financial assistance to the State, but no assurance can be provided regarding future federal programs or funding.

The information below for Fiscal Years 2019-20 and 2020-21 includes economic and fiscal impacts of the State’s actions in response to the public health crisis caused by COVID-19 and known impacts on the State’s financial position.

Fiscal Year 2019-20

Budget and Revenues – The Fiscal Year 2019-20 budget totaled \$91.0 billion, an increase of approximately \$1.7 billion, or 1.9%, over the Fiscal Year 2018-19 budget of \$89.3 billion. The General Fund budget totaled approximately \$33.9 billion and was to be funded primarily from general revenue collections and \$336.5 million in trust fund transfers.

The COVID-19 pandemic-induced economic contraction resulted in general revenue collections declining by approximately \$2.0 billion or 6.1%, from the prior fiscal year to \$31.4 billion. The majority of the decline was attributable to sales tax collections, which decreased by \$794 million, driven primarily by a decline in tourism and recreation. In addition to the revenue shortfalls outlined above, the State's budget was impacted by the cost of responding to COVID-19. Budget amendments resulting in approximately \$510.8 million of net general revenue costs related to the State's emergency response to COVID-19 were added to the Fiscal Year 2019-20 spending plan. The State anticipates that much of these expenditures will be reimbursed by the federal government.

Reserves – The State experienced a decline in General Fund reserves of approximately \$1.7 billion during Fiscal Year 2019-20, from a beginning balance of approximately \$2.5 billion to an estimated ending balance of unspent general revenue of approximately \$815 million at June 30, 2020. Additional estimated State reserves as of June 30, 2020, included \$1.6 billion in the Budget Stabilization Fund, \$877 million in the Lawton Chiles Endowment Fund, and approximately \$2.3 billion of various excess trust fund balances. Total estimated reserves at June 30, 2020, were approximately \$5.6 billion (17.7% of Fiscal Year 2019-20 general revenue collections). Additionally, \$5.5 billion of CRF moneys (including approximately \$931 million that was subsequently distributed to local governments) were on deposit with the State at June 30, 2020, and available for expenditures related to responding to COVID-19.

Fiscal Year 2020-21

Budget and Revenues – On June 29, 2020, the Governor finalized the Fiscal Year 2020-21 budget by signing the General Appropriations Act ("GAA") after making line-item vetoes totaling more than \$1 billion, including \$488 million of general revenue spending. The historically significant amount of vetoes were made to address potential revenue shortfalls precipitated by measures taken to slow the spread of COVID-19 which were not known at the time the Legislature adopted the GAA on March 19, 2020. After the Governor's vetoes, the Fiscal Year 2020-21 budget totals \$92.3 billion, which is \$1.3 billion, or 1.4%, more than the Fiscal Year 2019-20 budget of \$91.0 billion. The General Fund budget totals approximately \$34.8 billion, anticipated to be funded primarily from general revenue collections. The State anticipates ongoing unbudgeted expenditures related to responding to COVID-19, a portion of which will be eligible for FEMA reimbursement.

Subsequent to the adoption of the Fiscal Year 2020-21 budget, the State's Consensus Revenue Estimating Conference met on August 14, 2020, and made substantial adjustments to general revenue projections reflecting the negative economic impacts of measures taken to slow the spread of COVID-19. Projected general revenues were revised downward by \$3.4 billion, or 9.9%, from the prior estimates for Fiscal Year 2020-21. Actual net general revenue collections for the first five months of Fiscal Year 2020-21 (July 2020 through November 2020) were approximately \$1 billion higher than the August 2020 projections, demonstrating significant improvement over general revenue collections during the last quarter of Fiscal Year 2019-20. This includes sales tax collections that were approximately \$713 million more than August 2020 estimates.

The State of Florida's Consensus Revenue Estimating Conference met again on December 21, 2020, to update general revenue projections in preparation for the upcoming legislative session scheduled to begin on March 2, 2021. The December 2020 Conference increased the projected general revenues for Fiscal Year 2020-21 by approximately \$1.5 billion, or 4.8%, to \$32.5 billion, which is \$1.1 billion above Fiscal Year 2019-20 actual general revenue collections. The largest adjustments in the new December 2020 forecast for Fiscal Year 2020-21 general revenues relate to increased projected sales tax collections, (\$807 million) corporate income taxes (\$253 million) and documentary stamp and intangibles tax collections, (\$185 million).

In addition to maximizing the use of federal funds to address revenue declines, the Governor has implemented budgetary hold-backs of quarterly releases to state agencies, totaling more than \$750 million in Fiscal Year 2020-21, to provide additional financial flexibility to deal with the fiscal impacts of COVID-19. Additionally, all state agencies have been required to identify potential budget reductions of 8.5% for the current fiscal year. Depending on the depth and duration of the economic and fiscal impacts of COVID-19, at some point it may be necessary to make changes to the Fiscal Year 2020-21 budget. Budget adjustments require legislative actions, which could be taken during the regular session scheduled to begin March 2, 2021.

Notwithstanding the expected decrease in revenues and unanticipated expenses related to COVID-19, the State does not anticipate any difficulties with liquidity needed to fund the budget for the current fiscal year which ends June 30, 2021. The State Treasury had approximately \$23.2 billion in State funds as of November 30, 2020, available to fund State expenditures. This amount includes unspent CRF moneys received by the State under the CARES Act.

Reserves – Based on the December 21, 2020 General Fund Outlook Statement, the Fiscal Year 2020-21 year-end General Fund balance is projected to be \$1.9 billion, approximately \$580 million higher than the projected year-end General Fund balance from the August 14, 2020 General Fund Outlook Statement. The increase in the projected General Fund balance is primarily the result of the increased December 2020 general revenue estimates along with a one-time tobacco settlement payment of approximately \$193 million, partially offset by additional COVID-19 related expenditures. The Fiscal Year 2020-21 budget includes a \$100 million transfer to the Budget Stabilization Fund, which increases the balance to \$1.7 billion. When including the Budget Stabilization Fund, total General Fund reserves at fiscal year-end are expected to equal approximately \$3.6 billion (11.2% of projected Fiscal Year 2020-21 net general revenue collections). The foregoing estimate does not include any unanticipated expenditures or budget cuts the legislature could make in Fiscal Year 2020-21. Fiscal Year 2020-21 year-end trust fund balances are currently estimated at \$3.2 billion, including \$948 million in the Lawton Chiles Endowment Fund and \$2.3 billion in various excess trust fund balances. The inclusion of the trust fund balances increases the estimated total reserves to approximately \$6.8 billion (21.1% of projected Fiscal Year 2020-21 net general revenue collections). Estimates are based on information available at the time they are made and are subject to revision as additional information becomes available.

It is likely that the full financial impact of COVID-19 on the State, its economy, and its financial position will change, potentially significantly as circumstances and events evolve. The estimates provided above are based on information available at the time of the estimates. Such estimates are subject to revision as additional information becomes available. Also, estimates are subject to risks and uncertainties which may cause results to differ materially from those estimates set forth above. No assurance is given that actual results will not differ materially from the estimates provided above.

PROVISIONS OF STATE LAW

Negotiability

The 2021 Certificates will have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code – Investment Securities Law of the State.

TAX MATTERS

Opinion of Special Counsel

In the opinion of the Special Counsel, prior to the termination of the Lease Agreements resulting from an Event of Non-Appropriation or Event of Default thereunder, the Interest Component (as defined in the Trust Agreements) of the Basic Rent Payments received by the Owners of the 2021 Certificates is excludable from gross income and is not a specific item of tax preference for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Failure by the Corporations and the Department to comply subsequent to the issuance of the 2021 Certificates with certain requirements of the Code regarding the use, expenditure and investment of proceeds of the 2021 Certificates and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the 2021 Certificates to become includable in gross income for federal income tax purposes retroactive to their date of issue. The Corporations and the Department have covenanted in the Lease Agreements to comply with all provisions of the Internal Revenue Code of 1986, as amended (the “Code”) necessary to, among other things, maintain the exclusion from gross income of interest on the 2021 Certificates for purposes of federal income taxation. In rendering its opinion, Special Counsel has assumed continuing compliance with such covenants. Forms of the opinion of Special Counsel with respect to the 2021A Certificates and 2021B Certificates are attached hereto as APPENDIX F-1 and APPENDIX F-2, respectively.

Special Counsel expresses no opinion regarding the federal income tax or Florida tax consequences resulting from ownership of the 2021 Certificates or the receipt by the owners thereof of payments on the 2021 Certificates following the termination of the Lease Agreements resulting from an Event of Non-Appropriation or Event of Default thereunder.

Internal Revenue Code of 1986

The Code contains a number of provisions that apply to the 2021 Certificates, including, among other things, restrictions relating to the use or investment of the proceeds of the 2021 Certificates and the payments of certain arbitrage earnings in excess of the “yield” on the 2021 Certificates to the Treasury of the United States. Noncompliance with such provisions may result in interest on the 2021 Certificates being included in gross income for federal income tax purposes retroactive to their date of issue.

Premium Certificates

The difference between the principal amount of the 2021 Certificates (the “Premium Certificates”), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriter or

wholesalers) at which price a substantial amount of such Premium Certificates of the same maturity was sold constitutes to an initial purchaser amortizable certificate premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable certificate premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Certificate. For purposes of determining gain or loss on the sale or other disposition of a Premium Certificate, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Certificate annually by the amount of amortizable certificate premium for the taxable year. The amortization of certificate premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Certificates. Owners of the Premium Certificates are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Certificates.

Collateral Tax Consequences

Except as described above, Special Counsel will not express any opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the 2021 Certificates. Prospective purchasers of the 2021 Certificates should be aware that the ownership of the 2021 Certificates may result in other collateral federal tax consequences. For example, ownership of the 2021 Certificates may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry such 2021 Certificates, (2) the branch profits tax, and (3) the inclusion of interest on the 2021 Certificates in passive income for certain Subchapter S corporations. In addition, the interest on the 2021 Certificates may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE 2021 CERTIFICATES AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE HOLDERS OF THE 2021 CERTIFICATES, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES REFERRED TO ABOVE. PROSPECTIVE HOLDERS OF THE 2021 CERTIFICATES SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

Interest on the 2021 Certificates may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the 2021 Certificates should consult their tax advisors as to the income tax status of interest on the 2021 Certificates in their particular state or local jurisdictions.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the 2021 Certificates. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the 2021 Certificates. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the 2021 Certificates and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the 2021 Certificates. For example, proposals have been discussed in connection with deficit spending reduction, job creation and other tax reform efforts that could significantly reduce the benefit of, or otherwise affect the exclusion from gross income of, interest on obligations such as the 2021 Certificates. The further introduction or enactment of one or more of such proposals could affect the market price or marketability of the 2021 Certificates.

THE TRUSTEE

U.S. Bank National Association is Trustee under the Trust Agreements. The Trustee's office is located at 225 East Robinson Street, Suite 250, Orlando, Florida 32801.

MISCELLANEOUS

Information Technology Security

As a State Agency, the Department utilizes electronic systems and information technologies ("IT") of the State to conduct operations, including operations related to the SFETC and FCCC. Similar to other large organizations, the State relies on IT to conduct operations. Similar to other large organizations, the State relies on electronic systems and information technologies ("IT") to conduct operations. Protecting the State's IT infrastructure and data is essential to delivering government services.

The State maintains a security posture designed to protect its data and deter attacks on its IT infrastructure and respond to such attacks to minimize their impact on operations. The State has historically maintained reserve funds and a liquidity position that provide the ability to respond to potential attacks. In 2019, the Legislature reorganized and transferred the Agency for State Technology into the newly-created Division of State Technology within the Department of Management Services. The Division of State Technology's directives are to establish standards and processes for IT security consistent with generally accepted best practices, adopt rules for IT security develop and annually update a statewide IT security strategic plan, develop a framework for use by state agencies for IT security responsibilities such as conducting IT security risk assessments and reporting IT security incidents, provide IT security training for state agency information security managers, and annually review state agency IT security plans. State agencies are required to annually review and consider upgrades to computing and software applications, with a preference for cloud computing and software solutions. In addition, in 2019, the Legislature created the Florida Cybersecurity Task Force, administratively supported by DMS, to review and provide recommendations for the improvement of the State's cybersecurity infrastructure, governance, and operations. The membership of the task force is controlled by Florida law and consists of nine individuals that serve in various roles in state government, including the Lieutenant Governor as Chair of the task force, plus members of the private sector appointed by the Governor. The task force is required to meet at least quarterly and submit a final report of its findings and recommendations to the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives by February 1, 2021.

Despite the State's robust cybersecurity policies and procedures designed to protect their data and IT infrastructure, no assurance is given that the State's security measures will prevent cyber-attacks, nor can any assurance be given that any cyber-attacks, if successful, will not have a material impact on State operations.

Environmental Risk Factors

With more than 2,000 linear miles of coastline, Florida's weather and natural resources affect its economy in a variety of ways. Economic activity attributable to in-migration and tourism represents a significant part of the State's economy, and the State's warm weather and beaches are responsible for attracting seasonal and permanent residents and tourists to the State. Because of the State's reliance on its natural resources to generate business and sustain in-migration, its economy and financial condition may be vulnerable to the impacts of environmental events, especially hurricanes. The State has mitigated its vulnerability to the impacts of hurricanes with a robust emergency response system, hardened infrastructure through building codes and coastal setbacks, and the establishment of the Florida Hurricane Catastrophe Fund and the Citizens Property Insurance Corporation to stabilize the property insurance market in the State. Notwithstanding multiple hurricanes, State finances and the economy have only experienced temporary economic disruption.

The State has effectively responded to past environmental events, such as multiple hurricanes and the 2010 oil spill in the Gulf of Mexico from the Deepwater Horizon oil drilling rig, and has a variety of resources available to respond to damage caused by such events. The State has financial reserves available to cover response-related expenditures, and, in most cases, the State can request reimbursement from federal relief funds to pay for a portion of such expenditures. In addition, upon a declaration of a state of emergency, Florida law provides the Governor broad spending authority to meet financial needs resulting from a disaster. The Division of Emergency Management ("DEM") was established as part of the State's structure to plan for and respond to both natural and manmade disasters. In addition to coordinating disaster response activities, DEM prepares and implements a statewide Comprehensive Emergency Management Plan and routinely conducts extensive exercises to test state and county emergency response capabilities. In January 2019, the Governor created the Office of Environmental Accountability and Transparency, led by the State's Chief Science Officer, within the Department of Environmental Protection to, in part, conduct scientific research that focuses on current and emerging environmental concerns most pressing to Floridians. In 2019, the Governor created the position of Chief Resilience Officer to work with state agencies to, in part, develop and coordinate the implementation of a comprehensive statewide resilience plan with goals designed to mitigate and adapt to the environmental challenges facing Florida's communities.

The magnitude of the impact on the State's operations, economy, or financial condition from environmental risks is indeterminate and is unpredictable for future natural disasters like hurricanes, tropical storms, and naturally-occurring phenomena like red tide. There can be no assurance that such risks will not adversely affect the operations, economy, or financial condition of the State.

Bond Ratings

Moody's Investors Service and S&P's Global Ratings (herein referred to collectively as "Rating Agencies"), have assigned their municipal bond ratings of Aa2 (stable) and AA+ (stable), respectively, to the 2021 Certificates. Such ratings reflect only the respective views of such Rating Agencies at the time such ratings were issued, and an explanation of the significance of such ratings may be obtained from any of the respective rating agencies.

The State furnished to such Rating Agencies certain information and material in respect to the State and the 2021 Certificates. Generally, Rating Agencies base their ratings on such information and materials and on investigations, studies and assumptions made by the Rating Agencies. There is no assurance that such ratings will be maintained for any given period of time or that they may not be lowered, suspended or withdrawn entirely by the Rating Agencies, or any of them, if in their or its judgment, circumstances warrant. Any such downward change in, suspension of or withdrawal of such ratings may have an adverse effect on the market price of the 2021 Certificates.

Verification of Mathematical Calculations

The arithmetical accuracy of the mathematical computations supporting the adequacy of the maturing principal amounts of, and interest (if any) earned on, the investments purchased with funds deposited pursuant to the Escrow Deposit Agreement to pay the principal of, redemption premium and interest on the Refunded Certificates, and the arithmetical accuracy of the mathematical computations relating to the investment of funds in the Escrow Deposit Trust Funds, supporting the conclusion that the 2021 Certificates will not be “arbitrage bonds” under the Internal Revenue Code of 1986, will be verified by Causey Demgen & Moore, P.C., Certified Public Accountants, as a condition of the delivery of the 2021 Certificates.

Litigation

There is no litigation pending, or to the knowledge of the Corporation or the Department threatened, which if successful would have the effect of restraining or enjoining the issuance or delivery of the 2021 Certificates or the use of the Funds established by the Trust Agreements or questioning or affecting the validity of the 2021 Certificates or the proceedings and authority under which such 2021 Certificates are to be issued. The Department is routinely and regularly involved in litigation or the subject of administrative proceedings relating to the provision of services to its clients. In most cases, such litigation or proceedings, whether threatened or pending, relate to specific clients or a specific set of circumstances and are not systemic or directed at a particular institution or facility, the outcome of which would not be expected to have any material adverse effect on the issuance and delivery of the 2021 Certificates.

Legal Matters

Legal matters incident to the issuance of the 2021 Certificates and with regard to the tax-exempt status of the Interest Portion (see “TAX MATTERS” herein) are subject to the legal opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, whose legal services as Special Counsel have been retained by the Corporation. The signed legal opinion, dated and premised on law in effect as of the date of original delivery of the 2021 Certificates, will be delivered to the Corporations at the time of original delivery. The proposed text of the legal opinions is set forth as Appendix F. The legal opinions to be delivered may vary from the text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distribution of them by recirculation of the Offering Statement or otherwise shall create no implication that Special Counsel has reviewed or expresses any opinion concerning any of the matters referred to in the opinion subsequent to its date.

Financial Advisor

The Corporation has utilized the services of Public Resources Advisory Group, Inc. (“PRAG”), St. Petersburg, Florida, as its independent financial advisor in connection with the issuance of the 2021 Certificates. PRAG assisted in matters relating to the planning, structuring, and issuance of the 2021 Certificates. PRAG 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 and is not obligated to review or ensure compliance with the undertaking by the Corporation and Department to provide continuing secondary market disclosure.

Continuing Disclosure

The Department has covenanted and will undertake for the benefit of the Owners of the 2021 Certificates to provide, or cause to be provided, certain financial information and operating data (the “Annual Report”), and to provide notices of the occurrence of certain material events. The Annual Reports will be transmitted to the Municipal Securities Rulemaking Board (the “MSRB”) using its Electronic Municipal Market Access System (“EMMA”). Any notice of material events will also be transmitted to the MSRB using EMMA. The forms of these undertakings, including the specific nature of the information to be contained in the Annual Report and the notices of material events are set forth in the forms of the Continuing Disclosure Agreements, attached hereto as Appendix G. These undertakings are being made in order to assist the Underwriters in complying with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”).

The Department failed to file and/or was late in its filings under its prior undertakings relating to the 2005 Certificates and the 2006 Certificates. Going forward, the State, through the Division of Bond Finance, will take responsibility to ensure compliance with the new Continuing Disclosure Agreements. The Continuing Disclosure Agreements for the 2021 Certificates

shall be executed by the Department and the Division of Bond Finance, prior to the issuance of the 2021 Certificates. The Division of Bond Finance has policies and procedures in place to assist the Department in complying with disclosure undertakings. The form of the Continuing Disclosure Agreements and the Division of Bond Finance's policies and procedures were amended in response to the two new material events that were added, effective February 27, 2019, to the list of events for which notice is required under the Rule. No entity other than the Department is obligated to provide any continuing disclosure information with respect to the 2021 Certificates pursuant to the Rule.

Underwriting

J.P. Morgan Securities LLC (the "2021A Underwriter") has agreed to purchase the 2021A Certificates at an aggregate purchase price of \$14,623,156.94 (which represents the par amount of the 2021A Certificates plus an original issue premium of \$1,690,355.00 and minus the 2021A Underwriter's discount of \$12,198.06). The 2021A Underwriter may offer and sell the 2021A Certificates to certain dealers (including dealers depositing bonds into investment trusts, including trusts managed by the 2021A Underwriter) at prices lower than the initial offering prices. The offering prices or yields on the 2021A Certificates set forth on the inside front cover may be changed after the initial offering by the 2021A Underwriter.

Morgan Stanley & Co. LLC (the "2021B Underwriter") has agreed to purchase the 2021B Certificates at an aggregate purchase price of \$34,773,748.69 (which represents the par amount of the 2021B Certificates plus an original issue premium of \$6,264,852.15 and minus the 2021B Underwriter's discount of \$11,103.46). The 2021B Underwriter may offer and sell the 2021B Certificates to certain dealers (including dealers depositing bonds into investment trusts, including trusts managed by the 2021B Underwriter) at prices lower than the initial offering prices. The offering prices or yields on the 2021B Certificates set forth on the inside front cover may be changed after the initial offering by the 2021B Underwriter.

The 2021B Underwriter has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the 2021B Underwriter may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, the 2021B Underwriter may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2021B Certificates.

Execution of Offering Statement

The execution and delivery of this Offering Statement has been duly authorized by the Corporations and the Department.

STATE OF FLORIDA
STATISTICAL, DEMOGRAPHIC
AND
FINANCIAL INFORMATION

The information contained in this Appendix is intended to provide an overview of the organization of the State's government, as well as general economic, financial and demographic data which might be of interest in connection with the foregoing Official Statement. All information contained herein has been obtained from sources believed to be accurate and reliable. Estimates of future results are statements of opinion based on the most recent information available at the time such estimates were made, which was believed to be accurate. Such estimates are subject to risks and uncertainties which may cause actual results to differ materially from those set forth herein.

Importantly, all information and estimates contained in this Appendix were based upon the estimates and projections published by various resources, as cited throughout Appendix A, which were based upon the most recent information available at that time. However, unless otherwise indicated in the document, such projections do not reflect the potential impact of COVID-19 and are stale. As more information becomes available, the State will update the stale information but it is unknown when such updates will be made due to the evolving nature and still uncertain impact of COVID-19. Nevertheless, the information in Appendix A may be of general informational value from a "pre-COVID" perspective.

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STATE OF FLORIDA

GEOGRAPHY AND GENERAL HISTORY

Florida is the 26th largest state with land area of 54,252 square miles and a water area of 4,308 square miles, with tidal shoreline in excess of 2,200 miles. Florida has 67 counties and approximately 405 municipalities. The State capital is the City of Tallahassee.

Juan Ponce de Leon made the first recorded landing in Florida in 1513, and subsequently claimed the territory for Spain. The Spaniards founded the first permanent settlement, St. Augustine, in 1565. Florida was acquired by the United States from Spain in 1821, became a territory of the United States in 1822, and was admitted to statehood in 1845 as the 27th state.

STATE GOVERNMENT

Florida's governmental powers are divided among the executive, legislative and judicial branches.

Executive Branch

In 1998, voters approved amendments to the State Constitution which restructured the State Cabinet. Since adoption of the amendments, the State legislature has adopted several measures to implement the constitutional changes and to otherwise reorganize the executive branch of the State government.

The supreme executive power is vested in the Governor. The Lieutenant Governor acts as Governor upon a vacancy in the office or incapacity of the Governor. The executive branch consists of the Governor and Cabinet, which is comprised of the Attorney General, the Chief Financial Officer, and the Commissioner of Agriculture, each of whom is elected for four years. All executive functions are allotted among not more than 25 departments under the direct supervision of the Governor, Lt. Governor, Governor and Cabinet, or a Cabinet Member. The State Constitution limits cabinet members to eight consecutive years in office. A Governor who has served for more than 6 years in two consecutive terms may not be re-elected for the succeeding term.

Legislative Branch

The legislative power of the State is vested in a bicameral legislature, consisting of a senate and a house of representatives. There are 40 senatorial districts and 120 representative districts within the State. Senators are elected for four-year terms and representatives for two-year terms. The State Constitution limits legislators to eight consecutive years in office.

Regular sessions of the legislature convene on the first Tuesday after the first Monday in March of each odd-numbered year, and on the first Tuesday after the first Monday in January, or such other date as may be fixed by law, of each even-numbered year, and shall not exceed 60 days. Special sessions may be called by the Governor or by joint proclamation of the President of the Senate and the Speaker of the House of Representatives.

Judicial Branch

The judicial power is vested in a supreme court, 5 district courts of appeal, 20 circuit courts and 67 county courts. As a result of a constitutional amendment adopted in 1998, as of July 1, 2004 the legislature began funding certain costs of the judicial system previously borne by the counties.

Services Provided by State Government

The State provides a wide range of services to its residents and to its local government units. The education system is the most extensive service provided by the State. On November 5, 2002, voters approved constitutional amendments requiring class size reductions and providing for a free, voluntary pre-kindergarten program for 4-year-olds.

Over half of the State's general revenue appropriations are for education. All tax supported schools, from kindergarten through postsecondary, constitute a single, unified system of public education under the State Board of Education. Each of Florida's 67 counties comprises a single school district operating under an elected district school board. In addition, there are 48 area vocational-technical centers administered by the local school boards. The State's 28 Florida College System institutions (formerly community colleges) and twelve State universities are operated by local boards of trustees, under the oversight of the State Board of Education.

Government services are generally organized along functional or program lines into departments, which constitute the principal administrative units within the executive branch. Listed below are the departments and a brief summary of their respective responsibilities.

- Agency for Health Care Administration is the State's chief health policy and planning entity, and oversees the health care industry in the State.
- Department of Agriculture and Consumer Services inspects food and other consumer products to assure public safety, and assists in producing and promoting agricultural products as well as conserving agricultural resources. It also protects consumers against unfair and deceptive business practices and licenses private security, investigative and repossession services.
- Department of Business and Professional Regulation ensures that regulated industries and certain non-medical professionals meet prescribed standards of education, competency and practice. It also administers the State's child and farm labor laws and oversees workplace regulation and enforcement.

- Department of Children and Families provides family and health services to promote self-sufficiency. The department addresses neglect, abuse or exploitation of children and adults unable to protect themselves, and provides services to preserve families, prevent inappropriate institutional care and improve quality of life for people with mental illnesses. The *Agency for Persons With Disabilities*, an independent entity housed within the department, is responsible for providing services to developmentally disabled persons.
- Department of Citrus exercises its powers to stabilize and protect the citrus industry of the State.
- Department of Corrections is responsible for the incarceration, supervision and rehabilitation of criminal offenders. The *Florida Corrections Commission* monitors the State's correctional system and makes correctional policy recommendations.
- Department of Economic Opportunity oversees and coordinates economic development, housing, growth management, and community development programs, and unemployment compensation. The department was created by Chapter 2011-142, L.O.F. The department is required to develop a statewide five-year strategic plan to address the promotion of business formation, expansion, recruitment, and retention in order to create jobs for all regions of the state. The department includes the former Office of Tourism, Trade, and Economic Development as well as portions of the former Department of Community Affairs (DCA) and the former Agency for Workforce Innovation (AWI), and the Ready to Work Program from the Department of Education. Remaining portions of DCA and AWI were transferred to several other existing state agencies.
- Department of Education, under the direction of the State Board of Education, implements education policy and oversees Florida's education system through curriculum development, student assessment, teacher standards and certification, financial assistance, instructional support, community services, and workforce development and vocational rehabilitation programs. It also participates in oversight of higher education by providing support for the State's Florida College System institutions (formerly community colleges) and the State University System.
- Department of Elderly Affairs (also, Elder Affairs) administers services to assist the elderly in maintaining independence and quality of life, and to support their families and caregivers. The department also develops policy recommendations for long-term care.
- Department of Environmental Protection implements programs to protect against air and water pollution, ensure domestic water supplies, and coordinate the State's stormwater program. This department also oversees Florida's 175 State parks and other outdoor recreational facilities.
- Department of Financial Services, under the Chief Financial Officer, administers the State treasury and oversees accounting and auditing of State agencies. It also administers the State's risk management and fire marshal offices, regulates insurance agents and investigates insurance fraud, and participates in administration of the workers compensation system. The *Financial Services Commission*, an independent agency housed within the Department but consisting of the Governor and Cabinet, regulates securities transactions, financial institutions and insurers operating in the State.
- Department of Health oversees a State health plan, as well as a wide range of State and community efforts to prevent diseases and disabilities. The department monitors disease trends, provides health care and early intervention services, gives medical direction for child protection and sexual abuse treatment, promotes innovative and cost effective health care delivery systems, and serves as statewide repository of health data.
- Department of Highway Safety and Motor Vehicles promotes safe driving through law enforcement, public education, titling and registering motor vehicles and vessels, licensing drivers, and regulating vehicle exhaust.
- Department of Juvenile Justice coordinates the State's programs for juvenile offenders including prevention, diversion, residential and non-residential commitment, delinquency institutions, training, reentry and aftercare.
- Department of Law Enforcement conducts criminal investigations, provides criminal analysis laboratories, offers criminal justice training, and compiles statistics and maintains records of criminal activities.
- Department of Legal Affairs represents the State in civil lawsuits and in criminal appeals. It also issues formal advisory opinions and is the chief enforcement agency for antitrust, consumer protection, and civil racketeering laws.
- Department of the Lottery manages Florida's state lottery as a self-supporting, revenue producing department designed to generate additional funding for public education.
- Department of Management Services is responsible for various administrative functions of State government, including facilities management, information technology, administrative hearings, retirement, and state group insurance programs.
- Department of Military Affairs implements the National Defense Act as it applies to Florida, and administers the Florida National Guard with the Governor as Commander in Chief.
- Department of Revenue administers the collection, enforcement and auditing of taxes, manages tax information systems, provides taxpayer assistance, and administers the federal child support enforcement program in the State.
- Department of State oversees the elections process, corporate records, Florida's international relations, cultural entities, libraries and historic preservation.
- Department of Transportation is charged with providing a safe, interconnected statewide transportation system. Its responsibilities include planning and implementing transportation policies, designing and constructing facilities, and administering motor carrier compliance and toll operations.
- Department of Veterans' Affairs assists military veterans and their dependents in securing benefits to which they are entitled under federal or State law by virtue of their military service.
- The Public Employees Relations Commission is a neutral adjudicatory body which resolves public sector labor disputes, career service appeals, veteran's preference appeals, drug testing cases, certain age discrimination cases, and whistleblower appeals.
- The Public Service Commission, an arm of the legislature, regulates the operation of electric utilities, telecommunications and telephone companies, and water or wastewater utilities within the State.
- The State is divided into five water management districts to provide water resource planning and development.

In addition to statutorily created departments and commissions, there are several constitutional boards responsible for governmental functions.

- A 17-member Board of Governors is responsible for managing the State University System. The Board consists of 14 members appointed by the governor, plus the commissioner of education, a faculty representative and a student representative.
- Fish and Wildlife Conservation Commission, comprised of seven members appointed by the Governor, exercises the State's regulatory and executive powers with respect to wild animal life, fresh water aquatic life, and marine life.
- Government Efficiency Task Force, comprised of members of the public and private sectors, develops recommendations to improve government operations and reduce costs, beginning in 2007 and each fourth year thereafter.
- Florida Commission on Ethics enforces the State's code of ethics for public employees and officers not under the jurisdiction of the Judicial Qualification Commission.
- Joint Legislative Budget Commission, composed of an equal number of members of the respective houses of the legislature, develops the State's long-range financial outlook and reviews certain proposed budget amendments.
- Judicial Qualification Commission investigates and makes recommendations to the Supreme Court with respect to action against any justice or judge whose conduct may warrant disciplinary measures.
- Florida Commission on Offender Review is made up of three members appointed by the Governor. It is responsible for determining which prisoners will be granted parole and the terms of conditional release, whether a person has violated parole, and for reporting on persons under consideration for clemency.
- Taxation and Budget Reform Commission, established in 2007 and each 20th year thereafter to examine the State's budgetary process, revenue needs and tax policy, to determine funding methods favored by citizens, and to recommend changes.
- State Board of Administration, comprised of the Governor, Attorney General and Chief Financial Officer, is the long-term investment body for the State. It also serves as fiscal agent or trustee with respect to bonds issued by the State or its agencies, and manages investment of Florida's retirement system monies.
- State Board of Education is the chief policy making and coordinating body of public education and vocational rehabilitation in Florida. It consists of seven members appointed by the Governor

DEMOGRAPHIC & ECONOMIC INFORMATION

Population

Florida ranks as the third most populous state, with an estimated population of 21.6 million as of April 1, 2020. This represents a 1.8% increase from April 1, 2019.

Florida's average annual population growth rate was 1.7% from 2000 to 2010, which exceeded the nation's average annual population growth rate of 0.9% over the same period. However, Florida's average annual population growth rate decreased to 0.8% between 2011 and 2013, which was on pace with the U.S. average annual growth rate of 0.8% for the same time period. Beginning in 2015, Florida's average annual population growth rate rebounded to 1.62% or higher while the U.S. average annual growth rate remained at 0.74% or lower for the same time period. Typically there are two drivers of population growth – natural increases (births minus deaths) and net migration (people moving into the state minus people moving out of the State). Historically, Florida's population growth has been driven by positive net migration; however, net migration fell to record low levels during much of 2008 and into 2009, during which period natural increase exceeded net migration. Net migration returned as a decisive factor beginning in 2016 as Florida's population continues to increase.

Population Change Florida and U.S.*

Year	Florida		U. S.	
	(in thousands)	% change	(in thousands)	% change
2000**	15,983	23.5%	281,425	13.2%
2010	18,801	17.6	308,746	9.7
2020	21,682	14.7	332,639	7.7
2030 (projected)	24,372	12.4	355,101	6.8
2040 (projected)	26,336	8.1	373,528	5.2

Source: Office of Economic and Demographic Research, Demographic Estimating Conference held on November 13, 2020, and U.S. Census Bureau.

*U.S. actual populations are as of April 1 of each year whereas projected populations as of July 1, and all Florida numbers are as of April 1 of each year.

** % change compared to population from 1990.

The age distribution of Florida's population differs from that of the nation because Florida has a somewhat larger elderly population and a slightly smaller working age population than the nation. Florida's 2010 population aged 65 or older was 17.3% of the State's population and is projected to increase to 20.4% by 2020. Whereas the nation's population aged 65 or older in 2010 was approximately 13% and is expected to increase to 16.9% by 2020. Florida's 2010 working age population (18-64) was 61.4% of total population and is expected to decline to 59.3% in 2020, and by comparison, the working age population (18-64) in the US in 2010 was 62.9% of total population currently and projected to increase to 61%.

Florida Population Age Trends

Age	2010		2020*		2030*		2040*	
	Population	% of total	Population	% of total	Population	% of total	Population	% of total
0-4	1,073,506	5.7%	1,192,898	5.5%	1,342,509	5.5%	1,387,837	5.3%
5 to 17	2,928,585	15.6%	3,174,741	14.7%	3,533,675	14.5%	3,803,754	14.4%
18-24	1,739,657	9.3%	1,850,630	8.6%	2,029,404	8.3%	2,154,621	8.2%
25-44	4,720,799	25.1%	5,355,283	24.8%	6,029,413	24.7%	6,279,280	23.8%
45-64	5,079,161	27.0%	5,578,195	25.9%	5,557,478	22.8%	6,090,369	23.0%
65+	<u>3,259,602</u>	17.3%	<u>4,404,239</u>	20.4%	<u>5,933,699</u>	24.3%	<u>6,712,865</u>	25.4%
Total	18,801,310		21,555,986		24,426,178		26,428,726	

Source: Office of Economic and Demographic Research. The Florida Legislature (December 2019).

* Based on 2019 population projections.

Florida's Gross Domestic Product

Florida's Gross Domestic Product ("GDP") represents the value of goods and services produced by the State, and serves as a broad measure of the State's economy. According to the U.S. Bureau of Economic Analysis (BEA), Florida's GDP for 2019 was estimated at \$952 billion, which is approximately 3.7% higher than 2018 GDP of \$918 billion. Private industry accounted for 90% of Florida's 2019 GDP and government accounted for the remaining 10%. Real estate was the largest single industry, accounting for 16% of Florida's 2019 GDP. Tourism is not treated as a separate industry sector, but remains an important aspect of the Florida economy. Its financial impact is reflected in a broad range of market sectors, such as transportation, communications, retail trade and services, and in State tax revenues generated by business activities which cater to visitors, such as hotels, restaurants, admissions and gift shops. According to *Visit Florida*, the direct support organization for the Florida Commission on Tourism, approximately 131.4 million people visited the State in 2019, a 3.4% increase over the final 2018 total. A majority of the tourism-related industries are in the leisure and hospitality industry sector of the Florida economy. The leisure and hospitality industry has a significant impact on Florida's GDP. According to the BEA, the leisure and hospitality industry was responsible for approximately 6% of Florida's GDP in 2019.

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The following table compares the components of the State's GDP over the most recent six-year period available.

Florida's Gross Domestic Product by Major Industry

(millions of chained 2012 dollars)¹

Industry ²	<u>2014</u>	<u>% of Total</u>	<u>2019</u>	<u>% of Total</u>
Agriculture, forestry, fishing and hunting	\$6,653	0.8%	\$7,758	0.8%
Mining	1,435	0.2	2,137	0.2
Utilities	15,119	1.9	15,414	1.6
Construction	30,258	3.8	43,283	4.5
Manufacturing	41,577	5.2	53,601	5.6
Wholesale trade	56,103	7.3	67,535	7.1
Retail trade	61,546	7.6	73,335	7.7
Transportation and warehousing,	26,878	3.3	30,878	3.2
Information	35,563	4.4	49,508	5.2
Finance and insurance	45,070	5.6	53,947	5.7
Real estate and rental and leasing	130,721	16.2	153,036	16.1
Professional, scientific, and technical services	58,633	7.3	73,845	7.8
Management of companies and enterprises	13,377	1.7	19,606	2.1
Administrative and waste management services . . .	31,961	4.0	38,625	4.1
Educational services	9,327	1.2	9,238	1.0
Health care and social assistance	70,834	8.8	85,178	8.9
Arts, entertainment and recreation	14,024	1.7	15,057	1.6
Accommodation and food services	34,789	4.3	38,547	4.0
Other services, except government	21,702	2.7	23,373	2.5
Government	<u>96,794</u>	12.0	<u>98,751</u>	10.4
Total	<u>\$805,364</u>		<u>\$952,651</u>	

Source: U.S. Department of Commerce, Bureau of Economic Analysis (August 2020).

¹ A measure of real output and prices using 2012 as the base year and applying annual - weighted indexes to allow for changes in relative prices and associated purchasing patterns over time, as developed by the Bureau of Economic Analysis.

² According to the U.S. Department of Labor, Federal Bureau of Labor Statistics, the leisure and hospital industry sector consists of (i) the arts, entertainment and recreation industry, and (ii) the accommodations and food service industry.

According to the Florida Department of Business and Professional Regulation, as of August 1, 2020, there were 57,165 food service establishments licensed by the state with seating capacity of 4,242,937, and 50,795 lodging establishments licensed by the state with 1,843,553 total units. According to the Florida Department of Environmental Protection, visitors to the State's public parks and recreation areas totaled 29.4 million for Fiscal Year 2019, a 4.6% increase from the prior year.

Transportation of goods and passengers is facilitated by Florida's integrated transportation system. According to the Florida Department of Transportation, the State has approximately 122,848 miles of public roads, 2,743 miles of railroad track, AMTRAK passenger train service, 20 commercial airports, 15 deep water seaports, and 31 fixed route urban transit systems. According to the Federal Aviation Administration (FAA), based on calendar year 2018 FAA enplanements numbers, five Florida airports were among the top 50 in the U.S.

In 2018, agriculture, forestry and fishing constituted only about 0.8% of GDP. However, according to the U.S. Department of Agriculture, in 2017, the State ranked 1st in production of oranges, squash, sugar cane, grapefruit, tomatoes, snap beans and cucumbers and ranked 2nd for production of bell peppers, strawberries, watermelon, cabbage and corn. In 2017, Florida accounted for more than half of the nation's agricultural value of production for grapefruit and oranges.

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Construction activity, which constituted approximately 4.5% of Florida's 2019 GDP, is another factor to consider in analyzing the State's economy. The following table shows housing starts and construction values from 2010 -2020.

Florida Housing Starts and Construction Value: 2010-2020¹

<u>Year</u>	<u>Housing Starts</u> <u>(thousands)</u>		<u>Construction Value</u> <u>(millions of current dollars)</u>			
	<u>Single Family</u>	<u>Multi-Family</u>	<u>Single Family</u>	<u>Multi-Family</u>	<u>Non-Residential</u>	<u>Total</u>
2010	29.0	10.2	\$7,708.0	\$1,124.4	\$15,871.7	\$24,704.1
2011	29.3	12.3	8,180.6	1,486.2	13,140.0	22,806.7
2012	40.0	20.6	11,806.2	2,693.8	14,186.4	28,686.5
2013	53.4	29.6	16,923.1	3,805.7	12,892.3	33,621.1
2014	53.5	39.4	17,212.8	6,914.4	15,891.7	40,019.0
2015	64.5	49.8	21,406.7	8,034.8	22,206.5	51,648.1
2016	71.1	52.7	22,721.8	10,089.8	23,731.5	56,543.1
2017	79.8	50.4	24,980.4	7,518.0	28,679.6	61,178.0
2018	91.0	53.7	28,075.9	8,758.2	25,738.1	62,572.2
2019	94.9	68.3	29,585.1	10,146.2	30,943.5	70,674.8
2020	59.9	34.4	18,203.2	5,112.0	12,748.4	36,063.5

Source: Office of Economic and Demographic Research, the Florida Legislature (August 2020).

¹ Data is subject to revision on a monthly basis for up to five years.

Employment

As shown below, total employment in Florida decreased from 9.89 million in Fiscal Year 2019 to 9.66 million in Fiscal Year 2020, which was largely caused by the economic impacts from business restrictions enacted in response to the COVID-19 pandemic. The unemployment rate increased from 3.4% in Fiscal Year 2019 to 5.5% in Fiscal Year 2020. Prior to Fiscal Year 2020 and the COVID-19 pandemic, the unemployment rate decreased each year for nine consecutive years. Florida's unemployment rate continues to trend in line with the nation's unemployment rate.

Unemployment Rate, Florida vs. U.S.

<u>Fiscal</u>	<u>Total Civilian Labor Force</u> <u>(in thousands)</u>		<u>Total Employment</u> <u>(in thousands)</u>		<u>Annual Average</u> <u>Unemployment Rate</u> <u>(percent)</u>	
	<u>Florida</u>	<u>U.S.</u>	<u>Florida</u>	<u>U.S.</u>	<u>Florida</u>	<u>U.S.</u>
<u>Year</u>						
2008-09	9,183.0	154,600.0	8,420.6	142,800.0	8.3	7.6
2009-10	9,159.4	153,900.0	8,143.6	138,900.0	11.1	9.7
2010-11	9,195.1	153,600.0	8,186.6	139,400.0	11.0	9.3
2011-12	9,319.9	154,300.0	8,441.0	141,200.0	9.4	8.5
2012-13	9,409.8	155,300.0	8,670.6	143,200.0	7.9	7.8
2013-14	9,497.9	155,500.0	8,869.7	145,000.0	6.6	6.8
2014-15	9,597.0	156,600.0	9,046.0	147,700.0	5.7	5.7
2015-16	9,729.1	158,000.0	9,243.8	150,100.0	5.0	5.0
2016-17	9,967.3	159,800.0	9,492.5	152,400.0	4.8	4.7
2017-18	10,161.7	161,100.0	9,763.3	154,500.0	3.9	4.1
2018-19	10,237.7	162,700.0	9,892.8	156,500.0	3.4	3.8
2019-20	10,205.7	162,600.0	9,663.1	153,000.0	5.5	6.0

Source: Office of Economic and Demographic Research, Florida Economic Estimating Conference held July 17, 2020, and National Economic Estimating Conference held July 10, 2020.

As shown below, the total number of non-agricultural jobs in Florida increased 18.6% since 2013 through 2018. At the same time, total U.S. non- agricultural jobs have increased 10.3%. In 2018, the leisure and hospitality was the largest industry in Florida, accounting for nearly 12% of all non- farm jobs.

**Composition of Nonagricultural Employment
Florida and the Nation**
(In thousands)

Industry ¹	2013				2018			
	Florida		United States		Florida		United States	
	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total	# of Jobs	% of Total
Mining	27.8	0.3	1,607.0	0.9	23.0	0.2	1,353.7	0.7
Construction	532.9	5.1	9,237.8	5.2	758.2	6.2	10,973.3	5.6
Manufacturing	360.1	3.5	12,761.2	7.1	419.8	3.4	13,501.3	6.8
Transportation and warehousing	336.7	3.2	6,012.8	3.4	605.9	4.9	9,364.3	4.7
Utilities	24.1	0.2	578.3	0.3	25.7	0.2	589.7	0.3
Wholesale trade	365.8	3.5	6,343.1	3.5	386.1	3.1	6,422.2	3.3
Retail trade	1,181.3	11.4	18,369.1	10.3	1,331.3	10.8	19,307.5	9.8
Information	172.1	1.7	3,264.6	1.8	184.4	1.5	3,460.1	1.8
Finance and Insurance	636.1	6.1	9,815.3	5.5	727.1	5.9	10,394.6	5.3
Real estate and rental and leasing	619.4	6.0	8,056.8	4.5	797.9	6.5	9,504.8	4.8
Professional, scientific, and technical services	728.8	7.0	12,544.3	7.0	884.2	7.2	14,203.9	7.2
Management of companies and enterprises	107.2	1.0	2,265.0	1.3	140.6	1.1	2,669.5	1.4
Administrative and waste management services	837.0	8.1	11,366.9	6.4	1,001.9	8.1	12,472.9	6.3
Educational services	205.8	2.0	4,339.1	2.4	234.4	1.9	4,771.7	2.4
Health care and social assistance	1,174.1	11.3	20,499.2	11.5	1,347.8	10.9	22,619.8	11.5
Arts, entertainment, and recreation	312.8	3.0	4,043.8	2.3	369.0	3.0	4,684.9	2.4
Accommodation and food services	894.4	8.6	13,099.2	7.3	1,076.3	8.7	15,077.5	7.6
Other services, except government	714.2	6.9	10,512.5	5.9	810.8	6.6	11,257.9	5.7
Government	<u>1,163.4</u>	11.2	<u>24,055.0</u>	13.5	<u>1,197.8</u>	9.7	<u>24,543.0</u>	12.4
Total	<u>10,394.0</u>		<u>178,771.0</u>		<u>12,322.2</u>		<u>197,172.6</u>	

Source: US Department of Commerce, Bureau of Economic Analysis (September 2019).

¹ According to the U.S. Department of Labor, Federal Bureau of Labor Statistics, the leisure and hospital industry sector consists of (i) the arts, entertainment and recreation industry, and (ii) the accommodations and food service industry.

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Income

Historically, Florida's total personal income has grown at rates similar to those of the U.S. and the other southeastern states. From 2010 to 2019, Florida's total personal income grew by 54% and per capita income increased approximately 35%. For the Nation and the Southeast, total personal income increased by 48% and 46%, respectively, while per capita income grew 40% and 35%, respectively, over the same time period.

Florida per capita income remains above the Southeast region, but below the Nation. The following table shows total and per capita personal income for the U.S., the Southeast, and Florida for 2010 through 2019.

Total and Per Capita Personal Income U.S., Southeast and Florida

Year	Total Personal Income						Per Capita Personal Income					
	(In millions of Current Dollars)						(In Current Dollars)					
	U.S.	% Change	S.E.	% Change	Florida	% Change	U.S.	% Change	S.E.	% Change	Florida	% Change
2010	\$12,541,995	n/a	\$2,865,793	n/a	\$725,074	n/a	\$40,576	n/a	\$36,474	n/a	\$38,475	n/a
2011	13,315,478	6.2%	3,020,197	5.4%	764,634	5.5%	42,739	5.4%	38,131	4.5%	40,131	4.3%
2012	13,998,383	5.1	3,157,295	4.5	793,429	3.8	44,605	4.4	39,515	3.6	41,115	2.5
2013	14,175,503	1.3	3,170,414	0.4	795,425	0.3	44,860	0.6	39,368	(0.4)	40,696	(0.1)
2014	14,982,715	5.7	3,353,411	5.8	856,162	7.6	47,071	4.9	41,283	4.9	43,140	6.0
2015	15,709,242	4.8	3,527,587	5.2	915,896	7.0	48,994	4.1	43,011	4.2	45,321	5.1
2016	16,111,636	2.6	3,618,079	2.6	942,461	2.9	49,890	1.8	43,658	1.5	45,721	0.9
2017	16,870,106	4.7	3,791,472	4.8	1,004,144	6.5	51,910	4.0	45,331	3.8	47,899	4.8
2018	17,813,035	5.6	3,995,047	5.4	1,066,447	6.2	54,526	5.0	47,392	4.5	50,199	4.8
2019	18,599,062	4.4	4,172,490	4.4	1,116,597	4.7	56,663	3.9	49,145	3.7	51,989	3.6

Source: U.S. Department of Commerce, Bureau of Economic Analysis (March 2020).

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The following table shows Florida personal income and earnings by major source for calendar years 2014 and 2019. Total Income in Florida has increased approximately 30% over the five year time period. Increases and decreases in income varied across industries, with mining and real estate realizing the largest percentage increases.

Florida Personal Income and Earnings by Major Source: 2014 vs. 2019
(thousands of current dollars)

	<u>2014</u>	<u>% Total</u>	<u>2019</u>	<u>% Total</u>
Wages and Salaries/Earnings:				
Private:				
Forestry, fishing and other	\$1,736,907	0.2%	\$1,988,777	0.2%
Mining	180,051	0.0%	517,973	0.0%
Utilities	3,324,869	0.3%	4,253,432	0.3%
Construction	27,782,655	2.8%	46,464,830	3.6%
Manufacturing	24,520,144	2.5%	32,797,093	2.5%
Wholesale Trade	29,075,674	2.9%	35,190,015	2.7%
Retail Trade	40,004,832	4.0%	47,937,627	3.7%
Transportation & Warehousing	19,071,950	1.9%	26,052,493	2.0%
Information	15,688,191	1.6%	17,756,576	1.4%
Finance and insurance	34,711,108	3.5%	48,821,965	3.8%
Real estate and rental and leasing	10,302,513	1.0%	18,667,976	1.5%
Professional and technical services	49,533,033	5.0%	67,467,605	5.2%
Management of companies and enterprises	11,077,275	1.1%	16,139,053	1.3%
Administrative and waste services	29,242,051	3.0%	38,803,946	3.0%
Educational services	8,251,219	0.8%	9,290,815	0.7%
Health care and social assistance	65,293,150	6.6%	83,238,598	6.5%
Arts, entertainment and recreation	10,430,326	1.1%	12,589,823	1.0%
Accommodation and food services	24,717,734	2.5%	32,995,357	2.6%
Other services, except public administration	<u>24,182,353</u>	<u>2.4%</u>	<u>29,974,168</u>	<u>2.3%</u>
Total Private	429,126,035	43.4%	570,948,122	44.4%
Government & government enterprises	<u>80,413,507</u>	<u>8.1%</u>	<u>91,717,053</u>	<u>7.1%</u>
Total Non-Farm Earnings:	509,539,542	51.5%	662,665,175	51.5%
Farm Earnings:	2,841,809	0.3%	2,886,330	0.2%
Total Wages & Salaries Earnings:	512,381,351	51.8%	665,551,505	51.7%
Other Income:				
plus: Dividends, Interest & Rent	230,395,248	23.3%	304,627,363	23.7%
plus: Personal current transfer receipts	169,944,443	17.2%	219,407,948	17.0%
plus: Adjustment for residence	3,210,746	0.3%	3,781,730	0.3%
Less: Contributions for social insurance	<u>(59,770,106)</u>	<u>(6.0)%</u>	<u>(76,771,629)</u>	<u>(6.0)%</u>
Total Other Income:	343,780,331	34.7%	451,045,412	35.0%
Total Personal Income and Earnings:	856,161,682	86.5%	1,116,596,917	86.7%
Other Earnings:				
Supplements to wages and salaries	82,030,386	8.3%	103,880,242	8.1%
Proprietors' income:	<u>51,508,988</u>	<u>5.2%</u>	<u>66,671,459</u>	<u>5.2%</u>
Total Other Earnings:	133,539,374	13.5%	170,551,701	13.3%
TOTAL INCOME AND EARNINGS:	\$989,701,056	100.0%	\$1,287,148,618	100.0%

Source: U.S. Department of Commerce, Bureau of Economic Analysis (March 2020).

International Trade

Florida's location lends itself to international trade and travel. Florida was the 7th largest exporter in the nation in 2019. The State's international merchandise trade (imports and exports) totaled \$153.6 billion in 2019, which was nearly flat compared to 2018 (increase of 0.1%). Between 2018 and 2019, Florida's merchandise exports decreased by 1.6% but imports increased by approximately the same percentage.

The State's top five exports for 2019 were aircraft, telecommunications equipment, vehicles, computers, and medical supplies. The top imports for that year were vehicles, repairs and returns, oil, telecommunications equipment, and jet aircrafts. Florida's top trading partners for 2019 were Brazil, China, Chile, Japan and Columbia. (Source: Enterprise Florida, June 2019).

Florida's International Trade (in billions)

<u>Year</u>	<u>Exports</u>	<u>% Change</u>	<u>Imports</u>	<u>% Change</u>
2010	73,064	22.0	53,164	n/a
2011	86,753	18.7	62,413	17.4%
2012	90,360	4.2	71,833	15.1
2013	85,460	(5.4)	73,119	1.8
2014	81,776	(4.3)	71,228	(2.6)
2015	73,305	(10.4)	73,797	3.6
2016	67,840	(7.5)	74,731	1.3
2017	70,220	3.5	77,432	3.6
2018	73,464	4.6	80,012	3.3
2019	72,296	(1.6)	81,297	

Source: Enterprise Florida (June 2019).

Primary Sources of Sales Tax

The following tables illustrate taxable sales by category of expenditure from 2011 to 2020, and compare the top 25 types of businesses generating sales tax revenues.

Florida Taxable Sales and Sales Tax Liability by Category **Fiscal Years ended June 30** (in millions)

<u>Fiscal</u> <u>Year</u>	<u>Consumer Non-durables</u>				<u>Consumer Durables</u>				<u>Building</u>		<u>Business</u>	
	<u>Recreation/Tourism</u>		<u>Other</u>		<u>Autos & Accessories</u>		<u>Other</u>		<u>Investment</u>		<u>Investment</u>	
	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>	<u>Sales</u>	<u>Taxes</u>
2011	\$63,818	\$3,816	\$94,741	\$5,724	\$45,889	\$2,744	\$19,271	\$1,152	\$15,129	\$905	\$56,836	\$3,330
2012	68,168	4,076	98,880	5,974	48,803	2,918	20,431	1,222	15,845	947	58,543	3,430
2013	72,029	4,307	102,711	6,206	53,922	3,225	21,711	1,298	17,893	1,070	61,397	3,597
2014	77,043	4,607	107,830	6,515	59,673	3,568	23,194	1,387	20,061	1,200	65,615	3,844
2015	83,618	5,000	113,922	6,883	65,391	3,910	25,044	1,498	22,038	1,318	70,668	4,140
2016	88,620	5,299	115,902	7,003	70,461	4,213	26,358	1,576	23,945	1,432	76,227	4,466
2017	92,457	5,529	120,839	7,301	73,844	4,416	26,632	1,592	25,494	1,524	81,000	4,746
2018	98,448	5,887	125,786	7,600	76,471	4,573	27,791	1,662	27,373	1,637	87,193	5,108
2019	103,710	6,201	131,229	7,929	78,974	4,722	27,893	1,668	29,443	1,761	95,404	5,590
2020*	92,252	5,516	127,587	7,709	78,820	4,713	26,809	1,603	29,726	1,778	96,656	5,663

Source: Office of Economic and Demographic Research (October 2020).

* Fiscal Year 2020 sales decreased or remained flat when compared to Fiscal Year 2019, which was largely caused by the economic impacts from business restrictions enacted in response to the COVID-19 pandemic.

State Sales Tax Collections by Top 25¹ Business Types
Fiscal Years Ended June 30

Type of Business	2015	2020
Automotive Dealers (Sales & Lease), Tag Agencies & Tax Collectors	\$3,279,690,634	\$3,939,180,909
General Miscellaneous Merchandise Stores	3,137,799,860	3,771,214,750
Restaurants, Lunchrooms, Catering Services	2,267,094,237	2,491,143,298
Leased or Rental of Commercial Real Property	1,483,527,151	1,924,780,343
Hotel/Motel Accommodations, Rooming Houses, Camp & Other Lodging Places	1,332,241,033	1,453,182,292
Food & Beverage Stores	1,122,002,895	1,405,234,806
Lumber and Other Building Materials Dealers	965,531,546	1,363,135,080
Wholesale Dealers	735,181,725	1,128,590,979
Admissions, Amusement & Recreation Services	832,925,908	900,966,230
Apparel & Accessory Stores	918,833,921	837,066,638
Manufacturing	547,320,131	771,251,311
Utilities, Electric, Gas, Water, Sewer	523,878,145	566,811,635
Radio, Television, Consumer Electronics, Computers, Music Stores	592,395,406	562,706,859
Home Furniture, Furnishings & Equipment	511,939,342	558,292,765
Rental of Tangible Personal Property	297,267,935	401,698,579
Automotive Accessories & Parts	312,343,011	370,577,397
Automobile Repair & Services	268,118,040	340,242,645
Communications, Telephone, Telegraph, Radio & Television Stations ²	244,314,955	293,947,425
Building Contractors	193,309,262	248,029,118
Paint, Wallpaper & Hardware Dealers	180,524,719	222,879,434
Insurance, Banking, Savings and Loans, Research Information Services, Income Tax Reports	137,162,103	219,896,180
Taxable Services (per Chapter 212, F.S.)	165,637,388	209,779,879
Boat Dealers	126,646,210	172,903,560
Industrial Machinery	118,233,433	170,306,139
Repair of Tangible Personal Property	136,553,610	163,342,485

Source: Florida Department of Revenue, Office of Tax Research.

¹ Top 25 business types as of 2020.

² Includes sales and use tax portion of Communications Service Tax.

STATE FINANCIAL OPERATIONS

Florida law requires that financial operations of the State be maintained through the General Revenue Fund, trust funds, and the Budget Stabilization Fund administered by the Chief Financial Officer. The majority of State tax revenues are deposited in the General Revenue Fund. Trust funds consist of monies which under law or trust agreement are segregated for a specified purpose. State monies are disbursed by the Chief Financial Officer upon warrants or other orders pursuant to appropriations acts. The Governor and Chief Financial Officer are responsible for insuring that sufficient revenues are collected to meet appropriations and that no deficits occur in State funds.

The State Constitution mandates the creation and maintenance of a Budget Stabilization Fund, in an amount not less than 5% nor more than 10% of the last complete fiscal year's net revenue collections for the General Revenue Fund. Monies in the Budget Stabilization Fund may be transferred to the General Revenue Fund to offset a deficit therein or to provide emergency funding, including payment of up to \$38 million with respect to certain uninsured losses to state property. Monies in this fund are constitutionally prohibited from being obligated or otherwise committed for any other purpose. Any withdrawals from the Budget Stabilization Fund must be restored from general revenues in five equal annual installments, commencing in the third fiscal year after the expenditure, unless the legislature establishes a different restoration schedule.

The State Constitution prohibits the Legislature from appropriating nonrecurring general revenue funds for recurring purposes in an amount that exceeds 3% of the total general revenue funds estimated to be available at the time the appropriation is made. The Legislature may override this prohibition by a three-fifths vote of the membership of each house. Nonrecurring general revenue funds are general revenue funds (such as transfers to the general revenue fund from trust funds) that are not expected to be available on an ongoing basis.

The State budget must be kept in balance from current revenues each State fiscal year (July 1-June 30), and the State may not borrow to fund governmental operations. (See "**Budget Shortfalls**" below.) Revenues in the General Revenue Fund which exceed amounts needed to fund appropriations or for transfers to the Budget Stabilization Fund are maintained as "unallocated general revenues."

Budgetary Process

The State's budgetary process is an integrated, continuous system of planning, evaluation and controls. State law requires that, no later than each September 15, the Joint Legislative Budget Commission prepare a long-range State financial outlook. The outlook includes major workloads and revenue estimates and recommends fiscal strategies to assist the legislature in making budget decisions. State agencies are also required to develop goals and objectives consistent with the State long-range planning document.

Individual State agencies prepare and submit appropriation requests to the Office of Planning and Budgeting, Executive Office of the Governor, generally no later than October 15 of the year preceding legislative consideration. The Office of Planning and Budgeting conducts a detailed evaluation of all agency requests, after which it makes budget recommendations to the Governor.

From recommended appropriations and revenue estimates, the Governor submits a recommended budget to the legislature. The House and Senate each adopt their respective versions of the appropriations bill and any differences are worked out by a conference committee composed of both House and Senate members. The conference committee adopts a committee version of the appropriations bill which is then voted on by each member of the House and Senate. After passage of the appropriations bill, the bill is sent to the Governor, who has 7 consecutive days (15 days if the Legislature has adjourned or taken a recess of more than 30 days) after the bill is presented to him to sign or exercise his line item veto power before the bill becomes law.

The State has routinely completed the budget for the next fiscal year prior to the end of the current fiscal year. Only one time in at least the last 60 years was the budget not completed prior to the start of the fiscal year. In 1992, the budget was implemented on the first day of the fiscal year, i.e., July 1. In this instance the payment of all financial obligations and the delivery of services occurred normally.

With almost all of the State's debt paid semi-annually, debt service payments generally occur at intervals which would provide additional time before a payment is due if a budget was not adopted before the start of the fiscal year. Debt service payments due at the beginning of a fiscal year are paid from appropriations of the prior fiscal year.

In the event a budget was not adopted before the beginning of the fiscal year, the Legislature and the Governor could authorize appropriations for debt service even if they did not agree on other appropriations.

Revenue Estimates

State law provides for consensus estimating conferences to develop official economic and demographic data and revenue forecasts for use in planning and budgeting. Each conference develops estimates within its area of expertise by unanimous consent of the conference principals. The four principals of the estimating conference are professional staff of the Governor's Office, Senate, House of Representatives and the Legislature's Office of Economic and Demographic Research. Once an estimating conference is convened, an official estimate does not exist until a new consensus is reached.

Consensus revenue estimating conferences are generally held three times each year to estimate revenue collections for the next fiscal year based on current tax laws and administrative procedures. General State and National economic scenarios are agreed upon by the conference principals. Consensus Estimating Conferences are held in late summer to refresh estimates for the Long Range Financial Outlook (Article III, Section 19(c)1, Florida Constitution), the fall to establish a forecast for the Governor's budget recommendations, and in the spring to determine the revenues available for appropriation during the legislative session. Conferences may reconvene at any time if it is felt that prior recommendations are no longer valid. Conferences are also held during legislative session to determine the fiscal impact of proposed tax law changes, and after each legislative session to review changes in tax legislation and to amend official conference recommendations accordingly.

There are currently ten estimating conferences formally identified in statute: Economic, Demographic, Revenue, Education, Criminal Justice, Social Services, Workforce, Early Learning, Self- Insurance, and Florida Retirement System Actuarial Assumptions.

State Revenue Limitation

The rate of growth in State revenues in a given fiscal year is limited to no more than the average annual growth rate in personal income over the previous five years. Revenues have never exceeded the limitation. Revenues collected in excess of the limitation are to be deposited into the Budget Stabilization Fund unless two-thirds of the members of both houses of the legislature vote to raise the limit. The revenue limit is determined by multiplying the average annual growth rate in personal income over the previous five years by the maximum amount of revenue permitted under the cap for the previous year. State revenues include taxes, licenses, fees, and charges for services imposed by the legislature on individuals, businesses, or agencies outside of State government as well as proceeds from the sale of lottery tickets. State revenues subject to the limitation do not include lottery receipts returned as prizes; balances carried forward from prior years; proceeds from the sale of goods (e.g. land, buildings); funds pledged for debt service on State bonds; State funds used to match federal money for Medicaid (partially exempt); charges imposed on the local governmental level; receipts of the Hurricane Catastrophe Trust Fund; and revenues required to be imposed by amendment to the Constitution after July 1, 1994. The revenue limitation may be adjusted to reflect the transfer of responsibility for funding governmental functions between the State and other levels of government.

In addition, no new state tax or fee shall be imposed by any amendment to the Florida Constitution unless the proposed amendment is approved by not fewer than two-thirds of the voters voting in the election in which such proposed amendment is considered. The phrase "new State tax or fee" shall mean any tax or fee which would produce revenue subject to lump sum or other appropriation by the Legislature, either for the State general revenue fund or any trust fund, which tax or fee was not in effect on November 7, 1994.

Financial Control

After the appropriations bill becomes law, **the Office of Planning and Budgeting prepares monthly status reports comparing actual revenue receipts to the estimates on which appropriations were based.** This constant cash flow monitoring system enables the Governor and the Chief Financial Officer to insure that revenues collected will be sufficient to meet appropriations.

All balances of General Revenue Fund appropriations for operations in each fiscal year (except appropriations for fixed capital outlay) expire on the last day of such fiscal year. Amounts identified by agencies as incurred obligations which have not been disbursed as of June 30 are carried forward, with unused amounts expiring on September 30. Because capital projects are often funded on a multi-year basis, with the full appropriation being made in the first year even though payments are actually made over multiple years, unused appropriations for fixed capital outlay revert on February 1 of the second fiscal year (the third fiscal year if for an educational facility or a construction project of a State university).

Budget Shortfalls

Appropriations are maximum amounts available for expenditure in the current fiscal year and are contingent upon the collection of sufficient revenues. The Governor and the Chief Financial Officer are responsible for ensuring that revenues collected will be sufficient to meet appropriations and that no deficit occurs in any state fund. A determination that a deficit has occurred or will occur can be made by either the Governor or the Chief Financial Officer after consultation with the Revenue Estimating Conference. If the Governor fails to certify a deficit, the Speaker of the House of Representatives and President of the Senate may do so after consultation with the Revenue Estimating Conference. A determination made by the Chief Financial Officer is reported to the Governor, the Speaker of the House and the President of the Senate, and, if neither the Governor nor the House Speaker and Senate President certifies the existence of a deficit within 10 days after the report by the Chief Financial Officer the Chief Financial Officer must then report his or her findings to the Legislative Budget Commission for further action. Within 30 days after determining that a budget shortfall will occur, the Governor is required to develop a plan of action to eliminate the budget shortfall for the Executive Branch and the Chief Justice of the Supreme Court is required to develop a plan of action for the judicial branch.

Budget shortfalls of less than 1.5% of the money appropriated from the General Revenue Fund during a fiscal year are resolved by the Governor for the Executive Branch and by the Chief Justice of the Supreme Court for the Judicial Branch, with the approval of the Legislative Budget Commission, subject to statutory guidelines and directives contained in the appropriations act. The statutory guidelines include a requirement that all branches of government are generally required to accept a proportional budget reduction. The Governor for the Executive Branch and the Chief Justice for the Judicial Branch may reduce appropriations by placing them in mandatory reserve, or withhold appropriations by placing them in budget reserve, in order to prevent deficits or implement legislative directives in the General Appropriations Act.

If the Revenue Estimating Conference projects a shortfall in the General Revenue Fund in excess of 1.5% of the monies appropriated from the General Revenue Fund during a fiscal year, the shortfall must be resolved by the legislature. Any available State funds may be used in eliminating shortfalls in the General Revenue Fund. Additionally, the legislature may eliminate a shortfall by reducing appropriations.

Evaluation, Accounting and Auditing Procedures

Florida has an integrated general ledger accounting system which provides on-line monitoring of budget commitments by individual agency units. This system prevents agencies from overcommitting available funds.

Each State agency supported by any form of taxation, licenses, fees, imposts, or exactions must file with the Chief Financial Officer financial and other information necessary for preparation of the State's annual financial statements. In addition, each such agency must prepare financial statements showing the financial position and results of agency operations as of June 30 for internal management purposes. The Chief Financial Officer is responsible for preparing the State's combined annual financial report, copies of which are available from the Chief Financial Officer, Division of Accounting and Auditing. The Auditor General conducts annual audits of all officers and agencies in the Executive and Judicial branches. Individual agency audits are made in accordance with generally accepted auditing standards and governmental auditing standards as adopted by the State Board of Accountancy. In addition to the annual financial and compliance audits, performance audits are made to determine the efficiency and effectiveness of agency operations.

Systems and procedures are in place to enable the State and its component units to comply in a timely manner with Governmental Accounting Standards Board Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

REVENUES

Major sources of tax revenues to the General Revenue Fund are the sales and use tax, corporate income tax, intangible personal property tax, beverage tax, and insurance premium tax. Unlike many other jurisdictions, ***the State of Florida does not levy ad valorem taxes on real property or tangible personal property, nor does it impose a personal income tax.***

Sales and Use Tax

The largest single source of tax receipts in Florida is the sales and use tax. It is a uniform tax upon either the sale of tangible personal property at retail or its use irrespective of where it may have been purchased. The sales tax is 6% of the sales price of tangible personal property sold at retail in the State, and the use tax is 6% of the cost price of tangible personal property used or stored for use in this State. In addition, local governments may (by referendum) assess discretionary sales surtaxes within their County.

The sales tax is also levied on the following: (1) rental of tangible personal property; (2) rental of transient lodging and non-residential real property; (3) admissions to places of amusement, most sports and recreation events; (4) non-residential utilities (at a 4.35% rate); (5) restaurant meals; (6) cable and non-residential telephone services (at a 6.8% rate-called Communication Services Tax); (7) coin operated amusement machines (at a 4% rate); and (8) mail order sales.

Exemptions include groceries, medicines, hospital rooms and meals, fuels used to produce electricity, electrical energy used in manufacturing, purchases by certain nonprofit institutions, most professional, insurance, and personal service transactions, apartments used as permanent dwellings, the trade-in value of motor vehicles, child car seats, and residential utilities. The Legislature has, from time to time, temporarily waived collection of sales taxes on such items as clothing under certain prices, school supplies, hurricane preparedness items, and energy efficient appliances through sales tax holidays.

Receipts of the ***sales and use tax***, with the exception of the tax on gasoline and special fuels, ***are credited to either the General Revenue Fund, counties and cities, the Ecosystem and Restoration Management Trust Fund, the Public Employees Relations Commission Trust Fund, or may be distributed for the use of sports facilities and to make emergency distributions to qualified Counties.*** Legislation was enacted in 2000 which provides that 2.25% of sales tax receipts are to be deposited in the Revenue Sharing Trust Fund for Counties in lieu of intangible personal property taxes which were so distributed under prior law.

Motor Fuel Tax

The second largest source of State tax receipts is the tax on motor and diesel fuels. However, **these revenues are almost entirely dedicated trust funds** for specific purposes and are not included in the State General Revenue Fund.

Taxes on motor fuels (gasoline) and diesel fuels include several distinct fuel taxes: (1) the State sales tax on motor and diesel fuels, levied at 6.9 cents per gallon; (2) the State excise tax of four cents per gallon of motor and diesel fuel, with proceeds distributed to local governments; (3) the State Comprehensive Enhanced Transportation System (SCETS) tax, which is levied at a rate in each county equal to two-thirds of the sum of the county's local option motor fuel taxes, not to exceed 4 cents per gallon, for motor fuel and 4 cents per gallon for diesel fuel; (4) aviation fuel, at 6.9 cents per gallon; and (5) local option motor fuel taxes, which may range between one cent to 12 cents per gallon.

Most of the proceeds of the sales tax on motor and diesel fuels are deposited into the State Transportation Trust Fund for road maintenance and construction. The proceeds of the State excise tax of four cents per gallon is distributed by formula to local governments. The first two cents (described as the Constitutional Gas Tax) are primarily pledged for each County's debt service requirements, with any remaining balance deposited into the County's transportation trust fund. The remaining two cents of the excise tax (described as the County and Municipal Gas Taxes) are part of the State Revenue Sharing Program. Proceeds from the SCETS tax are, to the maximum extent possible, expended on road projects in the Counties in which the revenues are derived. Local Option Gas Taxes of one to 11 cents per net gallon, and the so-called "ninth cent fuel tax" of one cent per net gallon, of motor and diesel fuel may be levied by Counties, for use by local governments for transportation expenditures. Local Option Gas Tax revenues may be pledged for payment of bonds issued by the Division of Bond Finance on behalf of local governments to fund transportation capital improvements.

Alcoholic Beverage Tax

Florida's alcoholic beverage tax is an excise tax on beer, wine, and liquor. Fifty percent of the revenues collected from the taxes on wine produced by manufacturers in this State from products grown in this State are deposited in the Viticulture Trust Fund. The remainder of revenues are deposited into the General Revenue Fund.

Corporate Income Tax

Florida collects a tax upon the net income of corporations, organizations, associations, and other artificial entities for the privilege of conducting business, deriving income, or existing within the State. This tax is currently levied at a rate 5.5% of net corporate income, less a \$50,000 exemption. Net income is defined as that share of adjusted federal income which is apportioned to Florida. All business income is apportioned by weighted factors of sales (50%), property (25%), and payroll (25%). All receipts of the Corporate Income Tax are credited to the General Revenue Fund.

Florida adopted an emergency excise tax to recoup taxes lost through reductions in adjusted federal income resulting from the Accelerated Cost Recovery System under federal tax law. As a result of the 1986 Tax Reform Act, this tax has been repealed on assets placed in service after January 1, 1987.

Documentary Stamp Tax

Deeds and other documents relating to realty are taxed upon execution or recording at 70 cents per \$100 of consideration. Bonds, certificates of indebtedness, promissory notes, wage assignments, and retail charge accounts are taxed upon issuance or renewal at 35 cents per \$100 of face value, or actual value if issued without face value.

At its inception, Documentary Stamp Tax proceeds were credited to the General Revenue Fund. However, over the years a series of statutory amendments have dedicated portions of the proceeds to various trust funds for specific purposes. The 2005 Legislature enacted legislation which dedicates a portion (currently \$541.75 million) of documentary tax collections which otherwise would have gone to the General Revenue Fund, for growth management. In addition, a measure was adopted, effective July 1, 2007, which limits the dollar amount of distributions to certain funds, subject to adjustment, beginning July 1, 2008, if collections exceed the prior year's receipts.

Documentary Stamp Tax collections are currently distributed as follows:

1. All Documentary Stamp Taxes are pledged and shall be first made available to pay debt service on Florida Forever Bonds and Everglades Restoration Bonds. Documentary Stamp Taxes not needed to pay debt service on bonds are subject to an 8% general revenue service charge and costs of the Department of Revenue necessary to collect and enforce the tax.
2. An amount equal to 33% of all Documentary Stamp Taxes collected, less amounts paid for debt service on Florida Forever Bonds and Everglades Restoration Bonds and the costs of collection and enforcement, shall be deposited into the Land Acquisition Trust Fund.
3. After providing for the uses described above, the remainder of the Documentary Stamp Taxes are to be distributed as follows:
 - The lesser of 24.18442% of the remainder or \$541.75 million to the State Transportation Trust Fund;
 - The lesser of 0.1456% of the remainder or \$3.25 million to the Grants and Donations Trust Fund;
 - 11.24% of the remainder to the State Housing Trust Fund;
 - first \$35 million to the State Economic Enhancement and Development Trust Fund;
 - 50% of the remainder to the State Housing Trust Fund;
 - 50% of the remainder to the Local Government Housing Trust Fund;
 - 12.93% of the remainder to the State Housing Trust Fund;
 - first \$40 million to the State Economic Enhancement and Development Trust Fund;
 - 12.5% of the remainder to the State Housing Trust Fund;
 - 87.5% of the remainder to the Local Government Housing Trust Fund.
 - The lesser of 0.017% or \$300,000 to the General Inspection Trust Fund; and
4. The balance of the remainder to the General Revenue Fund.

Intangible Personal Property Tax

The State formerly levied an annual, recurring tax on intangible personal property situated in the State, such as stocks, bonds, notes, governmental leaseholds, and interests in limited partnerships registered with the Securities and Exchange Commission. Obligations issued by the State or local governmental entities in Florida, or by the federal government, were exempt from such taxation. The Legislature abolished the annual, recurring tax as of January 1, 2007, effectively eliminating the tax on intangible personal property held on or after January 2, 2006.

A non-recurring 2 mill tax continues to be levied on mortgages and other obligations secured by liens on Florida realty. The tax is payable upon recording the instrument or within 30 days of creation of the obligation. The tax proceeds are deposited to the General Revenue Fund.

Insurance Premium Tax

The insurance premium tax is a tax on insurance premiums received by insurers. The tax is paid by insurance companies at the following rates: 1.75% on gross premiums minus reinsurance and return premiums; 1% on annuity premiums; 1.6% on self insurers; and 5% on surplus lines premiums and independently procured coverage. Corporation income taxes and emergency excise taxes paid to Florida are credited against premium tax liability, as are certain other taxes. In addition to the premium taxes imposed, a \$2 surcharge is imposed on homeowner's policies, and a \$4 surcharge is imposed on commercial policies issued or renewed on or after May 1, 1993.

Assessments for Police and Firefighter pension funds are distributed to local governments. Fire Marshal assessments, filing fees and \$125,000 annually, adjusted by the lesser of 20% or the growth in total retaliatory taxes, are deposited into the Insurance Regulatory Trust Fund. The remainder of the Premium Tax is deposited to the General Revenue Fund. Surcharge collections are deposited to the Emergency Management, Preparedness, and Assistance Trust Fund, administered by the Department of Community Affairs.

Gross Receipts Tax

The Gross Receipts Tax is imposed at a rate of 2.5% of the gross receipts of providers of electricity, natural gas, and telecommunications services. Telecommunications services are subject to a unified Telecommunications Services Tax, a portion of which is collected with the Gross Receipts Tax at revenue-neutral rates.

All Gross Receipts Tax collections are credited to the Public Education Capital Outlay and Debt Service Trust Fund. The potential impact of electric utility deregulation on Gross Receipts Tax collections cannot be determined at this time.

Communications Services Tax

The Communications Services Tax is imposed on retail sales of communications services which originate and terminate in Florida, or originate or terminate in Florida and are billed to a Florida address. Communications services include all forms of telecommunications previously taxed by the Gross Receipts Tax plus cable television and direct-to-home satellite service. The Communications Services Tax replaced certain sales and use taxes and gross receipts taxes, at revenue-neutral rates. Communications services tax receipts are included in sales tax and gross receipts tax collections, as appropriate.

Other State Taxes

To the extent not pre-empted to the federal government, the State levies a one-time excise tax on cigarettes, at rates based on their weight and package quantity, and on other tobacco products at the rate of 25% of the wholesale price. The State also imposes a tax on racing and jai-alai admissions, and on contributions to pari-mutuel pools, or "handle."

Tobacco Litigation Settlement

As a result of settling litigation by the State against the tobacco industry in 1997, Florida expects to receive more than \$11 billion over 25 years. Payments are subject to adjustment for various factors, including inflation and tobacco product sales volume. Proceeds of the settlement are expected to be used for children's health care coverage and other health-related services, to reimburse the State for medical expenses, for improvements in State efforts to reduce sales of tobacco products to minors, and to promote production of reduced risk tobacco products.

A portion of the tobacco settlement revenues have been deposited in the Lawton Chiles Endowment Fund to provide a perpetual source of funding for health and human services for children and elders, and for biomedical research activities. As of August 1, 2019, the market value of the endowment was \$782.8 million.

Lottery

In order to provide additional funding for education, the 1987 Legislature created the Department of the Lottery to operate a State lottery. Revenues generated by the Florida Lottery are used to pay prizes, fund the Educational Enhancement Trust Fund, and pay the administrative costs of operating the Lottery.

FLORIDA FINANCIAL INFORMATION

The following tables present information regarding the State's historical and projected financial resources, as well as budgets by program area and appropriations by department.

Five Year History of Trust Fund and General Revenues
(millions of dollars)

General Revenue Receipts¹	2014-15	2015-16	2016-17	2017-18	2018-19
Sales and Use Tax ²	\$21,062.7	\$21,998.0	\$22,987.4	\$24,138.7	\$25,385.3
Beverage Licenses and Taxes	451.4	357.7	314.7	289.2	305.3
Corporation Income Tax	2,236.3	2,272.1	2,366.4	2,413.0	3,139.9
Documentary Stamp Tax	756.3	744.1	762.2	867.2	912.1
Corporate Filing Fees	309.8	317.4	352.9	367.0	398.8
Tobacco Tax	181.2	187.5	183.0	182.6	184.9
Insurance Premium Tax	666.9	682.8	708.4	799.6	877.1
Indian Gaming	248.5	207.7	116.0	328.5	247.7
Pari-mutuel Fees, Licenses and Taxes	13.8	12.8	10.8	17.4	10.6
Slot Machine Licenses GR	13.0	11.0	12.0	11.5	11.6
Intangible Personal Property Tax	303.9	338.7	372.9	371.2	385.2
Earnings on Investments	106.5	115.8	131.0	136.1	224.4
Auto Title and Lien Fees	92.0	108.9	116.1	121.6	121.6
Oil and Gas Severance Tax	4.2	1.2	1.1	1.4	1.8
Solid Mineral Severance Tax	10.5	10.7	10.4	10.8	10.1
Drivers Licenses and Fees	147.8	106.0	188.0	217.6	225.8
HSMV Misc Fees, Licences & Fines	61.4	66.8	66.9	72.2	65.4
Motor Vehicle and Mobile Home Licenses	180.6	114.9	118.7	127.2	133.1
Article V Fees & Transfers	151.1	138.8	126.6	104.0	133.4
Counties' Medicaid Share GR	289.6	301.6	301.5	295.3	298.7
Miscellaneous Revenue GR ⁵	6.5	6.9	6.6	7.0	7.2
Motor Vehicle Charges	104.6	2.9	0.0	0.0	0.0
Fines/Foreitures/Judgements GR ⁵	4.0	25.7	34.0	6.6	33.9
BP Settlement Agreement GR	0.0	0.0	100.0	0.0	26.7
Other GR ^{4,5}	<u>171.0</u>	<u>182.1</u>	<u>170.0</u>	<u>225.2</u>	<u>213.5</u>
Total GR Collections and Transfers	27,573.7	28,312.0	29,557.7	31,110.7	33,353.9
Plus Service Charges to GR	500.1	455.2	464.9	472.0	481.4
Less Refunds of GR	<u>(392.7)</u>	<u>(441.7)</u>	<u>(328.2)</u>	<u>(364.6)</u>	<u>(394.9)</u>
Net GR Collections and Transfers	27,681.1	28,325.4	29,694.5	31,218.2	33,440.5
Trust Fund Revenues¹					
Major Transportation Revenues:					
Auto Title and Lien Fees	323.8	329.8	341.7	345.1	345.8
Motor Fuel Tax	2,052.0	2,158.5	2,234.7	2,300.6	2,422.1
Motor Vehicle and Mobile Home Licenses	891.0	928.5	975.6	1,017.9	1,042.8
Motor Vehicle Fees and Charges	<u>302.0</u>	<u>435.7</u>	<u>438.0</u>	<u>441.4</u>	<u>443.6</u>
Subtotal	3,568.8	3,852.4	3,990.0	4,104.9	4,254.3
Workers Insurance Tax:					
Workers Compensation Assessment	81.6	81.7	82.0	78.9	64.3
Workers' Comp. Special Disability	43.6	45.1	45.6	47.5	34.4
Reemployment Assistance Tax	<u>1,541.6</u>	<u>1,074.1</u>	<u>821.2</u>	<u>606.3</u>	<u>498.2</u>
Subtotal	1,666.7	1,201.0	948.7	732.7	597.0
Conservation and Recreational Lands:					
Documentary Stamp Tax	1,303.1	1,532.8	1,655.5	1,642.8	1,739.0
Solid Mineral Severance Tax	14.0	13.7	13.0	16.8	15.6
Oil and Gas Severance Tax	0.1	0.1	0.4	0.5	0.5
Sales and Use Tax	<u>22.7</u>	<u>22.5</u>	<u>25.0</u>	<u>27.3</u>	<u>28.6</u>
Subtotal	1,340.0	1,569.1	1,693.9	1,687.4	1,783.7
Education - Tuition , Fees and Charges:					
Slot Machine Tax to Education	182.2	187.3	191.6	191.9	201.1
Lottery to Education	1,479.0	1,582.0	1,724.7	1,760.0	1,917.6
Unclaimed Property (State School Trust Fund)	<u>213.0</u>	<u>175.6</u>	<u>133.9</u>	<u>178.5</u>	<u>218.8</u>
Subtotal	1,874.2	1,944.9	2,050.2	2,130.4	2,337.5
Agencies' Administrative Trust Funds:					
Beverage Licenses and Taxes	31.4	33.1	34.0	29.6	30.0
Insurance Premium Tax	50.6	52.0	51.5	51.1	52.0
General Inspection Fees and Licenses	72.0	58.0	72.2	57.1	71.3
Citrus Inspection Fees and Licenses	14.0	13.0	11.2	8.5	9.9
D.F.S. and Treas Fees, Licenses & Taxes	155.8	157.2	158.6	157.7	168.0
Citrus Taxes	25.0	23.3	6.8	4.6	7.1
Hunting and Fishing Licenses	59.1	57.6	60.1	60.1	61.8
Pari-mutuel Fees, Licenses and Taxes	12.4	13.5	15.3	9.4	16.3
Professional Fees and Licenses	86.5	82.7	98.8	86.8	96.9
Drivers' Licenses and Fees	154.6	145.9	148.6	156.3	155.4
HSMV, Misc Fees, Licenses & Fines	33.6	32.5	33.6	34.5	34.9
Slot Machine Licenses and Fees	3.1	7.3	6.3	6.8	6.7
Lottery to Administration	<u>450.9</u>	<u>555.4</u>	<u>368.9</u>	<u>492.5</u>	<u>523.7</u>
Subtotal	1,149.0	1,231.4	1,066.0	1,155.1	1,234.1

(Five Year History of Trust Fund and General Revenues - continued)

	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>
Other Trust Fund Revenues for State Use:					
Tobacco Tax	1,004.4	1,020.3	1,012.6	983.1	953.9
Lottery Prizes	3,664.8	3,938.1	4,075.8	4,462.0	4,725.9
Unclaimed Property DFS Trust (Residual)	269.4	296.8	296.9	330.5	318.8
Tobacco Fines/Forfeitures/Judgements Trust	367.8	368.8	362.2	339.0	369.4
Other Fines/Forfeitures/Judgements Trust	254.2	205.1	228.6	195.3	240.8
Article V Fees	114.8	109.1	105.9	104.6	112.5
Earnings on Investments	184.3	203.5	228.7	247.5	304.6
Miscellaneous Revenues ³	196.4	237.1	210.6	204.5	205.6
Refunds & Reimbursement	1,833.0	1,959.4	2,302.1	2,949.2	3,086.0
Sales, Concessions, Rent & Leases	136.7	77.2	93.1	102.6	93.6
Other Fees, Licenses and Taxes	<u>3,502.6</u>	<u>2,947.2</u>	<u>2,783.9</u>	<u>2,907.9</u>	<u>3,001.2</u>
Subtotal	11,528.3	11,362.6	11,700.4	12,826.2	13,412.2
Total Trust Fund Revenue for State Use	21,126.9	21,161.4	21,449.2	22,636.6	23,618.8
Revenues Shared With Local Governments and School Districts					
Sales and Use Tax	2,554.7	2,692.5	2,793.5	2,927.0	3,070.0
Beverage Licenses and Taxes	16.0	16.1	16.3	16.8	17.4
Documentary Stamp Tax	61.4	0.0	0.0	0.0	0.0
Insurance Premium Tax	169.7	175.9	172.3	179.6	188.3
Indian Gaming	7.1	7.7	6.3	3.5	10.3
Motor Fuel Tax	381.7	399.3	410.3	416.3	425.0
Oil and Gas Severance Tax	1.2	0.4	0.3	0.4	0.5
Solid Mineral Severance Tax	6.8	9.4	6.4	6.7	6.5
Gross Receipts Tax ²	1,152.4	1,157.7	1,111.6	1,153.7	1,148.9
BP Settlement Agreement Local Distribution	0.0	0.0	300.0	0.0	80.0
Motor Vehicle and Mobile Home Licenses	156.9	165.8	170.8	182.3	191.7
Tobacco Taxes	7.2	7.4	7.3	7.0	6.9
Other Fees, Licenses and Taxes ²	<u>56.9</u>	<u>60.3</u>	<u>63.3</u>	<u>63.4</u>	<u>59.1</u>
Total Local Government	4,572.0	4,692.5	5,058.4	4,956.7	5,204.6
Federal and Local Assistance					
Counties and Cities	59.1	80.0	80.8	80.7	94.6
U.S. Government	23,915.3	24,946.1	25,420.4	26,931.5	27,939.4
Other Assistance and Donations Grants	<u>180.5</u>	<u>134.7</u>	<u>144.4</u>	<u>77.9</u>	<u>130.8</u>
Total Federal and Local Assistance	24,155.0	25,160.8	25,645.6	27,090.2	28,164.8
Summary of Trust Fund and General Revenue					
General Revenue	27,681.1	28,325.4	29,594.5	31,218.2	33,440.5
Trust Fund	21,126.9	21,161.4	21,449.2	22,636.6	23,618.8
Revenues Shared with Local Governments	4,572.0	4,692.5	5,058.4	4,956.7	5,204.6
Donations & Fed Assistance	<u>24,155.0</u>	<u>25,160.8</u>	<u>25,645.6</u>	<u>27,090.2</u>	<u>28,164.8</u>
Total Direct Revenues	\$77,535.0	\$79,340.1	\$81,747.7	\$85,901.7	\$90,428.7

Source: Florida Office of Economic and Demographic Research (August 2019).

¹ The Trust Fund portion of each tax source may include an obligatory General Revenue service charge, thereby reducing the dollars available for appropriations out of the Trust Fund.

² Includes a portion of Communications Services Tax.

³ Includes an unknown amount of General Revenue appropriations.

⁴ Includes Other Fees Licenses and Taxes General Revenue and Other Nonoperating General Revenue.

⁵ Numbers have been adjusted to reflect historical changes made in August 2019 conference results.

**GENERAL REVENUE FUND
FINANCIAL RETROSPECT AND OUTLOOKS STATEMENTS**

Retrospect Statement
Fiscal Years 2018-19 and 2019-20
(millions of dollars)

	RECURRING	NON- RECURRING	TOTAL
FUNDS AVAILABLE 2018-19			
Balance Forward from 2017-18.....	\$0.0	\$1,645.9	\$1,645.9
Revenue Collections.....	32,768.8	689.1	33,457.9
BP Settlement Agreement Payment State Share.....	26.7	0.0	26.7
Transfers from Trust Funds.....	0.0	398.6	398.6
FEMA Reimbursements.....	0.0	203.8	203.8
Miscellaneous Adjustments.....	0.0	0.1	0.1
Fixed Capital Outlay Reversions.....	0.0	20.5	20.5
Federal Funds Interest Payment.....	(2.0)	0.0	(2.0)
Total 2018-19 Funds Available.....	\$32,793.4	\$2,958.1	\$35,751.5
EXPENDITURES 2018-19			
Operations.....	\$16,053.2	\$1,033.0	\$17,086.2
Aid to Local Government.....	15,445.0	(114.0)	15,331.0
Fixed Capital Outlay.....	33.4	485.4	518.8
Fixed Capital Outlay/Aid to Local Government.....	1.8	244.7	246.5
Transfer to Budget Stabilization Fund.....	0.0	66.5	66.5
Miscellaneous Nonoperating Expenditures.....	0.0	12.7	12.7
Total 2018-19 Expenditures.....	\$31,533.5	\$1,728.3	\$33,261.8
ENDING BALANCE.....	\$1,260.0	\$1,229.8	\$2,489.8

The cash balance in the Budget Stabilization Fund (not shown here) at the end of FY 2018-19 was \$1,483.0 million. Amounts are displayed to one decimal place but calculated at the full dollar amount, so they may not add to the total.

	RECURRING	NON- RECURRING	TOTAL
FUNDS AVAILABLE 2019-20			
Balance Forward from 2018-19.....	\$0.0	\$2,489.8	\$2,489.8
Revenue Collections.....	32,563.5	(1,077.7)	31,485.8
Adjustment to Earnings on Investments for CARES Act.....	0.0	32.3	32.3
BP Settlement Agreement Payment State Share.....	26.7	0.0	26.7
CARES Act – COVID-19.....	0.0	5,855.8	5,855.8
Transfers from Trust Funds.....	0.0	350.9	350.9
FEMA Reimbursements.....	0.0	154.3	154.3
Fixed Capital Outlay Reversions.....	0.0	20.2	20.2
Federal Funds Interest Payment.....	(2.3)	0.0	(2.3)
Miscellaneous Adjustments.....	0.0	0.0	0.0
Total 2019-20 Funds Available.....	\$32,587.9	\$7,825.6	\$40,413.5
EXPENDITURES 2019-20			
Operations.....	\$16,240.6	\$879.3	\$17,119.9
Aid to Local Government.....	16,238.2	(76.4)	16,161.7
Fixed Capital Outlay.....	40.7	227.9	268.6
Fixed Capital Outlay/Aid to Local Government.....	3.7	406.4	410.1
Transfer to Budget Stabilization Fund.....	0.0	91.2	91.2
Miscellaneous Nonoperating Expenditures.....	0.0	9.7	9.7
Total 2019-20 Expenditures.....	\$32,523.2	\$1,538.1	\$34,061.3
ENDING BALANCE.....	\$64.6	\$6,287.6	\$6,352.2

The cash balance in the Budget Stabilization Fund (not shown here) at the end of FY 2019-20 was \$1,574.2 million. Amounts are displayed to one decimal place but calculated at the full dollar amount, so they may not add to the total.

Source: Office of Economic and Demographic Research.

**GENERAL REVENUE FUND
FINANCIAL OUTLOOK STATEMENT**

Including Results of the December 21, 2020 Revenue Estimating Conference, and Other Adjustments as of December 18, 2020
FY 2020-21 through FY 2025-26
(in millions of dollars)

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2020-21			
Balance Forward from 2019-20	\$0.0	\$6,352.2	\$6,352.2
Estimated Revenues	32,978.8	(502.8)	32,476.0
Prior Year Sales Tax Liabilities for Local Share/Distribution	0.0	(119.7)	(119.7)
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Tobacco Settlement Lawsuit Payment ⁶	0.0	192.9	192.9
HB 5001 (2020) Trust Fund Transfers (Net of Vetoes; Line Item 615I; s. 127)	0.0	188.8	188.8
Fixed Capital Outlay Reversions	0.0	3.4	3.4
FEMA Reimbursement (Irma, Michael)	0.0	21.7	21.7
COVID-19 Reimbursement	0.0	83.1	83.1
Federal Funds Interest Earnings Rebate	(1.8)	0.0	(1.8)
Total 2020-21 Funds Available ^{1,2,3,4}	\$33,003.7	\$6,219.7	\$39,223.8
EFFECTIVE APPROPRIATIONS 2020-21			
State Operations	\$17,237.7	\$435.4	\$17,673.1
Aid to Local Government	16,783.5	(191.5)	16,592.0
Fixed Capital Outlay	53.3	94.6	147.9
Fixed Capital Outlay/Aid to Local Government	1.7	330.5	332.2
HB 5001 (2020) Transfer to Budget Stabilization Fund (s. 128) ¹	0.0	100.0	100.0
Transfer to Lawton Chiles Endowment Fund ³	0.0	0.0	0.0
Reappropriations	0.0	44.7	44.7
Bills with Appropriations (Net of Vetoes)	5.6	0.4	6.0
Budget Amendment – COVID-19 Response	0.0	1,168.9	1,168.9
Placed in Reserve: COVID-19 Budget Amendment	0.0	(49.4)	(49.4)
Budget Amendment – CARES Act Housing Assistance (COVID-19) ⁵	0.0	250.0	250.0
Budget Amendment – CARES Act Reemployment Assistance (COVID-19) ⁵	0.0	67.8	67.8
Budget Amendment – CARES Act Funds to Local Governments (COVID-19) ⁵	0.0	931.0	931.0
Bridge Loans – Hurricane Sally	0.0	5.0	5.0
Budget Amendments – Hurricane Response (Sally)	0.0	7.1	7.1
Total 2020-21 Effective Appropriations	34,081.8	3,194.5	37,276.3
ENDING BALANCE ^{2,3,5}	(\$1,078.1)	\$3,025.2	\$1,947.0
FUNDS AVAILABLE 2021-22			
Balance Forward from 2020-21	\$0.0	\$1,947.0	\$1,947.0
Estimated Revenues	34,743.3	(429.2)	34,314.1
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	110.4	110.4
Fixed Capital Outlay Reversions	0.0	3.4	3.4
Federal Funds interest Earnings Rebate	(0.9)	0.0	(0.9)
Total 2021-22 Funds Available ^{1,2,3,4}	\$34,769.1	\$1,631.6	\$36,400.7
FUNDS AVAILABLE 2022-23			
Estimated Revenues	\$36,178.5	(\$114.0)	\$36,064.5
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	110.4	110.4
Fixed Capital Outlay Reversions	0.0	3.4	3.4
Federal Funds interest Earnings Rebate	(1.6)	0.0	(1.6)
Total 2022-23 Funds Available ^{1,2,4}	\$36,203.6	(\$0.2)	\$36,203.4
FUNDS AVAILABLE 2023-24			
Estimated Revenues	\$37,576.0	(\$9.3)	\$37,566.7
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	110.4	110.4
Fixed Capital Outlay Reversions	0.0	3.4	3.4
Federal Funds interest Earnings Rebate	(2.1)	0.0	(2.1)
Total 2023-24 Funds Available ^{1,2,4}	\$37,600.6	\$104.5	\$37,705.1

**GENERAL REVENUE FUND
FINANCIAL OUTLOOK STATEMENT(cont)**

	Recurring Funds	Non-Recurring Funds	Total All Funds
FUNDS AVAILABLE 2024-25			
Estimated Revenues	\$39,014.2	(\$1.7)	\$39,012.5
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	110.4	110.4
Fixed Capital Outlay Reversions	0.0	3.4	3.4
Federal Funds interest Earnings Rebate	(1.7)	0.0	(1.7)
Total 2024-25 Funds Available ^{1,2,4}	\$39,039.2	\$112.1	\$39,151.3
FUNDS AVAILABLE 2025-26			
Estimated Revenues	\$40,386.7	\$0.0	\$40,386.7
BP Settlement Agreement Payment State Share ⁴	26.7	0.0	26.7
Unused Appropriations/Reversions	0.0	110.4	110.4
Fixed Capital Outlay Reversions	0.0	3.4	3.4
Federal Funds interest Earnings Rebate	(1.6)	0.0	(1.6)
Total 2025-26 Funds Available ^{1,2,4}	\$40,411.8	\$113.8	\$40,525.6

Source: Office of Economic and Demographic Research as of December 21, 2020.

¹ The cash balance in the Budget Stabilization Fund (not shown here) at the time of this Outlook is \$1,674.2 million and includes the FY 2020-21 transfer of \$100.0 million. Based on the December 21, 2020 forecast, transfers of zero in FY 2021-22 and FY 2022-23, \$42.8 million in FY 2023-24, \$130.4 million in FY 2024-25 and \$162.7 million in FY 2025-26 will be required.

² This financial statement is based on current law as it is currently administered. It does not include the potential effect of any legal actions that might affect revenues or appropriations. The Attorney General periodically issues an update on any such litigation. In addition, it does not recognize any projected deficits or surpluses in any spending programs unless specifically stated.

³ The 2012 General Appropriations Act transferred \$350.0 million from the Lawton Chiles Endowment Fund to the General Revenue Fund. House Bill 5301 (Chapter 2012-33, Laws of Florida) requires that an amount equal to the amount of Medical-Hospital Fees collected above the January 2012 revenue estimate be transferred back to the Endowment in the following fiscal years until repayment is complete. The actual revenues collected in FY 2019-20 were lower than the January 2012 estimate; thus, no transfer is required for FY 2020-21. The final repayment of \$304.7 million (not shown on this Outlook) will be due in FY 2021-22, in accordance with section 409.915(8), F.S.

⁴ Payments are associated with the settlement reached in In re: Oil Spill by the Oil Rig "Deepwater Horizon" in the Gulf of Mexico, MDL No. 2179 (April 20, 2010). The payments are in consideration of the full and complete settlement and release of claims by the state for various damages. It provides a total payment to the State of Florida of \$2.0 billion over the period FY 2016-17 through FY 2032-33. The first payment of \$400 million was received on July 1, 2016. Annual payments of \$106.7 million began in FY 2018-19. Pursuant to Chapter 2017-63, L.O.F., 75 percent of all payments to the state must be transferred immediately from the General Revenue Fund to the Triumph Gulf Coast Trust Fund for subsequent transfer to a trust account held by Triumph Gulf Coast, Inc. The revenue numbers shown here are net of this transfer.

⁵ The Coronavirus Aid, Relief, and Economic Security [CARES] Act provided substantial federal government support to individuals, businesses, hospitals, and specific industries dealing with the COVID-19 pandemic and its associated economic consequences. [Public Law No. 116-136; enacted 03/27/2020] Among other things, the legislation created the Coronavirus Relief Fund within the U.S. Department of the Treasury to fund necessary state and local government expenditures incurred due to the COVID-19 public health emergency. The funds currently can be used only for costs not accounted for in the budget most recently approved as of March 27, 2020, and incurred during the period from March 1, 2020, to December 30, 2020. Florida's total allocation was \$8,328.2 million, of which \$2,472.4 million was distributed by the US Department of the Treasury directly to Florida local governments with populations greater than 500,000. The remaining \$5,855.8 million was transferred to the State of Florida.

All Relief Fund dollars received by the state have been shown on this outlook as they were received. They have only been debited on the General Revenue Outlook to the extent that formal budget actions have already occurred. **However, there remains a high degree of uncertainty surrounding the allowable uses of these dollars by states and local governments. To the extent that the funds cannot be used to fill revenue shortfalls or offset current appropriations when they are used for pandemic-related purposes, or if additional COVID-19 expenditures are required, the Fiscal Year 2020-21 ending balance shown in this outlook will be lower, potentially becoming negative.** While today the funds may not be used to fill shortfalls in state or local government revenue (with the exception of covering expenditures that would otherwise qualify), full or partial relaxation of this prohibition was an early part of the negotiations over additional stimulus. Even though additional relief discussions are still underway in Washington, as of the date this outlook was adopted, there were no details or proposed language available. Different treatment in the financial outlook may be warranted in the future.

⁶ On January 18, 2017, the State of Florida filed a Motion to Join ITG Brands, LLC as a Defendant and to enforce the Settlement Agreement in the State of Florida, et. al., v. Am. Tobacco Co., R.J. Reynolds Tobacco Co., et. al., No. 95-1466 AH (Fla. 15th Cir. Ct.). On August 18, 2018, the Circuit Court entered a final judgment specifying the principal sum and interest due from R.J. Reynolds to the State of Florida for the period June 12, 2015, through April 30, 2018, as well as providing guidance on how any future unpaid liability to the State should be calculated. In addition, the final judgment reflected the court's rulings issued December 27, 2017, and May 24, 2018, collectively known as the "Liability Orders." R.J. Reynolds subsequently appealed the lower court's decision regarding its liability. On July 29, 2020, the District Court of Appeal unanimously affirmed the lower court's final judgment in all respects, and on September 18, 2020, denied the Appellant's motion for rehearing, rehearing en banc, and certification to the Florida Supreme Court. In response, R.J. Reynolds paid the State of Florida \$192,869,589.86 to cover the full amount of the outstanding judgment (inclusive of principal and interest). This amount was deposited into the General Revenue Fund on October 6, 2020. Notwithstanding this payment, R.J. Reynolds filed Notice to Invoke Discretionary Jurisdiction of the Florida Supreme Court on October 15, 2020, seeking review of the District Court of Appeal's opinion. On December 18, 2020, the Florida Supreme Court declined to accept jurisdiction and denied the petition for review, while indicating that no motion for rehearing would be entertained.

Actual and Projected General Revenues

As a result of the COVID-19 pandemic-induced economic contraction, the actual general revenue collections for Fiscal Year 2019-20 of \$31,366.2 million were \$2.05 billion, or 6.1%, less than collections for Fiscal Year 2018-19. General revenue projections adopted at the December 21, 2020 meeting of the Revenue Estimating Conference for Fiscal Years 2020-21 through 2023-24, are shown in the following table. The Revenue Estimating Conference has made substantial adjustments to the General Revenue forecasts in recognition of the uncertainties of the projections due to the COVID-19 pandemic with largest adjustment in the forecast relating to sales tax, which represents the largest percentage of the State's general revenue. While some portions of the State's general revenue are projected to improve from the prior forecast, the current forecast projects the economic recovery process to begin in earnest in Fiscal Year 2021-22 based on the expectation that an effective vaccine will then be widely deployed.

The projections are based on the best information available when the estimates are made. **Investors should be aware that there have been material differences between past projections and actual general revenue collections; no assurance can be given that there will not continue to be material differences relating to such amounts.**

General Revenues Fiscal Years 2019-20 through 2023-24 (millions of dollars)

	Actual 2019-20	Estimated 2020-21	% change ¹	Estimated 2021-22	% change ¹	Estimated 2022-23	% change ¹	Estimated 2023-24	% change ¹
Sales Tax	\$24,591.3	\$24,948.90	1.5%	\$26,803.60	7.4%	\$28,005.10	4.5%	\$29,130.40	4.0%
Beverage Tax & License	296.4	297.50	0.4	305.00	2.5	316.20	3.7	326.30	3.2
Corporate Income Tax	2,473.5	2,603.20	5.2	2,668.20	2.5	3,139.20	17.7	3,375.20	7.5
Documentary Stamp Tax ²	983.1	1,100.30	11.9	1,136.30	3.3	1,164.00	2.4	1,193.50	2.5
Tobacco Taxes	167.8	174.10	3.8	171.40	(1.6)	169.70	(1.0)	167.90	(1.1)
Insurance Premium Tax	972.5	1,002.40	3.1	984.00	(1.8)	1,042.40	5.9	1,085.90	4.2
Pari-Mutuels Tax	19.6	19.70	0.5	21.50	9.1	21.70	0.9	22.00	1.4
Intangibles Tax	493.0	566.40	14.9	493.00	(13.0)	472.30	(4.2)	484.10	2.5
Indian Gaming Revenues ³	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings on Investments	370.6	267.50	27.8	251.80	(5.9)	253.90	0.8	275.10	8.3
Highway Safety Licenses & Fees	439.1	427.10	(2.7)	392.30	(8.1)	366.60	(6.6)	346.80	(5.4)
Counties' Medicaid Share	301.7	306.90	1.7	291.20	(5.1)	328.30	12.7	387.40	18.0
Severance Tax	10.4	9.30	(10.6)	9.50	2.2	9.30	(2.1)	9.40	1.1
Service Charges	483.7	492.60	1.8	511.00	3.7	517.70	1.3	524.50	1.3
Corporate Filing Fees	368.2	428.20	16.3	417.20	(2.6)	420.60	0.8	425.70	1.2
Other Taxes, Licenses & Fees	306.8	287.30	(6.4)	286.30	(0.3)	267.90	(6.4)	265.90	(0.7)
Total Revenue	\$32,277.7	\$32,931.4	2.0%	\$34,742.3	5.5%	\$36,494.9	5.0%	\$38,020.1	4.2%
Less: Refunds	(911.5)	(455.40)	(50.0%)	(428.2)	(6.0%)	(430.4)	0.5%	(453.4)	5.3%
Net General Revenue	\$31,366.2	\$32,476.0	3.5%	\$34,314.1	5.7%	\$36,064.5	5.1%	\$37,566.7	4.2%

Source: Office of Economic and Demographic Research, December 21, 2020 Consensus Revenue Estimating Conference.

¹ Represents percentage change from prior year, based on current estimates.

² Florida law redirects to various trust funds Documentary Stamp Tax Collections which otherwise would go into the General Revenue Fund.

³ Indian Gaming Revenues are not projected in future fiscal years because the Seminole Tribe of Florida ceased making revenue sharing payments to the State in Fiscal Year 2019 over a dispute under the Revenue Sharing Agreement. If the dispute is resolved, or a new revenue sharing agreement is reached, the Revenue Estimating Conference will resume projections of the Indian Gaming Revenues.

Operating and Fixed Capital Outlay Budget By Program Area¹
Fiscal Years 2016-17 through 2020-21
(in million of dollars)

	<u>2016-17</u>		<u>2017-18</u>		<u>2018-19</u>		<u>2019-20</u>		<u>2020-21</u>	
	<u>Operating</u>	<u>FCO</u>	<u>Operating</u>	<u>FCO</u>	<u>Operating</u>	<u>FCO</u>	<u>Operating</u>	<u>FCO</u>	<u>Operating</u>	<u>FCO</u>
General Revenue										
Administered Funds	\$32.3	-	\$47.8	-	\$86.3	-	\$292.0	-	\$234.5	-
Education	15,577.1	\$29.0	16,628.3	\$143.8	16,955.7	\$245.9	17,422.1	\$96.4	17,855.8	\$45.0
Environmental	193.4	172.2	197.1	166.2	351.1	99.1	217.4	335.1	209.9	282.5
General Government	515.2	36.0	504.7	26.4	566.3	41.3	531.7	39.2	520.8	64.5
Human Services	9,488.3	8.4	9,361.2	12.2	9,833.5	6.8	10,223.7	11.2	10,602.4	3.9
Public Safety	4,008.5	99.0	4,152.8	74.9	4,290.7	68.5	4,510.0	74.2	4,710.6	68.9
Transportation and Economic Development	<u>124.8</u>	<u>39.7</u>	<u>162.9</u>	<u>18.1</u>	<u>227.6</u>	<u>13.7</u>	<u>202.7</u>	<u>43.5</u>	<u>136.1</u>	<u>15.2</u>
Total General Revenue	\$29,939.4	\$384.3	\$31,054.8	\$441.5	\$32,311.3	\$475.2	\$33,399.6	\$599.7	\$34,270.1	\$480.1
Trust Funds										
Administered Funds	\$39.1	-	\$41.9	-	\$41.9	-	\$40.2	-	\$43.0	-
Education	6,291.4	\$2,007.2	6,564.1	\$1,699.7	6,949.0	\$1,654.4	7,011.3	\$1,538.0	7,332.4	\$1,542.1
Environmental	2,463.2	1,096.1	2,370.1	931.3	2,400.6	1,197.5	2,391.7	1,098.5	2,402.5	1,548.3
General Government	1,637.3	45.4	1,674.9	42.3	1,718.6	50.2	1,721.7	44.2	1,772.1	43.8
Human Services	25,095.9	20.2	26,686.5	57.1	27,553.7	10.3	27,881.9	14.1	28,688.5	21.8
Public Safety	899.4	-	900.8	-	947.3	5.3	871.1	0.6	847.6	3.4
Transportation and Economic Development	<u>2,646.7</u>	<u>10,001.2</u>	<u>2,720.6</u>	<u>10,071.3</u>	<u>4,161.2</u>	<u>10,061.0</u>	<u>4,898.5</u>	<u>10,004.1</u>	<u>3,746.4</u>	<u>9,525.4</u>
Total All Trust Funds	\$39,072.9	\$13,170.1	\$40,958.9	\$12,801.6	\$43,772.3	\$12,978.8	\$44,816.4	\$12,699.5	\$44,832.6	\$12,684.6
Total All Funds										
Administered Funds	\$71.3	-	\$89.6	-	\$128.2	-	\$332.2	-	\$277.5	-
Education	21,868.5	\$2,036.3	23,192.3	\$1,843.4	23,904.7	\$1,900.3	24,433.5	\$1,634.5	25,188.2	\$1,587.1
Environmental	2,656.6	1,268.4	2,567.2	1,097.4	2,751.7	1,296.7	2,609.1	1,433.5	2,612.5	1,830.8
General Government	2,152.4	81.4	2,179.7	68.7	2,285.0	91.5	2,253.4	83.4	2,292.9	108.3
Human Services	34,584.2	28.6	36,047.8	69.4	37,387.2	17.0	38,105.6	25.3	39,290.8	25.7
Public Safety	4,907.8	99.0	5,053.6	74.9	5,238.0	73.8	5,381.0	74.8	5,558.2	72.2
Transportation and Economic Development	<u>2,771.5</u>	<u>10,040.9</u>	<u>2,883.5</u>	<u>10,089.4</u>	<u>4,388.8</u>	<u>10,074.7</u>	<u>5,101.2</u>	<u>10,047.6</u>	<u>3,882.5</u>	<u>9,540.7</u>
Total All Funds	<u>\$69,012.3</u>	<u>\$13,554.5</u>	<u>\$72,013.7</u>	<u>\$13,243.1</u>	<u>\$76,083.6</u>	<u>\$13,454.0</u>	<u>\$78,215.9</u>	<u>\$13,299.2</u>	<u>\$79,102.7</u>	<u>\$13,164.9</u>

¹ Source: Executive Office of the Governor. Fiscal Years 2016-17 through 2020-21 appropriations in annual General Appropriations Bills and other legislation after Governor's vetoes.

STATE DEBT

As a general rule, bonds of the State or its agencies are issued by the Division of Bond Finance pursuant to the State Bond Act, ss. 215.57-.83, Florida Statutes. During the 2001 Session the Florida Legislature formalized in statute an annual Debt Affordability Study to be used as a tool for measuring, monitoring and managing the State's debt. The State debt fiscal responsibility policy, s. 215.98, Florida Statutes, establishes debt service to revenues as the benchmark debt ratio to estimate future debt capacity, using a target ratio of 6% and a cap of 7%. The estimated future debt capacity is intended to provide legislative policy makers with information to measure the financial impact of new financing programs and to assist them in formulating capital spending plans.

The study first looks at total State debt outstanding, separating the debt into net tax-supported debt and self supporting debt. Net tax-supported debt is repaid by the State from a specified tax revenue source or general appropriation of the State. Self supporting debt is reasonably expected to be repaid from project revenue or loan repayments. Some but not all of State debt is additionally secured by the full faith and credit of the State.

State Full Faith and Credit Debt

Article VII, Section 11(a) of the Florida Constitution authorizes the issuance of bonds pledging the full faith and credit of the State to finance or refinance State capital outlay projects upon approval by vote of the electors, provided that the outstanding principal amount may not exceed 50% of total State tax revenues for the two preceding fiscal years. There are currently no bonds outstanding under this authorization.

All of Florida's full faith and credit debt which is currently outstanding has been issued under separate constitutional authority which also authorizes the pledge of a dedicated tax or other revenue source as well. Such debt includes bonds for pollution control and abatement and solid waste disposal (operating revenues, assessments); right-of-way acquisition and bridge construction (motor fuel or special fuel taxes); public education capital outlay (gross receipts taxes); roads within a county (second gas tax); and school districts or community colleges (motor vehicle license revenues). Although these bonds are not subject to the above- referenced debt limitation, each program has debt service coverage tests which must be met prior to issuance.

State Revenue Bonds

The Florida Constitution authorizes the issuance of bonds to finance or refinance State capital outlay projects, which are payable from funds derived directly from sources other than State tax revenues.

Bonds outstanding under this authorization include financings for the State University System, individual universities, community colleges, public schools, State owned office facilities, toll roads, ports, and other transportation projects. The Constitution specifically authorizes the issuance of bonds to fund student loans; to finance housing; and to refund outstanding bonds at a lower net interest cost. The Constitution was amended in 1998 to expressly permit the issuance of bonds pledging a dedicated State tax source for the purposes of conservation, outdoor recreation, water resource development, restoration of natural systems, or historic preservation.

Bonds may also be issued, which are payable from Documentary Stamp Taxes deposited in the Land Acquisition Trust Fund for conservation and recreation purposes, including Everglades restoration.

Other Obligations

Although most debt of the State or its agencies is issued through the Division of Bond Finance, there are other entities which issue bonds or incur other long term obligations which are secured by State revenues. These include the Florida Housing Finance Corporation, the Florida Correctional Finance Corporation, the Department of Corrections, the Department of Juvenile Justice, the Department of Children and Families, the Florida Hurricane Catastrophe Fund Finance Corporation and the Inland Protection Financing Corporation. The Florida Legislature has also dedicated 2.59% of cigarette tax collections to the H. Lee Moffitt Cancer Center and Research Institute, for 10 years, which are pledged to secure bonds issued by the City of Tampa. The City of Tallahassee issued bonds to finance relocation of the developmental research school of Florida State University. The bonds are payable from lease revenues appropriated to the University each year. The State's Chief Financial Officer has a Consolidated Equipment Financing Program for State agencies and a lease purchase financing for replacement of the State's accounting and cash management systems, which are subject to annual appropriation. The State's five water management districts have authority to issue bonds secured by certain monies from the Water Management Lands Trust Fund.

The Florida Water Pollution Control Financing Corporation was created to finance projects through the State's Department of Environmental Protection which are authorized under the Federal Clean Water Act. The Corporation is authorized to issue bonds secured through the repayment of loans to local government entities. The principal amount of such bonds which may be issued shall not exceed \$300 million in any Fiscal Year.

Direct Debt Outstanding by Type and Program

As of June 30, 2020

(In Millions Dollars)

<u>Debt Type</u>	<u>Amount</u>
Net Tax-Supported Debt	\$15,620.6
Self-Supporting Debt	<u>3,583.8</u>
Total State Debt Outstanding	<u>\$19,204.4</u>
Net Tax-Supported Debt	
Education	
Public Education Capital Outlay	\$6,724.2
Capital Outlay	81.9
Lottery	801.3
University System Improvement	86.6
University Mandatory Fee	61.9
State (Community) Colleges	<u>59.7</u>
Total Education	\$7,815.7
Environmental	
Florida Forever Bonds	567.6
Everglades Restoration Bonds	157.4
Inland Protection	<u>21.6</u>
Total Environmental	\$746.6
Transportation	
Right-of-Way Acquisition and Bridge Construction	1,994.8
State Infrastructure Bank	10.6
GARVEE	118.0
DOT Financing Corporation	146.9
P3 Obligations	3,412.5
Florida Ports	<u>276.8</u>
Total Transportation	\$5,959.6
Appropriated Debt / Other	
Facilities	161.6
Prisons	289.1
Children & Families	63.9
Lee Moffitt Cancer Center	270.3
Master Lease	4.8
Energy Saving Contracts	21.7
Sports Facility Obligations	<u>287.4</u>
Total Appropriated Debt / Other	<u>\$ 1,098.8</u>
Total Net Tax-Supported Debt Outstanding	<u>\$15,620.6</u>
Self-Supporting Debt	
Education	
University Auxiliary Facility Revenue Bonds	\$682.7
Environmental	
Florida Water Pollution Control	214.2
Transportation	
Toll Facilities	2,686.9
Total Self-Supported Debt Outstanding	<u>\$3,583.8</u>

Source: State of Florida Division of Bond Finance, 2020 debt analysis.

Per Capita Tax Supported Debt

For Fiscal Years Ended June 30

<u>Year</u>	<u>Population¹</u> <u>(thousands)</u>	<u>Total Principal</u> <u>Outstanding²</u> <u>(millions)</u>	<u>Per</u> <u>Capita</u>
2011	18,905	\$22,945	\$1,214
2012	19,074	21,593	1,132
2013	19,260	20,348	1,057
2014	19,507	20,013	1,026
2015	19,815	21,406	1,080
2016	20,149	20,077	996
2017	20,484	18,870	921
2018	20,841	17,480	839
2019	21,209	16,959	800
2020	21,596	15,621	723

¹ Population estimate as of April 1 of each year by the Office of Economic and Demographic Research, Florida Legislature (November, 2020).

² State of Florida 2020 Debt Affordability Report; excludes self-supporting and refunded debt.

State of Florida
Total Debt Outstanding
As of June 30, 2020

Fiscal Year	Net Tax-Supported Debt Outstanding			Self-Supporting Debt Outstanding			Total Debt Outstanding		
	Principal*	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$1,443,164,881	\$627,455,272	\$2,070,620,153	\$221,999,245	\$145,883,332	\$367,882,577	\$1,665,164,126	\$773,338,604	\$2,438,502,730
2022	1,545,142,048	560,661,431	2,105,803,479	209,547,796	136,037,640	345,585,436	1,754,689,844	696,699,071	2,451,388,915
2023	1,133,766,488	511,978,658	1,645,745,146	205,336,399	125,703,258	331,039,657	1,339,102,887	637,681,916	1,976,784,803
2024	1,054,062,510	463,481,487	1,517,543,996	212,925,304	118,635,561	331,560,865	1,266,987,814	582,117,048	1,849,104,862
2025	1,007,634,567	418,352,076	1,425,986,642	217,213,865	108,598,986	325,812,851	1,224,848,431	526,951,062	1,751,799,493
2026	864,892,901	375,267,032	1,240,159,933	202,291,739	99,471,670	301,763,410	1,067,184,641	474,738,702	1,541,923,343
2027	798,049,259	340,639,849	1,138,689,108	202,994,149	91,516,930	294,511,079	1,001,043,409	432,156,779	1,433,200,187
2028	726,299,079	311,494,201	1,037,793,280	175,116,317	82,926,782	258,043,099	901,415,396	394,420,983	1,295,836,379
2029	661,179,344	285,584,010	946,763,354	170,612,354	76,488,475	247,100,830	831,791,699	362,072,485	1,193,864,184
2030	629,971,990	262,752,899	892,724,889	166,351,582	70,316,628	236,668,210	796,323,573	333,069,527	1,129,393,099
2031	582,315,459	242,887,703	825,203,162	151,504,758	62,692,844	214,197,602	733,820,217	305,580,547	1,039,400,765
2032	561,583,979	222,711,754	784,295,733	151,515,810	56,263,507	207,779,317	713,099,789	278,975,261	992,075,050
2033	518,083,243	205,983,750	724,066,993	156,239,060	50,081,285	206,320,345	674,322,303	256,065,035	930,387,338
2034	447,983,387	193,266,538	641,249,926	143,480,112	43,127,508	186,607,620	591,463,500	236,394,046	827,857,546
2035	423,654,007	186,577,294	610,231,301	133,060,803	37,753,032	170,813,835	556,714,810	224,330,326	781,045,136
2036	404,068,978	176,378,094	580,447,072	134,134,600	32,988,147	167,122,747	538,203,578	209,366,241	747,569,819
2037	373,422,593	168,114,998	541,537,592	105,891,030	27,343,085	133,234,115	479,313,623	195,458,083	674,771,707
2038	293,536,031	160,871,759	454,407,790	99,059,669	23,251,834	122,311,503	392,595,700	184,123,593	576,719,293
2039	231,865,335	156,973,191	388,838,526	95,945,068	19,461,853	115,406,922	327,810,404	176,435,044	504,245,448
2040	200,822,083	151,945,083	352,767,166	76,332,345	15,622,079	91,954,424	277,154,429	167,567,162	444,721,590
2041	181,744,637	150,677,058	332,421,695	70,900,596	13,087,091	83,987,687	252,645,233	163,764,150	416,409,383
2042	175,158,167	149,825,630	324,983,797	61,476,611	10,170,343	71,646,955	236,634,778	159,995,973	396,630,751
2043	183,904,383	151,422,423	335,326,806	53,964,000	7,910,139	61,874,139	237,868,383	159,332,562	397,200,944
2044	152,743,896	81,689,333	234,433,229	43,543,000	5,885,572	49,428,572	196,286,896	87,574,904	283,861,800
2045	114,942,376	39,511,209	154,453,586	35,896,000	4,349,118	40,245,118	150,838,376	43,860,328	194,698,704
2046	103,875,210	35,278,725	139,153,935	25,331,809	3,079,398	28,411,207	129,207,019	38,358,122	167,565,142
2047	100,183,951	31,559,336	131,743,287	25,475,000	2,176,150	27,651,150	125,658,951	33,735,486	159,394,437
2048	76,559,399	27,837,048	104,396,447	26,410,000	1,244,500	27,654,500	102,969,399	29,081,548	132,050,947
2049	58,171,880	24,953,991	83,125,871	9,270,000	278,100	9,548,100	67,441,880	25,232,091	92,673,971
2050	50,504,103	22,775,658	73,279,761	-	-	-	50,504,103	22,775,658	73,279,761
2051	52,423,006	20,858,444	73,281,450	-	-	-	52,423,006	20,858,444	73,281,450
2052	54,528,566	18,755,869	73,284,435	-	-	-	54,528,566	18,755,869	73,284,435
2053	56,746,761	16,533,633	73,280,394	-	-	-	56,746,761	16,533,633	73,280,394
2054	58,773,529	13,276,230	72,049,759	-	-	-	58,773,529	13,276,230	72,049,759
2055	16,004,001	150,500	16,154,501	-	-	-	16,004,001	150,500	16,154,501
2056	-	-	-	-	-	-	-	-	-
2057	-	-	-	-	-	-	-	-	-
	<u>\$15,337,762,029</u>	<u>\$6,808,482,167</u>	<u>\$22,146,244,196</u>	<u>\$3,583,819,022</u>	<u>\$1,472,344,848</u>	<u>\$5,056,163,870</u>	<u>\$ 18,921,581,052</u>	<u>\$ 8,280,827,014</u>	<u>\$ 27,202,408,066</u>

*Department of Transportation's long-term Public/Private Partnership ("P3") obligations are included in net tax-supported debt at the total annual payment obligation. Although certain payments are expected to be made from non- tax sources, they have not been considered in showing net tax-supported payments. Short-term P3 obligations are excluded.

Source: State of Florida Division of Bond Finance, 2020 debt analysis.

Net Tax-Supported Bonds Issued Since July 1, 2020
(chronological, by date of issuance)

State Board of Education, Public Education Capital Outlay Refunding Bonds, 2020 Series C	111,545,000
Less: Bonds refunded	(119,725,000)
State Board of Education, Public Education Capital Outlay Refunding Bonds, 2020 Series D (Taxable)	397,440,000
Less: Bonds refunded	(385,760,000)
Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds, Series 2020A	187,550,000
Florida Department of Transportation Financing Corporation Revenue Bonds, Series 2020.	155,600,000
Department of Children and Families, Refunding Certificates of Participation, Series 2021A*	12,945,000
Less: Certificates refunded	(17,775,000)
Department of Children and Families, Refunding Certificates of Participation, Series 2021B*	28,520,000
Less: Certificates refunded.	<u>(40,560,000)</u>
	\$329,780,000

* Subject to delivery on February 4, 2021

Self-Supporting Bonds Issued Since July 1, 2020

Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Bonds, Series 2019A*	\$10,202,099
Board of Governors, University of Florida Clinical Translational Research Building Revenue Refunding Bond, Series 2020A (Taxable).....	19,025,000
Less: Bonds refunded.	(18,737,000)
Board of Governors, Florida International University Dormitory Revenue Bonds, Series 2020A	71,800,000
Department of Transportation, Turnpike Revenue Refunding Bonds, Series 2020B	<u>194,350,000</u>
	\$266,438,800

* These bonds were issued as a drawdown loan with the US Department of Education. The amount shown is the current loan balance issued since July 1, 2020 (approximately \$51.8 million was issued prior to July 1, 2020) and the final loan amount will not exceed \$70 million after all draws are made.

STATEMENT OF ASSETS AND LIABILITIES
Administered by State Chief Financial Officer

ASSETS			
		JUNE 30, 2019	JUNE 30, 2018
Currency and Coins		\$0.00	\$0.00
Unemployment Compensation Investments Due From U.S Treasury -Unemployment TF	(1)	4,060,087,453.17	3,852,368,375.68
Deferred Compensation Assets	(2)	4,594,793,843.48	4,368,498,085.07
Bank Accounts	(3)	(129,872,939.59)	(47,254,027.96)
Consolidated Revolving Account	(4)	<u>201,836.23</u>	<u>320,669.85</u>
Total Cash, Receivables, and Other Assets		\$8,525,210,193.29	\$8,173,933,102.64
 Certificates of Deposit		 \$1,010,500,000.00	 \$1,027,100,000.00
Securities	(6)	<u>24,434,799,040.64</u>	<u>22,338,239,544.44</u>
Total Investments		<u>25,445,299,040.64</u>	<u>23,365,339,544.44</u>
Total Assets of the Division of Treasury		<u>\$33,970,509,233.93</u>	<u>\$31,539,272,647.08</u>
LIABILITIES			
		JUNE 30, 2019	JUNE 30, 2018
Due to:			
General Revenue Fund		\$4,926,673,031.57	\$3,531,908,908.38
Trust Fund	(7)	17,517,805,406.08	16,286,517,940.05
Budget Stabilization Fund		<u>1,482,990,000.00</u>	<u>1,416,490,000.00</u>
Total State Liabilities		\$23,927,468,437.65	\$21,234,916,848.43
 Interest Payable & Securities Liability	(8)	 \$104,478,732.44	 \$8,207,650.08
Due to Special Purpose Investment Accounts	(5)	5,343,566,384.13	5,927,329,393.65
Due to Deferred Compensation Participants and/or Program	(2)	4,594,793,843.48	4,368,498,085.07
Due to Consolidated Revolving Account Agency Participants	(4)	<u>201,836.23</u>	<u>320,669.85</u>
Total Liabilities of the Division of Treasury		<u>\$33,970,509,233.93</u>	<u>\$31,539,272,647.08</u>

Source: Annual Report of the State Chief Financial Officer for the Division of Treasury for the Fiscal Year Ended June 30, 2019.

Note: The following footnotes apply to the 2019 numbers only. For footnotes regarding the 2018 numbers, see the Annual Report of the State Chief Financial Officer for the Division of Treasury for the Fiscal Year Ended June 30, 2018.

¹ Unemployment Trust Fund represents U.C. Benefit Funds invested by the Federal Government and due from U.S. Treasury.

² Plan assets held in the Deferred Compensation Trust Fund for the exclusive benefit of participants and their beneficiaries.

³ Represents the "Per Reconciled Cash Balance" of \$19,145,386.36 as of June 30, 2019 with receipted items in transit of \$113,973,100.90 and disbursed items in transit of (\$2,805,750.37), which nets to \$111,167,350.53. These items have cleared the bank but have not been posted to the State ledger. The total Bank Accounts figure does not include \$231,689,821.89 held in clearing and/or revolving accounts outside the Treasury.

⁴ The amount due to agency participants in the Consolidated Revolving Account as of June 30, 2019, is \$6,546,836.23. Of this, \$201,836.23 is in a financial institution account and \$6,345,000.00 is invested in Special Purpose Investment Accounts.

⁵ Represents Chief Financial Officer's Special Purpose Investment Accounts held in the Treasury Investment Pool and interest due to those accounts. The Chief Financial Officer's Special Purpose Investment Accounts are investments on behalf of state agencies with funds outside the Chief Financial Officer's Cash Concentration System and other statutorily or constitutionally created entities.

⁶ Includes Purchased Interest in the amount of \$4,959,678.71.

⁷ Included in the Trust Fund Balance is \$7,894,892,933.37 earning interest for the benefit of Trust Funds; Unemployment Trust Fund balance of \$4,060,087,453.17; the remaining balance of \$5,562,825,019.54 earning interest for General Revenue.

⁸ Represents \$20,729,854.32 in interest not yet receipted to State Accounts and Securities Liability Cost of \$83,748.878.12 which settled July 2, 2019.

Note:	June 30, 2019	June 30, 2018
Total Market Value of all Securities held by the Treasury	\$25,811,494,176.19	\$23,452,279,649.06

FLORIDA RETIREMENT SYSTEM

(Source: Florida Department of Management Services, Division of Retirement)

General. The Florida Retirement System ("FRS") was established by the Florida Legislature effective December 1, 1970 pursuant to Chapter 121, Florida Statutes (the "Act") by consolidating the state's existing State-administered retirement systems into one system. In addition to Chapter 121, the FRS is governed by Article X, Section 14 of the State Constitution, which prohibits increasing benefits without concurrently providing for funding the increase on a sound actuarial basis. The FRS provides retirement, disability and death benefits for participating public employees. The FRS is a cost-sharing, multiple employer, retirement plan. The FRS Defined Benefit Program (also referred to as the FRS Pension Plan) is administered by the Division of Retirement in the Department of Management Services ("DMS"). The assets of the FRS Pension Plan are held in the FRS Trust Fund and are invested by the State Board of Administration. The FRS Investment Plan was created by the Florida Legislature as a defined contribution plan alternative to the FRS Pension Plan and is administered by the State Board of Administration. In addition to these two primary, integrated programs there are non-integrated defined contribution plan alternatives available to targeted employee groups in the State University System, the State Community College System, and members of the Senior Management Service Class.

In the FRS Pension Plan, a monthly benefit is paid to retired employees in a fixed amount calculated at the time of retirement as determined by a statutory formula. The amount of the monthly benefit is generally based on the years of service credits and salary. The benefit is paid to the retiree for life and, if applicable, a survivor benefit is paid to the designated beneficiary at the death of the retiree.

In the FRS Investment Plan, the employee's benefit is comprised of the accumulated required contributions and investment earnings on those contributions. Instead of guaranteed benefits based on a formula, the contributions to the member account are guaranteed by the plan and the investment risk is assumed by the employee. Since the employer's obligation to make contributions to the FRS Investment Plan does not extend beyond the required contribution from current payroll, the employer's funding obligation for a Defined Contribution Plan is fully funded as long as these contributions are made.

FRS membership is compulsory for employees working in regularly established positions for a state agency, county governmental unit, district school board, state university, state college or participating city, independent special district, charter school or metropolitan planning district, except for retirees initially reemployed on or after July 1, 2010 who may not be enrolled. As of June 30, 2020, The State's allocable portion of FRS Contributions was approximately 17.0%. There are five classes of plan membership: Regular Class, Special Risk Class, Special Risk Administrative Support Class, Elected Officers' Class ("EOC"), and Senior Management Service Class ("SMSC"). For members initially enrolled in the FRS on or after January 1, 2018, enrollees who do not make an initial selection will default into the FRS Investment Plan, except for Special Risk Class, which will continue to default into the FRS Pension Plan. Elected officials who are eligible to participate in the EOC may elect to withdraw from the FRS altogether or choose to participate in the SMSC in lieu of the EOC. Regular Class membership covers any position that is not designated to participate in any other membership class.

Participation by cities, municipalities, special districts, charter schools, and metropolitan planning districts although optional, is generally irrevocable once the election to participate is made. As of June 30, 2020, there were 980 participating employers enrolling New Members and 44 Participating employers closed to new FRS membership with grandfathered FRS members, and 1,224,162 individual members, as follows:

Retirees & Beneficiaries	432,258 ¹
Terminated Vested Members	113,973
DROP Participants	33,593
Active Vested Members	445,502
Active Non-vested members	<u>198,836</u>
TOTAL	1,224,162 ²

¹ Excludes Teachers' Retirement System Survivors' Benefit ("TRS- SB"), General Revenue payment recipients and FRS Investment Plan members who received a distribution.

² Includes FRS Pension Plan and Investment Plan members.

Benefits. Chapter 2011-68, Laws of Florida, became law on July 1, 2011. Chapter 2011-68 created significant reforms to the FRS, most notably by requiring that FRS members contribute to the FRS and by establishing a "two-tier" benefit system with less generous benefits for employees who became members of the FRS on or after July 1, 2011 ("New Members"), as compared to those provided to employees who were members of the FRS prior to July 1, 2011 ("Existing Members"). See "2011 Legislation Affecting FRS Benefits and Funding" below for further details. FRS Pension Plan members receive one month of service credit for each month in which any salary is paid. Existing Members vest after 6 years of service for all membership classes and New Members vest after 8 years of service for all membership classes. Members vest after 8 years for non-duty related disability benefits. After they are vested, members are eligible for normal retirement when they have met the minimum age or service requirements for their membership class. For Existing Members of the Regular Class, SMSC and the EOC, normal retirement is age 62 and vested, or 30 years of service regardless of age, and age 65 and vested, or 33 years of service regardless of age for New members. For Existing Members of the Special Risk Class and the Special Risk Administrative Support Class, normal retirement is age 55 and vested, or 25 years of service regardless of age, and age 60 and vested, or 30 years of service regardless of age, for New Members. Early retirement may be taken any time after vesting subject to a 5% benefit reduction for each year prior to normal retirement age.

Summary of FRS Pension Plan Benefits

	Vesting <u>Period</u>	Regular Class, <u>SMSC, EOC</u>	Special Risk <u>Classes</u>
Existing Members	6 years	62 years old or 30 years of service	55 years old or 25 years of service
New Members	8 years	65 years old or 33 years of service	60 years old or 30 years of service

Retirement benefits under the FRS Pension Plan are computed using a formula comprised of age and/or years of service at retirement, average final compensation and total percentage based on the accrual value by plan or membership class of service credit.

FRS Pension Plan members who reach normal retirement may participate in the Deferred Retirement Option Program ("DROP"), which allows a member to effectively retire while deferring termination and to continue employment for up to 60 months (or 96 months for some educational personnel under certain conditions). The retirement benefit is calculated as of the beginning of DROP participation and no further service is accrued. During DROP participation the member's retirement benefits accumulate in the FRS Trust Fund, earning monthly interest at an equivalent annual rate of 6.50% for members with an effective DROP begin date before July 1, 2011, and an equivalent annual rate of 1.3% for members with an effective DROP begin date on or after July 1, 2011. At termination the member's DROP accumulation may be paid out as a lump sum, a rollover, or a combination of these two payout methods and the member begins receiving monthly benefits determined when DROP participation began, increased by annual cost of living adjustments.

FRS Investment Plan members invest their contributions in the investment options offered under the plan. FRS Investment Plan members receive one month of service credit for each month in which any salary is paid and vest in their employer contributions after one year of service under the FRS Investment Plan. Members are immediately vested in their employee contributions. If a present value amount is transferred from the FRS Pension Plan to the member's FRS Investment Plan account as the opening balance, the member must meet the FRS Pension Plan vesting requirement for any such transferred funds and associated earnings.

FRS members vest immediately for in-line-of-duty disability benefits or after eight years for non-duty related disability benefits if totally and permanently disabled from all employment. FRS Pension Plan members receive disability monthly benefits until no longer disabled. Periodic reexamination is conducted to verify continued disability retirement eligibility. FRS Investment Plan members may elect to surrender their account balance to the FRS Trust Fund to receive guaranteed monthly benefits under the FRS Pension Plan. Alternatively, FRS Investment Plan members may retain their account balance to fund their future retirement needs in lieu of guaranteed monthly benefits under the FRS Pension Plan. FRS Investment Plan members who retain their account balances to fund their disability retirement may leave their funds invested in the plan, structure periodic payments, purchase an annuity, receive a lump-sum payment of their account balance, rollover their monies into another eligible plan qualified under the Internal Revenue Code, or a combination of these options.

The service retirement benefits of FRS Investment Plan members are their account balances at the time they choose to retire as managed by the member throughout retirement. FRS Investment Plan members may leave their funds invested in the plan, structure periodic benefit payments under their investment contracts, purchase an annuity, rollover their funds to a different qualified plan, receive a lump-sum payment representing their account balance in part or in whole, annuitize some or all of their account, or a combination of these options.

Certain Senior Management Service Class members, State University System faculty, Executive Service staff, Administrative and Professional Service staff, and Florida College System faculty and certain administrators may elect to participate in the existing, non-integrated optional defined contribution programs for these targeted employee groups instead of either of the two primary integrated programs offered under the FRS, the FRS Pension Plan and the FRS Investment Plan. The Senior Management Service Optional Annuity Program was closed to new participants effective July 1, 2017. At the time of closure, fewer than 30 members participated in this optional retirement program.

Funding. From the establishment of the FRS through 1975 both employers and members were required to pay retirement contributions. Members contributions were made on a post-tax basis. From 1975 through June 30, 2011, employers paid all required contributions. Beginning July 1, 2011, both employer and members are required to pay retirement contributions. Members contribute 3% of their salary as retirement contributions, on a pre-tax basis, with the employer automatically deducting the employee contributions from the members' salary. The contribution rates for the FRS Investment Plan are set by statute and the FRS Pension Plan rates, which are determined annually by the Legislature based on an actuarial valuation and any plan changes adopted during the legislative session. (See "Schedule of Funding Progress" below). These two rates are "blended" to create the uniform contribution rate for the primary, integrated FRS programs as required under Part III of Chapter 121, F.S. FRS employers pay a single rate by membership class or sub-class for members of the two primary, integrated FRS plans. The portion of the required FRS Investment Plan contribution rate destined for the member's account is forwarded to the FRS Investment Plan's administrator and the portion for Pension Plan funding is forwarded to the FRS Trust Fund. The employer contribution rates for the non-integrated defined contribution plans are set by statute and forwarded to the specified provider company under the program.

2011 Legislation Affecting FRS Benefits and Funding. Chapter 2011-68, Laws of Florida, became law on July 1, 2011 and provided for significant reforms to the FRS, most notably by requiring that FRS members contribute to the FRS and phasing out post-retirement cost-of-living adjustments. The changes also effectively establish a "two-tier" benefit system with less generous benefits for employees who are initially enrolled in the FRS on or after July 1, 2011, as compared to those provided to employees who were initially enrolled in the FRS prior to July 1, 2011. Among other changes, Chapter 2011-68 provides:

Employee Contributions -

- Effective July 1, 2011, most FRS members must contribute 3% of their salary as retirement contributions, on a pre-tax basis, automatically deducted by the employer
- Members participating in the Deferred Retirement Option Program ("DROP") and re-employed retirees, who are not allowed to renew membership in the FRS, are not required to make 3% employee contributions

DROP -

- Members with an effective DROP begin date on or before June 30, 2011 will retain an annual interest rate of 6.5%
- The annualized DROP interest rate will be 1.3% for members whose DROP participation begins on or after July 1, 2011

Cost-of-Living Adjustment (COLA) -

- Members with an effective retirement date (includes DROP participation) before August 1, 2011 will retain their 3% post-retirement COLA
- Members with an effective retirement date or DROP begin date on or after August 1, 2011 will have an individually calculated COLA that is a reduction from 3% and will be calculated by dividing the total years of service before July 1, 2011 by the total years of service at retirement, and then multiplying the result by 3% to get the retiree's COLA
- Members initially enrolled on or after July 1, 2011, will not have a post-retirement COLA

Benefit changes for members first enrolled in the FRS on or after July 1, 2011 -

- Vesting requirement for FRS Pension Plan benefit eligibility is increased from 6 to 8 years of creditable service
- The average final compensation used in calculating retirement benefits is increased from the highest 5 fiscal years to the highest 8 fiscal years of salary
- Increased the "normal retirement date" for unreduced benefit eligibility for members of the Regular Class, Senior Management Service Class and Elected Officers Class, to
 - The first day of the month the member reaches age 65 (rather than 62) and is vested, or
 - The first day of the month following the month the member completes 33 (rather than 30) years of creditable service, regardless of age before age 65
- Increased the "normal retirement date" for unreduced benefit eligibility for members of the Special Risk Class, to
 - The first day of the month the member reaches age 60 (rather than 55) and is vested, or
 - The first day of the month following the month the member completes 30 (rather than 25) years of creditable service in the Special Risk Class, regardless of age before age 60

The table below shows the number of persons receiving benefits from the FRS Pension Plan, the total benefits paid, and the average benefits for the last five fiscal years.

Annuitants and Annualized Benefit Payments Under the FRS Pension Plan^{1,2}

Fiscal Year	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Annuitants	394,907	406,374	415,800	424,895	432,258
Benefits Payments (in thousands)	\$8,389,673	\$8,873,268	\$9,323,302	\$9,798,244	\$10,249,540
Average Benefits	\$21,245	\$21,835	\$22,423	\$23,060	\$23,712

Source: DMS, Division of Retirement. Florida Retirement System CAFRs.

¹ Figures include disability payments, General Revenue, Institute of Food and Agricultural Sciences Supplemental Program and TRS-SB, but do not include refunds of member contributions.

² Figures exclude FRS Investment Plan and DROP participants.

Funding and Financial Reporting of the FRS. The Governmental Accounting Standards Board (GASB) adopted two accounting statements, GASB 67 (for reporting at the pension plan level) and GASB 68 (for employer reporting requirements including their allocation of net pension liability and pension expense), which require pension plans and employers to report total pension plan liabilities (Total Pension Liability), as well as the value of the plans' assets (Fiduciary Net Position) and the unfunded portion of the liability (Net Pension Liability or NPL) in both the plans' and the employers' financial statements. GASB 67 was effective for plan fiscal years beginning after June 15, 2013, and GASB 68 was effective for employer fiscal years beginning after June 15, 2014.

Prior to GASB 67 and GASB 68, GASB 25 and GASB 27 gave public pension plans latitude as to funding methodologies and assumptions used in the determination of liabilities and contributions to meet the accounting standards. As a result of this latitude, it was often difficult to make comparisons between pension plans. GASB 25 required actuaries to develop a schedule of funding progress and an actuarial required contribution (ARC) as tools both to compare to other plans and gauge how the contributions from the funding valuation compared to the ARC. Over time, pension plans adopted the same requirements in their funding valuation as the GASB valuation, blurring the comparison of the results from the funding valuation to the GASB valuation. GASB 67 and GASB 68 have once again separated the funding considerations from the financial reporting requirements. Employers will once again be able to compare the funding valuation contributions to the actuarially determined contribution (ADC) determined under the GASB 67 requirements and comparisons of retirement plans under GASB 67 and 68 will have a common basis. Total Pension Liability (TPL) is required to be reported under the individual entry age normal actuarial cost method regardless of the actuarial cost method used for funding purposes. The plans' Fiduciary Net Position (FNP) assets must be shown on a market value basis rather than the actuarial value of assets which is typically smoothed over a period of years to reduce volatility.

Valuation of Assets. The actuarial value of plan assets is necessary in order to determine the funded ratio of the plan by comparing the plan's actuarial liabilities to its actuarial value of assets. A plan's assets are generally valued either at the market value of assets (GASB valuation) or the Actuarial Value of Assets (funding valuation). The market value of assets looks at the fair market value of the assets as of a given point in time. The Actuarial Value of Assets reflects the value of plan assets as determined by the plans' actuary for purposes of an actuarial valuation. The actuarial valuation measure reflects a five-year smoothing methodology (the "Asset Smoothing Method"), as required by Section 121.031(3)(a), Florida Statutes. The Asset Smoothing Method prevents extreme fluctuations in the Actuarial Value of Assets, the Unfunded Actuarial Liability (UAL) and the funded ratio that may otherwise occur as a result of market volatility. Asset smoothing delays recognition of gains and losses and is intended to decrease the volatility of employer contribution rates. The Actuarial Value of Assets is not the market value of Florida Retirement System Trust Fund assets at the time of measurement. As a result, presenting the Actuarial Value of Assets using the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes the full value of investment gains and losses annually.

The actuarial valuation of the FRS uses a variety of assumptions to calculate the actuarial liability and the Actuarial Value of Assets. No assurance can be given that any of the assumptions underlying the actuarial valuations will reflect the actual results experienced by the FRS. Variances between the assumptions and actual results may cause an increase or decrease in the actuarial value of assets, the actuarial liability, the UAL, or the funded ratio.

Actuarial Assumptions. The FRS is required to conduct an actuarial valuation of the plan annually. The valuation process includes a review of the major actuarial assumptions used by the plan actuary, which may be changed during the FRS Actuarial Assumption Conference that occurs each fall. The Conference adopted several changes to the actuarial assumptions in Fiscal Years 2019 and 2020. Specifically, for Fiscal Year 2019, the Conference changed the Actuarial Cost Method from Ultimate Entry Age Normal to Individual Entry Age Normal and changed the assumed investment rate of return from 7.40% to 7.20%. For Fiscal Year 2020, the reduced the length of the amortization period from 30 years to 25 years for new bases established prior to July 1, 2020, and further reduced the assumed investment rate of return from 7.20% to 7.00%. See "Actuarial Cost Method and Amortization Method" and "Assumed Investment Rate of Return" herein for further discussion.

Non-Economic Assumptions. The FRS conducts an actuarial experience study every five years. The purpose of the experience study is to compare the actual plan experience with the assumptions for the previous five-year period and determine the adequacy of the non-economic actuarial assumptions including, for example, those relating to mortality, retirement, disability, employment, and turnover of the members and beneficiaries of the FRS. Based upon the results of this review and the recommendation of the actuary, the FRS Actuarial Assumption Conference may adopt changes to such actuarial assumptions as it deems appropriate for incorporation beginning with the valuation following the experience study period. The most recent experience study was completed in 2019 and the Conference adopted the assumptions recommended by the actuary.

As of July 1, 2020, FRS actuarial determinations for funding purposes and for GASB 67 reporting purposes are based on the following:

	<u>Funding Purposes</u>	<u>GASB 67 Reporting Purposes</u>
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method ¹	25 year, Level Percentage of Pay, Closed, Layered	25 year, Level Percentage of Pay, Closed, Layered
Asset valuation method	5-year Smoothed Method	Fair market value
Investment rate of return	7.00%	6.80%
Discount rate	n/a	6.80% ²
Payroll growth rate	3.25%	3.25%
Inflation level	2.40%	2.40%
Post-retirement cost of living adjustments ³	3.00%	3.00%

¹ Effective July 1, 2020, new bases are amortized over 25 years. Bases established prior to July 1, 2020 are amortized over 30 years.

² The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees in determining the projected depletion date. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

³ Granted only for pre-July 1, 2011 service.

Actuarial Cost Method and Amortization Method. For Fiscal Year 2019, the actuarial cost method used for FRS funding was changed by the Conference from Ultimate Entry Age Normal to Individual Entry Age Normal, which aligns with the actuarial cost method used for financial reporting purposes. However, the amortization methods used for FRS funding and financial reporting purposes are not, according to the Actuary, considered best practices. Specifically, the length of amortization (25 years) and the level percentage of pay method have the effect of deferring the payment of the unfunded liability to future years and allowing growth in the unfunded liability. On October 8, 2020, the Conference reduced the length of the amortization period from 30 years to 25 years, which moved the FRS funding methods towards alignment with best practices beginning in Plan Year ending June 30, 2020.

Assumed Investment Rate of Return. For Fiscal Year 2020, the investment return assumption used for calculating the unfunded pension liability in the State's financial statements (6.80%) was different than the investment return assumption used by the Actuary for calculating the unfunded pension liability and actuarially required contribution in the FRS annual actuarial valuation (7.00%). The investment return assumption used for funding purposes has been reduced incrementally since 2014 from 7.75% to the current assumption. For Fiscal Year 2020, the Actuary concluded that both investment return assumptions were reasonable. However, a disparity between the investment return assumptions causes a difference in the unfunded pension liability calculated for the State's financial statements (NPL) and the unfunded pension liability calculated for funding purposes by Actuary in the FRS annual actuarial valuation (UAL). A disparity between the investment return assumptions also causes a difference in the funded ratio disclosed in more detail under the tables entitled "Schedule of Funding Progress" herein. Additionally, using a higher investment return assumption for calculating the actuarially determined contribution rate has a material impact on the amount of the contribution required to the FRS. The Actuary has estimated that a 0.10% reduction in the investment return assumption, combined with other existing assumptions, requires an additional annual contribution to the FRS of approximately \$180 million. As of June 30, 2020, the State's allocable portion of FRS Contributions was approximately 17.0%.

Due to the volatility of the marketplace, the actual rate of return earned by the FRS Trust Fund on its assets may be higher or lower than the assumed rate. Changes in the FRS Trust Fund's assets as a result of market performance will lead to an increase or decrease in the UAL/NPL and the funded ratio. The five-year Asset Smoothing Method required by Florida law for funding purposes attenuates the impact of sudden market fluctuations. Only a portion of these increases or decreases will be recognized in the current year, with the remaining gain or loss spread over the remaining four years.

Adverse market conditions resulted in negative investment returns on the FRS Trust Fund's assets in Fiscal Years 2008 and 2009, contributing to (in conjunction with plan experience) a significant reduction in the Funded Ratio and a corresponding increase in the UAL. The table below shows the assumed and actual rates of investment return for the last ten years, as well as the differences between the two, and additionally shows annualized returns for the most recent 3, 5, 10 and 15 year periods. No assurance can be given about future market performance and its impact on the UAL/NPL.

Actual versus Assumed Rate of Returns and Historical Performance

Fiscal Year	Actual Rate of Return^{1,2}	<u>Difference</u>
2010-11	22.10%	14.35%
2011-12	0.29	(7.46)
2012-13	13.12	5.37
2013-14	17.40	9.75
2014-15	3.67	(3.98)
2015-16	0.54	(7.06)
2016-17	13.77	6.27
2017-18	8.98	1.58
2018-19	6.26	(0.94)
2019-20	3.08	(2.92)

Annualized Return for 3 Year Period ending June 30, 2020 ²	6.08%
Annualized Return for 5 Year Period ending June 30, 2020 ²	6.43%
Annualized Return for 10 Year Period ending June 30,-2020 ²	8.69%

¹ Actual return is determined on a fair market value of assets basis.

² Information obtained from the FRS CAFRs.

As of June 30, 2020 the Florida Retirement System Trust Fund was valued at \$161.6 billion (market value), and invested in the following asset classes and approximate percentages as follows:

53.9%	Global Equity
18.1%	Fixed Income
9.8%	Real Estate
7.5%	Private Equity
9.0%	Strategic Investments
1.5%	Cash

For additional information, see the Florida Retirement System Pension Plan Annual Report on the "Publications" page of the Division of Retirement's website or contact them at, P.O. Box 9000, Tallahassee, Florida 32315-9000.

Financial statements are prepared using the accrual basis of accounting, and reporting is done in accordance with Government Accounting Standards Board requirements.

For a discussion of investment policies, see "MISCELLANEOUS - Investment of Funds - *Investment by the Board of Administration*" in the body of this Official Statement.

Funded Status. As discussed under "Assumed Investment Rate of Return" herein, the computation of information related to the FRS can be different for financial reporting when compared to the computation of the same information funding purposes. As shown in the tables below, the value of the assets increased from \$161.0 billion in Fiscal Year 2019 to \$164.3 billion in Fiscal Year 2020 on an actuarial basis and decreased from \$163.6 billion to \$161.6 billion on a market value basis. The actuarial liabilities computed for funding purposes increased from \$191.3 billion in Fiscal Year 2019 to \$200.3 billion in Fiscal Year 2020. As of end of Fiscal Year 2020, the FRS had an aggregate UAL of approximately \$36.0 billion on an actuarial basis (using the Asset Smoothing Method) and \$38.7 billion on a market value basis. The Fiscal Year 2020 Funded Ratios for the UALs are 82.04% (on an actuarial value basis) and 80.67% (on a market value basis). For financial reporting purposes, the Total Pension Liability increased from \$198.0 billion in Fiscal Year 2019 to \$204.9 billion in Fiscal Year 2020. As of the end of Fiscal Year 2020, the FRS had an aggregate NPL of approximately \$43.3 billion. The Funded Ratio for the NPL was 78.9%. The FRS is a multi-employer plan, which employees working for a state agency, county governmental unit, district school board, state university, state college or participating city, independent school district, charter school or metropolitan planning district may participate in. As of June 30, 2020, the State's allocable portion of FRS Contributions was approximately 17.0%.

The following tables summarize the current financial condition and the funding progress of the FRS. The first table shows the funded ratio using the Actuarial Value of Assets, based on the actuarial assumptions used to determine the appropriate funding level for the FRS each year. The second table shows the funded ratio using the same actuarial assumptions, but using the market value of assets. The third table shows the funding progress using the actuarial assumptions required for GASB 67 reporting purposes.

Schedule of Funding Progress Actuarial Value of Assets (thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AL) Entry Age (b)	Unfunded AL (UAL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll ¹ (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2011	\$126,078,053	\$145,034,475	\$18,956,422	86.93%	\$25,668,958	73.85%
July 1, 2012	127,891,781	148,049,596	20,157,815	86.38	24,476,272	82.36
July 1, 2013	131,680,615	154,125,953	22,445,338	85.44	24,553,693	91.41
July 1, 2014	138,621,201	160,130,502	21,509,301	86.56	24,723,565	87.00
July 1, 2015	143,195,531	165,548,928	22,353,397	86.50	32,726,034	68.30
July 1, 2016	145,451,612	170,374,609	24,922,997	85.37	33,214,217	75.04
July 1, 2017	150,593,242	178,579,116	27,985,874	84.33	33,775,800	82.86
July 1, 2018	156,104,350	185,950,079	29,845,729	83.95	34,675,018	86.07
July 1, 2019	161,004,533	191,330,896	30,326,363	84.15	35,571,200	85.26
July 1, 2020	164,302,519	200,277,170	35,974,651	82.04	36,898,200	97.50

Source: DMS Division of Retirement FRS Annual Reports for FYs through 2013 and FRS CAFRs / FRS Pension Plan Actuarial Valuations for FYs thereafter.

¹ For Fiscal Years 2014 and before, covered payroll shown includes defined benefit plan actives and members in DROP, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For Fiscal Years 2015 and later, covered payroll shown includes the payroll for Investment Plan members, reemployed retirees without membership and other optional program payrolls on which only UAL rates are charged. For comparative purposes, the payroll for Fiscal Year 2015 on the basis shown in years 2014 and earlier was \$25,063,048,000.

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Schedule of Funding Progress

Market Value of Assets

(thousands of dollars)

Fiscal Year	Market Value of Assets (a)	Actuarial Liability (AL) Entry Age¹ (b)	Unfunded AL (UAL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll² (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
2011	126,579,720	145,034,475	18,454,755	87.28	25,668,958	71.90
2012	119,981,465	148,049,596	28,068,131	81.04	24,476,272	114.67
2013	129,672,088	154,125,953	24,453,865	84.13	24,553,693	99.59
2014	150,014,292	160,130,502	10,116,210	93.68	24,723,565	40.92
2015	148,454,394	165,548,928	17,094,534	89.67	32,726,034	68.21
2016	141,780,921	170,374,609	28,593,688	83.22	33,214,217	86.09
2017	154,043,111 ³	178,579,116	24,536,005	86.26	33,775,800	72.64
2018	161,196,881	185,950,079	24,753,198	86.69	34,675,018	71.39
2019	163,573,726	191,330,896	27,757,170	85.49	35,571,200	78.03
2020	161,568,265	200,277,170	38,708,905	80.67	36,898,200	104.91

Source: DMS, Division of Retirement, FRS Annual Reports for Fiscal Years through 2013 and the FRS CAFRs and FRS Pension Plan Actuarial Valuations for Fiscal Years thereafter.

¹ Actuarial Liability is determined as of the July 1 immediately after the end of each Fiscal Year.

² For the Fiscal Years ending 2014 and before, covered payroll shown includes defined benefit plan actives and members in DROP, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For Fiscal Year 2015 and later, covered payroll shown includes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For comparative purposes, the payroll for Fiscal Year 2015 on the basis shown in years 2014 and earlier was \$25,063,048,000.

³ Restated due to implementation of GASB 75.

Schedule of Funding Progress

GASB 67 Reporting

(thousands of dollars)

Fiscal Year	Fiduciary Net Position¹ (a)	Total Pension Liability (TPL) Entry Age¹ (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll¹ (c)	NPL as a Percentage of Coverage Payroll ((b-a)/c)
2014	\$150,014,292	\$156,115,763	\$ 6,101,471	96.09%	\$24,723,565	24.68%
2015	148,454,394	161,370,735	12,916,341	92.00	32,726,034	39.47
2016	141,780,921	167,030,999	25,250,078	84.88	33,214,217	76.02
2017	154,043,111 ²	183,632,592	29,589,481	83.89	33,775,800	87.60
2018	161,196,881	191,317,399	30,120,518	84.26	34,675,018	86.87
2019	163,573,726	198,012,334	34,438,608	82.61	35,571,200	96.82
2020	161,568,265	204,909,739	43,341,474	78.85	36,898,200	117.46

Source: DMS, Division of Retirement, FRS CAFRs.

¹ For Fiscal Years 2014 and before, covered payroll includes the normal cost and UAL payroll of active Pension Plan members and reemployed retirees without renewed membership, but excludes the payroll for Investment Plan members and payroll on which only UAL rates are charged. For Fiscal Years 2015 and later, covered payroll includes the normal cost and UAL payroll for active Pension Plan and Investment Plan members and payroll of reemployed retirees without renewed membership and the salaries of SMSOAP, SUSORP, and SCCSORP members. For comparative purposes, the payroll for Fiscal Year ending 2015 on the basis shown in years 2014 and earlier was \$25,063,048,000.

² Restated due to implementation of GASB 75.

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The following table shows employer contributions to the FRS Pension Plan for Fiscal Years 2010 through 2020. Annually, the FRS's actuary recommends rates, determined as a percentage of employee payrolls that FRS employers must contribute to fully fund their annual pension obligations. The Actuarially Determined Contribution (the "ADC") is a target contribution to the FRS Pension Plan for the reporting period, determined based on the funding policy and most recent measurement available when the contribution for the reporting period was adopted. The ADC is comprised of the FRS Pension Plan's Normal Cost plus any Unfunded Actuarial Liability, which is also called the Actuarially Determined Contribution (the "ADC"). The ADC reflects only the actuarially determined employer contributions. The Florida Legislature adopts rates that all participating FRS employers must pay on behalf of their employees, which may or may not correspond to the actuary's recommended rates.

In the table below during Fiscal Year 2010, the FRS Pension Plan was in an actuarial surplus position. Florida law allows a portion of the actuarial surplus assets to be recognized to reduce the ADC, therefore lowering the required rates and contributions FRS employers must make on behalf of employees to the FRS Pension Plan. In addition, the Florida Legislature failed to adopt rates sufficient to fully fund the ADC between Fiscal Years 2011 through 2013. Failure to adopt rates sufficient to fully fund the ADC exacerbates the impact of investment earnings below the return assumption that contribute to the decline in the funded status of the FRS. For Fiscal Years 2014 through 2020, the Florida Legislature adopted the employer contribution rates recommended by the Actuary which fully funded the ADC; however, the ADC was calculated using certain assumptions that are not based on actuarial best practices. See "Actuarial Cost Method and Amortization Method" for more information.

Employer Contributions to the FRS Pension Fund

(thousands of dollars)

Fiscal Year	State Employer Contributions ¹ (a)	Non-State Employer Contributions (b)	Total Employer Contributions (a+b)	Actuarially Determined Contribution (ADC) ² (c)	Percent of ADC Contributed (a+b)/c	Amount of ADC Unfunded c-(a+b)
2010	\$570,420	\$2,144,136	\$2,714,556	\$2,447,374	110.92%	\$(267,182)
2011	648,006	2,377,183	3,025,189	3,680,042 ³	82.21	654,853
2012 ⁴	226,098	925,901	1,151,999	1,962,816	58.70	810,817
2013	225,509	1,120,190	1,345,698	2,091,343	63.95	753,902
2014	389,944	1,800,481	2,190,424	2,190,424	100.00	0
2015	437,921	2,000,164	2,438,085	2,438,085	100.00	0
2016	442,631	1,996,028	2,438,659	2,438,659	100.00	0
2017	457,950	2,145,296	2,603,246	2,603,246	100.00	0
2018	505,400	2,344,519	2,849,920	2,849,920	100.00	0
2019	543,395	2,557,327	3,100,722	3,100,722	100.00	0
2020	564,233	2,758,323	3,322,557	3,322,557	100.00	0

Source: DMS, Division of Retirement, FRS Annual Reports for Fiscal Years through 2013 and the FRS CAFRs and FRS Pension Plan Actuarial Valuations thereafter.

¹ Beginning in Fiscal Year 2013, State Employer Contributions include only State agencies. Prior to 2013, State universities were also included.

² For fiscal years prior to 2014 the Annual Required Contribution ("ARC") under GASB Statement No. 27 is shown.

³ The increase in the ARC between Fiscal Year 2010 and 2011 primarily resulted from elimination of the surplus, which was used to reduce the rates and contributions necessary to fully fund the ADC, and significant market losses, which increased the unfunded liability, and therefore the ADC.

⁴ Beginning in Fiscal Year 2012, both the ADC and the employer contributions which fund the ADC, reflects FRS plan changes that reduced retirement benefits and required employees to contribute 3% of their salaries to the FRS. Required employer contributions decreased each year since 2012 by the amount of the employee contributions totaling \$674.2 million in Fiscal Year 2012, and recently totaling \$748.5 million in Fiscal Year 2020.

RETIREE HEALTH INSURANCE SUBSIDY AND OTHER POSTEMPLOYMENT BENEFITS

(The information contained under the heading "RETIREE HEALTH INSURANCE SUBSIDY AND OTHER POSTEMPLOYMENT BENEFITS" has been obtained from the State of Florida's and Florida Retirement System Pension Plan and other State Administered Systems Comprehensive Annual Financial Reports except as otherwise indicated.)

Retiree Health Insurance Subsidy Program

The Retiree Health Insurance Subsidy ("HIS") Program is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries 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 ("DMS"). For the Fiscal Year ended June 30, 2019, 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, F.S. 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. Effective July 1, 2015, the statutorily required contribution rate

pursuant to Section 112.363, F.S. increased to 1.66% of payroll. The State has contributed 100% of its statutorily required contributions for the current and preceding two years. 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.

Information relating to the statutorily required State contribution, benefits paid and the resulting trust fund assets is shown below, for Fiscal Years ending June 30.

Retiree Health Insurance Subsidy Program Information

(in thousands where amounts are dollars)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Recipients	349,865	366,285	376,031	385,181	395,179
Contributions	\$512,564	\$529,229	\$542,539	\$555,485	\$576,623
Benefits Paid	\$449,857	\$465,980	\$491,530	\$491,890	\$505,549
Trust Fund Net Assets	\$113,859	\$178,311	\$232,463	\$302,044	\$378,261

Beginning with Fiscal Year 2007, the DMS has obtained biennial actuarial valuations of assets and liabilities of the HIS Program.

HIS actuarial determinations are based on the following:

Valuation Date:	July 1, 2018
Actuarial Cost Method:	Individual Entry Age
Amortization method:	Level Percentage of Pay, Open
Equivalent Single amortization period:	30 years ¹
Asset valuation method:	Fair Market Value
Actuarial Assumptions:	
Discount rate:	3.50% ^{2,3}
Projected salary increases:	3.25% ²
Cost of living adjustments:	0.00%

Source: DMS, Division of Retirement.

¹ Used for GASB 67 reporting purposes.

² Includes inflation at 2.60%.

³ In general, the discount rate used for calculating the HIS liability under GASB 67 is equal to the single rate that results in the same Actuarial Present Value as would be calculated by using two different discount rates as follows: (1) Discount at the long-term expected rate of return for benefit payments prior to the projected depletion of the fiduciary net position (trust assets); and (2) Discount at a municipal bond rate for benefit payments after the projected depletion date. Because the HIS 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 a long-duration, high-quality, tax-exempt municipal bond rate selected by the plan sponsor. In September 2014 the Actuarial Assumption Conference adopted the Bond Buyer General Obligation 20-Bond Municipal Bond Index as the applicable municipal bond index. As a result, the discount rate will change annually.

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The following two tables summarize the funding progress of the Retiree Health Insurance Subsidy Program. The first table shows the funded ratio, using the Actuarial Value of Assets, based on the actuarial assumptions used to determine the appropriate funding level for the Retiree Health Insurance Subsidy Program each year. The second table shows the funding progress using the actuarial assumptions required for GASB 67 reporting purposes.

Retiree Health Insurance Subsidy Program Schedule of Funding Progress

Actuarial Value of Assets

(dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b) ²	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll ¹ (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2006	\$192,808	\$4,667,058	\$4,474,250	4.13%	\$27,712,320	16.15%
July 1, 2008	\$275,139	\$5,109,683	\$4,834,544	5.38%	\$30,665,477	15.77%
July 1, 2010	\$291,459	\$8,464,530	\$8,173,071	3.44%	\$31,717,281	25.77%
July 1, 2012	\$220,346	\$9,018,467	\$8,798,121	2.44%	\$31,345,990	28.07%

Source: State of Florida CAFRs and DMS, Division of Retirement, CAFRs.

¹ Includes DROP and PEORP payroll.

² The actuarially assumed investment rate of return fluctuates annually as noted in HIS assumptions on prior page.

GASB 67 Reporting

(in thousands where amounts are dollars)

June 30	Fiduciary Net Position (FNP) ² (a)	Total Pension Liability (TPL) Entry Age ² (b)	Net Pension Liability (NPL) (b-a)	Funded Ratio (%) (FNP as % of TPL) (a/b)	Covered Payroll ^{2,3} (c)	NPL as a Percentage of Coverage Payroll ((b-a)/c)
2014	\$93,385	\$9,443,629	\$9,350,244	0.99%	\$29,676,340	31.51%
2015	50,774	10,249,201	10,198,427	0.50%	30,340,449	33.61%
2016	113,859	11,768,445	11,654,586	0.97%	30,875,274	37.75%
2017	178,311	10,870,772	10,692,461	1.64%	31,885,633	33.53%
2018	232,463	10,816,576	10,584,112	2.15%	32,670,918	32.40%
2019	302,044	11,491,044	11,188,999	2.63%	33,452,626	33.45%
2020	378,261	12,588,098	12,209,837	3.00%	34,715,391	35.17%

¹ This schedule will fill in to a ten year schedule as results for new fiscal years are calculated.

² Source: DMS, Division of Retirement, FRS CAFRs.

³ Covered payroll includes the normal cost and UAL payroll for active Pension and Investment Plan members and payroll of reemployed retirees without membership.

Other Postemployment Benefits (OPEB)

The following information is based on the July 1, 2017, actuarial valuation of the State Employees' Health Insurance Program.

Accounting and Reporting Changes

As of fiscal year end June 30, 2017, the state implemented GASB Statement No. 75 ("GASB 75"), which establishes standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. GASB 75 replaces the requirements of GASB Statements No. 45. The implementation of GASB 75 required restatement of beginning equity and the recording of deferred outflows of resources and deferred inflows of resources related to OPEB in the financial statements. Additionally, implementation required changes to the notes to the financial statements and required supplemental information for OPEB plans. Specifically, GASB 75 requires net OPEB liabilities to be accounted for on the face of the balance sheet, instead of the notes. In addition, while GASB 45 allowed the amortization of an unfunded liability over a period of up to 30 years, GASB 75 requires the entire OPEB liability to be reported, which has the effect of increasing the net fiduciary position for employers that previously elected to amortize the liability. Further, while GASB 45 allowed the choice of one of six different "cost methods," GASB 75 establishes one cost method for attributing the present value of benefit payments to specific years, which will allow for more comparability and create more transparency when surveying similar plans. GASB 75 generally requires an actuarial evaluation every 2 years, where the requirement under GASB 45 varied between two or three years depending on the number of employees. Below is the additional information required under GASB 75:

- Reconciliation of changes in deferred outflows and inflows.
- Impact on OPEB liability of a 1% increase and 1% decrease in the discount rate; and the healthcare cost trend rate.
- Effects of changes during the period on total OPEB liability.
- A 10-year schedule of employer's proportion and proportionate share of Collective Net OPEB liability, employer's covered- employee payroll, the employer's proportionate share of Collective Net OPEB liability as a percent of employer's covered-employee payroll, and OPEB Plan's Fiduciary net position as a percent of total OPEB liability.

Plan Description

The State Employees' Group Health Insurance Program ("Program") operates as a cost-sharing multiple-employer defined benefit health plan; however, current administration of the Program is not through a formal trust and therefore disclosure requirements are those applicable to an agent multiple-employer plan. The Division of State Group Insurance within the DMS is designated by Section 110.123, F.S., to be responsible for all aspects of the purchase of healthcare for state and university employees and retirees under the Program.

The State implicitly subsidizes the healthcare premium rates paid by retirees by allowing them to participate in the same group health plan offered to active employees. Although retirees pay 100% of the premium amount, the premium cost to the retiree is implicitly subsidized due to commingling of the claims experience in a single risk pool with a single premium determination for active employees and retirees under age 65. Section 110.123, F.S., authorizes the offering of health insurance benefits to retired state and university employees. Section 112.0801, F.S., requires all public employers that offer benefits through a group insurance plan to allow their retirees to continue participation in the plan. The law also requires the claims experience of the retirees under 65 group to be combined with the claims experience of active employees for premium determination and the premium offered to retired employees to be no more than the premium applicable to active employees. Retirees under age 65 pay the same premium amounts as applicable to active employees. Retirees over age 65 are included in the overall risk pool but pay a lesser premium amount than is applicable to active employees because the plan is secondary payer to Medicare Parts A and B. Retirees are required to enroll in the Medicare program as soon as they are eligible.

There are 21 participating employers including the primary government of the State, the 12 State universities, and other governmental entities. There was an enrollment of 190,666 subscribers including 37,046 retirees at July 1, 2017. COBRA subscribers accounted for an additional 516 members. Employees must make an election to participate in the plan within 60 days of the effective date of their retirement to be eligible to continue in the plan as a retiree. Four types of health plans are offered to eligible participants: a standard statewide Preferred Provider Organization ("PPO") Plan, a high deductible PPO Plan, a standard Health Maintenance Organization ("HMO") Plan, and a high deductible HMO Plan. HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

Funding Policy

Benefit provisions are described by Section 110.123, F.S. and, along with contributions, can be amended by the Florida Legislature. The State has not advance-funded OPEB costs or the net OPEB obligation. The Self-Insurance Estimating Conference develops official information for determining the budget levels needed for the State's planning and budgeting process. The Governor's recommended budget and the General Appropriations Act provide for a premium level necessary for funding the program each year on a pay-as-you-go basis. No assets are accumulated in a trust that meets the criteria in paragraph 4 or GASB 75.

Monthly premiums, through June 2019 coverage, for active employees and retirees under the age of 65 for the standard plan were \$734 and \$1,653 for single and family contracts, respectively. Retirees over the age of 65 pay premiums for a Medicare supplement. Monthly premiums, through June 2019 coverage, for the standard PPO Plan were \$388 for a single contract, \$777 for two Medicare eligible members, and \$1,120 for a family contract when only one member is Medicare eligible.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017. The total OPEB liability was measured as of July 1, 2016, using a discount rate of 2.85%. The total OPEB liability was rolled back to July 1, 2016, from June 30, 2017, at 2.85%, thus producing no experience gain or loss for the period ending June 30, 2017. The service and interest cost components of the GASB 75 expense are based on the discount rate of 2.85%. The following actuarial assumptions were used:

- Discount Rate: 3.87%
- Investment Rate or Return: 0.00%
- Inflation: 2.60%
- Salary Increase: varies by FRS Class

In general, the discount rate for calculating the total OPEB liability under GASB 75 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 OPEB benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate. All future benefits were discounted using a high quality municipal bond rate of 3.87%. This rate was based on the week closest to but not later than the measurement date of the Bond Buyer 20-Bond Indexes published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's AA.

The healthcare cost trend rates used are consistent with the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2017 through June 30, 2023, as presented on August 3, 2017, by the Self-Insurance Estimating Conference conducted by the Office of Economic and Demographic Research. Previously, after the first five years, the pre-65 and post-65 trend rate assumptions differ because of the potential timing of

when the excise tax may impact the plan. It is no longer anticipated that any such adjustment will be necessary due to the constant delays in the implementation of the excise tax provision. The trend rates are a key assumption used in determining the costs of the plan, and these rates have been developed in a manner consistent with actuarial industry standards. Trend rate assumptions vary slightly by medical plan. For the HMO plans, the initial rate is 5.2%, reaching an ultimate rate of 3.8% for years after 2075. For the PPO plans, the initial rate is 7.8%, reaching an ultimate rate of 3.8% for years after 2075. Post-retirement participation also varies slightly by medical plan. For the HMO and PPO plans, 50% participation is assumed, with an assumption of 25% electing spouse coverage in the HMO plan and 35% electing spouse coverage in the PPO plan. Members who elected no coverage as active members are assumed to elect coverage in the same proportion as active members with coverage.

The demographic assumptions that determined the total OPEB liability as of June 30, 2018, were based on certain results of an actuarial experience study of the FRS for the period July 1, 2008 - June 30, 2013.

- Valuation date = July 1, 2017
- Measurement date = June 30, 2018
- Actuarial value of assets = N/A (no plan assets)
- Inflation = 2.60%
- Payroll growth = varies by FRS class
- Medical aging factors
 - o 4% per year prior to age 65;
 - o 3% per year between ages 65 and 75;
 - o 2% per year between ages 75 and 85;
 - o 0% per year thereafter.
- Mortality (details in valuation report)
 - o RP-2000 Generational, Scale BB for healthy members;
 - o RP-2000, no Projection Scale for disabled members;
- Actuarial cost method = Entry Age Normal
- Marital status = 80% assumed married, with male spouses 3 years older than female spouses

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 24-month period since July 1, 2015.
- The annual per capita claims costs have been updated to reflect current age-adjusted premiums.
- The premium rates have been updated to use the rates effective for FY 2017.
- Health care inflation rates have been updated to reflect recent healthcare trend rate surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries. Additionally, the updated trend rates reflect the information from the Report on the Financial Outlook for the Fiscal Years 2017 through 2023, as adopted August 3, 2017, by the Self-Insurance Estimating Conference.
- The active mortality rates have been updated to use rates mandated by Chapter 2015-157, Laws of Florida, for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System. The rates are those outlined in Milliman's July 1, 2016, FRS valuation report.
- The discount rate as of the measurement date for GASB 75 purposes is 3.58%. The prior GASB 45 valuation used 4.00%. The GASB 75 discount rate is based on the 20-year municipal bond rate as of June 29, 2017.

Estimates are based on information available at the time of the estimates. Such estimates are subject to revision as additional information becomes available. Also, estimates are subject to risks and uncertainties which may cause results to differ materially from those estimates set forth above. No assurance is given that actual results will not differ materially from the estimates provided above

(Reminder of page intentionally left blank)

The following disclosure regarding OPEB Schedule of Funding Progress and Schedule of Employer Contributions relate to the cost-sharing plan as a whole, of which the State of Florida is one participating employer.

Other Postemployment Benefits Schedule of Funding Progress

(thousands of dollars)

Actuarial Valuation Date	Actuarial Value of Assets (a) ¹	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annualized Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2007	--	\$3,081,834	\$3,081,834	0.00%	\$6,542,945	47.10%
July 1, 2008	--	\$2,848,428	\$2,848,428	0.00%	\$6,492,858	43.87%
July 1, 2009	--	\$4,831,107	\$4,831,107	0.00%	\$7,318,965	66.01%
July 1, 2010 ²	--	\$4,545,845	\$4,545,845	0.00%	\$7,574,317	60.02%
July 1, 2011	--	\$6,415,754	\$6,415,754	0.00%	\$7,256,798	88.41%
July 1, 2012 ²	--	\$6,782,210	\$6,782,210	0.00%	\$7,188,525	94.35%
July 1, 2013	--	\$7,487,708	\$7,487,708	0.00%	\$7,467,560	100.27%
July 1, 2014 ²	--	\$6,824,971	\$6,824,971	0.00%	\$7,308,275	93.39%
July 1, 2015	--	\$8,900,312	\$8,900,312	0.00%	\$7,810,110	113.96%
July 1, 2016	--	\$9,198,289	\$9,198,289	0.00%	\$7,847,743	117.21%
July 1, 2017	--	\$10,811,085	\$10,811,085	0.00%	\$7,847,743	137.76%
July 1, 2018	--	\$10,551,552	\$10,551,552	0.00%	\$8,527,828	123.73%

Source: State of Florida CAFRs and DMS, Division of State Group Insurance, CAFRs.

¹ The State of Florida does not hold assets in a formal trust, so none are actuarially valued to offset the liability.

² Update of the previous year's actuarial valuation. A new valuation was not performed.

Schedule of Employer Contributions

(thousands of dollars)

Fiscal Year Ended June 30	Annual Required Contribution (ARC) ¹	Actual Contribution as a Percentage of ARC
2008	\$200,973	43.70%
2009	\$186,644	54.36%
2010	\$336,419	30.87%
2011	\$313,415	32.80%
2012	\$455,584	27.07%
2013	\$452,658	28.50%
2014	\$541,600	22.34%
2015	\$489,619	21.48%
2016	\$716,408	20.60%
2017	\$724,444	23.64%
2018	n/a ²	n/a

Source: State of Florida CAFRs.

¹ The ARC is the actuarially determined cost of benefits allocated to the current year, consisting of the normal cost, that is the portion of the actuarial present value of the benefits and expenses which is allocated to a valuation year, and a payment to amortize the unfunded actuarial accrued liability.

² Beginning in 2018, the ARC was eliminated under GASB 75 and is no longer relevant for OPEB financial reporting purposes.

Changes in Total OPEB Liability

	State	Component Units	Total
Reporting Period ending June 30, 2018	\$7,999,457	\$2,811,628	\$10,811,085
Changes for the Year:			
Service cost	333,334	117,178	450,512
Interest	295,937	104,032	399,969
Changes of benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions or other inputs	(689,139)	(242,256)	(931,395)
Benefit payments	(137,236)	(41,383)	(178,619)
Changes of proportionate shares to the total OPEB liability and difference between the actual benefit payments and expected benefit payments	4,741	(4,741)	-
Other Changes	-	-	-
Net changes	(192,363)	(67,170)	(259,533)
Reporting Period ending June 30, 2019	\$7,807,094	\$2,744,458	\$10,551,552

State of Florida

FINANCIAL INFORMATION

The portion of the State of Florida Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2019, meeting the minimum requirements for general purpose financial statement, including the Introductory Section through the Required Supplementary Information follows herein. The remainder of the Report as indicated in the Table of Contents, including Combining and Individual Fund Statements and Schedules - Nonmajor Funds and Statistical and Economic Data is not provided herewith, but is available upon request from the Office of the Chief Financial Officer, Att: Statewide Financial Reporting Section at 200 East Gaines Street, Tallahassee, FL 32399-0354.

STATE OF FLORIDA

COMPREHENSIVE

ANNUAL

FINANCIAL REPORT

Fiscal Year Ended June 30, 2019



Ron DeSantis
GOVERNOR

Jimmy Patronis
CHIEF FINANCIAL OFFICER

FLORIDA DEPARTMENT OF FINANCIAL SERVICES

This document and related information is available via the Florida Department of Financial Services' homepage at: www.myfloridacfo.com

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019**

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INTRODUCTORY SECTION



February 21, 2020

Citizens of the State of Florida
The Honorable Ron DeSantis, Governor
The Honorable Bill Galvano, President of the Senate
The Honorable Jose R. Oliva, Speaker of the House of Representatives

To the Citizens of Florida, Governor DeSantis, President Galvano, and Speaker Oliva:

I am pleased to submit the State of Florida's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019, in accordance with Section 216.102(3), Florida Statutes (F.S.). This report is prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control. The objective of internal control is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. The concept of reasonable assurance ensures that the costs do not exceed the benefits derived.

The Auditor General has issued an opinion on the state's financial statements for the fiscal year ended June 30, 2019. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE STATE

Florida's Constitution divides the governmental structure of the state into three independent branches. The Legislative Branch has exclusive lawmaking power for the state. The Executive Branch, consisting of the Governor, Cabinet, and their agencies, administers the laws made by the Legislature. The Governor shares executive power and responsibility with the Cabinet, which is composed of the Attorney General, Chief Financial Officer, and Commissioner of Agriculture. The Judicial Branch interprets the law and applies the Constitution. The organizational chart following this letter provides an overview of the state's structure. Florida's government provides a range of services to its citizens including education, health and family services, transportation, public safety, law and corrections, natural resources and environmental protection.

The financial reporting entity of the state includes the primary government as well as component units for which the state is either financially accountable or a relationship exists with the state such that exclusion would cause the financial statements to be misleading. Refer to Note 1 to the financial statements for a listing of Florida's component units and the Financial Section of the report to obtain an overview of their financial positions.

Florida's budget is prepared using the processes set forth in Chapter 216, F.S. The major phases of the budget process are detailed in the Other Required Supplementary Information Section of this report. Florida law strictly prohibits overspending and requires budgetary control to be maintained at the individual appropriation account level.

February 21, 2020
Page Two

ECONOMIC CONDITION

Florida marked the conclusion of its tenth consecutive year of positive growth in General Fund collections in June 2019. While the state's recovery from the Great Recession was protracted, most of the key measures of the Florida economy had returned to or surpassed their prior peaks by the close of the 2016-17 fiscal year and have now moved well beyond those levels. The drags—particularly construction—have proven to be more persistent than past events, but the strength in tourism is compensating for this, allowing overall healthy economic conditions to first be achieved three years ago and continue through today. In this regard, the state's Economic Estimating Conference confirmed in mid-December that Florida's overall economy improved as expected in the first half of the 2019-20 fiscal year, although modest slowing of economic growth is expected in the latter part of the 2020 calendar year. This is largely due to national events beyond the state's control and produces a u-shaped pattern, with some variables (primarily related to construction) exhibiting stronger growth rates in fiscal year 2019-20 than in 2020-21. The key drivers underlying the Florida-specific forecasts are discussed in greater detail below.

Notably, Florida's population growth and other key indicators continue to show strength. Florida's real Gross Domestic Product (GDP) in 2018 showed healthy growth of 3.2 percent, remaining above the national average for the sixth consecutive year. Newly released data for the second quarter (GDP for 2019:Q2) indicated some slowing in the current year, ranking Florida seventeenth in the nation in real growth and matching the national average (2.0 percent). The Economic Estimating Conference projects that Florida's GDP will grow 2.5 percent for the entire 2019-20 fiscal year, but continue slowing in the near term to 1.6 percent in the 2022-23 and 2023-24 fiscal years. In the longer term, growth is expected to average 2.0 percent per year. On the more real-time measure of personal income, the calendar year results were stronger: Florida ended 2018 with 6.2 percent growth over 2017—above the national growth rate of 5.6 percent. However, Florida's pace for the third quarter of 2019 (2019:Q3) sharply decelerated: Florida ranked 29th in the country with 3.5 percent growth over the prior quarter, which was below the reported growth of 3.8 percent for the United States as a whole. In the near term, the annual growth rates for the state are expected to drift from 5.1 percent (fiscal year 2019-20) down to 4.1 percent (2020-21 and 2022-23 fiscal years). In the longer term, growth is expected to average 4.3 percent per year. Underpinning the projected growth in personal income is continued population growth; these projections were slightly strengthened in December 2019 by the Demographic Estimating Conference. In addition, tourist visits continue to contribute strongly to Florida's economy. The Revenue Estimating Conference met in January in response to the new economic and population forecasts, indicating that the state's revenue collections for the General Fund are still expected to fall below the prior year by 0.5 percent this year; however, this is an improvement from the projected loss of 1.4 percent in August that was mostly caused by the loss of Indian Gaming revenue sharing. This improvement is largely related to the strength of collections in the first half of the fiscal year—some of which is not expected to continue through the remainder of the year.

The level of employment in Florida also continues to improve from the low levels of the Great Recession. For the third quarter of the 2019 calendar year, total non-farm employment stood at just over 9.0 million jobs. The forecast indicates that non-farm employment will add approximately 237,500 jobs during the course of the 2019-20 fiscal year, representing a 2.7 percent increase over the prior fiscal year. At 3.1 percent in November, Florida's unemployment rate was 0.4 percentage point below the national rate of 3.5 percent and matched the lowest unemployment rate ever achieved in Florida (March 2006). The Economic Estimating Conference believes Florida is now below the "full employment" unemployment rate (about 4.0 percent), and will stay there through the 2022-23 fiscal year.

While typical economic recoveries are led by increases in lending and housing construction; the recovery from the Great Recession has behaved differently in Florida. Overall, Florida's economic growth rates are healthy *in spite of* subdued construction activity, particularly in the residential sector. For now, tourism strength is overwhelming this persistent weakness. In the current forecast, tourism remains at record-breaking levels, while none of the key residential construction measures pass their prior peaks in the forecast horizon, an anticipated slowdown that has been built into all of the recent forecasts.

Even though it remains at relatively low levels, the construction sector is improving. Single-Family building permit activity, an indicator of new construction, remains in positive territory, with strong percentage growth rates in six of the last seven calendar years. Single family data was higher than the prior year by 20.3 percent in 2015, 11.1 percent in 2016, 13.5 percent in 2017, and 13.8 percent in 2018. Despite these strong percentage growth rates, the level is still low by historic standards—just over 63 percent of the long-run per capita level. The year-to-date data for the 2019 calendar year is showing marginal growth (4.1 percent)

February 21, 2020
Page Three

compared to the recent past. The latest forecast calls for continuing improvement in these starts, reaching annual rates of 95.9 thousand units in the 2019-20 fiscal year and 95.9 thousand units in the 2020-21 fiscal year. To put these numbers in perspective, the peak year for single-family starts was the 2004-05 fiscal year at nearly 182 thousand units.

Because the most recent sales tax forecast relies heavily on strong tourism growth, the Legislative Office of Economic and Demographic Research (EDR) feels tourism-related revenue losses pose the greatest potential risk to the economic outlook in the near-term. In terms of magnitude, a recent study by EDR found an estimated 13.4 percent of the state's sales tax collections for the General Fund was directly attributable to purchases made by tourists. In the new forecast, meaningful improvement in the housing market is expected to continue to lag behind the rest of Florida's economy as homeownership rates remain low, mortgage rates increase, and housing affordability becomes a challenge. The latest downward revisions to the national economic forecast for many of these measures have further slowed the construction-related growth rates seen in Florida in the recent past. This means that tourism will need to continue its outsized performance in order for the broader economic measures to stay in normal territory.

According to the state's Long-Range Financial Outlook adopted in September 2019, the state is not anticipating a budget gap for the upcoming fiscal year, meaning the projected revenues should meet all anticipated needs. However, this assessment comes with one caveat. The projections for the subsequent years indicate that a structural imbalance is beginning to occur and that the Legislature will need to take future action to head it off. Of note, the nature of the problem has changed over the past year. In the 2018 Outlook, the recurring General Revenue demands exceeded the amount of recurring General Revenue available in the outer years. This year, there is no visible recurring issue, but the projected out-year deficits remain. In addition, the Long-Range Financial Outlook identifies potential future obligations of the Florida Hurricane Catastrophe Fund and Citizens Property Insurance Corporation as significant risks to the forecast. Refer to Note 14 to the financial statements for additional information related to the state's insurance enterprises.

ACKNOWLEDGEMENTS

Preparation of the CAFR requires a significant investment of time and resources of fiscal and accounting personnel throughout the state. We appreciate all the contributions made to this effort.

Sincerely,

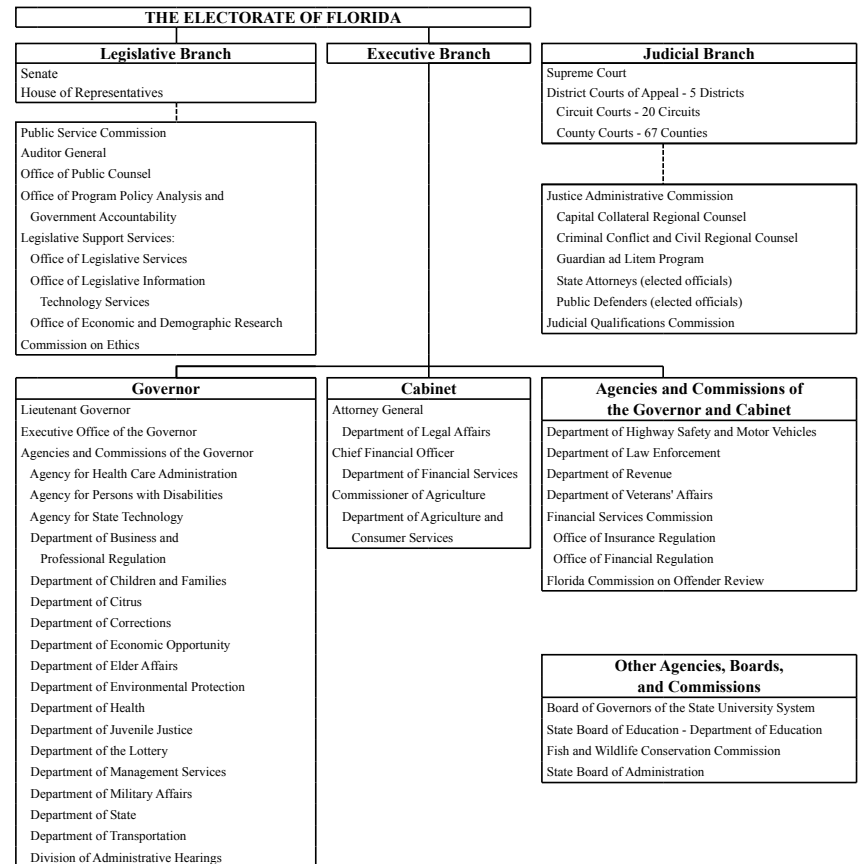


Jimmy Patronis
Chief Financial Officer

JP:pjb

2019 STATE OF FLORIDA CAFR

ORGANIZATION AT JUNE 30, 2019



PRINCIPAL OFFICIALS AT JUNE 30, 2019

Legislative Branch	Executive Branch	Judicial Branch
Senate Bill Galvano, President House of Representatives Jose R. Oliva, Speaker	Ron DeSantis, Governor Jeanette Nuñez, Lieutenant Governor Cabinet Ashley Moody, Attorney General Jimmy Patronis, Chief Financial Officer Nicole "Nikki" Fried, Commissioner of Agriculture	Charles T. Canady, Chief Justice

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FINANCIAL SECTION

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Sherrill F. Norman, CPA
Auditor General

AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722
Fax: (850) 488-6975

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

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Florida, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the State'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 did not audit the financial statements of:

- The Prepaid College Program Fund, which is a major enterprise fund and represents 32 percent and 14 percent, respectively, of the assets and revenues of the business-type activities.
- The Florida Turnpike System, which represents 80 percent and 89 percent, respectively, of the assets and revenues of the Transportation major enterprise fund.
- The Hurricane Catastrophe Fund, which is a major enterprise fund and represents 30 percent and 12 percent, respectively, of the assets and revenues of the business-type activities.
- The College Savings Plan and the trust fund maintained by the State Board of Administration to account for the investments of the Public Employee Optional Retirement Program, which collectively represent 6 percent of the assets and 3 percent of the revenues/additions of the aggregate remaining fund information.
- The Florida Retirement System Trust Fund maintained by the State Board of Administration to account for the assets and investment income of the Florida Retirement System Defined Benefit Pension Plan which represent 91 percent and 47 percent, respectively, of the assets and additions of the Pension and Other Employee Benefits Trust Funds.

- The Florida Housing Finance Corporation, Citizens Property Insurance Corporation, component units related to the State's universities and colleges, and certain other funds and entities that, in the aggregate, represent 62 percent and 33 percent, respectively, of the assets and revenues of the discretely presented component units.

The financial statements for the above-listed funds and entities were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for these funds and entities, are based solely on the reports of the other auditors. 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 from 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 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, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Florida, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 and Note 10 to the financial statements, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is a change in accounting principle that provides for additional note disclosures. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, certain State universities' component units changed from the Financial Accounting Standards Board accounting and financial framework to the GASB accounting and financial framework. This affects the comparability of amounts reported by the State universities' component units for the 2018-19 fiscal year with amounts reported for the 2017-18 fiscal year. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 16 through 21 and the budgetary information, funding and contribution information for pension and other postemployment benefits, and information on infrastructure using the modified approach on pages 180 through 193 be presented to supplement the basic financial statements. Such information, although not

a part of the basic financial statements, is required by the GASB 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 and other auditors 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The Introductory Section on pages 6 through 9 and the combining and individual fund statements, related budgetary comparison schedules, and Statistical Section on pages 197 through 315 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and related budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The combining and individual fund statements and related budgetary comparison schedules have 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual fund statements and related budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Statistical Section 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 our report dated February 21, 2020, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, administrative rules, 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 State'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 State's internal control over financial reporting and compliance. That report will be included as part of our separately issued report entitled *State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards*.

Respectfully submitted,



Sherrill F. Norman, CPA
Tallahassee, Florida
February 21, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The information contained in the Management's Discussion and Analysis (MD&A) introduces the basic financial statements and provides an analytical overview of the State of Florida's (the state's) financial activities and performance for the fiscal year ended June 30, 2019 (fiscal year 2018-19). Please read the MD&A in conjunction with the state's financial statements that are presented in the Financial Section of this Comprehensive Annual Financial Report (CAFR).

Financial Statements Overview

The state's basic financial statements are comprised of the following elements:

Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the state's overall financial condition. Changes in the state's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the state's net position changed during the fiscal year is presented in the Statement of Activities. Financial information for the state's component units is also presented.

Fund Financial Statements

Fund financial statements for governmental and proprietary funds focus on individual parts of the state, reporting the state's operations in more detail than the government-wide financial statements. Fund financial statements for fiduciary funds are also included to provide financial information related to the state's fiduciary activities.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the government-wide and fund financial statements. Refer to Note 1 to the financial statements for more information on the elements of the financial statements. Table 1 below summarizes the major features of the basic financial statements.

Table 1: Major Features of the Basic Financial Statements				
	Government-wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire state government (except fiduciary funds) and the state's component units	Activities of the state that are not proprietary or fiduciary	Activities of the state that are operated similar to private businesses	Instances in which the state is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	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
Type of asset, liability, and deferred outflow/inflow information	<ul style="list-style-type: none"> All assets and liabilities, both financial and capital, and short-term and long-term All deferred outflows and deferred inflows of resources 	<ul style="list-style-type: none"> Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included All deferred outflows and deferred inflows of resources 	<ul style="list-style-type: none"> All assets and liabilities, both financial and capital, and short-term and long-term All deferred outflows and deferred inflows of resources 	<ul style="list-style-type: none"> All assets and liabilities, both financial and capital, and short-term and long-term All deferred outflows and deferred inflows of resources
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> Revenues for which cash is received during or soon after the end of the year Expenditures when goods or services have been received and payment is due during the year or soon thereafter 	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Condensed Government-wide Financial Statements and Overall Financial Analysis

Statement of Net Position

Table 2 below presents the state's Condensed Statement of Net Position as of June 30, 2019, and 2018, derived from the government-wide Statement of Net Position. The state's net position at the close of the fiscal year was \$66.8 billion for governmental activities and \$30.8 billion for business-type activities which was a combined total of \$97.6 billion for the primary government. The three components of net position include net investments in capital assets; restricted; and unrestricted. The largest component, totaling \$83.8 billion as of June 30, 2019, reflects net investments in capital assets. The state uses these capital assets to provide services to the citizens and businesses in the state; consequently, this component of net position is not available for future spending. Restricted net position is the next largest component, totaling \$28.9 billion as of June 30, 2019. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Governmental activities reflect a negative or deficit fund balance in unrestricted net position of \$16.2 billion at June 30, 2019. This deficit primarily results from education-related bonds for which the state is responsible for the liability while the related assets are owned by local school districts and are therefore not included in the state's financial statements. Refer to Note 8 to the financial statements, Governmental Activities – Unrestricted Net Position Deficit, for more information.

Business-type activities reflect a restricted net position of \$18.7 billion at June 30, 2019, a decrease of \$1.3 billion over the prior year. The decrease in the restricted net position over that reported in prior years is explained in the Major Fund Analysis, Proprietary Funds section that follows.

Table 2: Condensed Statement of Net Position

	As of June 30 (in millions)					
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 29,069	\$ 26,811	\$ 41,489	\$ 40,642	\$ 70,558	\$ 67,453
Capital assets, net	78,538	76,037	14,141	13,493	92,679	89,530
Total assets	107,607	102,848	55,630	54,135	163,237	156,983
Total deferred outflows of resources	4,115	4,049	103	101	4,218	4,150
Other liabilities	3,889	4,027	3,764	3,481	7,653	7,508
Noncurrent liabilities	38,156	38,240	20,975	19,077	59,131	57,317
Total liabilities	42,045	42,267	24,739	22,558	66,784	64,825
Total deferred inflows of resources	2,854	2,135	220	208	3,074	2,343
Net position						
Net investments in capital assets	72,832	70,555	10,934	10,521	83,766	81,076
Restricted	10,232	9,627	18,702	19,962	28,934	29,589
Unrestricted	(16,241)	(17,687)	1,138	987	(15,103)	(16,700)
Total net position	\$ 66,823	\$ 62,495	\$ 30,774	\$ 31,470	\$ 97,597	\$ 93,965

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Statement of Activities

Table 3 presents the state's Condensed Statement of Activities for fiscal year 2018-19 and fiscal year 2017-18, as derived from the government-wide Statement of Activities. Over time, increases and decreases in the net position measure whether the state's financial position is improving or deteriorating. The state's total net position increased during the fiscal year by \$3.6 billion. The net position of governmental activities increased by \$4.3 billion, and the net position of business-type activities decreased by \$696 million. The majority of the increase in total program expenses for governmental activities relates to a \$760 million increase in General Government expense after an offsetting \$1.1 billion increase and decrease in Education and Human Services expenses, respectively, while the largest increase in business-type activities expenses is the \$1.4 billion increase in Hurricane Catastrophe Fund program expenses. Refer to the Major Fund Analysis section for information regarding the overall increase in revenues from governmental activities.

**Table 3: Condensed Statement of Activities
For the Fiscal Year Ended June 30**
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 8,571	\$ 8,322	\$ 12,973	\$ 11,030	\$ 21,544	\$ 19,352
Operating grants and contributions	29,280	29,889	5	12	29,285	29,901
Capital grants and contributions	2,310	2,491	13	43	2,323	2,534
Total program revenues	40,161	40,702	12,991	11,085	53,152	51,787
General revenues and payments						
Sales and use tax	27,999	26,781	—	—	27,999	26,781
Other taxes	14,678	13,677	—	—	14,678	13,677
Investment earnings (loss)	662	231	13	4	675	235
Miscellaneous	—	—	3	3	3	3
Total general revenues and payments	43,339	40,689	16	7	43,355	40,696
Total revenues	83,500	81,391	13,007	11,092	96,507	92,483
Program expenses						
General government	7,881	7,121	—	—	7,881	7,121
Education	23,157	22,087	—	—	23,157	22,087
Human services	36,579	37,656	—	—	36,579	37,656
Criminal justice and corrections	4,829	4,641	—	—	4,829	4,641
Natural resources and environment	3,291	3,348	—	—	3,291	3,348
Transportation	4,394	4,384	774	656	5,168	5,040
Judicial branch	621	605	—	—	621	605
Lottery	—	—	5,234	4,956	5,234	4,956
Hurricane Catastrophe Fund	—	—	4,019	2,578	4,019	2,578
Prepaid College Program	—	—	1,016	50	1,016	50
Reemployment Assistance	—	—	386	451	386	451
Nonmajor enterprise funds	—	—	407	376	407	376
Indirect interest on long term debt	38	87	—	—	38	87
Total program expenses	80,790	79,929	11,836	9,067	92,626	88,996
Excess (deficiency) before gain (loss) and transfers	2,710	1,462	1,171	2,025	3,881	3,487
Gain (loss) on sale of capital assets	(290)	(49)	(2)	(6)	(292)	(55)
Transfers	1,865	1,087	(1,865)	(1,087)	—	—
Change in net position	4,285	2,500	(696)	932	3,589	3,432
Beginning net position, as restated (Note 1)	62,538	59,995	31,470	30,538	94,008	90,533
Ending net position	\$ 66,823	\$ 62,495	\$ 30,774	\$ 31,470	\$ 97,597	\$ 93,965

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Major Fund Analysis

Governmental Funds

The state's governmental funds reported a combined ending fund balance of \$20.1 billion at June 30, 2019, a \$1.9 billion or 10.7 percent increase from the prior year. Revenues increased by \$2.1 billion or 2.6 percent, other financing sources and uses increased by \$360 million or 13.2 percent, and expenditures increased by \$1.0 billion or 1.2 percent. Overall increases in revenues and expenditures were primarily attributable to a rise in tax revenues.

Proprietary Funds

The state's proprietary funds report combined ending net position of \$30.8 billion at June 30, 2019, of which \$10.9 billion is the net investment in capital assets, and \$18.7 billion is restricted for specific purposes. The remaining \$1.1 billion was unrestricted and available for purposes of the various funds. Information is provided below regarding major funds with significant variances relative to the prior year.

Lottery – This fund reported a net position of \$85 million at June 30, 2019, an increase of \$36 million or 75.3 percent. Revenues increased by \$488 million or 7.3 percent while expenses and operating transfers out increased by \$446 million or 6.6 percent. Revenues increased as result of an increase on ticket sales, prompted by higher jackpots and introduction of new games during the fiscal year. The increase in expenses and operating transfers out were due to higher ticket sales, which increased related prize expense and transfers to the Educational Enhancement Trust Fund. Also, the increase in net position was due to an increase in the market value of investments.

Hurricane Catastrophe Fund – The net position at June 30, 2019, totaled \$10.3 billion, a decrease of \$2.4 billion or 18.99 percent. Revenues increased by \$312 million or 23.8 percent while expenses and operating transfers out increased by \$1.4 billion or 55.8 percent. The decrease in net position was primarily due to a \$1.6 billion increase for the recorded loss reserves for Hurricanes Irma and Michael. Revenues increased over the prior year, primarily due to a \$327 million increase in investment income. This increase mainly resulted from changes made to the Fund's guidelines allowing for longer investment maturities.

Prepaid College Program – The net position at June 30, 2019, totaled \$3.7 billion, an increase of \$747 million or 25.3 percent. Revenues increased by \$1.1 billion or 176.9 percent while expenses increased by \$967 million or 1,948.0 percent. The increase in net position was primarily due to an increase in the market value of invested assets. The increase in revenues was primarily due to an increase in investment income from the fixed income investments and increase in the actuarial determination of the present value of future contract premiums, both resulted from a declining treasury rate environment. Expenses increased over the prior year primarily because of an increase in actuarial determination of the present value of future benefit payments, also as a result of a declining treasury rate environment.

General Fund Budget Variances

Budgeted expenditures are based on revenues estimated by the Revenue Estimating Conference and other sources. Original expenditures are budgeted for less than total expected available resources. There was a \$706 million increase between the original and final estimated revenues. Final budgeted total expenditures increased by \$899 million from the original budget. Variances between the original and final budget or between the final budgeted and actual amounts are not expected to significantly affect future services or liquidity. For additional information on the budget variances, refer to the Budgetary Comparison Schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

Capital Asset and Long-term Debt Activity

Capital Asset Activity

At June 30, 2019, the state reported \$78.5 billion in net capital assets for governmental activities and \$14.1 billion in net capital assets for business-type activities. Net capital assets for governmental and business-type activities increased from fiscal year 2017-18 to fiscal year 2018-19 by approximately 3.5 percent. The increase is primarily due to the capitalization of construction costs for infrastructure projects. Capitalized infrastructure projects include additions to and/or enhancements of roadways and bridges on the state's highway system. Construction commitments by the Florida Department of Transportation were approximately \$14.8 billion. Construction commitments by other state agencies for major projects including office buildings and correctional facilities increased by \$16 million compared to the prior year. Refer to Note 5 to the financial statements for information on capital assets and Note 7 to the financial statements for information on construction commitments.

Long-term Debt Activity

Total bonded debt outstanding decreased by \$915 million, or approximately 4.7 percent, from the prior fiscal year to a total of \$18.7 billion at June 30, 2019 due to new debt issued being less than scheduled amortization and debt service payments. The majority of the outstanding bonded debt serves to finance educational facilities (\$9.8 billion), the Florida Hurricane Catastrophe Fund (\$2.2 billion) and transportation (\$5.1 billion). New and refinanced bonded debt issues for 2019 totaled \$2.5 billion. Public-

Private Partnership (PPP) contracts outstanding increased from the prior year by \$222 million or 8.3 percent to a total of \$2.9 billion. The annual debt service requirements decreased from \$2.3 billion in 2018 to \$2.0 billion in 2019. The decrease in debt service in Fiscal Year 2019 reflected the impact of PPP payments. The annual debt service is projected to increase to approximately \$2.3 billion through Fiscal Year 2022, then decrease to approximately \$1.9 billion in Fiscal Year 2023, reflecting the payment obligations for the PPP I-395 and I-4 Projects.

Pursuant to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the State of Florida recorded \$7.7 billion in pension liabilities for the defined benefit plans it administers for the fiscal year ended June 30, 2019. The \$7.7 billion includes the State's proportionate share of the liability for the Florida Retirement System Pension Plan, the Retiree Health Insurance Subsidy Program, and the Florida National Guard Supplemental Retirement Benefit Plan. (See Note 6 to the Financial Statements for further information.)

Pursuant to the provisions of GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the State of Florida recorded \$7.8 billion in other postemployment benefit liabilities for the fiscal year ended June 30, 2019. This resulted in a decrease of \$192 million or 2.4 percent. (See Note 6 to the Financial Statements for further information.)

The state maintained its credit ratings during the past year. During the fiscal year ended June 30, 2019, all three major rating agencies (Standard & Poor's Rating Services, Fitch Ratings and Moody's Investors Services) rated the state in the highest rating category and have affirmed the State's AAA general obligation rating and Stable outlooks. The state's benchmark debt ratio improved in Fiscal Year 2019 to 4.64 percent and is projected to remain below the 6 percent policy target for the foreseeable future.

Section 11 of Article VII of the State Constitution authorizes the state to issue general obligation bonds or revenue bonds to finance or refinance fixed capital outlay projects authorized by law. General obligation bonds are secured by the full faith and credit of the state and payable from specified taxes. Revenue bonds are payable solely from specified revenues. The responsibility to issue most state bonds rests with the Division of Bond Finance of the State Board of Administration. However, certain quasi-governmental entities also incur debt and are reported as part of the primary government. See the *State of Florida 2019 Debt Report* for more detailed information about the state's debt position. The report can be found at www.sbafla.com/bondfinance or by contacting the Division of Bond Finance, 1801 Hermitage Boulevard, Suite 200, Tallahassee, Florida 32308, (850) 488-4782. Additional information on long-term debt is also found in Notes 6, 8, 9, and 10 to the financial statements and the Statistical Section of this report.

Infrastructure Accounted for Using the Modified Approach

The state elected to use the modified approach to account for roadways, bridges, and other infrastructure assets of the State Highway System. Under this approach, the Florida Department of Transportation (FDOT) committed to maintain these assets at levels established by FDOT and approved by the Florida Legislature. No depreciation expense is reported for these assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. FDOT maintains an inventory of these assets and performs periodic assessments to establish that predetermined condition levels are being maintained. The condition assessments performed during fiscal year 2018-19 show that the roadways and bridges of the State Highway System are being maintained at or near FDOT standards. These condition assessments were consistent with condition assessments conducted during past years. In addition, FDOT makes annual estimates of the amounts that must be expended to maintain the roadways and bridges included on the State Highway System at the predetermined condition levels. These estimates are based on the FDOT five-year plan that is revised as projects are added, deleted, adjusted, or postponed. Refer to the Other Required Supplementary Information of the CAFR for information on FDOT's established condition standards, recent condition assessments, and other information on infrastructure reported on the modified approach.

Economic Factors

General Fund tax collections for the fiscal year ended June 30, 2019, came in 5.8 percent higher than the prior fiscal year, the highest level of growth seen since fiscal year 2012-13 when an unexpected large payment from the National Mortgage Settlement Agreement boosted collections. Ten years after the back-to-back negative growth rates seen during the collapse of the housing boom and entry into the Great Recession, Florida has left its long recovery period behind and returned to normalcy on nearly every measure. However, the growth in final collections going forward will be negatively affected by the loss of the Indian Gaming revenue share payment. The last payment was received from the Seminole Tribe in April 2019. This means that the growth rate for fiscal year 2018-19 is at the top-end of the range moving toward the 3.5 percent annual growth projected for the long-run.

Most (59.0 percent) of the year-over-year net increase in General Fund receipts (total revenue minus refunds) came from gains in sales tax collections. For fiscal year 2018-19, this revenue source noticeably increased its dominant share of the fund, ending the year with 67.9 percent of total revenue received. As the economy remained strong with gains in the state's Gross Domestic Product and personal income over the prior year, signs of a fully recovered economy were clear in the widespread improvement across all areas of sales tax collections (nondurables, tourism and recreation, autos and accessories, other durables, building investment and business investment). Total sales tax liability grew a solid 5.3 percent from fiscal year 2017-18 to fiscal year 2018-19. This equates to \$1.40 billion in growth for this source, with nearly \$1.25 billion flowing through to the General Fund.

Including sales tax, just over three-fourths of the state's general revenue sources posted gains over the prior year, with a few continuing to make progress against strong headwinds. In this respect, several key revenue sources have continued to track the ebb and flow of the state's one lagging sector, the construction industry. Among them, documentary stamp and intangibles tax collections predominantly rely on activity in the state's real estate market. After the end of the housing boom in 2005-06, Florida's sizable inventory of unsold homes, home prices discounted for quick sale, and towering foreclosures hindered a return to normal conditions in the real-estate market. Thirteen years after the boom's peak, each metric still has a unique story to tell. For statewide existing single-family home sales and their associated median sales price, the magnitude of the growth was uneven with sales growing 3 percent and the median price growing 4.4 percent. This divergence is expected to be even greater in the 2019-20 fiscal year (8.7 percent and 2.8 percent, respectively). The results also remained in positive territory for single-family private housing starts (up 6.7 percent) and total construction expenditures (up 2.8 percent), with the expected growth in both categories softening in fiscal year 2019-20. However, with the major drivers all showing gains in fiscal year 2018-19, total documentary stamp taxes grew 5.2 percent. This growth brought documentary stamp taxes to 65.3 percent of their prior peak in fiscal year 2005-06. Reflecting a slightly different aspect of the market, intangibles tax collections, which entirely benefit the General Fund, strengthened as refinancing activity responded to low interest rates, ultimately posting a 3.8 percent gain over the prior year. Overall, the collection levels are still low by historic standards for the two sources, sometimes distorting the magnitude of percentage changes.

As a result of the federal law changes passed as part of the Tax Cuts and Jobs Act of 2017 and the Bipartisan Budget Act of 2018, Florida saw significantly higher collections from its Corporate Income Tax during fiscal year 2018-19. Corporate Income Tax receipts exceeded the monthly estimates adopted by the state's Revenue Estimating Conference in eleven of the twelve months in the fiscal year, making this source the state's second strongest contributor to real revenue growth. Moving well above their prior peak collection level in fiscal year 2006-07, corporate income tax receipts (prior to refunds) posted 30.1 percent growth over fiscal year 2017-18. After accounting for corporate refunds, net collections had even stronger growth of 31.4 percent. In anticipation of the higher collection rate resulting from the federal legislation, the Florida Legislature passed Chapter 2018-119, L.O.F. (HB 7093) which had the practical effect of retroactively reducing the tax rate for taxable years beginning on or after January 1, 2019, if net collections exceed forecasted collections by at least seven percent during fiscal year 2018-2019. The provisions in this bill were only effective for one year, but the Legislature has since extended these provisions to additional years.

At the end of the 2018-19 state fiscal year, net General Fund collections were \$507.2 million above the estimate for the year, a gain of 1.5 percent and over the plus or minus one percent range the Conference usually attributes to statistical noise. However, this was largely due to the induced outsized performance of the Corporate Income Tax. Removing Corporate Income Tax from the calculation shows that the state otherwise would have had its fourth consecutive year of ending the fiscal year within one percent of the estimate, signaling the underlying stability in the economy. Further, General Fund sources collectively performed better than the class of total revenue for the state. Including federal dollars and state trust funds, total revenue increased by 7.4 percent over this period.

The Revenue Estimating Conference last met in January 2020 to revise the General Fund forecast for fiscal years 2019-20 and 2020-21. The near-term National and Florida Economic Forecasts were weaker in several key areas compared to August; however, revenue collections had run above monthly estimates by a combined \$414.9 million since the last conference. Focusing on the year-to-date gains to the forecast, anticipated revenues were revised upward by \$306.0 million in fiscal year 2019-20 and by \$86.0 million in fiscal year 2020-21, for a two-year total of \$392.0 million, a change of less than one percent (0.9%) in fiscal year 2019-20 and less than one-half of one percent (0.3%) in fiscal year 2020-21. The relatively small size of the increase recognizes that there is an elevated level of risk to any forecast due to the mature stage of the current economic expansion and geopolitical pressures to global growth.

As a buffer against future financial shocks, the latest General Revenue Outlook shows that there will be just over \$1.934 billion in unallocated general revenue remaining at the end of the current fiscal year. In addition, the state's major reserve for emergencies, the Budget Stabilization Fund, has a planned balance of \$1.574 billion on June 30, 2020. The fund cash balance is now at the highest recorded level in its history. The other source most frequently mentioned as part of the state's informal reserve system is the Lawton Chiles Endowment Fund (LCEF). The LCEF had an estimated market value of \$812.0 million as of October 31, 2019, bringing the total of all reserves to nearly \$4.320 billion or 13.0 percent of the state's estimated General Fund tax collections for the current year (after payment of refunds). According to the state's Long-Range Financial Outlook adopted in September 2019, the state is not anticipating a budget gap for the upcoming fiscal year, meaning the projected revenues should meet all anticipated needs. However, this assessment comes with one caveat. The projections for the subsequent years indicate that a structural imbalance is beginning to occur and that the Legislature will need to take future action. Of note, the nature of the problem has changed over the past year. In the 2018 Outlook, the recurring General Revenue demands exceeded the amount of recurring General Revenue available in the outer years. This year, there is no visible recurring issue, but the projected out-year deficits remain.

Contact the State's Financial Management

Questions about this report or requests for additional financial information may be addressed to:

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**FINANCIAL
SECTION:
BASIC FINANCIAL
STATEMENTS**

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STATEMENT OF NET POSITION JUNE 30, 2019 (in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Totals	
ASSETS				
Cash and cash equivalents	\$ 68,612	\$ 58,004	\$ 126,616	\$ 1,392,113
Pooled investments with State Treasury	17,874,236	5,872,638	23,746,874	3,612,950
Other investments	1,423,804	30,894,069	32,317,873	17,236,742
Receivables, net	5,674,941	1,973,391	7,648,332	1,951,973
Internal balances	267,940	(267,940)	—	—
Due from component units/primary	13,253	548	13,801	525,680
Inventories	56,278	7,511	63,789	93,489
Restricted cash and cash equivalents	—	—	—	580,495
Restricted pooled investments with State Treasury	—	193,162	193,162	691,027
Restricted investments	—	606,975	606,975	6,722,177
Advances to other entities	771,274	—	771,274	—
Other loans and notes receivable, net	2,915,917	2,108,683	5,024,600	2,210,946
Other assets	2,285	42,399	44,684	690,251
Capital assets, net	78,538,185	14,141,072	92,679,257	25,816,463
Total assets	107,606,725	55,630,512	163,237,237	61,524,306
DEFERRED OUTFLOWS OF RESOURCES				
Accum. decrease in fair value - hedging derivatives	—	—	—	65,951
Grants paid in advance	71,500	—	71,500	33
Amount deferred on refunding of debt	99,784	27,553	127,337	29,882
Pension-related items	3,646,468	64,748	3,711,216	1,766,282
Other postemployment benefits	296,906	10,618	307,524	69,426
Asset retirement obligations	—	—	—	9,184
Total deferred outflows of resources	4,114,658	102,919	4,217,577	1,940,758
LIABILITIES				
Accounts payable and accrued liabilities	2,759,078	1,544,328	4,303,406	2,455,701
Due to other governments	—	7,437	7,437	—
Due to component units/primary	71,715	190	71,905	96,642
Obligations under security lending agreements	1,057,677	2,212,526	3,270,203	—
Obligations under reverse repurchase agreements	—	—	—	170
Long-term liabilities				
Due within one year	4,624,468	5,121,120	9,745,588	2,024,858
Due in more than one year	33,531,568	15,854,278	49,385,846	16,224,090
Total liabilities	42,044,506	24,739,879	66,784,385	20,801,461
DEFERRED INFLOWS OF RESOURCES				
Deferred service concession arrangement receipts	—	141,507	141,507	116,783
Accum. increase in fair value - hedging derivatives	—	—	—	3,101
Grants received in advance	—	—	—	3,723
Amount deferred on refunding of debt	91,930	16,864	108,794	2,572
Pension-related items	1,061,455	18,245	1,079,700	418,613
Other postemployment benefits liability	1,700,165	43,347	1,743,512	568,930
Irrevocable split-interest agreements	—	—	—	56,129
Total deferred inflows of resources	2,853,550	219,963	3,073,513	1,169,851
NET POSITION				
Net investments in capital assets	72,831,994	10,933,870	83,765,864	21,732,858
Restricted for				
Natural resources, environment, and growth management	3,895,031	—	3,895,031	—
Public Education	533,623	—	533,623	—
Health and Family Services	1,759,456	—	1,759,456	—
Transportation	1,742,579	432,848	2,175,427	—
Nonmajor governmental funds	1,451,488	—	1,451,488	—
Debt service	80,368	—	80,368	131,712
Lottery	—	130,558	130,558	—
Prepaid College Program	—	3,700,748	3,700,748	—
Hurricane Catastrophe Fund	—	10,288,180	10,288,180	—
Reemployment Assistance	—	4,144,120	4,144,120	—
Other	769,906	5,744	775,650	7,748,209
Funds held for permanent endowment				
Expendable	—	—	—	1,142,921
Nonexpendable	—	—	—	3,592,331
Unrestricted	(16,241,118)	1,137,521	(15,103,597)	7,145,721
Total net position	\$ 66,823,327	\$ 30,773,589	\$ 97,596,916	\$ 41,493,752

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

2019 STATE OF FLORIDA CAFR

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2019 (in thousands)

Functions/Programs	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities:					
General government	\$ 7,880,707	\$ 5,150,621	\$ 2,087,716	\$ 21,003	\$ (621,367)
Education	23,156,683	351,836	2,593,379	674	(20,210,794)
Human services	36,578,683	2,043,492	22,955,734	9,710	(11,569,747)
Criminal justice and corrections	4,829,124	274,257	128,152	224	(4,426,491)
Natural resources and environment	3,291,238	398,537	1,502,522	9,186	(1,380,993)
Transportation	4,393,614	252,861	10,744	2,269,237	(1,860,772)
Judicial branch	621,300	98,834	1,321	—	(521,145)
Indirect interest on long-term debt	37,977	—	—	—	(37,977)
Total governmental activities	80,789,326	8,570,438	29,279,568	2,310,034	(40,629,286)
Business-type activities:					
Transportation	774,282	1,278,487	—	17	504,222
Lottery	5,233,699	7,197,221	—	—	1,963,522
Hurricane Catastrophe Fund	4,019,088	1,618,782	—	—	(2,400,306)
Prepaid College Program	1,016,432	1,762,853	—	—	746,421
Reemployment Assistance	386,497	583,516	4,523	—	201,542
Nonmajor enterprise funds	406,593	532,419	663	12,886	139,375
Total business-type activities	11,836,591	12,973,278	5,186	12,903	1,154,776
Total primary government	\$ 92,625,917	\$ 21,543,716	\$ 29,284,754	\$ 2,322,937	\$ (39,474,510)
Component units					
Florida Housing Finance Corporation	\$ 184,235	\$ 149,150	\$ —	\$ —	\$ (35,085)
University of Florida	5,919,440	3,913,302	1,075,673	98,828	(831,637)
Citizens Property Insurance Corporation	967,082	624,562	—	—	(342,520)
Nonmajor component units	13,156,419	3,547,089	4,036,288	697,943	(4,875,099)
Total component units	\$ 20,227,176	\$ 8,234,103	\$ 5,111,961	\$ 796,771	\$ (6,084,341)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net (expense) revenue	\$ (40,629,286)	\$ 1,154,776	\$ (39,474,510)	\$ (6,084,341)
General revenues:				
Taxes				
Sales and use tax	27,999,274	—	27,999,274	—
Fuel taxes	3,254,839	—	3,254,839	—
Corporate income tax	3,114,711	—	3,114,711	—
Documentary stamp tax	2,648,213	—	2,648,213	—
Intangible personal property tax	386,168	—	386,168	—
Communications service tax	941,415	—	941,415	—
Beverage and tobacco taxes	1,445,638	—	1,445,638	—
Insurance premium tax	1,178,214	—	1,178,214	—
Gross receipts utilities tax	806,447	—	806,447	—
Property taxes	—	—	—	491,802
Other taxes	902,273	—	902,273	—
Investment earning (loss)	661,924	13,106	675,030	808,941
Gain (loss) on sale of capital assets	(289,470)	(2,494)	(291,964)	(5,668)
Payments from the State of Florida	—	—	—	4,642,182
Emergency assessments	—	81	81	—
Miscellaneous	—	2,810	2,810	870,770
Transfers	1,864,750	(1,864,750)	—	—
Contributions to permanent funds	—	—	—	98,818
Total general revenues, transfers and contributions	44,914,396	(1,851,247)	43,063,149	6,906,845
Changes in net position	4,285,110	(696,471)	3,588,639	822,504
Net position - beginning, as restated (Note 1)	62,538,217	31,470,060	94,008,277	40,671,248
Net position - ending	\$ 66,823,327	\$ 30,773,589	\$ 97,596,916	\$ 41,493,752

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

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

GENERAL FUND

This fund is the State's primary operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

NATURAL RESOURCES, ENVIRONMENT, AND GROWTH MANAGEMENT

This fund accounts for operations of various programs, such as air pollution control, water quality assurance, ecosystem management, and marine resources conservation.

PUBLIC EDUCATION

This fund includes internal reporting funds administered by the Department of Education to operate education-related programs.

HEALTH AND FAMILY SERVICES

This fund includes internal reporting funds used to operate various health and family service-related programs, such as health care, elder affairs, and public assistance.

TRANSPORTATION

This fund includes the internal reporting special revenue funds used to account for the administration of the maintenance and development of the State highway system and other transportation-related projects.

Nonmajor Funds

Nonmajor governmental funds are presented, by fund type, beginning on page 197.

2019 STATE OF FLORIDA CAFR

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019
(in thousands)

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services
ASSETS				
<u>Current assets</u>				
Cash and cash equivalents	\$ 17,020	\$ 2,004	\$ 2	\$ 5,920
Pooled investments with State Treasury	7,619,088	2,317,940	1,046,751	1,904,805
Other investments	1,079,266	—	—	—
Receivables, net	2,099,799	224,618	64,915	2,059,544
Due from other funds	167,183	29,473	98,797	189,677
Due from component units/primary	281	483	11,814	—
Inventories	8,908	767	—	36,787
Other	2,022	—	—	—
Total current assets	10,993,567	2,575,285	1,222,279	4,196,733
<u>Noncurrent assets</u>				
Long-term investments	—	—	—	—
Advances to other funds	1,125	—	—	—
Advances to other entities	4,936	1,159	764,161	—
Other loans and notes receivable, net	5,030	1,575,035	1,535	23,511
Total noncurrent assets	11,091	1,576,194	765,696	23,511
Total assets	11,004,658	4,151,479	1,987,975	4,220,244
DEFERRED OUTFLOWS OF RESOURCES				
Grants paid in advance	—	—	—	—
Total deferred outflows of resources	—	—	—	—
Total assets and deferred outflows	11,004,658	4,151,479	1,987,975	4,220,244
LIABILITIES				
<u>Current liabilities</u>				
Accounts payable and accrued liabilities	628,562	54,127	8,957	565,493
Due to other funds	412,311	26,026	3,668	25,625
Due to component units/primary	8,852	28,418	23,252	8,515
Compensated absences	8,956	1,843	117	1,680
Claims payable	202,160	—	—	998,234
Deposits	6,716	7,825	11,245	95
Obligations under security lending agreements	776,638	64,236	43,400	3,305
Total current liabilities	2,044,195	182,475	90,639	1,602,947
<u>Noncurrent liabilities</u>				
Advances from other funds	—	—	972,968	—
Deposits	—	—	—	—
Total noncurrent liabilities	—	—	972,968	—
Total liabilities	2,044,195	182,475	1,063,607	1,602,947
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	138,656	914	—	804,627
Total deferred inflows of resources	138,656	914	—	804,627
FUND BALANCES				
Nonspendable	15,768	767	—	36,787
Restricted	55,171	2,644,571	1,395,685	193,224
Committed	1,274,538	1,322,752	349,733	1,582,659
Unassigned	7,476,330	—	(821,050)	—
Total fund balances	8,821,807	3,968,090	924,368	1,812,670
Total liabilities, deferred inflows and fund balances	\$ 11,004,658	\$ 4,151,479	\$ 1,987,975	\$ 4,220,244

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

2019 STATE OF FLORIDA CAFR

Transportation	Nonmajor Governmental Funds	Totals 6/30/19
\$ 2,639	\$ 29,150	\$ 56,735
2,236,251	2,095,530	17,220,365
—	211,290	1,290,556
445,697	651,047	5,545,620
189,844	145,980	820,954
—	7	12,585
7,226	2,590	56,278
8	255	2,285
2,881,665	3,135,849	25,005,378
—	84,068	84,068
90,779	—	91,904
1,018	—	771,274
526,357	784,449	2,915,917
618,154	868,517	3,863,163
3,499,819	4,004,366	28,868,541
71,500	—	71,500
71,500	—	71,500
3,571,319	4,004,366	28,940,041
780,231	294,919	2,332,289
48,810	190,528	706,968
—	2,655	71,692
2,863	861	16,320
—	5,626	1,206,020
557,430	152,511	735,822
83,200	63,367	1,034,146
1,472,534	710,467	6,103,257
—	698	973,666
—	16,678	16,678
—	17,376	990,344
1,472,534	727,843	7,093,601
356,205	424,875	1,725,277
356,205	424,875	1,725,277
7,234	7,118	67,674
50	1,759,182	6,047,883
1,735,296	1,085,348	7,350,326
—	—	6,655,280
1,742,580	2,851,648	20,121,163
\$ 3,571,319	\$ 4,004,366	\$ 28,940,041

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2019 STATE OF FLORIDA CAFR

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
JUNE 30, 2019
(in thousands)**

Total fund balances for governmental funds	\$	20,121,163
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities reported in governmental funds are not financial resources and therefore are not reported in the funds.		
Land and other nondepreciable assets	20,101,360	
Nondepreciable infrastructure	51,084,214	
Buildings, equipment and other depreciable assets	6,924,433	
Accumulated depreciation	(4,588,913)	
Construction work in progress	<u>4,047,000</u>	
		77,568,094
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(719,836)	
Installment purchases/capital leases/public-private partnership agreements	(2,698,817)	
Claims payable	(1,932,706)	
Bonds payable	(13,488,365)	
Certificates of participation payable	(69,115)	
Pension liability	(7,482,908)	
Other postemployment benefits	(7,500,953)	
Due to other governments	(378,248)	
Other	<u>(13,052)</u>	
		(34,284,000)
Deferred amounts on refunding are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources (to be amortized as interest expense) but are not reported in the funds.		12,345
Deferred amounts for pension-related items are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources (to be amortized as pension expense) but are not reported in the funds.		2,552,988
Deferred amounts for other postemployment items are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources (to be amortized as pension expense) but are not reported in the funds.		(1,386,163)
Accrued interest payable on bonds that is not recognized on the fund statements but is recognized on the Statement of Net Position.		(36,226)
Assets (receivables) not available to provide current resources are offset with deferred inflows of resources in the fund statements. The reduction of the deferred inflow and recognition of revenue increases net position in the Statement of Net Position.		1,725,277
Internal service funds are used to report activities that provide goods and services to other funds or agencies within the state. Therefore, the excess of assets over liabilities of the internal service funds are included as governmental activities on the Statement of Net Position.		<u>549,849</u>
Net position of governmental activities	\$	<u><u>66,823,327</u></u>

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

2019 STATE OF FLORIDA CAFR

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services
REVENUES				
Taxes	\$ 37,333,820	\$ 324,429	\$ 1,148,404	\$ 670,752
Licenses and permits	532,363	51,888	1,229	35,430
Fees and charges	1,597,796	169,026	60,433	1,417,868
Grants and donations	17,740	235,821	2,389,033	23,089,875
Investment earnings (losses)	536,802	86,824	112,151	4,920
Fines, forfeits, settlements and judgments	342,050	4,037	184,227	63,137
Other	45,143	3,954	14,224	574,111
Total revenues	40,405,714	875,979	3,909,701	25,856,093
EXPENDITURES				
Current:				
General government	4,453,684	20,979	—	155,761
Education	17,214,551	—	5,368,572	—
Human services	8,978,150	—	—	27,000,694
Criminal justice and corrections	3,837,422	—	—	—
Natural resources and environment	613,276	1,116,732	—	—
Transportation	177,657	—	—	—
Judicial branch	452,529	—	—	—
Capital outlay	83,569	63,871	555	10,838
Debt service:				
Principal retirement	10,416	—	—	2,650
Interest and fiscal charges	4,301	—	—	—
Total expenditures	35,825,555	1,201,582	5,369,127	27,169,943
Excess (deficiency) of revenues over expenditures	4,580,159	(325,603)	(1,459,426)	(1,313,850)
OTHER FINANCING SOURCES (USES)				
Proceeds of bond issues	2,513	—	156,091	—
Proceeds of refunding bonds	—	—	—	—
Proceeds of financing agreements	—	—	—	—
Operating transfers in	827,726	1,055,588	2,471,950	1,637,290
Operating transfers out	(3,725,995)	(310,713)	(1,272,220)	(419,895)
Payments to refunded bond agent	—	—	—	—
Total other financing sources (uses)	(2,895,756)	744,875	1,355,821	1,217,395
Net change in fund balances	1,684,403	419,272	(103,605)	(96,455)
Fund balances - beginning	7,137,404	3,548,818	1,027,973	1,909,125
Fund balances - ending	\$ 8,821,807	\$ 3,968,090	\$ 924,368	\$ 1,812,670

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

2019 STATE OF FLORIDA CAFR

Transportation	Nonmajor Governmental Funds	Totals 6/30/19
\$ 2,934,122	\$ 272,889	\$ 42,684,416
14,500	1,586,188	2,221,598
425,167	709,879	4,380,169
2,317,192	3,329,843	31,379,504
82,540	97,692	920,929
3,396	511,815	1,108,662
13,276	62,855	713,563
5,790,193	6,571,161	83,408,841
208,222	2,906,821	7,745,467
—	220,882	22,804,005
—	434,622	36,413,466
—	614,168	4,451,590
—	1,385,068	3,115,076
4,055,066	143	4,232,866
—	87,585	540,114
3,002,964	128,575	3,290,372
205,894	1,097,945	1,316,905
31,679	614,415	650,395
7,503,825	7,490,224	84,560,256
(1,713,632)	(919,063)	(1,151,415)
264,100	203,249	625,953
—	1,229,094	1,229,094
429,892	—	429,892
1,760,763	3,283,653	11,036,970
(699,441)	(2,565,690)	(8,993,954)
—	(1,229,094)	(1,229,094)
1,755,314	921,212	3,098,861
41,682	2,149	1,947,446
1,700,898	2,849,499	18,173,717
\$ 1,742,580	\$ 2,851,648	\$ 20,121,163

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2019 STATE OF FLORIDA CAFR

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)**

Net change in fund balance - total governmental funds	\$	1,947,446
Internal service funds are used by management to charge the costs of goods or services to other funds and agencies within the state. Therefore, the net revenue (expense) of the internal service funds is reported with governmental activities.		(43,632)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of these assets is allocated over the estimated useful lives of the assets and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation in the current period.		
Capital outlay expenditures	3,290,372	
Capital asset transfers, net	(174,302)	
Depreciation expense	<u>(285,825)</u>	2,830,245
In the Statement of Activities, the gain or (loss) on the sale of assets is reported whereas in the governmental funds only the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the assets sold.		(345,879)
In the Statement of Activities, some revenues are recognized that do not provide current financial resources and are not recognized as revenues in the governmental funds until available, i.e., deferred inflows of resources, unavailable revenue.		73,142
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in compensated absences	8,904	
Decrease in accrued interest	8,056	
Decrease in claims payable	53,877	
Increase in other postemployment benefits	(227,638)	
Increase in net pension related items	(460,082)	
Decrease in due to other governments	18,818	
Increase in other liabilities	<u>(625)</u>	(598,690)
The incurrence of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayments of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, deferred amounts on refundings when debt is issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond proceeds	(625,953)	
Refunding bond proceeds	(1,229,094)	
Financing agreement proceeds	(429,892)	
Repayment of bonds	1,097,394	
Repayment of capital leases/installment purchase contracts	219,512	
Payment to refunded bond escrow agent	1,229,094	
Amortization of bond premium	190,046	
Amortization of amount deferred on refunding of debt	(11,309)	
Accrued interest payable at refunding	<u>(17,320)</u>	422,478
Change in net position of governmental activities	\$	<u>4,285,110</u>
The notes to the financial statements are an integral part of this statement.		

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PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

TRANSPORTATION

This fund primarily accounts for operations of the Florida Turnpike Enterprise which includes the Florida Turnpike System.

LOTTERY

This fund accounts for state lottery operations, which include sale of lottery tickets, payment of lottery prizes, and transfers to the Education Enhancement Trust Fund.

FLORIDA HURRICANE CATASTROPHE FUND

This fund, administered by the State Board of Administration, is used to help cover insurers' losses in the event of a hurricane disaster.

PREPAID COLLEGE PROGRAM

This fund, administered by the State Board of Administration, is used to account for payments from purchasers of the Florida Prepaid College Program, a blended component unit. This program was created to provide a medium through which the cost of state post-secondary education may be paid in advance of enrollment at a rate lower than the projected corresponding costs at the time of enrollment.

REEMPLOYMENT ASSISTANCE

This fund accounts for the receipt of monies for and payment of unemployment compensation benefits.

Nonmajor Funds

Nonmajor enterprise funds are presented on page 237.

Internal Service Funds

Internal service funds are presented on page 243.

2019 STATE OF FLORIDA CAFR

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2019
(in thousands)

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
ASSETS					
Current assets					
Cash and cash equivalents	\$ 3,717	\$ 330	\$ —	\$ 8,168	\$ 131
Pooled investments with State Treasury	1,186,734	209,882	—	—	4,077,539
Other investments	—	—	6,274,667	2,698,603	—
Receivables, net	67,857	55,245	996,401	601,778	93,408
Due from other funds	124,737	—	—	3,156	488
Due from component units/primary	—	—	—	—	358
Inventories	6,301	1,209	—	—	—
Other	—	7,756	6	—	—
Total current assets	1,389,346	268,922	7,271,074	3,311,705	4,171,924
Noncurrent assets					
Restricted pooled investments with State Treasury	141,717	51,445	—	—	—
Restricted investments	305,199	301,776	—	—	—
Long-term investments	—	—	9,535,563	12,308,680	—
Other loans and notes receivable, net	75,182	—	—	2,030,004	—
Capital assets					
Land and other non-depreciable assets	1,219,254	3,887	—	—	—
Non-depreciable infrastructure	10,326,312	—	—	—	—
Buildings, equipment, and other depreciable assets	1,542,448	13,547	106	132	—
Accumulated depreciation	(460,064)	(10,264)	(48)	(61)	—
Construction work in progress	1,371,755	—	—	—	—
Other	—	33,746	—	—	—
Total noncurrent assets	14,521,802	394,126	9,535,621	14,338,755	—
Total assets	15,911,149	663,058	16,806,695	17,650,460	4,171,924
DEFERRED OUTFLOWS OF RESOURCES					
Amount deferred on refunding of debt	27,553	—	—	—	—
Pension-related items	—	10,582	760	1,280	—
Other postemployment benefits	—	1,386	51	31	—
Total deferred outflows of resources	27,553	11,968	811	1,311	—
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	74,129	9,819	866,547	523,272	19,301
Accrued prize liability	—	190,301	—	—	—
Due to other governments	—	—	—	—	7,437
Due to other funds	97,019	75,548	283	3,974	1,066
Due to component units/primary	—	—	—	—	190
Compensated absences	—	765	83	92	—
Installment purchases/capital leases	1,647	—	—	—	—
Bonds payable	—	—	550,000	—	—
Bonds payable from restricted assets	138,575	—	—	—	—
Deposits	99,699	—	—	—	—
Claims payable	—	—	3,450,132	—	—
Obligations under security lending agreements	58,331	11,530	—	2,127,637	—
Certificates of participation payable	—	—	—	—	—
Tuition and housing benefits payable	—	—	—	644,981	—
Pension liability	—	151	9	13	—
Other postemployment benefits	—	456	7	8	—
Total current liabilities	469,400	288,670	4,867,061	3,299,977	27,804
Noncurrent liabilities					
Advances from other funds	90,706	—	—	—	—
Accrued prize liability	—	238,132	—	—	—
Bonds payable	2,706,343	—	1,650,000	—	—
Certificates of participation payable	—	—	—	—	—
Installment purchases/capital leases	213,594	—	—	—	—
Deposits	302	—	—	—	—
Compensated absences	—	2,849	175	309	—
Tuition and housing benefits payable	—	—	—	10,647,912	—
Pension liability	—	21,858	1,412	2,010	—
Other postemployment benefits liability	—	29,862	403	465	—
Other	—	—	—	—	—
Total noncurrent liabilities	3,010,945	292,701	1,651,990	10,650,696	—
Total liabilities	3,480,345	581,371	6,519,051	13,950,673	27,804
DEFERRED INFLOWS OF RESOURCES					
Deferred service concession arrangement receipts	141,507	—	—	—	—
Amount deferred on refunding of debt	16,864	—	—	—	—
Pension-related items	—	2,878	134	176	—
Other postemployment benefits	—	6,214	83	103	—
Total deferred inflows of resources	158,371	9,092	217	279	—
NET POSITION					
Net investment in capital assets	10,808,309	7,170	58	71	—
Restricted for Reemployment Assistance	—	—	—	—	4,144,120
Restricted for Lottery	—	130,558	—	—	—
Restricted for Hurricane Catastrophe Fund	—	—	10,288,180	—	—
Restricted for Prepaid College Program	—	—	—	3,700,748	—
Restricted for Transportation	432,848	—	—	—	—
Restricted - other	1,058,829	(53,165)	—	—	—
Unrestricted	—	—	—	—	—
Total net position	\$ 12,299,986	\$ 84,563	\$ 10,288,238	\$ 3,700,819	\$ 4,144,120

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

2019 STATE OF FLORIDA CAFR

Nonmajor Enterprise Funds	Totals 6/30/19	Internal Service Funds
\$ 45,658	\$ 58,004	\$ 11,877
398,483	5,872,638	653,871
7,510	8,980,780	49,180
23,168	1,837,857	44,355
12,830	141,211	14,889
190	548	668
1	7,511	—
1,513	3,775	—
489,353	16,902,324	774,840
—	193,162	—
—	606,975	—
69,046	21,913,289	—
3,497	2,108,683	—
—	1,223,141	319
—	10,326,312	—
159,533	1,715,766	1,579,863
(71,845)	(542,282)	(622,435)
46,380	1,418,135	12,344
8,829	8,624	—
211,490	39,001,805	970,091
700,843	55,904,129	1,744,931
—	27,553	3,755
52,126	64,748	44,534
9,150	10,618	5,184
61,276	102,919	53,473
47,196	1,540,264	232,017
—	190,301	—
—	7,437	—
9,085	186,975	25,221
—	190	23
5,730	6,670	2,661
15,536	17,183	3,596
—	550,000	15,060
—	138,575	—
18,885	118,584	177,344
—	3,450,132	—
15,028	2,212,526	23,531
—	—	25,845
—	644,981	—
928	1,101	483
3,022	3,493	1,664
115,600	9,068,512	507,445
—	90,706	500
—	238,132	—
—	4,356,343	178,298
—	213,594	326,661
49,602	49,904	5,548
14,131	17,464	9,638
—	10,647,912	—
111,147	136,427	88,026
162,599	193,329	89,404
1,173	1,173	—
338,652	15,944,984	698,075
454,252	25,013,496	1,205,520
—	141,507	—
—	16,864	8,246
15,057	18,245	12,509
36,947	43,347	22,280
52,004	219,963	43,035
118,262	10,933,870	416,121
—	4,144,120	—
—	130,558	—
—	10,288,180	—
—	3,700,748	—
—	432,848	—
5,744	5,744	49,444
131,857	1,137,521	84,284
\$ 255,863	\$ 30,773,589	\$ 549,845

2019 STATE OF FLORIDA CAFR

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)**

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program
OPERATING REVENUES				
Sales - nonstate	\$ 25,399	\$ 7,157,163	\$ 1,052,027	\$ 415,250
Change in actuarial value of contract premiums	—	—	—	209,216
Fees	1,175,814	—	—	2,154
Sales - state	—	—	43	225
Rents and royalties - nonstate	9,126	560	—	—
Rents - state	—	—	—	—
Fines, forfeits, settlements and judgments	1,787	144	—	—
Other	—	—	—	—
Total operating revenues	1,212,126	7,157,867	1,052,070	626,845
OPERATING EXPENSES				
Benefit payments	—	—	—	—
Payment of lottery winnings	—	4,638,488	—	—
Commissions on lottery sales	—	398,162	—	—
Contractual services	529,145	145,855	4,214	400,428
Change in actuarial value of contract benefit payments	—	—	3,950,000	560,298
Insurance claims expense	—	—	—	—
Personal services	19,591	31,273	1,782	2,362
Depreciation	90,697	1,078	14	22
Materials and supplies	21,572	2,015	9	33
Repairs and maintenance	—	636	—	7
Basic services	—	4,402	260	198
Interest and fiscal charges	—	—	1	24
Total operating expenses	661,005	5,221,909	3,956,280	963,372
Operating income (loss)	551,121	1,935,958	(2,904,210)	(336,527)
NONOPERATING REVENUES (EXPENSES)				
Grants and donations	17	—	—	—
Investment earnings (losses)	64,829	39,338	566,712	1,136,008
Interest and fiscal charges	(113,201)	(11,789)	(62,808)	(53,060)
Fines, forfeits, judgments and settlements	1,144	—	1,460	197
Property disposition gain (loss)	(3,297)	5	—	—
Grant expense and client benefits	—	—	—	—
Emergency assessment funds received	—	—	81	—
Other	3,561	16	—	—
Total nonoperating revenues (expenses)	(46,947)	27,570	505,445	1,083,145
Income (loss) before transfers and contributions	504,174	1,963,528	(2,398,765)	746,618
Operating transfers in	85,675	—	—	—
Operating transfers out	(50,103)	(1,927,200)	(13,500)	—
Capital contributions	174,296	—	—	—
Change in net position	714,042	36,328	(2,412,265)	746,618
Total net position - beginning	11,585,944	48,235	12,700,503	2,954,201
Total net position - ending	\$ 12,299,986	\$ 84,563	\$ 10,288,238	\$ 3,700,819

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

2019 STATE OF FLORIDA CAFR

Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/19	Internal Service Funds
\$ —	\$ 124,240	\$ 8,774,079	\$ 41,589
—	—	209,216	—
477,904	261,091	1,916,963	4
—	42,059	42,327	2,566,223
—	1	9,687	3
—	158	158	145,374
—	12,146	14,077	13
—	67,981	67,981	19,745
477,904	507,676	11,034,488	2,772,951
350,116	—	350,116	—
—	—	4,638,488	—
—	—	398,162	—
—	145,871	1,225,513	572,477
—	—	4,510,298	—
—	—	—	2,088,624
—	208,837	263,845	110,516
—	8,624	100,435	37,584
—	6,143	29,772	6,888
—	1,625	2,268	2,106
—	29,173	34,033	8,230
—	3,420	3,445	609
350,116	403,693	11,556,375	2,827,034
127,788	103,983	(521,887)	(54,083)
4,523	13,550	18,090	8
103,174	17,311	1,927,372	28,195
—	(847)	(241,705)	(24,717)
—	9	2,810	—
—	(6)	(3,298)	(295)
—	(1,276)	(1,276)	—
—	—	81	—
(33,945)	(763)	(31,131)	2
73,752	27,978	1,670,943	3,193
201,540	131,961	1,149,056	(50,890)
2,565	25,702	113,942	25,502
(11,699)	(131,269)	(2,133,771)	(18,397)
—	6	174,302	153
192,406	26,400	(696,471)	(43,632)
3,951,714	229,463	31,470,060	593,481
\$ 4,144,120	\$ 255,863	\$ 30,773,589	\$ 549,849

2019 STATE OF FLORIDA CAFR

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)**

	Transportation	Lottery	Hurricane Catastrophe Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,210,169	\$ 7,154,287	\$ 1,042,150
Cash paid to vendors	(564,699)	(550,630)	(4,419)
Cash paid to employees	(19,496)	(28,851)	(1,616)
Cash received/(paid) for grants	—	—	—
Lottery prizes	—	(4,634,368)	—
Cash paid for insurance claims	—	—	(2,396,503)
Reemployment assistance	—	—	—
Net cash provided (used) by operating activities	625,974	1,940,438	(1,360,388)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in (out)	135,627	(1,919,930)	(13,501)
Advances from or repayment from other funds	18,338	—	—
Advances, grants or loans (to) from or repayment from others	(75,919)	—	—
Payment of bonds or loans (principal and interest)	—	—	(564,261)
Cash received from noncapital grants or donations	—	—	—
Emergency assessment funds received	—	—	(27)
Net cash provided (used) by noncapital financing activities	78,046	(1,919,930)	(577,789)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash received from the issuance of debt	321,274	—	—
Cash received from capital grants and donations	17	—	—
Payment of bond principal	(145,485)	—	—
Payment of principal on installment purchase/capital lease	—	—	—
Payment of interest on bonds/installment purchase/capital lease	(127,822)	—	—
Purchase or construction of capital assets	(476,743)	(1,256)	(67)
Line of credit draws/(payments)	—	—	—
Net cash provided (used) by capital and related financing activities	(428,759)	(1,256)	(67)
CASH FLOWS FROM INVESTING ACTIVITIES			
Security lending	(17,770)	(4,865)	—
Proceeds from the sale or maturity of investments	2,698,498	21,955	83,859,426
Cash paid to grand prize winners upon maturity of grand prize investments	—	(21,955)	—
Investment earnings	63,202	12,533	285,292
Purchase of investments	(2,750,844)	—	(82,210,483)
Net cash provided (used) by investing activities	(6,914)	7,668	1,934,235
Net increase (decrease) in cash and cash equivalents	268,347	26,920	(4,009)
Cash and cash equivalents - beginning	1,063,821	234,737	4,009
Cash and cash equivalents - ending	\$ 1,332,168	\$ 261,657	\$ —

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

2019 STATE OF FLORIDA CAFR

Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/19	Internal Service Funds
\$ 562,046	\$ 461,891	\$ 420,784	\$ 10,851,327	\$ 2,772,893
(545,023)	—	(188,597)	(1,853,368)	(570,580)
(2,059)	—	(185,749)	(237,771)	(101,098)
—	—	68,216	68,216	—
—	—	—	(4,634,368)	—
—	—	—	(2,396,503)	(2,060,028)
—	(347,154)	—	(347,154)	—
14,964	114,737	114,654	1,450,379	41,187
—	(9,136)	(106,995)	(1,913,935)	6,451
—	—	—	18,338	—
—	—	(1,355)	(77,274)	—
—	—	—	(564,261)	—
—	4,523	663	5,186	8
—	—	—	(27)	—
—	(4,613)	(107,687)	(2,531,973)	6,459
—	—	—	321,274	—
—	—	12,881	12,898	—
—	—	(13,160)	(158,645)	(84,016)
—	—	—	—	(3,864)
—	—	—	(127,822)	(30,491)
(27)	—	(32,429)	(510,522)	(12,733)
—	—	2,716	2,716	—
(27)	—	(29,992)	(460,101)	(131,104)
2,341	—	(9,270)	(29,564)	(18,042)
12,460,513	—	123,781	99,164,173	—
—	—	—	(21,955)	—
155,003	103,174	16,493	635,697	26,153
(12,635,702)	—	(124,076)	(97,721,105)	—
(17,845)	103,174	6,928	2,027,246	8,111
(2,908)	213,298	(16,097)	485,551	(75,347)
11,076	3,864,372	460,238	5,638,253	741,095
\$ 8,168	\$ 4,077,670	\$ 444,141	\$ 6,123,804	\$ 665,748

2019 STATE OF FLORIDA CAFR

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)
Reconciliation of operating income (loss) to net cash
provided (used) by operating activities**

	Transportation	Lottery	Hurricane Catastrophe Fund
Operating income (loss)	\$ 551,121	\$ 1,935,958	\$ (2,904,210)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization expense	90,697	1,078	14
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(56,416)	(4,572)	(10,095)
(Increase) decrease in due from other funds	52,001	—	—
Increase (decrease) in allowance for uncollectibles	—	1,035	562
(Increase) decrease in inventories	562	65	—
(Increase) decrease in future contract premiums and other receivables	—	—	—
(Increase) decrease in other noncurrent assets	—	(7,069)	—
Increase (decrease) in accounts payable	781	(301)	(293)
Increase (decrease) in compensated absences	—	(129)	31
Increase (decrease) in due to other funds	(16,710)	—	—
Increase (decrease) in tuition and housing benefits payable	—	—	—
Increase (decrease) in other noncurrent liability	—	—	—
(Increase) decrease in deposits and prepaid items	—	633	—
Increase (decrease) in unearned revenue	3,938	—	—
Increase (decrease) in prize liability	—	11,189	—
Increase (decrease) in pension liability and deferrals	—	1,511	114
Increase (decrease) in OPEB liability and deferrals	—	1,040	20
Increase (decrease) in claims payable	—	—	1,553,469
Net cash provided (used) by operating activities	\$ 625,974	\$ 1,940,438	\$ (1,360,388)
Noncash investing, capital, and financing activities			
Borrowing under capital lease or installment purchase	\$ 58,333	\$ —	\$ —
Change in fair value of investments	25,479	18,466	153,700
Contribution of capital assets	8,901	—	—
Other noncash items	35,081	—	—

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

2019 STATE OF FLORIDA CAFR

Prepaid College Program	Reemployment Assistance	Nonmajor Enterprise Funds	Totals 6/30/19	Internal Service Funds
\$ (336,527)	\$ 127,788	\$ 103,983	\$ (521,887)	\$ (54,083)
22	—	8,624	100,435	37,584
(4,283)	(14,769)	(6,087)	(96,222)	(17,908)
(3,150)	(51)	672	49,472	8,801
—	(110)	6,560	8,047	271
—	—	2	629	—
(209,216)	—	(389)	(209,605)	—
—	—	(48)	(7,117)	—
3,594	1,857	5,650	11,288	50,377
72	—	500	474	(864)
3,918	22	(270)	(13,040)	(28)
560,298	—	—	560,298	—
—	—	276	276	—
3	—	(17,990)	(17,354)	—
—	—	(2,053)	1,885	8,326
—	—	—	11,189	—
215	—	9,744	11,584	5,953
18	—	5,480	6,558	2,758
—	—	—	1,553,469	—
\$ 14,964	\$ 114,737	\$ 114,654	\$ 1,450,379	\$ 41,187
\$ —	\$ —	\$ —	\$ 58,333	\$ —
669,740	—	7,341	874,726	12,079
—	—	—	8,901	—
—	—	(561)	34,520	—

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FIDUCIARY FUND FINANCIAL STATEMENTS

PRIVATE-PURPOSE TRUST FUNDS

Individual fund descriptions and financial statements begin on page 251.

PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS

Individual fund descriptions and financial statements begin on page 257.

INVESTMENT TRUST FUNDS

Individual fund descriptions and financial statements begin on page 263.

AGENCY FUNDS

Individual fund descriptions and financial statements begin on page 267.

2019 STATE OF FLORIDA CAFR

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019
(in thousands)

	Private- Purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Agency Funds	Totals 6/30/19
ASSETS					
Cash and cash equivalents	\$ 4,713	\$ 105,937	\$ 978,084	\$ 77,850	\$ 1,166,584
Pooled investments with State Treasury	416,626	137,314	492,871	1,102,404	2,149,215
Total cash and cash equivalents	421,339	243,251	1,470,955	1,180,254	3,315,799
Investments					
Certificates of deposit	—	324,980	3,104,293	—	3,429,273
U.S. government & federally guaranteed obligations	53,925	14,083,952	—	809,571	14,947,448
Federal agencies	74,626	8,455,145	—	—	8,529,771
Commercial paper	—	3,121,322	4,462,148	—	7,583,470
Repurchase agreements	—	800,000	2,275,096	—	3,075,096
Bonds and notes	103,704	9,383,712	37,022	—	9,524,438
International bonds and notes	23,810	2,070,560	—	—	2,094,370
Real estate contracts	—	12,095,897	—	—	12,095,897
Mutual fund investments	12,404	11,342,787	—	—	11,355,191
Money market and short-term investments	120,950	1,279,279	671,599	—	2,071,828
Domestic equity	307,912	48,634,097	—	—	48,942,009
Alternative investments	—	27,784,000	—	—	27,784,000
International equity	63,219	32,486,898	—	—	32,550,117
International equity commingled	—	8,401,273	—	—	8,401,273
Deferred compensation annuities	—	16,430	—	—	16,430
Self-directed brokerage investments	—	700,874	—	—	700,874
Other investments	—	23,895	—	100	23,995
Total investments	760,550	181,005,101	10,550,158	809,671	193,125,480
Receivables					
Accounts receivable	3,429	39,680	—	556,163	599,272
State contributions receivable	—	11,931	—	—	11,931
Nonstate contributions receivable	—	315,960	—	—	315,960
Interest receivable	6,159	158,135	15,286	6,284	185,864
Dividends receivable	1,075	249,428	—	—	250,503
Pending investment sales	17,168	2,669,415	—	92,676	2,779,259
Foreign currency contracts receivable	112	93,339	—	—	93,451
Due from state funds	4,107	64,821	—	154,117	223,045
Due from other governments	5,564	—	—	—	5,564
Total receivables	37,614	3,602,709	15,286	809,240	4,464,849
Security lending collateral	—	505,785	—	—	505,785
Advances to other funds	972,968	—	—	—	972,968
Advances to other entities	38,205	—	—	—	38,205
Capital assets	290	1,278	—	—	1,568
Accumulated depreciation	(230)	(757)	—	—	(987)
Other assets	2,158	7,716	27	—	9,901
Total assets	2,232,894	185,365,083	12,036,426	2,799,165	202,433,568
DEFERRED OUTFLOWS OF RESOURCES					
Pension-related items	2,421	152	—	—	2,573
Other postemployment benefits	102	854	—	—	956
Total deferred outflows of resources	2,523	1,006	—	—	3,529
LIABILITIES					
Accounts payable and accrued liabilities	6,573	133,404	690	608,258	748,925
Due to other funds	4,711	68,315	94	207,815	280,935
DRIP	—	265,706	—	—	265,706
Pending investment purchases	50,644	4,194,975	114,576	—	4,360,195
Short sell obligations	—	224,059	—	—	224,059
Foreign currency contracts payable	112	93,326	—	—	93,438
Broker rebate fees	—	2,076	—	—	2,076
Due to other governments	3,023	—	—	809,028	812,051
Obligations under security lending agreements	17,597	538,078	22,047	10,240	587,962
Claims payable	128	—	—	19,511	19,639
Deposits payable	24,245	11,705	—	1,144,207	1,180,157
Compensated absences	576	1,025	—	—	1,601
Other liabilities	—	—	—	106	106
Pension liability	2,628	346	—	—	2,974
Other postemployment benefits liability	4,468	13,682	—	—	18,150
Total liabilities	114,705	5,546,697	137,407	2,799,165	8,597,974
DEFERRED INFLOWS OF RESOURCES					
Pension-related items	245	279	—	—	524
Other postemployment benefits	1,112	2,708	—	—	3,820
Total deferred inflows of resources	1,357	2,987	—	—	4,344
NET POSITION					
Restricted for pension benefits and other purposes	\$ 2,119,355	\$ 179,816,405	\$ 11,899,019	\$ —	\$ 193,834,779

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

2019 STATE OF FLORIDA CAFR

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)

ADDITIONS

Contributions and other deposits

Pension fund employer contributions - state	\$ —	\$ 740,158	\$ —	\$ 740,158
Pension fund employer contributions - nonstate	—	3,366,351	—	3,366,351
Pension fund employee contributions	—	1,052,062	—	1,052,062
Other contributions	—	178,672	—	178,672
Purchase of time by employees	—	6,234	—	6,234
Fees	3,595	1,848	—	5,443
Grants and contributions	141,138	—	—	141,138
Flexible benefits contributions	—	407,540	—	407,540
Fines, forfeits, settlements and judgments	173	—	5,146	5,319
Unclaimed property remittances	538,653	—	—	538,653
Receivables assets acquired	22,661	—	—	22,661
Transfers in from state funds	1,760	664,452	—	666,212
Total contributions and other deposits	707,980	6,417,317	5,146	7,130,443

Investment income

Interest income	27,170	1,415,362	287,930	1,730,462
Dividends	7,684	1,973,708	—	1,981,392
Other investment income (loss)	(250)	2,249,814	—	2,249,564
Net increase (decrease) in fair market value	25,413	5,125,551	590	5,151,554
Total investment income (loss)	60,017	10,764,435	288,520	11,112,972

Investment activity expense

Net income (loss) from investing activity	(3,013)	(596,884)	(3,995)	(603,892)
Security lending activity	57,004	10,167,551	284,525	10,509,080

Security lending income

Security lending expense	—	68,289	—	68,289
Net income from security lending	—	(37,155)	—	(37,155)

Total net investment income (loss)

Other additions	57,004	10,198,685	284,525	10,540,214
Total additions	3,097	22,023	—	25,120
	768,081	16,638,025	289,671	17,695,777

DEDUCTIONS

Benefit payments	—	12,445,946	—	12,445,946
Insurance claims expense	49,503	7,867	—	57,370
Supplemental insurance payments	—	91,322	—	91,322
Flexible reimbursement payments	—	23,049	—	23,049
Life insurance premium payments	—	32,853	—	32,853
Remittances to annuity companies	—	205,597	—	205,597
Program contribution refunds	—	18,326	—	18,326
Interest expense	361	2	—	363
Student loan default payments	54,032	—	—	54,032
Payments to unclaimed property claimants	316,778	—	—	316,778
Distribution to State School Fund	182,718	—	—	182,718
Administrative expense	22,470	24,781	53	47,304
Property disposition gain (loss)	2	—	—	2
Transfers out to state funds	3,620	692,884	—	696,504
Other deductions	51,494	9	—	51,503
Total deductions	680,978	13,542,636	53	14,223,667

Depositor activity

Deposits	36,197	—	22,988,687	23,024,884
Withdrawals	(23,284)	—	(20,985,862)	(21,009,146)

Excess (deficiency) of deposits over withdrawals	12,913	—	2,002,825	2,015,738
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Change in net position	100,016	3,095,389	2,292,443	5,487,848
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Net position - beginning	2,019,339	176,721,016	9,606,576	188,346,931
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Net position - ending	\$ 2,119,355	\$ 179,816,405	\$ 11,899,019	\$ 193,834,779
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The notes to the financial statements are an integral part of this statement.

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COMPONENT UNIT FINANCIAL STATEMENTS

Major Component Units

FLORIDA HOUSING FINANCE CORPORATION

Pursuant to Section 420.504, Florida Statutes, this corporation was created as an entrepreneurial public corporation organized to provide and promote public welfare by administering the governmental function of financing or refinancing housing and related facilities in Florida.

UNIVERSITY OF FLORIDA

University of Florida is a major, public, comprehensive, land-grant, research university with a main campus location in Gainesville, Florida.

CITIZENS PROPERTY INSURANCE CORPORATION

Pursuant to Section 627.351(6), Florida Statutes, this corporation was created to provide certain residential property, non-residential property, and casualty insurance coverage to qualified risks in the State of Florida under specified circumstances.

Nonmajor Component Units

Nonmajor component units are presented beginning on page 273.

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2019 STATE OF FLORIDA CAFR

**STATEMENT OF NET POSITION
COMPONENT UNITS
JUNE 30, 2019
(in thousands)**

	Florida Housing Finance Corporation	University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/19
ASSETS					
Cash and cash equivalents	\$ 184,943	\$ 247,468	\$ 439,080	\$ 520,622	\$ 1,392,113
Pooled investments with State Treasury	1,029,119	961,611	—	1,622,220	3,612,950
Other investments	1,490,300	1,285,064	8,623,059	5,838,319	17,236,742
Receivables, net	187,915	637,176	141,392	985,490	1,951,973
Due from component units/primary	—	101,158	—	424,522	525,680
Inventories	—	58,246	—	35,243	93,489
Restricted cash and cash equivalents	—	98,614	8,381	473,500	580,495
Restricted pooled investments with State Treasury	—	156,939	—	534,088	691,027
Restricted investments	—	2,572,446	—	4,149,731	6,722,177
Other loans and notes receivable, net	2,080,536	27,717	—	102,693	2,210,946
Other assets	1,676	217,601	7,748	463,226	690,251
Capital assets, net	—	3,740,867	5,922	22,069,674	25,816,463
Total assets	4,974,489	10,104,907	9,225,582	37,219,328	61,524,306
DEFERRED OUTFLOWS OF RESOURCES					
Accum. decrease in fair value-hedging derivatives	—	51,006	—	14,945	65,951
Grants paid in advance	—	—	—	33	33
Amount deferred on refunding of debt	—	295	—	29,587	29,882
Pension-related items	—	381,083	—	1,385,199	1,766,282
Other postemployment benefits	—	17,993	—	51,433	69,426
Asset retirement obligations	—	9,184	—	—	9,184
Total deferred outflows of resources	—	459,561	—	1,481,197	1,940,758
LIABILITIES					
Accounts payable and accrued liabilities	51,740	571,396	812,517	1,020,048	2,455,701
Due to component units/primary	—	44,392	—	52,250	96,642
Obligations under reverse repurchase agreements	—	—	—	170	170
Long-term liabilities					
Due within one year	248,177	236,881	838,916	700,884	2,024,858
Due in more than one year	2,051,510	3,355,849	1,511,916	9,304,815	16,224,090
Total liabilities	2,351,427	4,208,518	3,163,349	11,078,167	20,801,461
DEFERRED INFLOWS OF RESOURCES					
Deferred service concession arrangement receipts	—	—	—	116,783	116,783
Accum. increase in fair value-hedging derivatives	—	3,101	—	—	3,101
Grants received in advance	—	—	—	3,723	3,723
Amount deferred on refunding of debt	—	2,325	—	247	2,572
Pension-related items	—	87,794	—	330,819	418,613
Other postemployment benefits	—	217,048	—	351,882	568,930
Irrevocable split-interest agreements	—	19,140	—	36,989	56,129
Total deferred inflows of resources	—	329,408	—	840,443	1,169,851
NET POSITION					
Net investment in capital assets	—	2,399,220	5,922	19,327,716	21,732,858
Restricted for					
Debt service	—	5,575	—	126,137	131,712
Other	2,463,234	480,035	8,381	4,796,559	7,748,209
Funds held for permanent endowment					
Expendable	—	561,490	—	581,431	1,142,921
Nonexpendable	—	1,362,686	—	2,229,645	3,592,331
Unrestricted	159,828	1,217,536	6,047,930	(279,573)	7,145,721
Total net position	\$ 2,623,062	\$ 6,026,542	\$ 6,062,233	\$ 26,781,915	\$ 41,493,752

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

2019 STATE OF FLORIDA CAFR

STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Florida Housing Finance Corporation
Florida Housing Finance Corporation	\$ 184,235	\$ 149,150	\$ —	\$ —	\$ (35,085)
University of Florida	5,919,440	3,913,302	1,075,673	98,828	—
Citizens Property Insurance Corporation	967,082	624,562	—	—	—
Nonmajor component units	13,156,419	3,547,089	4,036,288	697,943	—
Total component units	<u>\$ 20,227,176</u>	<u>\$ 8,234,103</u>	<u>\$ 5,111,961</u>	<u>\$ 796,771</u>	<u>(35,085)</u>
<u>General revenues</u>					
Property taxes					—
Investment earnings (losses)					—
Gain (loss) on sale of capital assets					—
Payments from the State of Florida					—
Miscellaneous					160,090
Contributions to permanent funds					—
Total general revenues and contributions					<u>160,090</u>
Change in net position					125,005
Net position - beginning, as restated (Note 1)					2,498,057
Net position - ending					<u>\$ 2,623,062</u>

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

2019 STATE OF FLORIDA CAFR

Net (Expense) Revenue and Changes in Net Position			
University of Florida	Citizens Property Insurance Corporation	Nonmajor Component Units	Totals 6/30/19
\$ —	\$ —	\$ —	\$ (35,085)
(831,637)	—	—	(831,637)
—	(342,520)	—	(342,520)
—	—	(4,875,099)	(4,875,099)
(831,637)	(342,520)	(4,875,099)	(6,084,341)
—	—	491,802	491,802
273,335	65,882	469,724	808,941
2,063	—	(7,731)	(5,668)
801,475	—	3,840,707	4,642,182
74,696	—	635,984	870,770
53,828	—	44,990	98,818
1,205,397	65,882	5,475,476	6,906,845
373,760	(276,638)	600,377	822,504
5,652,782	6,338,871	26,181,538	40,671,248
<u>\$ 6,026,542</u>	<u>\$ 6,062,233</u>	<u>\$ 26,781,915</u>	<u>\$ 41,493,752</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A. Reporting Entity**

The State of Florida's (the state's) financial reporting entity includes the primary government (i.e., legislative agencies, the Governor and Cabinet, departments and agencies, commissions and boards of the Executive Branch, and various offices relating to the Judicial Branch) and its component units.

Component units, as defined in Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, and Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*, are legally separate organizations for which the elected officials of the state are financially accountable. Financial accountability is the ability of the state to appoint a voting majority of an organization's governing board and to impose its will upon the organization. When the state does not appoint a voting majority of an organization's governing body, GASB standards require inclusion in the financial reporting entity if: (1) an organization is fiscally dependent upon the state because its resources are held for the direct benefit of the state or can be accessed by the state and (2) the potential exists for the organization to provide specific financial benefits to, or impose specific financial burdens on the state. In addition, component units can be other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the state's financial statements to be misleading.

Blended Component Units

A component unit is reported as blended when either (1) the component unit's governing body is substantively the same as the governing body of the state, *and* (a) there is a financial benefit or burden relationship between the governing body of the state and the component unit, *or* (b) management of the governing body of the state has operational responsibility for the component unit, *or* (2) the component unit provides services entirely, or almost entirely, to the state or otherwise exclusively, or almost exclusively, benefits the state, *or* (3) the component unit's outstanding debt is expected to be repaid entirely or almost entirely with resources of the state.

The following component units provide services entirely or almost entirely to the primary government, or have outstanding debt that is expected to be paid entirely or almost entirely with state resources:

- CareerSource Florida, Inc.
- Corrections Foundation, Inc.
- Florida Board of Governors
- Florida Citrus Commission (Department of Citrus)
- Florida Clerks of Court Operations Corporation
- Florida Commission on Community Service (Volunteer Florida)
- Florida Department of Transportation Financing Corporation
- Florida Engineers Management Corporation
- Florida Intergovernmental Relations Foundation*
- Florida Prepaid College Board
- Florida School for the Deaf and the Blind
- Florida Surplus Lines Service Office
- Florida Water Pollution Control Financing Corporation
- Inland Protection Financing Corporation
- Prescription Drug Monitoring Program Foundation*
- Scripps Florida Funding Corporation
- Space Florida
- State Board of Administration (SBA)
- State Board of Education (SBE)
- Wireless Emergency Telephone System

Blended component units that are considered major funds are reported in separate columns in the fund financial statements. Other blended component units that are considered non-major funds are reported with other funds in the appropriate columns in the fund financial statements. In addition, the financial data for some blended component units are reported in more than one fund type, some of which are considered major and others that are considered non-major. Refer to Section D of this note for more information on the determination criteria for major funds and a list of major funds and fund types.

* The state's financial statements do not include amounts relating to these component units. The assets of these component units at June 30, 2019, are approximately \$1,584,332.

Discretely Presented Component Units

Component units that are not blended are discretely presented. In the government-wide financial statements, discrete presentation entails reporting component unit financial data in a column separate from the financial data of the state.

In addition, financial data for discretely presented component units that are considered major are reported in separate columns in the basic financial statements for component units. Discretely presented component units that are considered non-major are combined and reported in one column in the component unit financial statements and are aggregated by type in the combining statements. The state's financial statements are reported for the fiscal year ended June 30, 2019. The state's component units' financial statements are reported for the most recent fiscal year for which an audit report is available. Some component units have a fiscal year other than June 30. Accordingly, amounts reported by the state as due from and to component units on the statement of net position may not agree with amounts reported by the component units as due from and to the state. Refer to Section D of this note for more information on major fund determination and presentation. The state's discretely presented component units are grouped into the following categories:

State Universities and Colleges. State universities and colleges receive funding from the state. The State University System is governed by the Florida Board of Governors. The Florida College System is governed by the State Board of Education. Each university and college is administered by a local board of trustees. All state universities and colleges have a June 30 year-end. Component units included in this category are:

State Universities**Major:**

- University of Florida¹

Non-major:

- Florida Agricultural and Mechanical University
- Florida Atlantic University
- Florida Gulf Coast University
- Florida International University
- Florida Polytechnic University
- Florida State University
- New College of Florida
- University of Central Florida
- University of North Florida
- University of South Florida
- University of West Florida

Florida College System Institutions**Non-major:**

- Broward College
- Chipola College
- College of Central Florida
- Daytona State College
- Eastern Florida State College
- Florida Gateway College
- The College of the Florida Keys
- Florida State College at Jacksonville
- Florida SouthWestern State College
- Gulf Coast State College
- Hillsborough Community College
- Indian River State College
- Lake-Sumter State College
- Miami Dade College
- North Florida College
- Northwest Florida State College
- Palm Beach State College

- Pasco-Hernando State College
- Pensacola State College
- Polk State College
- Santa Fe College
- Seminole State College of Florida
- South Florida State College
- St. Johns River State College
- St. Petersburg College
- State College of Florida, Manatee-Sarasota
- Tallahassee Community College
- Valencia College

¹ Significant transactions occurring during the 2018-19 fiscal year between the University of Florida and the state totaled \$875 million. These funds represent state appropriated funds to the University of Florida.

Florida Housing Finance Corporation (Major). Pursuant to Section 420.504, Florida Statutes (F.S.), this corporation was created as an entrepreneurial public corporation organized to provide and promote public welfare by administering the governmental function of financing or refinancing housing and related facilities in Florida. This entity has a December 31 year-end. Significant transactions occurring during the 2018-19 fiscal year between the Florida Housing Finance Corporation and the state included revenues of state documentary stamp taxes totaling \$312.8 million and transfers to state agencies of \$154.4 million.

Citizens Property Insurance Corporation (Major). Pursuant to Section 627.351(6), F.S., this corporation was created to provide certain residential property and casualty insurance coverage to qualified risks in the state under specified circumstances. This entity has a December 31 year-end. For additional information, refer to Note 14B.

Water Management Districts. Pursuant to Section 373.069, F.S., these districts were created to provide for the management and conservation of water and related land resources. In addition, the general regulatory and administrative functions of these districts are either fully or in part financed by general appropriations. Water management districts have a September 30 year-end. Component units included in this category are:

Non-major:

- Northwest Florida Water Management District
- St. Johns River Water Management District
- South Florida Water Management District
- Southwest Florida Water Management District
- Suwannee River Water Management District

Other. Additional discretely presented component units of the state include various foundations and not-for-profit organizations. The fiscal year-ends of these component units may vary. Component units included in this category are:

Non-major:

- Commission for Florida Law Enforcement Accreditation, Inc.*
- Enterprise Florida, Inc.
- Florida Agricultural Museum*
- Florida Agriculture Center and Horse Park Authority*
- Florida Agriculture in the Classroom, Inc.*
- Florida Birth-Related Neurological Injury Compensation Plan
- Florida Board of Governors Foundation, Inc.*
- Florida Concrete Masonry Education Council*
- Florida Corrections Accreditation Commission, Inc.*
- Florida Education Foundation, Inc.*
- Florida Education Fund, Inc.
- Florida Fund for Minority Teachers, Inc.*
- Florida Healthy Kids Corporation
- Florida Is For Veterans, Inc.*
- Florida Mobile Home Relocation Corporation*
- Florida Patient's Compensation Fund
- Florida State Fair Authority
- Florida Telecommunications Relay, Inc.*

- Florida Tourism Industry Marketing Corporation, Inc.
- Florida Veterans Foundation, Inc.*
- Florida Virtual School
- Forestry Arson Alert Association, Inc.*
- Friends of Florida State Forests, Inc.*
- Higher Educational Facilities Financing Authority
- Prison Rehabilitative Industries and Diversified Enterprises, Inc. (PRIDE)
- South Florida Regional Transportation Authority
- The Florida College System Foundation, Inc.*
- The Florida Endowment Foundation for Vocational Rehabilitation, Inc.
- Triumph Gulf Coast, Inc.
- Wildlife Alert Reward Association*
- Wildlife Foundation of Florida, Inc.*

* The state's financial statements do not include amounts relating to several component units. The assets and revenues relating to these component units totaled \$112 million and \$35 million, respectively. These amounts represent less than one percent of total aggregate component unit assets and revenues.

Joint Ventures

A joint venture is an organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (1) an ongoing financial interest or (2) an ongoing financial responsibility. Financial data for the state's joint ventures are not included in its statements. The state's joint ventures include the following:

Apalachicola-Chattahoochee-Flint River Basin (ACFRB) Commission. Section 373.69, F.S., provided for the creation of an interstate administrative agency to promote interstate comity, remove causes of present and future controversies, equitably apportion the surface waters of the ACFRB, and engage in water planning. Operational funding required by the Commission is equally shared among the party states.

Board of Control for Southern Regional Education. Section 1000.32, F.S., promotes the development and maintenance of regional education services and facilities in the southern states to provide greater educational advantages and facilities for the citizens in the region. The states established a joint agency called the Board of Control for Southern Regional Education to submit plans and recommendations to the states from time to time for their approval and adoption by appropriate legislative action for the development, establishment, acquisition, operation, and maintenance of educational facilities in the region.

Regional Planning Councils. Sections 186.501 through 186.513, F.S., the "Florida Regional Planning Council Act," provide for the creation of regional planning agencies to assist local governments in resolving their common problems. The regional planning councils are designated as the primary organizations to address problems and plan solutions that are of greater-than-local concern or scope. Participants in these councils are required by statutes to contribute to the support of these programs.

Southern States Energy Compact. Section 377.711, F.S., enacted this compact into law joining the State of Florida and other states to recognize that the proper employment and conservation of energy, and the employment of energy-related facilities, materials, and products can assist substantially in the industrialization of the South and the development of a balanced economy in the region. The State of Florida appropriates funds to support Florida's participation in the compact.

Interstate Commission of Nurse Licensure Compact Administrators. Section 464.0095, F.S., enacted this compact into law joining the State of Florida and other states with the general purpose to facilitate the states' responsibility to protect the public's health and safety with regard to nurse licensure and regulation. This compact is additionally purposed with facilitating the exchange of information among party states in the areas of nurse regulation, investigation, and adverse actions, promote compliance with the laws governing the practice of nursing, and decrease redundancies in the consideration and issuance of nurse licenses.

Related Organizations

Organizations for which the state is accountable because the state appoints a voting majority of the board, but for which the state is not financially accountable, are deemed "related organizations." The state's related organizations include certain transportation authorities, hospital districts, port authorities, aviation authorities and a financing corporation. The state is not financially accountable for any of these organizations; therefore, applicable financial data is not included in the state's financial statements.

Contact

Financial statements of the component units that issue separate statements and other financial statement-related information may be obtained from:

Department of Financial Services
Bureau of Financial Reporting
Statewide Financial Reporting Section
200 East Gaines Street
Tallahassee, Florida 32399-0364
Telephone: (850) 413-5511
Department Website: <http://www.myfloridacfo.com>

Joint ventures may be contacted directly for their financial statements.

B. Basic Financial Statements

The state's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by GASB. The basic financial statements of the state, including its component units, are presented in the required format discussed below.

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from its discretely presented component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function. Some functions may include administrative overhead that is essentially indirect expenses of other functions. The state currently does not allocate those indirect expenses to other functions. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; (2) grants and contributions that are restricted to meeting the operational requirements of a particular function; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function. Taxes and other items not included in program revenues are reported in general revenues.

Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

C. Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, while expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues collected within 60 days of the end of the current fiscal year are considered available, with the exception of certain tax revenues, which are considered available when collected within 30 days of year-end. For governmental funds, certain long-term liabilities, such as compensated absences, due within 60 days of the end of the current fiscal year are expected to be liquidated with expendable financial resources and are recognized within the applicable governmental fund. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures for insurance and similar services extending over more than one fiscal year generally are accounted for as expenditures of the fiscal year of acquisition. Further, principal and interest on general long-term debt are recognized when due.

D. Basis of Presentation**Major Funds**

GASB Codification Section 2200, *Comprehensive Annual Financial Report*, sets forth minimum criteria (percentage of the total assets and deferred outflows of resources, total liabilities and deferred inflows of resources, revenues, or expenditures/expenses for either fund category or the governmental and enterprise funds combined) for the determination of major funds. GASB Codification Section 2200 further requires that the reporting government's main operating fund (the General Fund) always be reported as a major fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The non-major funds are combined in a column in the fund financial statements and detailed in the combining statements. The state reports the following major funds:

Major Governmental Funds

General Fund – a fund that accounts for the financial resources of the state, except those required to be accounted for in another fund. This is the state's primary operating fund.

Natural Resources, Environment, and Growth Management – a special revenue fund that accounts for the operations of various programs such as air pollution control, water quality assurance, ecosystem management, and marine resources conservation. Transfers from other funds, pollutant tax collections, and federal grants are its major sources of revenue. Prior to 6/30/2018, this fund was reported as the Environment, Recreation, and Conservation Fund.

Public Education – a special revenue fund that includes funds used to operate education-related programs. Significant sources of revenue for this fund are federal grants, transfers from the Florida Lottery, and utility taxes.

Health and Family Services – a special revenue fund that includes funds used to operate various health and family service-related programs such as health care, elder affairs, and public assistance. Federal grants are the predominant sources of revenue for this fund.

Transportation – a special revenue fund that accounts for the maintenance and development of the state highway system and other transportation-related projects. It accounts for federal grants, motor fuel and aviation fuel taxes, automobile registration fees, and other revenues that are used for transportation purposes.

Major Business-type Funds

Transportation – an enterprise fund that primarily accounts for operations of Florida's Turnpike System.

Lottery – an enterprise fund that accounts for state lottery operations, which include sale of lottery tickets, payment of lottery prizes, and transfers to the Educational Enhancement Trust Fund.

Florida Hurricane Catastrophe Fund – an enterprise fund that accounts for operations of the Florida Hurricane Catastrophe Fund, which was created to help cover insurers' losses in the event of a hurricane disaster.

Prepaid College Program – an enterprise fund that accounts for payments from purchasers of the Florida Prepaid College Program. This program was created to provide a medium through which the cost of state post-secondary education may be paid in advance of enrollment at a rate lower than the projected corresponding costs at the time of enrollment.

Reemployment Assistance – an enterprise fund that accounts for contributions, benefit payments, grants, loans, and investments for the Unemployment Compensation Fund, which was created to pay reemployment assistance benefits to eligible individuals.

Fund Types

Additionally, the state reports the following fund types:

Internal Service Funds

These proprietary-type funds are primarily used to report activities that provide goods or services to other funds or agencies within the state, rather than to the general public. Internal service funds are classified into the following categories:

- **Employee Health and Disability** – includes funds that account for state employees' health and disability plans.
- **Data Centers** – includes funds that account for services provided by data processing centers operated by various agencies.

- **Communications and Facilities** – includes funds that primarily account for services provided by the Department of Management Services such as those related to the construction, operation, and maintenance of public facilities, and management and operation of the SUNCOM (state communication) Network.
- **Other** – includes funds that account for services provided to other state agencies such as legal services, records management, and community services (inmate work squads).

Fiduciary Fund Types

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the state's own programs.

Private-Purpose Trust Funds – funds that are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments including funds accounting for unclaimed property, federally guaranteed higher education loans, contributions to a college savings plan, and various others.

Pension and Other Employee Benefits Trust Funds – funds that are used to report resources that are required to be held in trust for the members and beneficiaries of the state's pension plans and other employee benefit plans.

Agency Funds – funds that are used to report resources held by the state in a purely custodial capacity. For example, these funds account for asset and liability balances related to retiree health care, taxes collected and held by the Department of Revenue for other entities, and student funds held by the Florida School for the Deaf and the Blind.

Investment Trust Funds – funds that are used to report the external portion of investment pools reported by the state.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The state's cash includes cash on hand and on deposit in banks, including demand deposits, certificates of deposit, and time deposits. Most deposits are held by financial institutions qualified as public depositories under Florida law. Cash equivalents are short-term, highly liquid investments. For the purposes of GASB Codification Section 2450, *Cash Flows Statements*, pooled investments with the State Treasury are considered cash equivalents. Details of deposits are included in Note 2.

Investments

Florida Statutes authorize the state to invest in various instruments. The state reports investments in accordance with GASB Codification Section 150, *Investments*.

Investments with the State Treasury are reported at fair value which is obtained from independent pricing service providers. Independent pricing service providers use quoted market prices when available and employ various, sometimes proprietary, multifactor models for determining a security's fair value if it is not available from quoted market prices. Some securities, including U.S. government, municipal bonds, and mortgage-backed and asset-backed securities, are priced using evaluated bid prices. Evaluated bid prices are determined by taking bid prices and adjusting them by an evaluated adjustment factor derived from the independent pricing service's multifactor model. If values are not available using the above methods, secondary methods such as non-evaluated mid-price and bid price are used. If no source of values is available, cost or last available price from any source is used, or other pricing methodology as directed by the State Treasury.

Investments managed by the State Board of Administration (SBA) are reported in various funds. Investments of the Debt Service Escrowed Fund, which meet the requirements of a legal or in-substance defeasance, are reported at cost. Investments of the Local Government Surplus Funds Trust Fund are reported based on amortized cost. Other investments managed by the SBA, including those related to the state's defined benefit and defined contribution pension plans, are reported at fair value at the reporting date.

For SBA-managed investments, fair values are obtained or estimated in accordance with the Global Pricing Guidelines established with the SBA's custodian, BNY Mellon Bank. BNY Mellon Bank uses a variety of independent pricing vendors and designates certain vendors as the primary source based on asset type, class or issue. BNY Mellon Bank monitors prices supplied by primary sources and may use a supplemental price source or change the primary price source if any of the following occurs:

- The price of a security is not received from the primary price source.
- The primary price source no longer prices a particular asset type, class or issue.
- The SBA or its portfolio investment manager challenges a price and BNY Mellon Bank reviews the price with the vendor, who agrees that the price provided by that vendor may not be appropriate.

- The price from the primary source exceeds BNY Mellon Bank's price tolerance checkpoints and results in a vendor comparison review where another source is deemed to be more appropriate by the BNY Mellon Bank.

When a portfolio includes securities or instruments for which BNY Mellon Bank does not receive fair value information from its vendor price sources, BNY Mellon Bank uses a "non-vendor price source." Examples include, but are not limited to, limited partnerships or similar private investment vehicles that do not actively trade through established exchange mechanisms; other private placements where there is limited or no information in the market place; and unique fixed income and equity instruments. The SBA does not provide direction regarding the substitution of prices in such instances where securities or instruments are in the portfolio of an investment manager appointed by the SBA. In such cases where the SBA directed the purchase of such securities or instruments, BNY Mellon may obtain the non-vendor prices by contacting the SBA only if it is not commercially reasonable to directly obtain the non-vendor price information from the broker of record, as identified by the SBA.

For private market investments, where no readily ascertainable market value exists (including limited partnerships, hedge funds, directly-owned real estate, and real estate pooled funds), fair values for the individual investments are based on the net asset value (capital account balance) at the closest available reporting period, as communicated by the general partner and/or investment manager, adjusted for subsequent contributions and distributions. The valuation techniques vary based upon investment type and involve a certain degree of judgment. The most significant input into the net asset value of an entity is the value of its investment holdings. The net asset value is provided by the general partner and/or investment manager and reviewed by management.

Annually, the financial statements of all private market investments are audited by independent auditors. Private market investments in which the SBA has a controlling interest are also required to be valued annually by independent, licensed external appraisers selected by an appraisal management company retained by the SBA.

All derivative financial instruments are reported at fair value in the statements of net position. The instruments are adjusted to fair value at least monthly, with valuation changes recognized in investment earnings. Gains and losses are recorded in the statements of changes in net position as "net increase (decrease) in fair market value" during the period.

Because of the inherent uncertainty of the valuation using pricing methodologies other than the quoted market prices, the estimated fair values may differ from the values that would have been used had a ready market existed.

Investment detail is included in Note 2.

Inventories

Inventories primarily consist of expendable supplies. Inventories are recorded according to the consumption method as expenditures when consumed. At the end of the fiscal year, inventory is reported as an asset and identified in fund balance as non-spendable. The method used to determine the cost of inventories varies by agency responsible for the inventories.

Capital Assets

Capital assets are real, personal, and intangible property that have a cost equal to or greater than an established capitalization threshold and have an estimated useful life extending beyond one year. For additional information, refer to Note 5.

Deferred Outflows of Resources

A consumption of net assets by the government that is applicable to a future reporting period is presented as a deferred outflow of resources.

Long-term Liabilities

Refer to Note 6 for information on pension and other postemployment benefit (OPEB) liabilities; Note 8 for information on bonds payable and certificates of participation; Note 9 for information on installment purchases, capital leases, and public-private partnership agreements; and Note 10 for changes in long-term liabilities.

Compensated Absences Liability

Employees earn the right to be compensated during absences for vacation and illness, as well as, for unused special compensatory leave earned for hours worked on legal holidays and other specifically authorized overtime. Compensated absences for annual leave are recorded as a liability when the benefits are earned. Compensated absences for sick leave are calculated based on the vesting method. Within the limits established by law or rule, the value of unused leave benefits will be paid to employees upon separation from state service. The amounts reported for compensated absences are based on current year-end salary rates and include employer Social Security and Medicare tax and pension contributions at current rates.

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Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period.

Components of Net Position

The government-wide statement of net position classifies net position into the following categories: (1) net investment in capital assets, (2) restricted, and (3) unrestricted. The “net investment in capital assets” component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. “Restricted” net position is reported when constraints are placed on net position that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. “Unrestricted” net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.” When both restricted and unrestricted resources are to be used for the same purpose, the agency responsible for administering the resources determines the flow assumption used to identify the portion of expenses paid from restricted resources. At June 30, 2019, the government-wide statement of net position reported a restricted net position of \$28.9 billion, of which \$15.2 billion is restricted by enabling legislation.

Components of Fund Balance

Nonspendable fund balance includes amounts that cannot be spent. This includes activity that is not in a spendable form such as inventories, prepaid amounts, and long-term portion of loans and notes receivable, net, unless the proceeds are restricted, committed or assigned. Additionally, activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund, is considered to be nonspendable.

Restricted fund balance has constraints placed upon the use of the resources either by an external party, such as the Federal Government, or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the state’s highest level of decision-making authority, the Legislature and the Governor, i.e. through legislation passed into law. Commitments may only be modified or rescinded by equivalent formal, highest-level action.

Unassigned fund balance is the residual amount of the General Fund not included in the three categories described above. Also, any remaining deficit fund balances within the other governmental fund types are reported as unassigned.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the state’s general policy to use restricted resources first. When expenditures are incurred for which unrestricted (committed or unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the state’s general policy to spend committed resources first. However, the agency responsible for administering the resources determines the flow assumption used to identify the portion of expenses paid from restricted resources.

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Fund Balances Classifications and Special Revenue by Purpose – GASB Codification Section 2200, *Comprehensive Annual Financial Report*, requires presentation of governmental fund balances and special revenue fund revenues by specific purpose. In the basic financial statements, the fund balance classifications are presented in the aggregate. The table presented below displays further detail of nonspendable fund balance and appropriation of resources existing at June 30, 2019 (in thousands).

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Fund balances:							
Nonspendable:							
Inventory and Prepaid Items	\$ 10,930	\$ 767	\$ —	\$ 36,787	\$ 7,234	\$ 2,836	\$ 58,554
Long-term Receivables and Advances	4,838	—	—	—	—	—	4,838
Permanent Fund Principal	—	—	—	—	—	4,282	4,282
Total	15,768	767	—	36,787	7,234	7,118	67,674
Restricted:							
Grantors/Contributors	611	55,055	—	39,374	—	32,179	127,219
Enabling Legislation	16,176	10,525	100,686	27,689	50	441,608	596,734
Constitutional Provision	—	81,413	515,631	—	—	443	597,487
Creditors	9,956	4,927	752,916	—	—	1,206,945	1,974,744
Federal Government	28,428	2,492,651	26,452	126,161	—	78,007	2,751,699
Total	55,171	2,644,571	1,395,685	193,224	50	1,759,182	6,047,883
Committed:	1,274,538	1,322,752	349,733	1,582,659	1,735,296	1,085,348	7,350,326
Unassigned:	7,476,330	—	(821,050)	—	—	—	6,655,280
Total Fund Balances	\$ 8,821,807	\$ 3,968,090	\$ 924,368	\$ 1,812,670	\$ 1,742,580	\$ 2,851,648	\$ 20,121,163

Section 215.32(2)(b)4.a., F.S., provides that the unappropriated cash balances from selected trust funds may be authorized by the Legislature for transfer to the Budget Stabilization Fund and the General Revenue Fund through the General Appropriation Act. The amounts indicated below were identified in the State’s 2019 General Appropriations Act as being unappropriated June 30, 2019, cash balances that are to be transferred to and from the funds indicated during the 2019-20 fiscal year (in thousands).

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Transfer to (from) Fund	\$ 152,000	\$ (70,000)	\$ —	\$ (58,500)	\$ —	\$ (23,500)	\$ —
Transfer from Non-Governmental Funds	169,500	—	—	—	—	—	169,500
Total	\$ 321,500	\$ (70,000)	\$ —	\$ (58,500)	\$ —	\$ (23,500)	\$ 169,500

F. Interfund Activity and Balances

The effect of interfund activities, except those between funds reported as governmental activities and funds reported as business-type activities, has been eliminated from the government-wide statements. In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. Transfers are recorded when a fund receiving revenue provides it to the fund which expends the resources. Transfers between funds are made to accomplish various provisions of law.

Interfund receivables and payables have been eliminated from the statement of net position, except for the residual amounts due between governmental and business-type activities.

For additional information, refer to Note 11.

G. Nonmonetary Transactions

The state participates in various activities that are, in part, represented by nonmonetary transactions. Examples include nonmonetary assistance in the form of Federal grants, such as vaccines, Electronic Benefit Transfer cards for food assistance, and donated food commodities. The state also acts as an agent for the United States Department of Agriculture in the distribution of donated food commodities to qualifying organizations outside the state’s reporting entity. The fair value of these items is reported in the governmental fund financial statements.

State Attorneys and Public Defenders of the State of Florida are furnished certain office space and other services by counties under the provisions of Chapter 29, F.S. Some counties also provide certain facilities and services to other officers and staff of the judicial branch. The value of the facilities and services provided by the counties is not reported as revenue.

H. Operating and Non-Operating Revenues

Proprietary funds distinguish operating from non-operating revenues. Operating revenues are typically derived from providing goods or services, and include all transactions involved in delivering those goods or services. These revenues are a direct result of exchange-type transactions associated with the principal activity of the fund. Cash flow resulting from capital and related financing, noncapital financing and investment activities are considered non-operating for reporting purposes.

I. Accounting and Reporting Changes

The state implemented GASB Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

The state implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Effective July 1, 2018, certain State Universities component units, which had previously reported under the Financial Accounting Standards Board (FASB) standards of accounting and financial reporting for not-for-profit organizations, transitioned to GASB standards of accounting and financial reporting as a result of Chapter 2018-004, Laws of Florida.

J. Net Position Reclassifications and Restatements

Net position at June 30, 2018 have been adjusted as follows (in thousands):

	Governmental Activities	Component Units	
		University of Florida	Nonmajor Component Units
Net Position, June 30, 2018, as previously reported	\$ 62,495,258	\$ 5,735,558	\$ 26,327,879
To increase net position as a result of corrections removing duplicative pension entries.	1,580		
To increase net position as a result of corrections to prior year ending construction work in progress.	41,379		
To decrease net position due to conversion from FASB to GASB.		(82,776)	(116,424)
To decrease net position as a result of the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions".			(28,629)
To decrease net position as a result of the implementation of GASB Statement No. 81, "Irrevocable Split-Interest Agreements".			(342)
To decrease net position as a result of the implementation of GASB Statement No. 87, "Leases".			(373)
To decrease net position due to pension adjustments.			(573)
Net Position, June 30, 2018, as restated	<u>\$ 62,538,217</u>	<u>\$ 5,652,782</u>	<u>\$ 26,181,538</u>

K. Budget Stabilization Fund

The State Constitution mandates the creation and maintenance of a Budget Stabilization Fund, in an amount not less than 5 percent nor more than 10 percent of the last complete fiscal year's net revenue collections for the General Revenue Fund. Monies in the Budget Stabilization Fund may be transferred to the General Revenue Fund to offset a deficit therein or to provide emergency funding, including payment of up to \$38 million with respect to certain uninsured losses to state property. Monies in this fund are constitutionally prohibited from being obligated or otherwise committed for any other purposes, in accordance with Section 216.222, F.S. Any withdrawals from the Budget Stabilization Fund must be restored from general revenues in five equal annual installments, commencing in the third fiscal year after the expenditure, unless the Legislature establishes a different restoration schedule, in accordance with Section 215.32, F.S.

The Budget Stabilization Fund had \$1.48 billion in cash at June 30, 2019. During fiscal year 2018-19, the General Revenue Fund was authorized to transfer \$66.5 million to the Budget Stabilization Fund. There were no disbursements made from the fund.

NOTE 2 - DEPOSITS AND INVESTMENTS**A. Deposits**

At June 30, 2019, the state's deposits in financial institutions totaled approximately \$2.3 billion for primary government and \$2.0 billion for discretely presented component units.

1. Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the state will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The state mitigates custodial credit risk by generally requiring public funds to be deposited in a bank or savings association that is designated by the Chief Financial Officer (CFO) as authorized to receive deposits in the state and meets the collateral requirements as set forth in Chapter 280, Florida Statutes (F.S.).

The CFO determines the collateral requirements and collateral pledging level for each Qualified Public Depository (QPD) following guidelines outlined in Section 280.04, F.S., and Department of Financial Services Rules, Chapter 69C-2, Florida Administrative Code. Collateral pledging levels include 25, 50, 110, and 150 percent of a QPD's average daily deposit balance, or, if needed, an amount as prescribed by the CFO. Section 280.13, F.S., outlines eligible types of collateral including direct obligations of the United States (U.S.) Government, federal agency obligations fully guaranteed by the U.S. Government, certain federal agency obligations, state and local government obligations, corporate bonds, and letters of credit issued by a Federal Home Loan Bank. Also, with the CFO's permission, eligible collateral includes collateralized mortgage obligations, real estate mortgage investment conduits and securities or other interests in any open-end management investment company registered under the Investment Company Act of 1940. However, the portfolio of the investment company must be limited to direct obligations of the U.S. Government and to repurchase agreements fully collateralized by such direct obligations of the U.S. Government, and the investment company must take delivery of such collateral either directly or through an authorized custodian.

In accordance with Section 280.08, F.S., if a QPD defaults, losses to public depositors are first satisfied with any applicable depository insurance, followed by demands of payment under any letters of credit or sale of the defaulting QPD's collateral. If necessary, any remaining losses are to be satisfied by assessments against the other participating QPDs according to a statutory based ratio.

At June 30, 2019, the following deposits were not secured pursuant to Chapter 280, F.S., and were exposed to custodial credit risk because they were uninsured and (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name (in thousands).

**Schedule of Deposits with State Treasury
Exposed to Custodial Credit Risk
As of June 30, 2019**

Custodial Credit Risk	Bank Statement Balance (in U.S. \$)	
	Primary Government	Component Units
(1)	\$ 1,085,178	\$ 462,212
(2)	10,523	229,730
(3)	—	9,132
Total deposits subject to custodial credit risk	<u>\$ 1,095,701</u>	<u>\$ 701,074</u>

2. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of a deposit. Under Section 215.47, F.S., and subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investment by the State Board of Administration (SBA) may be invested in fixed income obligations or stocks denominated in foreign currency. The SBA has developed total fund investment policies for the investment of assets in the Florida Retirement System (FRS) Pension Trust Fund and the Lawton Chiles Endowment Fund (LCEF) that set ranges on investments by asset class in each fund. Under the FRS Pension Trust Fund and LCEF investment policy statements approved by SBA Trustees effective July 1, 2018, and June 17, 2014, respectively, foreign and domestic equity securities are included in the global equity

asset class. The FRS Pension Trust Fund and LCEF have target allocations to global equities of 53% and 71%, respectively, with policy ranges from 45-70% for FRS and 61-81% for LCEF, but within these ranges there are no limits on the amount of foreign equity securities that are denominated in foreign currency. The FRS Pension Trust Fund is not limited to holding securities in foreign currency only in the global equity asset class. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. The Florida Prepaid Program's comprehensive investment plan limits investment in foreign equities to 25% of total equities, with the target for total equities to be 70% of the actuarial reserve. In all cases, Florida law limits the exposure to foreign securities held outside of commingled funds to 50% of the total fund. The investment plans may be modified in the future if the SBA or Florida Prepaid adopts changes. This investment activity in foreign investments resulted in deposits in foreign currency as of June 30, 2019, as illustrated in the following schedule (in thousands):

**Schedule of Investments with State Board of Administration
Foreign Currency Deposits Held As of June 30, 2019**

Currency	Bank Statement Balance (in U.S. \$)			
	FRS Pension Trust Fund	LCEF	Florida Prepaid Program and Investment Plan	Total
Australian dollar	\$ 2,593	\$ 1	\$ 15	\$ 2,609
Bangladesh taka	18	—	—	18
Brazilian real	1,365	98	—	1,463
British pound sterling	7,870	95	94	8,059
Canadian dollar	3,508	282	—	3,790
Chilean peso	167	—	—	167
Chinese yuan renminbi	3,598	84	—	3,682
Colombian peso	4	—	—	4
Czech koruna	12	4	—	16
Danish krone	392	—	—	392
Egyptian pound	—	11	—	11
Euro currency unit	19,872	—	229	20,101
Hong Kong dollar	10,342	75	57	10,474
Hungarian forint	167	26	—	193
Indian rupee	2,287	—	—	2,287
Indonesian rupiah	360	73	—	433
Israeli shekel	1,029	8	2	1,039
Japanese yen	18,316	214	1,023	19,553
Malaysian ringgit	354	36	—	390
Mexican peso	996	9	—	1,005
Moroccan dirham	8	—	—	8
New Taiwan dollar	7,313	—	—	7,313
New Zealand dollar	762	—	—	762
New Zimbabwe dollar	127	—	—	127
Norwegian krone	1,167	—	65	1,232
Pakistan rupee	124	—	—	124
Philippines peso	164	23	—	187
Polish zloty	108	—	—	108
Qatari riyal	13	—	—	13
Russian ruble	94	—	—	94
Singapore dollar	1,040	17	96	1,153
South African rand	642	107	—	749
South Korean won	5,656	2	—	5,658
Sri Lanka rupee	186	—	—	186
Swedish krona	663	5	—	668
Swiss franc	896	—	—	896
Thailand baht	4	6	—	10
Turkish lira	250	55	—	305
United Arab Emirates dirham	469	—	—	469
Vietnam dong	795	—	—	795
Total deposits subject to foreign currency risk	<u>\$ 93,731</u>	<u>\$ 1,231</u>	<u>\$ 1,581</u>	<u>\$ 96,543</u>

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B. Investments

At June 30, 2019, the state's investments reported in governmental and business-type activities and fiduciary funds totaled \$252.6 billion, consisting of pooled investments with the State Treasury in the amount of \$26.1 billion and other investments in the amount of \$226.5 billion. The State Treasury also had holdings at June 30, 2019, of \$4.3 billion for discretely presented component units in total. These investments are not reported as part of the primary government and may be different from the amounts reported by some component units due to different reporting periods. Other investments for discretely presented component units, excluding those investments held by SBA, totaled \$22.8 billion.

Pooled Investments with the State Treasury

Unless specifically exempted by statute, all cash of the state must be deposited in the State Treasury. The State Treasury, in turn, keeps the funds fully invested to maximize earnings. In addition, the State Treasury may invest funds of any board, association, or entity created by the State Constitution, or by law. As a result, pooled investments with the State Treasury contains deposits from funds and component units of the reporting entity (internal portion) as well as deposits from certain legally separate organizations outside the reporting entity (external portion). The external portion of pooled investments with the State Treasury is reported in a governmental external investment pool.

Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Council per Section 17.575, F.S. The authorized investment types are set forth in Section 17.57, F.S.

Redemptions are on a dollar in/dollar out basis adjusted for distributed income. The fair value of the pooled investments with the State Treasury is determined at fiscal year-end for financial reporting purposes. See Note 1E, Investments, for further detail on fair value.

The State Treasury does not contract with an outside insurer in order to guarantee the value of the portfolio, or the price of shares redeemed.

Per Section 17.61(1), F.S., the State Treasury shall invest all general revenue funds, trust funds, all agency funds of each state agency, and of the judicial branch. As a result, state agencies and the judicial branch are considered involuntary participants in pooled investments with the State Treasury. The total involuntary participation as of June 30, 2019, was \$24 billion or 79% of the pool.

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At year-end, the condensed financial statements for the Investment Pool maintained by the State Treasury were as follows (dollars in thousands):

Schedule of Pooled Investments with State Treasury Condensed Statement of Fiduciary Net Position June 30, 2019

ASSETS	
Current and Other Assets	\$ 31,362,664
Total Assets	<u>31,362,664</u>
LIABILITIES	
Other Liabilities	<u>2,160,085</u>
Total Liabilities	<u>2,160,085</u>
NET POSITION	
Net position held for Internal Pool Participants	28,730,408
Net position held for External Pool Participants	<u>472,171</u>
	<u>\$ 29,202,579</u>

Condensed Statement of Changes of Fiduciary Net Position June 30, 2019

ADDITIONS	
Net income (loss) from investing activity	\$ 1,137,256
DEDUCTIONS	
Distributions paid and payable	<u>(1,137,256)</u>
DEPOSITOR ACTIVITY	
Deposits	115,514,858
Withdrawals	(112,800,744)
Excess (deficiency) of deposits over withdrawals	<u>2,714,114</u>
Change in net position	2,714,114
Net position, beginning	<u>26,488,465</u>
Net position, ending	<u>\$ 29,202,579</u>

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The following table provides a summary of the fair value, the number of shares or the principal amount, ranges of interest rates, and maturity dates of each major investment classification (dollars in thousands):

Schedule of Pooled Investments with State Treasury Summary of Investment Holdings

	Par	Fair Value	Range of Interest Rates*	Range of Maturity Dates
Commercial paper	\$ 236,000	\$ 235,880	2.291% - 2.364%	7/1/2019 - 7/18/2019
Money market funds	124,073	124,073	2.398% - 2.398%	N/A
Repurchase agreements	2,214,441	2,214,441	2.320% - 2.530%	7/1/2019 - 7/18/2019
U.S. guaranteed obligations	6,247,073	6,169,888	0.278% - 8.500%	7/22/2019 - 4/1/2065
Federal agencies	6,985,169	6,794,630	0.144% - 11.060%	7/1/2019 - 8/25/2058
Bonds and notes - domestic	6,244,537	6,305,864	0.001% - 9.455%	7/1/2019 - 8/1/2118
Bonds and notes - international	1,237,489	1,261,600	1.125% - 9.625%	7/2/2019 - 2/26/2055
Federal agencies discounted securities	1,046,990	1,044,544	2.131% - 3.510%	7/10/2019 - 3/25/2042
U.S. guaranteed obligations discounted securities	1,655,646	1,628,578	1.808% - 2.509%	7/11/2019 - 5/15/2039
Commingled STIF	492,398	492,398	N/A	N/A
Unemployment compensation	4,060,087	4,060,087	N/A	N/A
Totals	<u>\$ 30,543,903</u>	<u>\$ 30,331,983</u>		

* The coupon rate in effect at June 30, 2019, is reported. If a security is discounted, the purchase yield is reported.

The State Treasury records, as an investment, funds credited to the state's account in the Federal Unemployment Compensation Trust Fund pursuant to Section 904 of the Social Security Act. The fund is drawn upon primarily to pay reemployment assistance benefits. This money is pooled with deposits from other states and is managed by the Federal Government. No disclosures can be made of specific securities owned.

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The schedule below discloses the detail of the State Treasury holdings at fair value at June 30, 2019, as well as reconciliation to the basic financial statements (in thousands):

Schedule of Pooled Investments with State Treasury As of June 30, 2019

Investment type	Fair Value
Commercial paper	\$ 235,880
Money market funds	124,073
U.S. guaranteed obligations	7,798,466
Federal agencies	7,473,094
Bonds and notes - domestic	5,968,798
Bonds and notes - international	1,065,602
Repurchase agreements	1,925,000
Commingled STIF	492,398
Unemployment compensation funds pooled with U. S. Treasury	4,060,087
Total investments excluding security lending collateral**	<u>29,143,398</u>
Lending collateral investments:	
Repurchase agreements	289,441
Federal agencies	366,079
Bonds and notes - domestic	337,067
Bonds and notes - international	195,998
Total lending collateral investments	<u>1,188,585</u>
Total investments	<u>30,331,983</u>
Cash on deposit	1,029,612
Total State Treasury holdings	<u>31,361,595</u>
Adjustments:	
Outstanding warrants	(612,320)
Deposits in transit	1,069
SPIA Revolving Account*	(6,345)
Unsettled securities liability	(352,200)
Reconciled balance, June 30, 2019	<u><u>\$ 30,391,799</u></u>
Reconciliation to the basic financial statements (in thousands):	
Pooled investments with State Treasury	
Governmental activities	\$ 17,874,236
Business-type activities	5,872,638
Fiduciary funds	2,149,215
Component units	3,612,950
Component units timing difference	(1,429)
Total pooled investments with State Treasury	<u>29,507,610</u>
Restricted pooled investments with State Treasury	
Business-type activities	193,162
Component units	691,027
Total restricted pooled investments with State Treasury	<u>884,189</u>
Total pooled investments with State Treasury	<u><u>\$ 30,391,799</u></u>

* The SPIA Revolving Account is included as cash and cash equivalent by the agencies.

** This amount excludes the Florida Birth-Related Neurological Injury Compensation Association's (NICA) participation in Treasury's Short Term Investment Fund (STIF). NICA's portion represents less than a tenth of a percent of the total investments held at Treasury.

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Other Investments

Other investments in various funds of the state are primarily managed by the SBA. The largest of these funds managed by the SBA is the FRS Pension Trust Fund (Defined Benefit Pension Fund), whose total investments represented 72.6% of total other investments at June 30, 2019. Investments in the FRS Investment Plan Trust Fund (Defined Contribution Pension Fund) represents 4.9% of total other investment, while investments in the Florida Hurricane Catastrophe Fund and the Florida Prepaid College Trust Fund represented another 6.9% and 6.6%, respectively, of total other investments. Section 215.47, F.S., allows the SBA to invest funds in a range of instruments, including security lending agreements, reverse repurchase agreements, and alternative investments (including limited partnerships and hedge funds).

The schedule below discloses other investments at fair value at June 30, 2019, as well as reconciliation to the basic financial statements (in thousands):

**Schedule of Other Investments
As of June 30, 2019**

Investment types	Carrying Value ¹			
	FRS Pension Trust Fund	Managed by SBA	Not managed by SBA	Total
Certificates of deposit	\$ 324,980	\$ 3,950,008	\$ 3,299	\$ 4,278,287
Commercial paper	3,121,322	5,273,469	686	8,395,477
Money market funds	54,944	3,034,202	815	3,089,961
Repurchase agreements	800,000	2,675,000	—	3,475,000
U.S. guaranteed obligations	13,968,174	18,874,075	8,100	32,850,349
Federal agencies	8,366,295	2,224,171	3,178	10,593,644
Domestic bonds and notes	7,386,905	4,148,675	1,885,804	13,421,384
Commingled domestic bonds and notes funds	—	1,920,481	—	1,920,481
International bonds and notes	2,057,940	2,028,863	641	4,087,444
Domestic stocks	48,025,526	2,888,009	51,932	50,965,467
Commingled domestic equity funds	—	4,015,721	—	4,015,721
International stocks	32,463,861	836,075	4,629	33,304,565
Commingled international equity funds	8,401,273	2,178,564	—	10,579,837
Commingled real asset funds	—	787,711	—	787,711
Alternative investments	27,784,000	—	—	27,784,000
Real estate investments (directly owned)	9,699,428	—	—	9,699,428
Commingled real estate investments funds	2,396,469	—	792	2,397,261
Self-Directed brokerage accounts	—	700,874	—	700,874
Derivative instruments, net: ²				
Forward currency contracts	(4,391)	—	—	(4,391)
Futures (debt and equity)	35,097	16	—	35,113
Option contracts purchased	—	—	2,447	2,447
Swap contracts (debt related)	(6,811)	—	—	(6,811)
Mutual funds	—	—	2,689,097	2,689,097
Deferred compensation annuities	—	—	16,430	16,430
Total investments excluding lending collateral	164,875,012	55,535,914	4,667,850	225,078,776
Lending collateral investments:				
Certificates of deposit	—	1,073,086	—	1,073,086
Commercial paper	—	434,745	—	434,745
Money market funds	145,168	4,244	—	149,412
Repurchase agreements	310,000	593,000	—	903,000
Domestic bonds and notes	50,617	—	—	50,617
International bonds and notes	—	20,048	—	20,048
Total lending collateral investments	505,785	2,125,123	—	2,630,908
Total investments for all types	\$ 165,380,797	\$ 57,661,037	\$ 4,667,850	\$ 227,709,684

% of total other investments

73% 25% 2%

¹ Investments of the Local Government Surplus Funds Trust Fund are reported based on amortized cost which approximates fair value. See the Local Government Surplus Funds Trust Fund disclosure on page 78 to obtain investment details of the Local Government Surplus Funds Trust Fund. In addition, investments of the Debt Service Escrowed Fund, which meet the requirements of a legal or in-substance defeasance, are reported at cost.

² Refer to Note 2.B.6. for detailed information regarding derivatives.

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Reconciliation to the basic financial statements (in thousands):

	Governmental activities	Business-type activities	Fiduciary funds	Component Units ¹	Total
Other investments	\$ 1,339,736	\$ 8,980,780	\$ —	\$ 1,190,866	\$ 11,511,382
Restricted investments	—	606,975	—	—	606,975
Long-term investments	84,068	21,913,289	193,125,480	—	215,122,837
Security lending collateral ²	—	—	505,785	—	505,785
Timing and other differences ³	(22,835)	(6,693)	(24,437)	16,670	(37,295)
Total other investments	\$ 1,400,969	\$ 31,494,351	\$ 193,606,828	\$ 1,207,536	\$ 227,709,684

¹ The column for Component Units presents investments managed by SBA for Component Units. For presentation of all other investments for Component Units, see the Schedule of Other Investments For Discretely Presented Component Units.

² Other investments and Restricted investments for Governmental and Business-type activities include security lending collateral. Refer to Note 2 B Schedule of Other Investments and B(5) Schedule of Other Investments on Loan Under Security Lending Agreements for additional information.

³ Differences between participant balances posted and actual investments. Some Component Units have fiscal year ends other than the state's year end of June 30, 2019.

Certain investments included in the above schedule were pledged as collateral with the SBA's futures and swaps clearing counterparties. These investments are presented below (in thousands):

**FRS Pension Trust Fund
Securities Pledged as Collateral for Futures and Swaps Contracts
As of June 30, 2019**

Investment Type	Fair Value
U.S. guaranteed obligations	\$ 74,634
Federal agencies	13,450
Total	\$ 88,084

In addition, cash and foreign currency required to open futures and swap contracts (i.e. initial margin) in the FRS Pension Trust Fund may be pledged as collateral with the SBA's futures and swap counterparties. Pursuant to these types of contracts, and also pending foreign currency contracts and commitments to purchase (TBAs), the FRS Pension Trust Fund agrees to receive or pay to the counterparties an amount of cash equal to the daily fluctuation in the value of the contract. Such receivables and payables are known as variation margin. All initial and variation margin amounts held by counterparties, and the variation margins held by the FRS Pension Trust Fund as of June 30, 2019, are included in "Accounts receivable" and in "Accounts payable and accrued liabilities", respectively, on the Statement of Fiduciary Net Position. These amounts are presented in the table below (in thousands):

**FRS Pension Trust Fund
Cash and Foreign Currency Pledged as Collateral for Futures and Swaps Contracts
As of June 30, 2019**

	Fair Value
Margin receivable from counterparties:	
Futures contracts	\$ 16,116
Swap contracts	7,645
Foreign currency contracts	9,480
Commitments to purchase (TBAs)	371
Total margin receivable	\$ 33,612
Margin payable to counterparties:	
Futures contracts	30,649
Swap contracts	5,606
Commitments to purchase (TBAs)	556
Total margin payable	\$ 36,811

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The FRS Pension Trust Fund also held short positions in investments at June 30, 2019. Short investment positions are reported as liabilities on the Statement of Fiduciary Net Position. The schedule below presents the short investment positions at fair value at June 30, 2019 (in thousands):

FRS Pension Trust Fund Short Investment Position As of June 30, 2019

Investment Type	Fair Value
U.S. guaranteed obligations	\$ (26,607)
Federal agencies	(197,452)
Total	<u>\$ (224,059)</u>

The SBA issued a separate report (financial statements and notes) pertaining to the Local Government Surplus Funds Trust Fund (an external investment pool) within the state's Investment Trust Fund for the period ended June 30, 2019. This report may be obtained from the Chief Operating & Financial Officer, State Board of Administration of Florida, 1801 Hermitage Boulevard, Suite 101, Tallahassee, Florida 32308, (850) 488-4406.

Component Units

The schedule below discloses other investments reported at fair value, as of June 30, 2019, for discretely presented component units and a reconciliation to the basic financial statements (in thousands). Those investments held with the State Treasury as of June 30, 2019, are excluded.

Schedule of Other Investments For Discretely Presented Component Units As of June 30, 2019

Investment type	Fair Value
Certificates of deposit	\$ 23,708
Commercial paper	31,453
Repurchase agreements	1,054
Money market funds	263,095
U.S. guaranteed obligations	3,638,068
Federal agencies	1,571,029
Domestic bonds & notes	7,165,462
International bonds & notes	785,252
Domestic stocks	1,219,166
International stocks	839,303
Real estate investments	89,955
Mutual funds	2,640,355
Investment agreements	4,500,153
Total other investments for all types	<u>\$ 22,768,053</u>
Reconciliation of fair value to the basic financial statements:	
Other investments	\$ 17,236,742
Restricted investments	6,722,177
Less SBA Investments*	<u>(1,190,866)</u>
Total other investment for component units	<u>\$ 22,768,053</u>

* Investment types for component units with investments held by SBA are disclosed on the Schedule of Other Investments on page 76.

At June 30, 2019, 61.29% of total other investments for discretely presented component units belonged to the following major component units: Florida Housing Finance Corporation, University of Florida, and Citizens Property Insurance Corporation.

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1. Credit Risk and Concentration of Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the state's investment in a single issuer.

Pooled Investments with the State Treasury

The State Treasury follows the investment guidelines set forth in Section 17.57, F.S., for reducing exposure to investment credit risk. The State Treasury's rated debt investments as of June 30, 2019, were rated by the nationally recognized statistical rating organizations (NRSRO) Standard and Poor's (S&P) and Moody's. S&P ratings were primarily used. If S&P did not rate a security, or if the Moody's rating was lower for a security, then Moody's ratings were used. The ratings are presented below using the applicable rating scale (in thousands):

State Treasury Credit Quality Ratings As of June 30, 2019

S&P rating ²	Moody's rating ²	Total ¹	Commercial paper	Federal agencies	Domestic bonds & notes	International bonds & notes	Repurchase agreements	Money Market funds
AAAm		\$ 124,073	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 124,073
AAA		978,307	—	13,252	755,433	209,622	—	—
AA		8,276,599	—	7,315,380	618,842	342,377	—	—
A		2,705,859	—	—	2,332,990	372,869	—	—
A-1		235,880	235,880	—	—	—	—	—
BBB		1,163,113	—	—	1,025,320	137,793	—	—
BB		1,440	—	—	1,440	—	—	—
B		4,784	—	—	4,784	—	—	—
Below B		9	—	—	9	—	—	—
	Aaa	1,071,545	—	295,267	707,490	68,788	—	—
	Aa	112,507	—	—	112,507	—	—	—
	A	284,988	—	—	282,497	2,491	—	—
	Baa	472,414	—	—	414,732	57,682	—	—
	Ba	44,878	—	—	38,354	6,524	—	—
	B	42	—	—	42	—	—	—
	Below B	3	—	—	3	—	—	—
Not Rated	Not Rated	2,215,150	—	215,274	11,422	63,454	1,925,000	—
		<u>17,691,591</u>	<u>\$ 235,880</u>	<u>\$ 7,839,173</u>	<u>\$ 6,305,865</u>	<u>\$ 1,261,600</u>	<u>\$ 1,925,000</u>	<u>\$ 124,073</u>
Not rated ³	Not rated ³	7,798,466	U.S. guaranteed obligations					
Not rated	Not rated	492,398	Commingled STIF					
Not rated ³	Not rated ³	289,441	Repurchase agreements					
		<u>\$ 26,271,896</u>						

¹ The remaining \$4,060,087 (in thousands) reported for Pooled Investments with State Treasury is comprised primarily of investments with the U.S. Treasury Unemployment Compensation Funds Pool.

² Long-term ratings are presented except for "A-1," which is a short-term rating for S&P.

³ U.S. guaranteed obligations and collateral for repurchase agreements which are explicitly guaranteed by the U.S. government do not require disclosure of credit quality.

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The State Treasury's investment policies allow for unlimited investments in U.S. obligations and certain Federal Agency obligations. For other investments, the investment policies address concentration of credit risk by placing limits on amounts invested per issuer (taking into account the maturity date and duration of the investment). In addition, the policies also address limits on certain investments by credit ratings. Limits on amounts invested are expressed in dollar amounts per issuer and also in total amounts per investment type as a percentage of the investment pool's market value. As of June 30, 2019, more than five percent of the State Treasury's investment pool is invested in the Federal National Mortgage Association (FNMA), Federal Home Loan Bank System (FHLB), and the Federal Home Loan Mortgage Corporation (FHLMC). These investments are approximately 8 percent, 10 percent, and 8 percent of the of the State Treasury's investments pool, respectively.

Other Investments

The SBA, in compliance with Section 215.47, F.S., has adopted certain investment policies with regard to credit risk of debt securities. Investment policies vary by fund or portfolio. Below are the investment policies and credit risk disclosures for the FRS Pension Trust Fund, which constitutes the primary portion of other investments.

FRS Pension Trust Fund – Investments are generally managed through individual portfolios within various asset classes, as listed below. Some of the individual portfolios have slightly different restrictions on credit quality.

Short-term Portfolio – Securities must be high quality at the time of purchase. For short-term investment ratings, this is defined as the highest applicable rating from one of the NRSROs. For long-term investment ratings, this is defined as a minimum mid-single A rating from one of the NRSROs. Securities of a single issuer are generally limited to 5% of the market value of the portfolio (excluding U.S. Treasuries and Agencies).

Generally, securities in other major portfolios, such as the Mortgage Index Portfolio, Intermediate Aggregate Less MBS Index Portfolio and the Core Portfolio, should be rated investment grade by at least one of the NRSROs at the time of purchase [allowing a very small allocation to below investment grade (down to BB-/Ba3) for the Core Portfolio]. Securities for a single issuer are generally limited to 5% of the fair value of the portfolio (excluding U.S. Treasuries and Agencies).

Mortgage Index Portfolio – Securities are generally limited to those issued by the Government National Mortgage Association (GNMA), FNMA, and FHLMC. No specific credit rating criteria are listed.

Intermediate Aggregate Less MBS Index Portfolio and the Core Portfolio – These portfolios allow U.S. Treasuries, U.S. Government agencies, corporates, mortgage and asset backed securities, foreign sovereign debt, and municipals.

Lending Portfolios – Under investment policy guidelines in effect for the FRS Pension Trust Fund, eligible cash collateral investments are:

- Tri-party qualified repurchase agreement transactions collateralized by U.S. Treasury bills, notes, bonds, and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage-backed securities, and U.S. equity securities. Collateral consisting of U.S. Treasury and Government Agencies must maintain a market value of at least 102% of the market value of the securities subject to being repurchased. Collateral consisting of U.S. equities must maintain a market value of at least 110% of the market value of the securities subject to being repurchased,
- Money market mutual funds regulated by SEC rule 2a-7 and rated the highest applicable rating by at least one NRSRO and
- U.S. Treasury bills, notes, and bonds.

Security lending investments that were purchased prior to the policy guidelines established in December 2008 are being held to maturity in existing lending portfolios.

Lawton Chiles Endowment Fund – Policy guidelines allow cash collateral to be invested only in tri-party repurchase agreements and certain government money market funds, similar to those allowed for the FRS Pension Fund.

Florida Prepaid College Program Lending Program – Short-term obligations should be limited to obligations rated in the highest rating category by all NRSROs or, if only rated by one NRSRO, rated at the time of purchase in the highest rating category by that NRSRO (S&P A-1, Moody's P-1, Fitch F1 or equivalent). A "short-term obligation" means any eligible security or instrument (other than a repurchase agreement) which has an original maturity of 397 days or less at the time of purchase or has a put that entitles the holder to receive the principal amount at specified intervals not exceeding 397 days. With respect to bonds and other long-term obligations, investment is limited to obligations backed by the United States Government and have a maximum maturity

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of 762 days. A "long-term obligation" means any eligible security or instrument (other than a repurchase agreement) which has a remaining maturity of greater than 397 days at the time of purchase and is not subject to a demand feature in 397 days or less.

The FRS Pension Trust Fund did not hold any investments with a single issuer representing 5% or more of the fund's fair market value at June 30, 2019. The schedule below discloses credit quality ratings on investments held in the FRS Pension Trust Fund at June 30, 2019 (in thousands):

FRS Pension Trust Fund Credit Quality Ratings As of June 30, 2019

Credit Rating ¹		Total ²	Certificates of deposit	Commercial paper	Money market funds	Repurchase agreements	Federal agencies ⁴	Domestic bonds & notes	International bonds & notes
S&P	Moody's								
A-1/AAA		\$ 2,777,203	\$ —	\$ 2,577,091	\$ 200,112	\$ —	\$ —	\$ —	\$ —
A-2		411,630	—	411,630	—	—	—	—	—
A-3		87,528	—	87,528	—	—	—	—	—
AAA		927,965	—	—	—	—	—	603,819	324,146
AA		1,066,589	—	—	—	—	471,490	406,158	188,941
A		2,138,333	—	—	—	—	—	1,587,884	550,449
BBB		3,472,403	—	—	—	—	—	2,852,176	620,227
BB		130,076	—	—	—	—	—	71,593	58,483
B		13,974	—	—	—	—	—	13,974	—
CCC		1,724	—	—	—	—	—	1,724	—
CC		13,075	—	—	—	—	—	13,075	—
D		1,906	—	—	—	—	—	1,906	—
P-2		17,979	—	17,979	—	—	—	—	—
P-3		27,094	—	27,094	—	—	—	—	—
Aaa		811,445	—	—	—	—	1,321	749,215	60,909
Aa		73,463	—	—	—	—	—	60,662	12,801
A		164,399	—	—	—	—	—	132,430	31,969
Baa		577,501	—	—	—	—	—	497,603	79,898
Ba		141,081	—	—	—	—	—	122,998	18,083
Caa		2,224	—	—	—	—	—	2,224	—
Not rated	Not rated	8,922,654	324,980	—	—	272,075	7,893,484	320,081	112,034
		<u>21,780,246</u>	<u>\$ 324,980</u>	<u>\$ 3,121,322</u>	<u>\$ 200,112</u>	<u>\$ 272,075</u>	<u>\$ 8,366,295</u>	<u>\$ 7,437,522</u>	<u>\$ 2,057,940</u>
Ratings not Applicable:									
Repurchase agreements ³		837,925							
U.S. guaranteed obligations ³		13,968,174							
Domestic stocks		48,025,526							
International stocks		32,463,861							
Commingled international equity funds		8,401,273							
Alternative investments		27,784,000							
Real estate (directly owned)		9,699,428							
Real estate commingled		2,396,469							
Derivative instruments, net:									
Forward currency contracts		(4,391)							
Futures (debt and equity)		35,097							
Options		—							
Swaps		(6,811)							
Total investments		<u>\$ 165,380,797</u>							

¹ S&P ratings were primarily used. If S&P did not provide a rating or did not provide the rating with the greatest degree of credit risk, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated." Long-term ratings are presented except for the ratings presented for commercial paper and money market funds.

² All FRS investments are included in this schedule, including security lending collateral investments.

³ U.S. guaranteed obligations and repurchase agreements collateralized by securities explicitly guaranteed by the U.S. Government do not require disclosure of credit quality.

⁴ Federal agency TBAs and mortgage-backed securities are classified as "Not Rated" because they do not have explicit credit ratings on individual securities.

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All futures, options, and swaps contracts held by the FRS Pension Trust Fund at June 30, 2019, were exchange traded, therefore minimizing counterparty credit risk through the use of futures and swaps clearing merchants and clearing houses. The FRS Pension Trust Fund may enter into contracts that allow for close-out netting with certain counterparties. In the event of default or early termination, the contract permits the non-defaulting party the right to close-out all transactions in a single net settlement to one net amount payable by one counterparty to the other. The aggregate fair value of non-exchange traded derivatives subject to close-out netting totaled \$(4.9) million as of June 30, 2019.

Counterparty credit ratings related to credit risk for forward foreign currency exchange contracts held in the FRS Pension Trust Fund at June 30, 2019, are listed below (in thousands):

FRS Pension Trust Fund Forward Foreign Currency Exchange Contract Counterparty Credit Ratings As of June 30, 2019				
Counterparty Credit Rating (Long /Short) ¹				
S&P	Moody's	Receivable Fair Value	Payable Fair Value	Net Unrealized Gain (Loss)
AA/A-1		\$ 323	\$ (942)	\$ (619)
A/A-1		16,436	(20,568)	(4,132)
	NR/P-1	466	(106)	360
	Total	<u>\$ 17,225</u>	<u>\$ (21,616)</u>	<u>\$ (4,391)</u>

¹ S&P or Moody ratings indicative of the greatest degree of credit risk were reported. If no rating exists, "NR" is reported.

Counterparty credit ratings related to credit risk for spot currency exchange contracts held in the FRS Pension Trust Fund at June 30, 2019, are listed below (in thousands):

FRS Pension Trust Fund Spot Foreign Currency Exchange Contract Counterparty Credit Ratings As of June 30, 2019				
Counterparty Credit Rating (Long /Short) ¹				
S&P	Moody's	Receivable Fair Value	Payable Fair Value	Net Unrealized Gain (Loss)
AA/A-1		\$ 9,479	\$ (9,463)	\$ 16
A/A-1		36,739	(36,734)	5
BBB/A-2		516	(518)	(2)
	A/P-1	5,415	(5,413)	2
NR	NR	41,190	(41,198)	(8)
	Total	<u>\$ 93,339</u>	<u>\$ (93,326)</u>	<u>\$ 13</u>

¹ S&P or Moody ratings indicative of the greatest degree of credit risk were reported. If no rating exists, "NR" is reported.

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The schedule below discloses credit quality ratings on investments held in all funds managed by the SBA (except the FRS Pension Trust Fund) at June 30, 2019, (in thousands):

All SBA Managed Funds (except FRS Pension Trust Fund) Credit Quality Ratings As of June 30, 2019

Credit Rating ¹		Total ²	Certificates of deposit	Commercial paper	Money market funds	Repurchase agreements	Federal agencies	Domestic bonds and notes	Commingled domestic bonds and notes funds	International bonds and notes
S&P	Moody's									
AAAm		\$ 2,064,116	\$ —	\$ —	\$ 2,064,116	\$ —	\$ —	\$ —	\$ —	\$ —
A-1		5,482,210	—	5,482,210	—	—	—	—	—	—
AAA		322,835	—	—	—	875	6,331	283,333	—	32,296
AA		2,593,715	—	—	—	69,569	292,812	1,012,790	—	1,218,544
A		1,650,483	—	—	—	23,285	—	1,026,652	—	600,546
BBB		1,060,142	—	—	—	75,622	—	849,792	—	134,728
BB		13,234	—	—	—	—	—	11,365	—	1,869
B		1,712	—	—	—	—	—	1,712	—	—
	P-2	226,969	—	226,969	—	—	—	—	—	—
	Aaa	373,895	—	—	—	—	92,525	256,171	—	25,199
	Aa	24,354	—	—	—	—	497	23,857	—	—
	A	452,404	—	—	—	1,262	—	448,459	—	2,683
	Baa	157,587	—	—	—	6,809	—	145,512	—	5,266
	Ba	56,227	—	—	—	—	—	50,291	—	5,936
	Not rated	11,207,570	5,024,642	—	974,505	1,395,351	1,832,006	38,741	1,920,481	21,844
		<u>25,687,453</u>	<u>\$ 5,024,642</u>	<u>\$ 5,709,179</u>	<u>\$ 3,038,621</u>	<u>\$ 1,572,773</u>	<u>\$ 2,224,171</u>	<u>\$ 4,148,675</u>	<u>\$ 1,920,481</u>	<u>\$ 2,048,911</u>

Ratings not applicable

Repurchase agreements ³	1,695,227
U.S. guaranteed obligations ³	18,874,621
Domestic stocks	2,888,009
Commingled domestic equity funds	4,015,721
International stocks	836,075
Commingled international equity funds	2,178,564
Commingled real asset funds	787,711
Self-directed brokerage accounts	700,874
Futures contracts	16
Total investments	<u>\$ 57,664,271</u>

¹ S&P ratings were primarily used. If S&P did not provide a rating or did not provide the rating with the greatest degree of credit risk, then Moody's ratings were used. If neither rating agency issued a rating, the security was listed as "Not rated." Long-term ratings are presented except for the ratings presented for commercial paper and money market funds.

² All investments are included in this schedule, including security lending collateral investments.

³ U.S. guaranteed obligations and repurchase agreements that are collateralized by securities explicitly guaranteed by the U.S. government do not require disclosure of credit quality.

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The Florida Prepaid Investment Plan held investments with the FNMA (8.66%) in excess of 5% of the Florida Prepaid Investment Plan's fair value.

Component Units

Investment policies with regard to credit risk of debt securities vary from component unit to component unit. In addition, investment policies vary among Universities' direct support organizations. Investment policies may be obtained separately from component units. Presented below are reported credit quality ratings for debt securities of major component units (in thousands). Amounts shown below represent only that portion of debt investments required to be disclosed by component units reporting under the GASB reporting model.

Major Component Units Credit Quality Ratings As of June 30, 2019

Component Unit*	Federal agencies	Bonds & notes	Money market funds	Bond Mutual funds	Investment Agreements	Certificates of Deposits	Commercial paper	Other Investments	Total	S&P rating
Florida Housing Finance Corporation (FHFC)	\$ —	\$ 17,797	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 3,294	\$ 21,091	AAA-AA+
FHFC (continued)	—	43,205	—	—	—	—	—	—	43,205	AAA-AA
FHFC (continued)	—	8,212	—	—	—	—	—	—	8,212	AAA-BBB+
FHFC (continued)	—	151,466	—	—	—	—	—	—	151,466	AAA-BBB-
FHFC (continued)	110,814	—	—	—	—	—	—	—	110,814	AA+
FHFC (continued)	—	—	—	—	—	—	3,505	—	3,505	A 1
FHFC (continued)	—	—	—	—	3,452	—	—	—	3,452	Unrated
University of Florida (UF)	1,111	9,509	5,141	63,213	—	—	—	—	78,974	AAA
UF (continued)	779	2,945	—	60,967	—	—	—	—	64,691	AA
UF (continued)	—	7,853	—	31,025	—	—	—	—	38,878	A
UF (continued)	—	18,835	72	23,678	—	—	—	—	42,585	Less than A
Citizens Property Insurance Corporation (CPIC)	925,463	—	—	—	—	—	—	—	925,463	AA+
CPIC (continued)	—	—	—	—	—	751	—	—	751	AA-
CPIC (continued)	—	6,062,969	—	—	—	—	—	—	6,062,969	A-A+
Total Investments	\$ 1,038,167	\$ 6,322,791	\$ 5,213	\$ 178,883	\$ 3,452	\$ 751	\$ 3,505	\$ 3,294	\$ 7,556,056	

* State of Florida major component units do not have any investments subject to concentration of credit risk.

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2. Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the state will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Pooled Investments with the State Treasury

The State Treasury's custodial risk policy states that securities must be held in an account in the state's name. As required by negotiated trust and custody contracts, many of the state's investments were held in the state's name by the Treasury's custodial financial institution at June 30, 2019. Investments that were uninsured and unregistered, and held by the counterparty, or by its trust department but not in the State's name, included the following (in thousands):

State Treasury Custodial Credit Risk As of June 30, 2019

	Fair value
Invested security lending collateral:	
Repurchase agreements	\$ 289,441
Federal agencies	366,079
Bonds and notes - domestic	337,067
Bonds and notes - international	195,998
Total	<u>\$ 1,188,585</u>

Other Investments

The SBA's custodial credit risk policy states that custodial credit risk will be minimized through the use of trust accounts maintained at top tier third party custodian banks. To the extent possible, negotiated trust and custody contracts shall require that all deposits, investments, and collateral be held in accounts in the SBA's name, or in the case of certain foreign investments, in an omnibus client account, but separate and apart from the assets of the custodian banks. This policy applies to investments evidenced by cash or securities, and does not apply to investments evidenced by contractual agreements such as private equity or real estate investments. As required by negotiated trust and custody contracts, many of the state's investments were held in the state's name or in the case of certain foreign investments, in an omnibus client account, by the SBA's custodial financial institutions at June 30, 2019. Investments that were uninsured and unregistered, with securities held by the counterparty, or by its trust department, but not in the SBA's name, included the following (in thousands):

Other Investments with SBA Custodial Credit Risk As of June 30, 2019

	FRS Pension Trust Fund	Other funds
Invested security lending collateral:		
Certificates of deposit	\$ —	\$ 1,073,086
Commercial paper	—	434,745
Repurchase agreements	10,000	593,000
Domestic bonds and notes	50,617	—
International bonds and notes	—	20,048
Total	<u>\$ 60,617</u>	<u>\$ 2,120,879</u>

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Component Units

Component units manage their exposure to custodial credit risk through various investment policies. These policies may be obtained separately from component units. Presented below is the applicable custodial credit risk information for a major component unit (in thousands):

Major Component Unit Custodial Credit Risk As of June 30, 2019

Component unit / Investment type	Fair value
University of Florida	
Federal agencies	\$ 24,349
Bonds and notes	5,473
U.S. guaranteed obligations	1,390
Total	<u>\$ 31,212</u>

3. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of debt investments.

Pooled Investments with the State Treasury

Through its investment policy, the State Treasury manages its exposure to interest rate risk by limiting either the maturities or durations of the various investment strategies used for the investment pool. The maximum effective weighted duration allowed is in the Long Duration portfolio: six (6) years or the benchmark's effective duration if higher. In addition, the security lending portfolio manages exposure to interest rate risk by limiting the maximum weighted average maturity gap. The maximum weighted average maturity gap is defined as the difference between the weighted average days to maturity of the portfolio minus the weighted average days to maturity of the liabilities (loans). The maximum weighted average maturity gap for security lending portfolios is 30 days.

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Presented below is the interest rate risk table for the debt investments with the State Treasury (in thousands). Investment types related to debt portfolios are presented using effective weighted duration. Investment types related to the security lending collateral portfolio are presented using weighted average maturity.

Debt Investments As of June 30, 2019

Investment type	Fair value	Effective weighted duration (in years)	Security Lending Market Value	Weighted average maturity (in days)
Commercial paper	\$ 235,880	0.02	\$ —	N/A
Money market funds	124,073	0.36	—	N/A
Repurchase agreements	1,925,000	0.03	289,441	1
U.S. guaranteed obligations:				
U.S. Treasury bonds and notes	5,542,537	3.80	—	N/A
U.S. Treasury strips	835,855	1.31	—	N/A
U.S. Treasury bills	792,724	0.23	—	N/A
GNMA mortgage-backed pass-through	410,984	3.09	—	N/A
GNMA TBA pass-through	18,805	2.85	—	N/A
GNMA collateralized mortgage obligations (CMO's)	21,230	2.78	—	N/A
GNMA CMO's - interest only	12,235	3.60	—	N/A
NCUA - CMO's	2,516	0.10	—	N/A
SBA asset-backed	161,580	3.94	—	N/A
Federal agencies:				
Discount notes	1,033,632	0.11	—	N/A
Unsecured bonds & notes	3,470,945	1.10	366,079	16
Mortgage-backed pass-through	2,348,379	2.37	—	N/A
TBA mortgage-backed pass-through	124,527	2.07	—	N/A
Mortgage-backed CMO's	486,701	3.91	—	N/A
Mortgage-backed CMO's - principal only	90	3.90	—	N/A
Mortgage-backed CMO's - interest only	8,820	4.30	—	N/A
Bonds and notes - domestic:				
Corporate	4,219,234	5.44	337,067	45
Corporate asset-backed	627,315	1.36	—	N/A
Non-government backed CMO's & CMBS*	772,590	4.24	—	N/A
Non-government backed CMO's & CMBS* - interest only	5,391	1.96	—	N/A
Municipal/provincial	344,268	5.72	—	N/A
Bonds and notes - international:				
Government & Agency	165,542	3.81	—	N/A
Corporate	900,060	3.34	195,998	55
Commingled STIF	492,398	—	—	N/A
Futures contracts - long***	—	9.11	—	N/A
Futures contracts - short***	—	1.26	—	N/A
Total debt investments**	<u>\$ 25,083,311</u>		<u>\$ 1,188,585</u>	

* Commercial Mortgage-Backed Securities (CMBS).

** The remaining \$4,060,087 (in thousands) reported for Pooled Investments with State Treasury is comprised of investments with the U.S. Treasury Unemployment Compensation Funds Pool.

***The futures contracts effective weighted duration was calculated using notional values rather than fair values.

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Other Investments

The SBA manages its exposure to interest rate risk through various investment policies. Policies and interest rate risk disclosures for debt investments within the FRS Pension Trust Fund are presented below.

Investments authorized by Section 215.47, F.S., are managed through individual portfolios within various asset classes. The individual portfolios may have different policies regarding interest rate risk. Major types of debt portfolios are listed below.

Short-term Portfolio – Weighted average maturity to final maturity date (WAL) is limited to 120 days in the internally managed FRS Short-term Investment Pool (STIPFRS) portfolio and weighted average time to coupon reset (WAM) is limited to 60 days. For securities without a fixed interest rate, the next coupon reset date is used as the maturity for the reset WAM calculation. No individual security shall have a final maturity date longer than 397 days except for U.S. Treasury and Agency securities, which shall not exceed five years.

Mortgage Index Portfolio – Portfolio duration should be similar to the duration of the mortgage-related fixed income market and should remain within plus or minus 0.25 years of the Barclays Capital U.S. MBS Index duration. Swaps and/or Agency debentures may contribute no more than 25% of the portfolio's total duration.

Intermediate Aggregate Less MBS Index Portfolio – Portfolio duration should remain within plus or minus 0.25 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration less the MBS Index component. Interest rate swaps and interest rate futures, on a net basis, may contribute no more than 25% of the portfolio's total duration.

Core Portfolios – Portfolio duration should remain within plus or minus 0.50 years of the Barclays Capital U.S. Intermediate Aggregate Bond Index duration. Interest rate swaps and interest rate futures may contribute no more than 25% of the portfolio's total duration.

The Core Portfolio contains certain investments, known as collateralized mortgage obligations (CMOs), which are more sensitive to interest rate changes than others. Examples of CMO securities that qualify as "highly interest rate sensitive" include interest-only (IOs), principal-only (POs), and inverse floaters (INVs). IO and PO securities are transactions that involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which increase the value of a PO and decrease the value of an IO. INVs have an inverse relationship to a benchmark rate, and the coupon payment is adjusted as the interest rate changes. If the benchmark interest rate decreases, the coupon rate increases and vice versa, which allows the bondholder to benefit from declining interest rates. Similar to an IO, an interest-only inverse floater's value increases as interest rates rise.

Security Lending Portfolios – Investment policy guidelines in effect for the FRS Pension Trust Fund allow investment in:

- Tri-party qualified repurchase obligations, with a term to repurchase not to exceed 45 calendar days that are fully collateralized by U.S. Treasury bills, notes, bonds and/or strips, U.S. Government Agency securities, U.S. Government Agency mortgage-backed securities, and U.S. equity securities,
- Money market mutual funds regulated by SEC rule 2a-7, and
- U.S. Treasury bills, notes, and bonds maturing within 92 days or less.

Security lending investments that were purchased prior to the investment policy guidelines established in December 2008, are still held in the FRS Pension Trust Fund lending programs, but are slowly paying down. For investments that had floating interest rates, interest rate reset dates were used to calculate the WAM.

The LCEF allows investment of cash collateral only in overnight repurchase agreements that are fully collateralized by U.S. Government and/or agency securities, and in certain money market funds with a rating of AAAM, Aaammf, or AAAMmf by S&P, Moody's or Fitch, respectively.

For the Florida Prepaid lending program, investment policy guidelines state that the maximum rate sensitivity is 60 days. The "rate sensitivity" of a security or instrument shall mean (a) in the case of a fixed rate security or instrument (i) the date on which final payment is due or (ii) the principal amount can be recovered through demand (if applicable) or (b) in the case of a floating or variable rate security or instrument, the shorter of the period of time remaining until either (i) the next readjustment of the interest rate or (ii) the principal amount can be recovered through demand (if applicable).

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Presented in the following schedule is the interest rate risk table for the FRS Pension Trust Fund (in thousands). Investment types related to debt portfolios are presented using effective weighted duration. Investment types related to short-term and securities lending collateral portfolios are presented using weighted average maturity.

FRS Pension Trust Fund Debt Investments As of June 30, 2019

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	\$ —	N/A	\$ 324,980	7
Commercial paper	—	N/A	3,121,322	19
Money market funds	—	N/A	200,112	1
Repurchase agreements	—	N/A	1,110,000	8
U.S. guaranteed obligations:				
U.S. Treasury bills	2,407,364	0.39	—	N/A
U.S. Treasury bonds and notes	8,856,777	3.84	—	N/A
Index linked government bonds	383,483	6.93	—	N/A
U.S. government guaranteed bonds and notes	108,656	2.53	—	N/A
Asset-backed	280,966	4.75	—	N/A
GNMA mortgage-backed pass-through	1,419,757	2.94	—	N/A
GNMA TBA mortgage-backed pass-through	177,501	2.06	—	N/A
GNMA CMO's and CMBS ¹	333,670	4.13	—	N/A
Federal agencies:				
Discount notes	34,331	0.04	—	N/A
Unsecured bonds and notes	471,490	2.23	—	N/A
Agency strips	21,687	4.72	—	N/A
Mortgage-backed pass-through	5,256,570	2.34	—	N/A
FNMA, FHLMC TBA mortgage-backed pass-through	1,241,280	1.78	—	N/A
Mortgage-backed CMO's and CMBS ¹	1,340,937	1.58	—	N/A
Domestic bonds and notes:				
Corporate	5,310,259	4.46	—	N/A
Non-government asset and mortgage-backed	795,621	2.01	41,733	38
Non-government backed CMO's and CMBS ¹	1,272,637	3.99	1,618	57
Municipal/provincial	13,041	4.36	—	N/A
Real estate mortgage loans	2,613	0.60	—	N/A
International bonds and notes:				
Government and agency	691,522	2.98	—	N/A
Corporate	1,307,245	3.72	—	N/A
Non-government asset and mortgage-backed	4,740	0.05	—	N/A
Non-government backed CMO's and CMBS ¹	54,433	2.22	—	N/A
Futures contracts - long (debt) ²	35,461	3.74	—	N/A
Futures contracts - short (debt) ²	(12,677)	10.24	—	N/A
Credit default swaps ²	(2,001)	—	—	N/A
Interest rate swap contracts ²	(4,810)	(0.14)	—	N/A
Total debt investments	\$ 31,802,553		\$ 4,799,765	

¹Includes investments in IO's, PO's, and INV's totaling \$56 million at June 30, 2019.

²The futures and swap contracts effective weighted duration was calculated using notional values (in U.S. \$) rather than fair value.

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Interest rate risk information for debt investments sold short is presented below (in thousands).

FRS Pension Trust Fund Sold Short¹ Debt Investment Positions As of June 30, 2019

Investment type	Fair value (duration)	Effective weighted duration (in years)
GNMA commitments to sell (TBAs)	\$ (26,607)	2.65
FNMA, FHLMC commitments to sell (TBAs)	(197,452)	1.88
Total debt investments sold short ¹	<u>\$ (224,059)</u>	

¹ Investments sold short are reported as liabilities on the Statement of Fiduciary Net Position.

Presented below are interest rate risk schedules for all debt-related investments managed by the SBA (excluding the FRS Pension Trust Fund), as of June 30, 2019 (in thousands). Certain investment types may be presented using two or more interest rate risk methods if the investment types are managed using different techniques. For example, if investments are purchased to match scheduled debt payments, to coincide with Lottery prize payouts, or are entirely client directed investments, the investments are presented using the segmented time distribution method. If investments are in a portfolio that contains weighted average maturity restrictions, the investments are presented using this method. If investments are subject to certain restrictions on duration, then that method is used. Individual investments are only included in one of the following three methods scheduled below.

Debt Investments Managed by SBA (except FRS Pension Trust Fund) That Use Segmented Time Distribution Method As of June 30, 2019

Investment type	Total fair value	Investment maturities (in years)						
		Less than or equal to 1	> 1 to 3	> 3 to 5	> 5 to 10	>10 to 15	> 15 to 20	> 20
U.S. guaranteed obligations:								
U.S. Treasury bills	\$ 181,491	\$ 181,491	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
U.S. Treasury bonds, notes, and SLGS*	1,005,321	970,157	5,421	29,743	—	—	—	—
U.S. Treasury strips	301,777	22,078	43,108	42,433	98,907	54,716	21,633	18,902
Total debt investments	<u>\$ 1,488,589</u>	<u>\$ 1,173,726</u>	<u>\$ 48,529</u>	<u>\$ 72,176</u>	<u>\$ 98,907</u>	<u>\$ 54,716</u>	<u>\$ 21,633</u>	<u>\$ 18,902</u>

* Special U.S. Treasury securities for State and Local Governments.

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Debt Investments Managed by SBA (except FRS Pension Trust Fund) That Use Weighted Average Maturity Method or Duration Method As of June 30, 2019

Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Certificates of deposit	\$ —	N/A	\$ 5,024,642	37
Commercial paper	—	N/A	5,709,179	45
Money market funds	974,262	0.08	2,064,359	1
Repurchase agreements	—	N/A	3,268,000	2
U.S. guaranteed obligations:				
U.S. Treasury bills	7,680	0.03	4,135,187	148
U.S. Treasury bonds and notes	629,634	6.02	6,695,747	730
U.S. Treasury strips	5,520,626	10.33	—	N/A
Index linked government bonds	141,405	9.09	—	N/A
U.S. government guaranteed	657	4.76	—	N/A
U.S. guaranteed (SBA) asset-backed	14,845	6.50	—	N/A
GNMA mortgage-backed pass through	157,756	3.46	—	N/A
GNMA commitments to purchase (TBAs)	80,712	3.66	—	N/A
GNMA CMO's and CMBS	1,783	4.44	—	N/A
Federal agencies:				
Discount notes	—	N/A	101,304	20
Unsecured bonds and notes	33,697	11.62	340,176	255
Agency strips	657,576	7.74	—	N/A
Mortgage-backed (FNMA, FHLMC)	850,017	3.74	—	N/A
FNMA, FHLMC commitments to purchase (TBAs)	184,492	4.1	—	N/A
Mortgage-backed CMO's	56,909	3.05	—	N/A
Domestic bonds and notes:				
Corporate	1,692,193	6.88	1,927,900	645
Non-government asset and mortgage-backed	259,932	1.43	—	N/A
Non-government backed CMO's and CMBS ¹	250,494	5.38	—	N/A
Municipal/provincial	4,006	14.62	14,150	8
Commingled Domestic bonds and notes funds	1,920,481	5.42	—	N/A
International bonds and notes:				
Government and agency	24,508	6.48	40,544	502
Corporate	236,164	5.51	1,702,548	633
Non-government asset and mortgage-backed	43,823	(0.28)	—	N/A
Non-government backed CMO's and CMBS ¹	1,324	0.07	—	N/A
Total debt investments	<u>\$ 13,744,976</u>		<u>\$ 31,023,736</u>	

¹ Includes Investments in IO's totaling \$14.1 million at June 30, 2019, in the Florida Prepaid College Program and \$114 thousand in the Florida Prepaid Investment Plan.

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Component Units

Component units manage their exposure to interest rate risk through various investment policies. These policies may be obtained separately from component units. Presented below is the applicable interest rate risk information for major component units (in thousands). Amounts shown below represent only that portion of debt investments required to be disclosed by component units reporting under the GASB reporting model.

**Major Component Units
Debt Investments
That Use Segmented Time Distribution Method
As of June 30, 2019**

Component unit / Investment type	Total fair value	Investment maturities (in years)			
		Less than or equal to 1	> 1 to 5	> 5 to 10	> 10
Florida Housing Finance Corporation					
Commercial Paper	\$ 3,505	\$ 3,505	\$ —	\$ —	\$ —
U.S. guaranteed obligations	1,148,555	47,747	115,772	3,924	981,112
Federal agencies	110,814	22	10,340	3,820	96,632
Bonds & notes	220,680	20,729	174,737	3,743	21,471
Investment agreements	3,452	2,908	—	—	544
Other investments	3,294	1,049	2,245	—	—
University of Florida					
U.S. guaranteed obligations	14,887	13,315	80	349	1,143
Federal agencies	1,890	1,890	—	—	—
Bonds & notes	39,142	22,666	2,345	14,131	—
Bond Mutual funds	178,883	3,979	157,610	17,294	—
Total debt investments	<u>\$ 1,725,102</u>	<u>\$ 117,810</u>	<u>\$ 463,129</u>	<u>\$ 43,261</u>	<u>\$ 1,100,902</u>

**Major Component Units
Debt Investments
That Use Duration or Weighted Average Maturity Method
As of June 30, 2019**

Component unit / Investment type	Fair value (duration)	Effective weighted duration (in years)	Fair value (WAM)	Weighted average maturity (in days)
Citizens Property Insurance Corporation				
U.S. guaranteed obligations	\$ —	N/A	\$ 1,633,876	1,521
Federal agencies	—	N/A	925,463	1,988
Bonds & notes	—	N/A	5,323,327	1,999
International bonds and notes	—	N/A	739,642	1,582
International CD	—	N/A	751	291
Total debt investments	<u>\$ —</u>		<u>\$ 8,623,059</u>	

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4. Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates that will adversely affect the fair value of an investment.

Pooled Investments with the State Treasury

The State Treasury does not have any investments in foreign currency. State law and investment policy do not authorize investments in foreign currency related to State Treasury investment operations.

Other Investments

The FRS Pension Trust Fund, the LCEF, and the Florida Prepaid College Program had exposure to foreign currency risk at June 30, 2019. These funds are managed primarily by the use of "asset classes".

The FRS Pension Trust Fund investment policy, approved on June 13, 2018 (effective July 1, 2018), by the Trustees, limits the global equity asset class (including domestic and foreign equities) to a policy range of 45-70% and a target allocation of 53%. All asset classes may hold non-U.S. securities, depending on portfolio guidelines. Within the global equity asset class, the FRS Pension Trust Fund also holds units in commingled international equity funds. The FRS Pension Trust Fund owns only a portion of the overall investment in the funds, which are also owned by other investors. Exchange-traded funds (ETFs) are investment funds that hold assets such as stocks or bonds and are traded on the stock exchanges. Participatory notes (P-notes) allow the FRS Pension Trust Fund to participate in certain foreign equity markets where direct participation is not possible due to local government regulations, tax policies, or other reasons. The FRS Pension Trust Fund's unit holdings in the overall investments or notes themselves may be valued in U.S. dollars, but a portion of the underlying assets are exposed to foreign currency risk in various currencies. Within the alternative investment asset class, the FRS Pension Trust owns an interest in several alternative investment commingled funds (primarily limited partnerships) with other investors and, therefore, owns only a portion of the overall investment in the funds. The alternative investment funds denominated in foreign currency are presented in the foreign currency risk table below by currency. For the alternative investment funds denominated in U.S. dollars, some of the underlying investments may be exposed to foreign currency risk in various currencies. Alternative investments with potential exposure to foreign currency risk totaled \$26.7 billion as of June 30, 2019.

For the LCEF, Trustees approved an investment policy on June 17, 2014, that set the global equity asset class with a policy range of 61-81% and a target allocation of 71%. Other asset classes in the LCEF may hold non-U.S. securities as well, depending on portfolio guidelines.

The Florida Prepaid Program's comprehensive investment plan limits investment in foreign equities to 25% of total equities, with the target for total equities to be 70% of actuarial reserve.

In all cases, Florida law limits the total exposure to foreign securities outside of commingled funds to 50% of the total fund. There is no requirement that this exposure to foreign currency be hedged through forward currency contracts, although some investment managers use them in many cases.

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Presented below in U.S. dollars are the FRS Pension Trust Fund investments exposed to foreign currency risk as of June 30, 2019, listed in total, by currency (in thousands).

FRS Pension Trust Fund Investments Exposed to Foreign Currency Risk (fair values in U.S.S. in thousands) As of June 30, 2019

Currency	Investment Type			
	Equity	Alternative Investments	Other	Spot Contracts, Net
Australian dollar	\$ 945,538	\$ —	\$ (71,392)	\$ 428
Bangladesh taka	15,691	—	—	—
Brazilian real	730,566	—	(15,225)	(1,995)
British pound sterling	3,251,615	72,146	24,570	8,199
Canadian dollar	1,368,060	—	(24,544)	462
Chilean peso	31,604	—	—	—
Chinese yuan renminbi	381,517	—	(16,261)	(642)
Colombian peso	8,097	—	5,282	—
Costa Rican colon	2,267	—	—	—
Czech koruna	5,345	—	5,243	—
Danish krone	458,157	—	(13,599)	1,115
Egyptian pound	31,920	—	—	—
Euro currency unit	7,115,510	1,022,849	(367,904)	(2,066)
Ghanaian cedi	2,118	—	—	—
Hong Kong dollar	2,756,183	—	(36,567)	(3,260)
Hungarian forint	42,607	—	(9,636)	—
Indian rupee	837,405	—	66,648	—
Indonesian rupiah	199,759	—	66,380	(617)
Israeli shekel	116,483	—	7,372	10
Japanese yen	3,982,234	—	44,687	(3,116)
Kenyan shilling	15,566	—	—	—
Kuwaiti dinar	31,494	—	—	—
Malaysian ringgit	86,235	—	—	(262)
Mauritius rupee	2,669	—	—	—
Mexican peso	189,342	—	31,814	(1)
Moroccan dirham	2,444	—	—	—
New Taiwan dollar	729,243	—	(27,128)	(6,552)
New Zealand dollar	58,366	—	(7,952)	—
Nigerian naira	28,085	—	—	—
Norwegian krone	257,601	—	(38,864)	(248)
Omani rial	1,620	—	—	—
Pakistani rupee	8,736	—	—	—
Peruvian sol	1,698	—	—	—
Philippines peso	99,219	—	25,139	730
Polish zloty	62,796	—	10,422	186
Qatari riyal	13,011	—	—	—
Romanian new leu	19,222	—	5,169	55
Russian ruble	8,476	—	51,205	(8)
Singapore dollar	360,761	—	3	1,550
South African rand	352,952	—	7,608	(2,680)
South Korean won	998,576	—	(58,747)	611
Sri Lankan rupee	8,802	—	—	—
Swedish krona	459,693	23	(6,145)	1,025
Swiss franc	1,585,234	—	(4,844)	(3,154)
Thailand baht	211,555	—	5,226	(593)
Turkish lira	104,308	—	15,519	(120)
United Arab Emirates dirham	57,394	—	—	651
Vietnam dong	37,216	—	—	—
Total foreign currency risk	28,074,990	1,095,018	(326,521)	(10,292)
Other investments with potential exposure to foreign currency risk:				
Alternative investments	—	26,688,982	—	—
P-notes and ETFs	437,879	—	—	—
Commingled international equity funds	8,401,273	—	—	—
Total investments subject to foreign currency risk	\$ 36,914,142	\$ 27,784,000	\$ (326,521)	\$ (10,292)

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In addition to the investments presented above, the FRS Pension Trust Fund holds positions in futures contracts that are subject to foreign currency risk. A futures contract is an agreement between two parties, a buyer and a seller, to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all participants in a market on an organized futures exchange. Upon entering into a futures contract, collateral is deposited with the counterparty, in the SBA's name, in accordance with the initial margin requirements of the counterparty. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends upon specified collateral and margin limits mutually agreed upon by the SBA and the third-party counterparty. The margin payments are exposed to foreign currency risk. The FRS Pension Trust Fund's futures contract positions at June 30, 2019, that have exposure to foreign currency risk are presented below (values in thousands):

FRS Pension Trust Fund Futures Positions Exposed to Foreign Currency Risk As of June 30, 2019

		In Local Currency				
	Currency	Number of Contracts	Notional Traded Exposure	Notional Market Exposure	Unrealized Gain/(Loss)	Unrealized Gain/(Loss) (in U.S. \$)
Stock Index Futures:						
GBP FT SE 100 Index	British pound sterling	48	3,500	3,537	37	\$ 47
Canada S&P/T SE 60 Index	Canadian dollar	19	3,698	3,715	17	13
DJ Euro STOXX 50	Euro currency unit	211	7,131	7,313	182	207
TOPIX Index Future	Japanese yen	32	497,071	496,320	(751)	(7)
NIKKEI 225 Yen	Japanese yen	29	307,618	308,923	1,305	12
FTSE China A50 Index ¹	U. S. dollar	381	5,122	5,146	24	24
MSCI EAFE ¹	U. S. dollar	1,523	144,427	146,459	2,032	2,032
MSCI Emerging markets Index ¹	U. S. dollar	337	16,956	17,750	794	794

¹ Futures denominated in U.S. dollars are based on an index that converts the foreign issues to U.S. dollar equivalents at currency market exchange rates.

The FRS Pension Trust Fund also held positions in option contracts that are subject to foreign currency risk at June 30, 2019. An option gives the buyer a stipulated privilege of buying or selling a stated property, security, or commodity at a given price (strike price) within a specified time (for an American-style option, at any time prior to or on the expiration date). A securities option is a negotiable contract in which the seller (writer), for a certain sum of money called the option premium, gives the buyer the right to demand within a specified time the purchase (call) from or sale (put) to the option seller of a specified number of bonds, currency units, index units, or shares of stock, at a fixed price or rate, called the strike price.

FRS Pension Trust Fund Options Exposed to Foreign Currency Risk As of June 30, 2019

Currency	In Local Currency		(In U.S. \$)
	Notional Amount	Total Market Value	Total Market Value
Options purchased:			
Euro currency unit	56,940	621	\$ 707
Japanese yen	55,801	307	350
U.S. dollar ¹	630,924	2,633	2,633
Options sold:			
Euro currency unit	341,471	(369)	(411)
Japanese yen	145,140	(1,948)	(2,035)
U.S. dollar ¹	257,054	(1,244)	(1,244)
Total subject to foreign currency risk			\$ —

¹ Currency options on a currency pair, that are denominated in U.S. dollars, are dependent on the exchange rate of the given foreign currency relative to the U.S. dollar.

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The FRS Pension Trust Fund did not hold any positions in swap contracts that were exposed to foreign currency risk at June 30, 2019.

The FRS Pension Trust Fund, LCEF, and the Florida Prepaid Program and Investment Plan also enter into foreign currency exchange contracts which are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. Currently, there are two types of foreign currency contracts being utilized by the FRS Pension Trust Fund. Spot currency contracts are used primarily for trade settlement and currency repatriation and are valued at spot (traded) currency rates. Forward currency contracts are valued at interpolated forward rates and may be used to mitigate currency risk for changes in value associated with foreign holdings, payables and/or receivables. On the Statement of Fiduciary Net Position, individual forward currency contract positions are recorded as net in Other investments, and spot currency contracts are recorded as receivables and payables. In addition, such contracts may be used to seek additional value independent of underlying equity assets. The LCEF and Florida Prepaid Plans currently utilize only spot currency contracts. All of the contracts are subject to foreign currency risk. A schedule of the FRS Pension Trust Fund's foreign currency exchange contracts outstanding at June 30, 2019, is presented below, by currency (in thousands):

**FRS Pension Trust Fund
Foreign Currency Exchange Contracts
As of June 30, 2019**

Currency	Forward Currency Contracts				Spot Currency Contracts			
	Receivable Notional	Payable Notional	Net Investment Fair Value	Unrealized Gain/(Loss)	Receivable Fair Value	Payable Fair Value	Net Receivables/Payables	Unrealized Gain/(Loss)
Australian dollar	\$ 43,604	\$ 114,105	\$ (71,392)	\$ (892)	\$ 1,263	\$ (835)	\$ 428	\$ 1
Brazilian real	29,455	44,082	(15,225)	(598)	984	(2,979)	(1,995)	5
British pound	117,265	92,439	24,523	(303)	11,604	(3,405)	8,199	26
Canadian dollar	64,154	88,630	(24,557)	(81)	598	(136)	462	1
Chilean peso	15,170	14,703	—	(467)	—	—	—	—
Chinese yuan	11,712	28,019	(16,261)	46	—	(642)	(642)	(1)
Columbian peso	30,866	24,327	5,282	(1,257)	—	—	—	—
Czech koruna	5,427	263	5,243	78	—	—	—	—
Danish krone	—	13,476	(13,599)	(123)	1,115	—	1,115	2
Euro currency unit	249,363	614,037	(368,407)	(3,734)	7,501	(9,567)	(2,066)	1
Hong Kong dollar	—	36,504	(36,567)	(63)	4,087	(7,347)	(3,260)	(1)
Hungarian forint	20,856	30,637	(9,636)	145	—	—	—	—
Indian rupee	75,886	9,945	66,648	708	—	—	—	—
Indonesian rupiah	65,866	743	66,380	1,257	—	(617)	(617)	(1)
Israeli shekel	20,134	12,749	7,372	(13)	10	—	10	—
Japanese yen	237,948	193,169	46,367	1,588	4,433	(7,549)	(3,116)	(1)
Malaysian ringgit	—	—	—	—	248	(510)	(262)	—
Mexican peso	71,373	40,098	31,814	539	2	(3)	(1)	—
New Taiwan dollar	6,482	33,014	(27,128)	(596)	—	(6,552)	(6,552)	(2)
New Zealand dollar	34,952	42,299	(7,952)	(605)	—	—	—	—
Norwegian krone	80,449	118,186	(38,864)	(1,127)	—	(248)	(248)	—
Philippines peso	25,364	248	25,139	24	730	—	730	(1)
Polish zloty	10,741	473	10,422	154	312	(126)	186	—
Romanian new leu	5,363	236	5,169	43	55	—	55	—
Russian ruble	71,563	21,740	51,205	1,382	—	(8)	(8)	—
Singapore dollar	28,057	27,823	3	(232)	1,831	(281)	1,550	—
South African rand	11,095	3,983	7,608	496	208	(2,888)	(2,680)	(16)
South Korean won	13,233	71,104	(58,747)	(875)	3,264	(2,653)	611	1
Swedish krona	26,028	32,016	(6,145)	(157)	1,041	(16)	1,025	—
Swiss franc	93,429	97,923	(4,844)	(351)	718	(3,872)	(3,154)	—
Thailand baht	5,341	223	5,226	109	855	(1,448)	(593)	(1)
Turkish lira	16,098	1,093	15,519	514	—	(120)	(120)	—
United Arab	—	—	—	—	689	(38)	651	—
U.S. dollar	1,516,763	1,195,750	321,013	—	51,791	(41,486)	10,305	—
Total	\$ 3,004,037	\$ 3,004,037	\$ (4,391)	\$ (4,391)	\$ 93,339	\$ (93,326)	\$ 13	\$ 13

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A schedule of the Lawton Chiles Endowment Fund and Florida Prepaid College Fund investments exposed to foreign currency risk as of June 30, 2019, is presented below, by currency (in thousands):

**Lawton Chiles Endowment Fund (LCEF) and Florida Prepaid College Program
Investments Exposed to Foreign Currency Risk (fair values in U.S.\$, in thousands)
As of June 30, 2019**

Currency	LCEF Investment Type		Florida Prepaid Program and Investment Plan Investment type	
	Equity	Spot Foreign Currency Contracts, Net	Equity	Spot Foreign Currency Contracts, Net
Australian dollar	\$ 14,459	\$ —	\$ 43,770	\$ —
Brazilian real	4,488	—	—	—
British pound sterling	27,248	—	73,296	—
Canadian dollar	17,244	—	—	—
Chinese yuan renminbi	4,404	(29)	—	—
Danish krone	3,167	—	14,107	—
Egyptian pound	378	—	—	—
Euro currency unit	50,923	—	163,527	(64)
Hong Kong dollar	20,458	—	9,556	57
Hungarian forint	613	—	—	—
Indonesian rupiah	2,573	—	—	—
Israeli shekel	1,848	—	—	—
Japanese yen	41,698	(89)	109,601	(305)
Malaysian ringgit	1,201	—	—	—
Mexican peso	1,559	—	—	—
New Taiwan dollar	7,331	—	—	—
New Zealand dollar	800	—	965	—
Norwegian krone	2,935	—	2,142	(228)
Philippines peso	499	—	—	—
Polish zloty	1,004	—	—	—
Singapore dollar	1,409	—	7,185	—
South African rand	3,134	—	—	—
South Korean won	11,865	—	—	—
Swedish krona	6,619	—	10,575	—
Swiss franc	16,064	—	40,953	—
Thailand baht	2,588	—	—	—
Turkish lira	990	—	—	—
Total investments subject to foreign currency risk	\$ 247,499	\$ (118)	\$ 475,677	\$ (540)

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A Schedule of the Lawton Chiles Endowment Fund's, Florida Prepaid Program's and Investment Plan's foreign currency exchange contracts outstanding at June 30, 2019, is presented below, by currency (in thousands):

Lawton Chiles Endowment Fund, Florida Prepaid Program and Investment Plan Foreign Currency Exchange Contracts As of June 30, 2019

Currency	Spot Currency Contracts			
	Receivables	Payables	Net Receivables/ Payables	Net Unrealized Gain/(Loss)
Lawton Chiles Endowment Fund:				
Chinese yuan renminbi	\$ —	\$ (29)	\$ (29)	\$ —
Japanese yen	—	(89)	(89)	—
U.S. dollar	118	—	118	—
Total Lawton Chiles Endowment Fund	\$ 118	\$ (118)	\$ —	\$ —
Florida Prepaid Program:				
Euro currency unit	\$ 147	\$ (203)	\$ (56)	\$ —
Hong Kong dollar	50	—	50	—
Japanese yen	—	(272)	(272)	—
Norwegian krone	—	(202)	(202)	—
U.S. dollar	677	(197)	480	—
Total Florida Prepaid Program	\$ 874	\$ (874)	\$ —	\$ —
Florida Prepaid Investment Plan				
Euro currency unit	\$ 19	\$ (27)	\$ (8)	\$ —
Hong Kong dollar	7	—	7	—
Japanese yen	—	(33)	(33)	—
Norwegian krone	—	(26)	(26)	—
U.S. dollar	86	(26)	60	—
Total Florida Prepaid Investment Plan	\$ 112	\$ (112)	\$ —	\$ —

Component Units

Component unit information regarding foreign currency risk was not readily available.

5. Security Lending

Pooled Investments with the State Treasury

Section 17.61(1), F.S., authorizes the State Treasury to participate in a security lending program. Agents of the State Treasury loan securities, including U.S. government and federally guaranteed obligations, bonds, and notes to broker/dealers for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Collateral for loaned securities cannot be less than 100 percent of the fair value of the underlying security plus accrued interest. Such collateral may consist of cash or government securities. Cash collateral is invested by the agent in investments authorized by Section 17.57, F.S. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned because security loan agreements are generally open-ended with no fixed expiration date. The collateral under security lending agreements (including accrued interest) exceeded the fair value of the securities underlying those agreements (including accrued interest) on June 30, 2019. If a situation occurs where an agent does not receive collateral sufficient to offset the fair value of any securities lent, or the borrowers fail to return the securities or fail to pay the State Treasury for income distributions by the securities' issuers while the securities are on loan, the agent is required to indemnify the State Treasury for any losses that might occur. The State Treasury received \$ 1,189,219,592 cash collateral and \$1,937,782,659 non-cash collateral for securities loaned to others. Since the State Treasury does not have the ability to pledge or sell non-cash collateral securities, any non-cash portion of the collateral is not reported on the balance sheet. Securities held with others under security lending agreements with cash collateral totaled \$1,157,009,469. Securities held with others under security lending agreements with non-cash collateral totaled \$1,889,211,786.

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Security lending asset and liability balances are allocated at fiscal year-end and reported among all participating funds of the primary government.

The securities held with others under security lending agreements as of June 30, 2019, are as follows (in thousands):

State Treasury Investments on Loan Under Security Lending Agreements As of June 30, 2019

Securities on Loan for Cash Collateral, by Security Type	Fair Value of Securities on Loan*
U.S. guaranteed obligations	\$ 678,350
Federal agencies	50,658
Bonds and notes - domestic	363,365
Bonds and notes - international	64,636
Total securities on loan for cash collateral	1,157,009
Securities on Loan for Non-Cash Collateral, by Security Type	
U.S. guaranteed obligations	1,883,837
Bonds and notes - domestic	647
Bonds and notes - international	4,728
Total securities on loan for non-cash collateral	1,889,212
Total securities on loan	\$ 3,046,221

* The fair value equals the carrying value of the investments on loan.

Other Investments

Through the SBA, various funds, including the FRS Pension Trust Fund, the LCEF, and the Florida Prepaid College Program participate in security lending programs during the fiscal year ended June 30, 2019. Initial collateral requirements for securities on loan range from 100% to 105%, depending on the lending agent, the type of security lent and the type of collateral received. The SBA had received and invested \$2,668,946,859 in cash and \$15,278,498,020 in U.S. government securities as collateral for the lending programs as of June 30, 2019. At June 30, 2019, the collateral held for the security lending transactions exceeded the fair value of the securities underlying the agreements (including accrued interest) except with three borrowers in the LCEF totaling \$1,346. Most security lending programs have indemnity clauses requiring the lending agent to assume borrower's risk from default. The FRS Pension Trust Fund also participated indirectly in security lending through investments in four commingled funds that do not offer borrower indemnification. The Fund receives a proportionate share of the security lending income generated from these activities. The SBA does not have the ability to pledge or sell the non-cash collateral securities, so the non-cash portion is not reported on the balance sheet or the Statement of (Fiduciary) Net Position. Maturities of investments made with cash collateral generally are not matched to maturities of the securities loaned because security loan agreements are generally open-ended with no fixed expiration date. As such, investments made with cash collateral are primarily in short-term investments. However, investments purchased for some security lending programs included investments with final maturities of six months or more representing a range of approximately 10% to 47% of total collateral invested. There are no restrictions on the amount of securities that can be loaned at one time to one borrower for most funds.

At June 30, 2019, the collateral re-investment portfolios for the FRS Pension Trust Fund and the LCEF were primarily reinvested in repurchase agreements (repos) or selected money market funds in order to maximize earnings and reduce risk. The portfolios contain some legacy non-repo securities that will remain until they are either sold or mature. At June 30, 2019, there were four lending agents, including the two master custodians and two third-party agents.

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The schedule below discloses the fair value and carrying value of investments on loan at June 30, 2019 (in thousands):

Schedule of Other Investments on Loan Under Security Lending Agreements As of June 30, 2019

Securities on Loan for Cash Collateral, by Security type	Fair value of Securities on Loan ¹		
	FRS Pension Trust Fund	Other funds Managed by SBA	Total
U.S. guaranteed obligations	\$ 68,399	\$ 1,745,852	\$ 1,814,251
Federal agencies	12,554	93,861	106,415
Domestic bonds and notes	16,248	88,789	105,037
International bonds and notes	42,370	10,260	52,630
Domestic stocks	30,952	135,899	166,851
International Stocks	336,061	15,159	351,220
Total Securities on loan for cash collateral	506,584	2,089,820	2,596,404
Securities on Loan for Non-Cash Collateral, by Security type			
U.S. guaranteed obligations	\$ 2,251,502	\$ 178,448	\$ 2,429,950
Federal agencies	142	—	142
Domestic bonds and notes	27,325	29,398	56,723
International bonds and notes	9,782	4,251	14,033
Domestic stocks	10,422,272	60,643	10,482,915
International stocks	1,718,809	13,131	1,731,940
Total securities on loan for non-cash collateral	14,429,832	285,871	14,715,703
Total securities on loan	\$ 14,936,416	\$ 2,375,691	\$ 17,312,107

¹ The fair value of debt securities on loan includes accrued interest.

6. Derivatives

A derivative instrument is defined as a financial instrument or other contract that has all of the following characteristics:

- Settlement factors – It has (1) one or more reference rates and (2) one or more notional amounts or payment provisions or both. These terms determine the amount of the settlement or settlements and, in some cases, whether or not a settlement is required.
- Leverage – It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- Net Settlement – Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Derivative instruments consisted of futures, options, forward currency contracts, and swaps.

Pooled Investments with the State Treasury

Pursuant to the State Treasury's established investment policy guidelines, interest rate futures are used as part of the investment strategy related to interest rate risk, duration adjustments, and yield curve strategies. Although put and call options on any security are permitted under the State Treasury's investment guidelines, interest rate futures were the only type of derivative held as of June 30, 2019. The State Treasury did not utilize derivatives for hedging activities during the fiscal year ending June 30, 2019. All of the State Treasury investment derivatives were reported at fair value in the accompanying financial statements as of June 30, 2019.

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A summary of investment derivatives traded in the State Treasury is presented below (in thousands):

	Notional (in U.S. \$)	Changes in Fair Value		Fair Value at June 30, 2019	
		Classification	Amount	Classification	Amount
State Treasury					
Investment derivative instruments:					
Futures	\$ (978,800)	Investment Income	\$ (3,475)	Receivable/(Payable)	\$ (1,047)
This schedule includes both long and short positions.					

See section 1E of Note 1 to these financial statements regarding State Treasury's securities pricing policies and independent pricing services methodologies related to securities not available on quoted market pricing exchanges.

Other Investments

The SBA has established investment policy guidelines for each investment portfolio. Pursuant to these guidelines, derivative investment instruments are authorized to be used as tools for managing risk or executing investment strategies more efficiently than could otherwise be done in cash markets, and may only be used as part of a prudent investment process. Various derivative investment instruments are used as part of the investment strategy to hedge against interest rate risk, currency risk in foreign markets, default risk, and mortgaged-backed security prepayment risk, and to effectively manage exposure to domestic and international equities, bonds, and real estate markets.

A futures contract is an agreement between a buyer and a seller to exchange a particular good for a particular price at a particular date in the future, all of which are specified in a contract common to all members in a market on an organized futures exchange. Upon entering into a futures contract, collateral (cash and/or securities) is deposited with the counterparty, in SBA's name, in accordance with the initial margin requirements of the counterparty. Futures contracts are marked to market daily by the board of trade or exchange on which they are traded. The resulting gain/loss is received/paid the following day until the contract expires. The frequency of cash flows depends on specified collateral and margin limits mutually agreed upon by the SBA and third-party counterparty. Future contracts involve, to varying degrees, risk of loss in excess of the variation margin disclosed in the Statement of Fiduciary Net Position. Losses may arise from future changes in the value of the underlying instrument.

An option gives the buyer a stipulated privilege of buying or selling a stated property, security, or commodity at a given price (strike price) within a specified time (for an American-style option, at any time prior to or on the expiration date). A securities option is a negotiable contract in which the seller (writer), for a certain sum of money called the option premium, gives the buyer the right to demand within a specified time the purchase (call) from or sale (put) to the option seller of a specified number of bonds, currency units, index units, or shares of stock, at a fixed price or rate, called the strike price.

A forward currency contract is a contractual obligation, typically over-the-counter, traded between two parties to exchange a particular good or instrument (i.e., currency) at a set price on a future date. The buyer of the forward agrees to pay the price and take delivery of the good or instrument and is said to be "long" the forward contract, while the seller of the forward, or "short", agrees to deliver the good or instrument at the agreed price on the agreed date.

A swap is a contractual agreement to exchange a stream of periodic payments utilizing a central clearing house, whereby, each party in the transaction enters into a contract with the central counterparty. These agreements may be over-the-counter or exchange-traded. Upon entering into a swap contract through a clearing house, collateral is deposited with the counterparty, in SBA's name, in accordance with the initial margin requirements of the counterparty. Swaps are available in and between all active financial markets. Examples include:

Interest rate swap – An agreement between two parties where one stream of future interest payments is exchanged for another based on a specified principal amount. Interest rate swaps often exchange a fixed payment for a floating payment that is linked to an interest rate.

Credit default swap – An agreement that allows one party to "buy" protection from another party for losses that might be incurred as a result of default by a specified reference credit (or credits). The "buyer" of protection pays a premium for the protection, and the "seller" of protection agrees to make a payment to compensate the buyer for losses incurred if a defined credit event occurs.

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A summary of investment derivatives traded in the FRS Pension Trust Fund is presented below. As of June 30, 2019, all of the SBA investment derivatives were reported at fair value (in thousands).

	Notional (in U.S. \$)	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2019	
		Classification	Amount (in U.S. \$)	Classification	Amount (in U.S. \$)
Fiduciary funds (FRS Pension Trust Fund)					
Investment derivative instruments:					
Futures¹					
Futures (debt)	\$ 3,448,657	Investment Income	\$ 51,999	Investment	\$ 22,784
Futures (equity)	1,351,839	Investment Income	73,956	Investment	12,313
Total futures			<u>\$ 125,955</u>		<u>\$ 35,097</u>
Forward currency contracts, net	\$ 3,004,037	Investment Income	<u>\$ 34,784</u>	Investment	<u>\$ (4,391)</u>
Options					
Options purchased	\$ 743,665	Investment Income	\$ (100,688)	Investment	\$ 3,690
Options sold	\$ 743,665	Investment Income	57,133	Investment	(3,690)
Total options			<u>\$ (43,555)</u>		<u>\$ —</u>
Swaps					
Interest rate swaps	\$ 2,283,410	Investment Income	\$ (6,863)	Investment	\$ (4,810)
Credit default swaps	\$ 279,705	Investment Income	2,022	Investment	(2,001)
Total swaps			<u>\$ (4,841)</u>		<u>\$ (6,811)</u>

¹The total notional values of long and short fixed income (i.e., debt) futures positions were \$2,914,797,410 and \$533,859,475, respectively. The total notional value of long equity futures positions was \$1,351,838,655.

A summary of investment derivatives traded in the Florida Prepaid College Program and the Florida Prepaid Investment Plan are presented below. As of June 30, 2019, all of the Florida Prepaid investment derivatives were reported at fair value (in thousands).

	Notional (in U.S. \$)	Increase/(Decrease) in Fair Value		Fair Value at June 30, 2019		
		Classification	Amount (in U.S. \$)	Classification	Amount (in U.S. \$)	
Investment derivative instruments:						
Enterprise funds (Florida Prepaid Program)						
Futures (equity)	\$ 1,030	Investment Income	\$ 103	Investment	\$ 16	
Fiduciary funds (Florida Prepaid Investment Plan)						
Futures (equity) ¹	\$ —	Investment Income	\$ (13)	Investment	\$ —	

¹The Florida Prepaid Investment Plan traded equity futures during the fiscal year, but held no positions at June 30, 2019.

7. Commitments

Each year the FRS Pension Trust Fund enters into a number of agreements that commit the Fund, upon request, to make additional investment purchases (i.e., capital commitments) up to predetermined amounts over certain investment time periods. The unfunded capital commitments for private equity, real estate and strategic investments not reported on the FRS Pension Trust Fund Statement of Fiduciary Net Position totaled \$14.0 billion as of June 30, 2019.

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8. Fair Value Hierarchy

The state categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are unadjusted quoted prices in active markets for identical assets. Level 2 inputs are either directly or indirectly observable for an asset (including quoted prices for similar assets), which may include inputs in markets that are not considered to be active. Level 3 inputs are significant unobservable inputs.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Pooled Investments with the State Treasury

Securities classified in Level 1 are valued using quoted prices from the custodian bank's primary external pricing vendors.

Securities classified in Level 2 are evaluated prices from the custodian bank's primary external pricing vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data, collateral attributes, broker bids, new issue pricings and other observable market information.

Debt and equity securities classified as Level 3 are valued with prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source.

Certain investments, such as money market funds and repurchase agreements, are not included in the table, because they are carried at cost and not priced at fair value. Unemployment compensation funds are not included in the table, because this money is pooled with deposits from other states and is managed by the Federal Government. No disclosures can be made of specific securities owned.

At June 30, 2019, the State Treasury had the following recurring fair value measurements:

Investments and Derivative Instruments Measured at Fair Value As of June 30, 2019				
Investments by fair value level	Total	Level 1	Level 2	Level 3
Commercial paper	\$ 235,880	\$ —	\$ 235,880	\$ —
U.S. guaranteed obligations	7,798,466	7,165,503	632,963	—
Federal agencies	7,473,094	—	7,473,094	—
Bonds and notes - domestic	5,968,798	—	5,968,798	—
Bonds and notes - international	1,065,602	3,181	1,062,421	—
Commingled STIF	492,398	—	—	492,398
Lending collateral investments:				
Commercial Paper	—	—	—	—
Federal agencies	366,079	—	366,079	—
Bonds and notes - domestic	337,067	—	337,067	—
Bonds and notes - international	195,998	—	195,998	—
Total investments by fair value level	<u>\$ 23,933,382</u>	<u>\$ 7,168,684</u>	<u>\$ 16,272,300</u>	<u>\$ 492,398</u>
Investment derivative instruments				
Futures contracts	\$ (1,047)	\$ (1,047)	\$ —	\$ —
Total investment derivative	<u>\$ (1,047)</u>	<u>\$ (1,047)</u>	<u>\$ —</u>	<u>\$ —</u>

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Other Investments

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted prices at June 30 (or the most recent market close date if the markets are closed on June 30) in active markets from the custodian bank's primary external pricing vendors, which utilize primary exchanges.

Debt securities classified in Level 2 are valued using evaluated prices from the custodian bank's external pricing vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data, collateral attributes, broker bids, new issue pricings and other observable market information.

Equity securities classified as Level 2 are valued using evaluated prices provided by the custodial bank's external pricing vendors, or alternative pricing source, such as investment managers, if information is not available from the primary vendors.

Debt and equity securities classified as Level 3 are valued with prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, or broker bids. Cost or book value may be used as an estimate of fair value when there is a lack of an independent pricing source.

Derivative instruments classified in Level 1 of the fair value hierarchy are exchange traded prices as provided by the custodian bank's external pricing vendors. Derivative instruments classified as Level 2 receive clearing house prices, which are based on models that reflect the contractual terms of the derivatives.

Private equity funds and real estate direct investments classified as Level 3 are valued using the methodology as described in the footnotes for the *Additional GASB 72 Required Disclosures* table, footnotes 11 and 13, respectively. Other private equity funds are measured at net asset value (NAV).

Certain investments, such as money market funds, repurchase agreements and U.S. guaranteed State and Local Government Series (SLGS) securities are not reported at fair value in the tables below because they are carried at cost and not priced at fair value. Additionally, U.S. guaranteed securities in the Debt Service Escrowed Fund and all investments of the Local Government Surplus Funds Trust Fund are not included in the tables below because they are carried at cost and amortized cost, respectively. See page 78 for information to obtain the Local Government Surplus Funds Trust Fund investment detail. Commingled investments are measured at the NAV per share (or its equivalent).

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The FRS Pension Trust Fund had the following fair value measurements as of June 30, 2019 (in thousand):

FRS Pension Trust Fund As of June 30, 2019				
Investments by fair value level	Fair Value Measurement Using			
	Total Fair Value	Level 1	Level 2	Level 3
Debt securities				
Certificates of deposit	\$ 324,980	\$ —	\$ 324,980	\$ —
Commercial paper	3,121,322	—	3,121,322	—
U.S. guaranteed obligations	13,968,174	—	13,968,174	—
Federal agencies	8,366,295	—	8,362,963	3,332
Domestic bonds and notes	7,386,905	—	7,374,371	12,534
International bonds and notes	2,057,940	—	2,053,141	4,799
Total debt securities	35,225,616	—	35,204,951	20,665
Equity securities				
Domestic	48,025,526	48,025,506	—	20
International	32,463,861	32,414,624	—	49,237
Commingled international equity funds	224,308	—	224,308	—
Total equity securities	80,713,695	80,440,130	224,308	49,257
Alternative Investments				
Private equity fund	325,711	—	—	325,711
Real Estate direct investments	9,699,428	—	—	9,699,428
Derivative Instruments, net				
Forward currency contracts	(4,391)	—	(4,391)	—
Futures contracts	35,097	35,097	—	—
Option contracts	—	—	—	—
Swap contracts	(6,811)	—	(6,811)	—
Total Investment derivative instruments	23,895	35,097	(11,202)	—
Securities lending collateral investments				
Domestic bonds and notes	50,617	—	43,351	7,266
Total investments by fair value level	126,038,962	\$ 80,475,227	\$ 35,461,408	\$ 10,102,327
Investments Measured at the Net Asset Value (NAV)				
Commingled international equity funds	8,176,965			
Commingled real estate investment funds	2,396,469			
Activist equity funds	927,611			
Hedge funds	4,477,967			
Insurance funds	662,995			
Private debt/credit opportunities funds	3,039,722			
Private equity funds	13,736,947			
Private real asset funds	4,613,047			
Total investments measured at the NAV	38,031,723			
Total investments measured at fair value¹	164,070,685			
Other investments carried at amortized cost				
Money market funds	54,944			
Money market funds - security lending collateral	145,168			
Repurchase agreements	800,000			
Repurchase agreements - security lending collateral	310,000			
Total investments carried at amortized cost	1,310,112			
Total investments	\$ 165,380,797			
Investments sold short (Liabilities) measured at fair value				
U.S. guaranteed obligations	\$ (26,607)	\$ —	\$ (26,607)	\$ —
Federal agencies	(197,452)	—	(197,452)	—
Total investments sold short	\$ (224,059)	\$ —	\$ (224,059)	\$ —

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The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2019, is presented in the footnotes to the table below (in thousands):

FRS Pension Trust Fund Additional GASB 72 Required Disclosures					
	Fair Value 6/30/2019		Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the NAV:					
Commingled international equity funds ¹	\$ 8,176,965	\$	—	Daily, Monthly	1 - 120 days
Commingled real estate investment funds ²	2,396,469	—	—	Quarterly	15 - 90 days
Activist equity funds ³	927,611	—	—	Monthly, Annually	65 - 90 days
Hedge funds					
Diversifying strategies (managed futures) ⁴	1,262,007	—	—	Daily, Monthly	10 - 35 days
Equity long/short ⁵	487,206	—	—	Monthly, Quarterly	30 - 125 days
Event driven ⁶	117,831	—	—	Quarterly, Biennially	45 - 90 days
Global macro ⁷	929,845	—	—	Monthly, Quarterly	5 - 60 days
Multi-strategy ⁸	711,115	—	—	Quarterly, Annually, Biennially	60 - 90 days
Opportunistic debt ⁹	453,662	—	—	Quarterly, Annually	60 - 90 days
Relative value ¹⁰	516,301	—	—	Quarterly	45 - 90 days
Insurance funds ¹¹	662,995	163,925	Monthly, Biannually	30 - 90 days	
Private debt/credit opportunity funds ¹²	3,039,722	1,970,883			
Private equity funds ¹³	13,736,947	8,285,677			
Private real asset funds ¹⁴	4,613,047	3,224,935			
Total Investments Measured at the NAV	<u>\$ 38,031,723</u>	<u>\$</u>	<u>13,645,420</u>		
Investments Measured at Level 3:					
Private equity funds ¹³	\$ 325,711	\$	—		
Real estate direct investment ¹⁵	\$ 9,699,428	\$	363,017		

¹ *Commingled International Equity Funds.* The six funds in this group are primarily invested in publicly traded international equity securities. Three of these funds focus on emerging markets. Each are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. Four funds within this strategy are redeemable daily and two funds are redeemable monthly.

² *Commingled Real Estate Investment Funds.* The eight funds in this group consist primarily of real estate investments owned directly or through partnership interests located in the United States. These investments include multi-family, industrial, retail, office, apartments and mortgage loans on income producing property. Each are valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments. All funds within this strategy are eligible for redemption quarterly.

³ *Activist Equity Funds.* The three funds in this group invest in public companies with the intent to effect positive change through influencing management. The funds may be structured with a focus on specific domestic or foreign geographic regions. These investments are valued at the NAV per share. One fund (approximately 42% of this strategy) is currently eligible for redemption monthly. Another fund (approximately 34% of this strategy) is eligible for redemption in six months due to annual lock-up restrictions. The remaining fund (approximately 24% of this strategy) is eligible for redemption in nine months due to contractual lock-up restrictions.

⁴ *Diversifying Strategies (Managed Futures) Hedge Funds.* The three funds that make up this group primarily trade equity and commodity futures, but can also participate in indexes, rates and currencies in markets across global markets. These funds use a systematic approach and focus on trends in price and other market signals. These investments are valued at the NAV per share. All funds within this strategy are redeemable within a month or less, as they are not subject to lock-up restrictions.

⁵ *Equity Long/Short Hedge Funds.* Consisting of four funds, this strategy invests both long and short, primarily in U.S. and global stocks that are mispriced by the markets. These managers vary in their use of short selling, leverage and definitions of growth or value. These funds are valued at the NAV per share. Two funds (approximately 32% of the value of this strategy) are currently eligible for redemption monthly, while the remaining two funds (approximately 68% of this strategy) are redeemable in three months or less due to quarterly redemption restrictions.

⁶ *Event Driven Hedge Funds.* The two funds in this group seek to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at the NAV per share. The funds in this strategy are no longer under contractual lockup, but due to exit restrictions, the redemption period ranges from three to six months.

⁷ *Global Macro Hedge Funds.* Consisting of six funds, which base their holdings (such as long and short positions in various equity, fixed income, currency, and futures markets) primarily on overall economic and political view of various countries. These funds are valued at the NAV per share. All funds in this strategy are no longer subject to contractual lock-up, and are redeemable in three months or less due to monthly and quarterly redemption restrictions.

⁸ *Multi-Strategy Hedge Funds.* The three funds in this group aim to diversify risks and reduce volatility by combining other strategies. These strategies are usually a mix of Equity Long/Short, Event-Driven, or Opportunistic Debt and Relative Value. These funds are valued at the NAV per share. One fund (approximately 30% of this strategy) is eligible for redemption in six months or less due to annual redemption restrictions. Another fund (approximately 44% of this strategy) is eligible for redemption biennially with the next redemption date in five months. The remaining fund (approximately 26% of this strategy) is eligible for redemption quarterly with the next redemption in three months.

⁹ *Opportunistic Debt Hedge Funds.* Consisting of four funds that pursue various strategies and asset classes, with an emphasis on mispriced debt or equity of companies in distress. These managers vary in their focus on early versus late stage situations, senior versus subordinated levels on the capital structure and non-traditional areas including high yield bonds and Emerging Markets debt, and may also pursue relative value and arbitrage strategies with various debt instruments.

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These funds are valued at the NAV per share. One fund (approximately 29% of this strategy) is eligible for redemption in six months due to annual redemption restrictions. Three funds (approximately 71% of this strategy) are currently eligible for redemption in three months due to quarterly redemption restrictions.

¹⁰ *Relative Value Hedge Funds.* Consisting of three funds, this strategy focuses on benefiting from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing (long) or selling (short) these instruments. These investments are valued at the NAV per share. All funds in this strategy are no longer subject to contractual lock-up, and are redeemable in three months or less due to quarterly redemption restrictions.

¹¹ *Insurance funds.* The five funds in this group invest primarily in reinsurance contracts and insurance-linked securities. These investments are valued at NAV per share. Two funds (approximately 39%) are eligible for redemption in seven months or less due to biannual redemptions restrictions. One fund (approximately 26%) is eligible for redemption in six months, subject to exit restrictions. One fund (approximately 29%) has varying restrictions due to underlying investment funds and redeemable within one to three months. The remaining fund (approximately 6%) is not eligible for redemption due to contractual lock-up restrictions.

¹² *Private Debt/Credit Opportunity Funds.* There are 54 private debt/credit funds investing primarily in Distressed, Mezzanine and Loans with some exposure to Special Situations. The fair value of these funds has been determined using the NAV at June 30, 2019 or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

¹³ *Private Equity funds.* There are 210 private equity funds investing primarily in Leveraged Buyouts funds, Venture Capital funds, Secondary funds and Growth funds with some exposure to Special Situations, Diversifying Strategies and GP Investments. The fair value of 208 funds has been determined using the NAV at June 30, 2019, or one quarter in arrears adjusted for current quarter cash flows. The fair value of the remaining two funds (approximately 2% of the value of these investments) was based on external appraisals at June 30, 2019, and classified as Level 3. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

¹⁴ *Private Real Asset Funds.* There are 74 real asset funds, 52 of which invest in real estate assets such as commercial office buildings, retail properties, multi-family residential properties, developments or hotels. In addition, the funds may be structured with a focus on specific geographic domestic or foreign regions. The remaining 22 funds invest in infrastructure, timberland, transportation and commodities. The fair value of these funds has been determined using the NAV at June 30, 2019, or one quarter in arrears adjusted for current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated, which on average can occur over the span of five to ten years.

¹⁵ *Direct Real Estate Investments.* There are 69 direct owned/joint venture real estate assets that are valued based on annual external and/or quarterly internal appraisals and are classified as Level 3.

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The schedule below discloses the fair value measurements for all other funds managed by the SBA (excluding the FRS Pension Trust Fund) at June 30, 2019, (in thousands):

All SBA Managed Funds (except FRS Pension Trust Fund) As of June 30, 2019

	Fair Value Measurement Using			
	Total Fair Value	Level 1	Level 2	Level 3
Investments by fair value level				
Debt securities				
Certificates of deposit	\$ 300,060	\$ —	\$ 300,060	\$ —
Commercial paper	26,989	—	26,989	—
U.S. guaranteed obligations	18,064,504	—	18,064,291	213
Federal agencies	2,224,171	—	2,223,276	895
Domestic bonds and notes	4,105,145	—	4,104,969	176
International bonds and notes	2,028,863	—	2,028,863	—
Total debt securities	26,749,732	—	26,748,448	1,284
Equity securities				
Domestic	2,888,009	2,888,009	—	—
International	836,075	835,850	—	225
Total equity securities	3,724,084	3,723,859	—	225
Investment derivative instruments				
Futures contracts	16	16	—	—
Other investments				
Domestic bonds and notes mutual funds	4,307	4,307	—	—
Domestic equity mutual funds	554,579	554,579	—	—
International equity mutual funds	448,441	448,441	—	—
Self-directed brokerage account	700,874	—	700,874	—
Total other investments	1,708,201	1,007,343	700,874	—
Securities lending collateral investments				
Certificates of deposit	1,073,086	—	1,073,086	—
Commercial paper	434,745	—	434,745	—
International bonds and notes	20,048	—	20,048	—
Total securities lending collateral investments	1,527,879	—	1,527,879	—
Total investments by fair value level	33,709,912	\$ 4,731,202	\$ 28,977,201	\$ 1,509
Investments Measured at the Net Asset Value (NAV)				
Commingled domestic bonds and notes funds	1,916,174			
Commingled domestic equity funds	3,461,142			
Commingled international equity fund	1,730,123			
Commingled real asset fund	787,711			
Total investments measured at the NAV	7,895,150			
Total investments measured at fair value	41,605,062			
Other investments carried at cost or amortized cost				
Money market funds	3,034,202			
Money market funds - security lending collateral	4,244			
Certificates of deposit	3,649,948			
Commercial paper	5,246,480			
Repurchase agreements	2,675,000			
Repurchase agreements - security lending collateral	593,000			
U.S. guaranteed obligations	809,571			
Domestic bonds and notes	43,530			
Total investments carried at cost or amortized cost	16,055,975			
Total investments	\$ 57,661,037			

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The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2019, is presented in the footnotes to the table below (in thousands):

All SBA Managed Funds (except FRS Pension Trust Fund) Additional GASB 72 Disclosures

	6/30/2019	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Investments Measured at the NAV				
Commingled domestic bonds and notes funds ¹	\$ 1,916,174	\$ —	Daily	2 - 15 Days
Commingled domestic equity funds ²	3,461,142	—	Daily	1 - 5 Days
Commingled international equity fund ³	1,730,123	—	Daily	2 Days
Commingled real asset funds ⁴	787,711	—	Daily	1 - 15 Days
Total investments measured at the NAV	\$ 7,895,150			

¹*Commingled Domestic Bonds and Notes Funds:* Two Treasury Inflation-Protected Securities (TIPS) funds and six domestic bonds and notes funds are considered to be commingled in nature. The TIPS funds seek long-term real total return and is designed to keep pace with inflation. The six domestic bonds and notes funds utilize various investment strategies such as short/intermediate duration, index/benchmark tracking, high-yield, and corporate/government investment grade debt. Each fund is valued at the NAV of units held at the end of the period, based upon the fair value of the underlying investments. There were no unfunded commitments related to this investment type.

²*Commingled Domestic Equity Funds:* Seven domestic equity funds are considered to be commingled in nature. The domestic equity funds utilize various investment strategies such as index/benchmark tracking, small/mid cap, and large cap growth/value seeking appreciation and income. Each fund is valued at the NAV of units held at the end of the period, based upon the fair value of the underlying investments. There were no unfunded commitments related to this investment type.

³*Commingled International Equity Fund:* One international equity fund is considered to be commingled in nature. The fund invests in a portfolio of international equity securities whose total rates of return will approximate as closely as practicable the capitalization weighted total rates of return of the markets in certain countries for equity securities traded outside the United States. The fund is valued at the NAV of units held at the end of the period, based upon the fair value of the underlying investments. There were no unfunded commitments related to this investment type.

⁴*Commingled Real Asset Funds:* These two funds consist of various investments such as commodities, real estate, floating rate loans, energy industry Master Limited Partnerships, global infrastructure and agriculture. These funds are valued at the NAV of units held at the end of the period, based upon the fair value of the underlying investments. There were no unfunded commitments related to this investment type.

Component Units

Securities classified in Level 1 of the fair value hierarchy are valued using quoted prices in active markets from the custodian bank's primary external pricing vendors.

Securities classified in Level 2 are evaluated prices from the custodian bank's primary external pricing vendors, or alternative pricing source, such as investment managers, if information is not available from the primary vendors. The pricing methodology involves the use of evaluation models such as matrix pricing, which is based on the securities' relationship to benchmark quoted prices. Other evaluation models use actual trade data for similar securities, collateral attributes, broker bids, new issue pricings and other observable market information.

Securities classified as Level 3 are valued with prices from the custodian bank's external pricing vendors or an alternative pricing source, utilizing cash flow models.

Certain investments, such as commercial paper, repurchase agreements, money market funds, and various investment agreements, are not included in the table, because they are carried at cost and not priced at fair value.

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The schedule below discloses the fair value measurements for major component units at June 30, 2019, (in thousands):

Major Component Units As of June 30, 2019

Investment by fair value level	Fair Value Measurement Using			
	Total Fair Value	Level 1	Level 2	Level 3
Florida Housing Finance Corporation (FHFC)				
<u>Debt securities</u>				
Commercial paper	\$ 3,505	\$ —	\$ 3,505	\$ —
U.S. guaranteed obligations	1,148,555	—	1,148,555	—
Federal agencies	110,814	—	110,814	—
Domestic bonds and notes	220,680	—	220,680	—
Total debt securities	1,483,554	—	1,483,554	—
Other investments	3,294	—	3,294	—
Total FHFC investments by fair value level	\$ 1,486,848	\$ —	\$ 1,486,848	\$ —

Citizens Property Insurance Corporation (CPIC)

<u>Debt securities</u>				
Certificates of deposit	\$ 751	\$ —	\$ 751	\$ —
U.S. guaranteed obligations	1,633,876	1,633,876	—	—
Federal agencies	925,463	—	925,463	—
Domestic bonds and notes	5,323,327	—	5,323,327	—
International bonds and notes	739,642	—	739,642	—
Total CPIC investments by fair value level	\$ 8,623,059	\$ 1,633,876	\$ 6,989,183	\$ —

University of Florida (UF)

<u>Debt securities</u>				
Commercial paper	\$ 10,576	\$ 10,576	\$ —	\$ —
U.S. guaranteed obligations	14,887	13,315	1,572	—
Federal agencies	1,890	—	1,890	—
Domestic bonds and notes	38,397	13,754	24,643	—
International bonds and notes	745	—	745	—
Total debt securities	66,495	37,645	28,850	—
<u>Equity securities</u>				
Domestic	607	587	20	—
International	—	—	—	—
Total equity securities	607	587	20	—
Mutual funds	329,901	229,875	100,026	—
Private equity funds	2,292	—	—	2,292
Other investments	32,685	18,888	13,797	—
Total UF investments by fair value level	431,980	\$ 286,995	\$ 142,693	\$ 2,292

Investments Measured at the Net Asset Value (NAV)

University of Florida	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
International equity commingled funds ¹	85	Illiquid	N/A
Real estate investments	8,424	Illiquid	N/A
Hedge funds - Multi-strategy ²	5,661	Quarterly	45 Days
Private equity funds ³	3,347,105	Monthly	30 - 45 days
Total investments measured at the NAV	3,361,275		
Total investments measured at fair value	\$ 3,793,255		

¹ International equity commingled funds: Include illiquid stocks. The fair values have been estimated using the NAV per share (or its equivalent) of the investments as practical expedient as of June 30, 2019.

² Hedge Funds: This category includes an investment in a hedge fund in which the fund manager is authorized to invest in a broad spectrum of securities that include, but are not limited to the following: equity and debt securities, currency, commodities, foreign debt, options, futures and swaps.

³ Private Equity Funds: This category includes investments in several limited partnership funds that invest in equity securities and debt of private companies.

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NOTE 3 - RECEIVABLES AND PAYABLES

"Receivables, net" and "Other loans and notes receivable, net," as presented on the Government-wide Statement of Net Position and the applicable balance sheets and statements of net position in the fund financial statements, consist of the following (in thousands):

GOVERNMENTAL ACTIVITIES

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation
Accounts receivable	\$ 235,171	\$ 9,977	\$ 145	\$ 1,202,157	\$ 16,286
Contracts & grants receivable	708	419	376	—	81,836
Due from Federal government	3,567	26,931	3,815	919,826	40,148
Due from other governmental units	533	3,763	—	1,955	45,287
Interest & dividends receivable	54,262	3,691	3,732	341	11,067
Loans & notes receivable	103,233	159,600	—	—	11,304
Fees receivable	117,107	12	—	—	—
Taxes receivable	3,342,709	23,555	56,890	—	257,319
Allowance for uncollectibles	(1,757,491)	(3,330)	(43)	(64,735)	(17,550)
Receivables, net	\$ 2,099,799	\$ 224,618	\$ 64,915	\$ 2,059,544	\$ 445,697

Loans & notes receivable from other governments	\$ —	\$ 1,575,035	\$ —	\$ —	\$ 499,938
Long-term interest receivable	—	—	—	—	390
Other loans & notes receivable	5,034	—	3,631	334,057	63,917
Allowance for uncollectibles	(4)	—	(2,096)	(310,546)	(37,888)
Other loans & notes receivable, net	\$ 5,030	\$ 1,575,035	\$ 1,535	\$ 23,511	\$ 526,357

(Continued below)

	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Government-wide Reconciling Balances	Total Governmental Activities
Accounts receivable	\$ 425,972	\$ 1,889,708	\$ 39,839	\$ 84,966	\$ 2,014,513
Contracts & grants receivable	37,097	120,436	—	—	120,436
Due from Federal government	203,995	1,198,282	—	—	1,198,282
Due from other governmental units	35,695	87,233	3,513	—	90,746
Interest & dividends receivable	4,677	77,770	2,321	—	80,091
Loans & notes receivable	147,739	421,876	—	—	421,876
Fees receivable	272	117,391	—	—	117,391
Taxes receivable	17,627	3,698,100	—	—	3,698,100
Allowance for uncollectibles	(222,027)	(2,065,176)	(1,318)	—	(2,066,494)
Receivables, net	\$ 651,047	\$ 5,545,620	\$ 44,355	\$ 84,966	\$ 5,674,941

Loans & notes receivable from other governments	\$ 734,676	\$ 2,809,649	\$ —	\$ —	\$ 2,809,649
Long-term interest receivable	—	390	—	—	390
Other loans & notes receivable	59,102	465,741	—	—	465,741
Allowance for uncollectibles	(9,329)	(359,863)	—	—	(359,863)
Other loans & notes receivable, net	\$ 784,449	\$ 2,915,917	\$ —	\$ —	\$ 2,915,917

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BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
Accounts receivable	\$ 31,195	\$ 58,355	\$ 934,464	\$ 209,531	\$ 227,605
Due from Federal government	—	—	—	—	207
Due from other governmental units	206	—	—	—	563
Interest & dividends receivable	4,842	1,015	62,499	34,508	52,345
Loans & notes receivable	—	—	—	357,739	—
Fees receivable	31,614	—	—	—	1,238
Taxes receivable	—	—	—	—	137,818
Allowance for uncollectibles	—	(4,125)	(562)	—	(326,368)
Receivables, net	\$ 67,857	\$ 55,245	\$ 996,401	\$ 601,778	\$ 93,408
Loans & notes receivable	\$ 75,182	\$ —	\$ —	\$ 2,030,004	\$ —
Allowance for uncollectibles	—	—	—	—	—
Future contract premiums and other receivables	—	—	—	—	—
Other loans & notes receivable, net	\$ 75,182	\$ —	\$ —	\$ 2,030,004	\$ —

(Continued below)

	Nonmajor Enterprise Funds	Total Enterprise Funds	Government-wide Reconciling Balances	Total Business-type Activities
Accounts receivable	\$ 74,266	\$ 1,535,416	\$ 135,534	\$ 1,670,950
Due from Federal government	—	207	—	207
Due from other governmental units	19,707	20,476	—	20,476
Interest & dividends receivable	945	156,154	—	156,154
Loans & notes receivable	102	357,841	—	357,841
Fees receivable	109	32,961	—	32,961
Taxes receivable	—	137,818	—	137,818
Allowance for uncollectibles	(71,961)	(403,016)	—	(403,016)
Receivables, net	\$ 23,168	\$ 1,837,857	\$ 135,534	\$ 1,973,391
Loans & notes receivable	\$ 3,730	\$ 2,108,916	\$ —	\$ 2,108,916
Allowance for uncollectibles	(287)	(287)	—	(287)
Future contract premiums and other receivables	54	54	—	54
Other loans & notes receivable, net	\$ 3,497	\$ 2,108,683	\$ —	\$ 2,108,683

COMPONENT UNITS

Accounts receivable	\$ 1,502,622
Contracts & grants receivable	219,352
Due from Federal government	8,333
Due from other governmental units	293,737
Interest & dividends receivable	106,603
Loans & notes receivable	198,119
Allowance for uncollectibles	(376,793)
Receivables, net	\$ 1,951,973
Other loans & notes receivable	\$ 2,417,822
Allowance for uncollectibles	(206,876)
Other loans & notes receivable, net	\$ 2,210,946

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“Accounts payable and accrued liabilities,” as presented on the Government-wide Statement of Net Position and the applicable balance sheets and statements of net position in the fund financial statements, consist of the following (in thousands):

GOVERNMENTAL ACTIVITIES

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation
Accounts payable	\$ 455,173	\$ 40,720	\$ 8,926	\$ 333,535	\$ 473,775
Accrued salaries & wages	110,332	2,504	31	42,338	19,628
Accrued interest payable	—	—	—	—	—
Claims payable	—	—	—	—	—
Construction contracts	26	—	—	—	269,499
Deposits payable	189	808	—	10	8,267
Due to Federal government	—	—	—	181,665	—
Due to other governmental units	62,842	10,095	—	7,945	9,062
Other payables	—	—	—	—	—
Accounts payable and accrued liabilities	\$ 628,562	\$ 54,127	\$ 8,957	\$ 565,493	\$ 780,231

(Continued below)

	Nonmajor Governmental Funds	Total Governmental Funds	Internal Service Funds	Government-wide Reconciling Balances	Total Governmental Activities
Accounts payable	\$ 217,119	\$ 1,529,248	\$ 44,627	\$ 194,772	\$ 1,768,647
Accrued salaries & wages	15,012	189,845	3,342	—	193,187
Accrued interest payable	472	472	—	—	472
Claims payable	—	—	177,976	—	177,976
Construction contracts	1,591	271,116	—	—	271,116
Deposits payable	121	9,395	—	—	9,395
Due to Federal government	1,332	182,997	—	—	182,997
Due to other governmental units	59,272	149,216	—	—	149,216
Other payables	—	—	6,072	—	6,072
Accounts payable and accrued liabilities	\$ 294,919	\$ 2,332,289	\$ 232,017	\$ 194,772	\$ 2,759,078

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BUSINESS-TYPE ACTIVITIES

	Transportation	Lottery	Hurricane Catastrophe Fund	Prepaid College Program	Reemployment Assistance
Accounts payable	\$ 3,058	\$ 7,904	\$ 837,050	\$ 523,272	\$ 13,574
Accrued interest payable	419	—	29,497	—	—
Accrued salaries & wages	—	62	—	—	—
Construction contracts	70,414	—	—	—	—
Deposits payable	238	1,853	—	—	—
Due to Federal government	—	—	—	—	5,727
Accounts payable and accrued liabilities	\$ 74,129	\$ 9,819	\$ 866,547	\$ 523,272	\$ 19,301

(Continued below)

	Nonmajor Enterprise Funds	Total Enterprise Funds	Government-wide Reconciling Balances	Total Business-type Activities
Accounts payable	\$ 39,795	\$ 1,424,653	\$ 4,064	\$ 1,428,717
Accrued interest payable	—	29,916	—	29,916
Accrued salaries & wages	4,554	4,616	—	4,616
Construction contracts	—	70,414	—	70,414
Deposits payable	2,847	4,938	—	4,938
Due to Federal government	—	5,727	—	5,727
Accounts payable and accrued liabilities	\$ 47,196	\$ 1,540,264	\$ 4,064	\$ 1,544,328

COMPONENT UNITS

Accounts payable	\$ 855,426
Accrued interest payable	25,487
Accrued salaries & wages	400,875
Claims payable	828,104
Construction contracts	84,945
Deposits payable	228,615
Due to other governmental units	8,541
Vouchers payable	23,708
Accounts payable and accrued liabilities	\$ 2,455,701

NOTE 4 – TAXES AND TAX ABATEMENTS

A. Taxes

Florida levies neither a personal income tax nor an ad valorem tax on real or tangible personal property. Taxes are, however, one of the principal sources of financing state operations. A schedule of tax revenues by major tax type for each applicable major governmental fund, and for nonmajor governmental funds in the aggregate, is presented below (in thousands):

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Sales and use tax	\$ 28,006,498	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 28,006,498
Fuel taxes:							
Motor fuel tax	—	—	—	—	2,921,537	—	2,921,537
Pollutant tax	—	286,472	—	—	—	—	286,472
Aviation fuel tax	—	—	—	—	12,585	—	12,585
Solid minerals severance tax	—	31,402	—	—	—	—	31,402
Oil and gas production tax	2,843	—	—	—	—	—	2,843
Total fuel taxes	2,843	317,874	—	—	2,934,122	—	3,254,839
Corporate income tax	3,114,711	—	—	—	—	—	3,114,711
Documentary stamp tax	2,648,213	—	—	—	—	—	2,648,213
Intangible personal property tax	386,168	—	—	—	—	—	386,168
Communications service tax	592,903	—	348,512	—	—	—	941,415
Estate tax	3	—	—	—	—	—	3
Gross receipts utilities tax	—	6,555	799,892	—	—	—	806,447
Beverage and tobacco taxes:							
Alcoholic beverage tax	295,294	—	—	—	—	13,628	308,922
Cigarette tax	1,094,673	—	—	—	—	—	1,094,673
Smokeless tobacco tax	42,043	—	—	—	—	—	42,043
Total beverage and tobacco taxes	1,432,010	—	—	—	—	13,628	1,445,638
Other taxes:							
Insurance premium tax	1,141,855	—	—	—	—	36,359	1,178,214
Hospital public assistance tax	—	—	—	670,752	—	—	670,752
Citrus excise tax	—	—	—	—	—	7,137	7,137
Pari-mutuel wagering tax	8,616	—	—	—	—	215,765	224,381
Total other taxes	1,150,471	—	—	670,752	—	259,261	2,080,484
Total	\$ 37,333,820	\$ 324,429	\$ 1,148,404	\$ 670,752	\$ 2,934,122	\$ 272,889	\$ 42,684,416

	Sales and Use Tax
Governmental fund statements	\$ 28,006,498
Government-wide accruals	(7,224)
Government-wide statements	\$ 27,999,274

B. Tax Abatements

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the government or its citizens. As of June 30, 2019, tax abatement programs are as follows:

Program Name	Entertainment Industry Financial Incentive Program	Entertainment Industry Sales Tax Exemption Program
Program Purpose	To encourage the use of the state as a site for filming, for the digital production of films, and to develop and sustain the workforce and infrastructure for film, digital media, and entertainment production.	To encourage the use of the state as a site for filming, for the digital production of films, and to develop and sustain the workforce and infrastructure for film, digital media, and entertainment production.
Taxes being abated	Corporate Income Tax; Sales and Use Tax	Sales and Use Tax
Authority under which abatements are entered into	Section 288.1254, Florida Statutes (F.S.)	Section 288.1258, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	Applicants must meet minimum required Florida qualified expenditures, minimum requirements for hiring Florida employees, requirements for production type, provide proof of financing, and must not be considered obscene under Chapter 847, F.S.	Applicants must be a qualified production company producing specified types of content in Florida.
How taxes are reduced	Tax Credit	Tax Exemption
How amount of abatement is determined	Statutorily defined allocation determines the amount available for award to applicants. Applicants present estimated eligible costs and a total estimated tax credit is awarded. Awardees present actual expenditures to use the credit and an actual credit is certified.	Point of sale exemption on items used as an integral part of the production process in Florida, including production equipment, set design and construction, props, wardrobe, and real estate rental.
Provisions for recapturing abated taxes	Revocation of tax credits and any taxes exempted are due with interest and penalty.	Revocation of certificate and any taxes exempted are due with interest and penalty.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$27,686	\$16,831

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Tax abatement programs, continued:

Program Name	Hope Scholarship Credit	Florida Tax Credit Scholarship Program
Program Purpose	To provide public-school students, who were subjected to incidents of violence or bullying at school, the opportunity to apply for a scholarship to attend an eligible private school rather than remain in an unsafe school environment.	To encourage private, voluntary contributions to nonprofit scholarship-funding organizations to expand educational opportunities for children of families that have limited financial resources.
Taxes being abated	Sales and Use Tax	Sales and Use Tax; Corporate Income Tax; Severance Taxes; Insurance Premium Tax
Authority under which abatements are entered into	Sections 212.1832 and 1002.40, F.S.	Section 1002.395, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	Applicants who must purchase or register a motor vehicle qualifying for the Hope Scholarship Program in Florida may designate \$105 of the state sales tax due at the time of purchase or registration to an eligible nonprofit scholarship-funding organization participating in the Program. If the state sales tax due is less than \$105, the designated amount would be the state sales tax due. Motor vehicle dealers, private tag agencies, and county tax collectors receiving contributions must remit the contributions directly to the designated nonprofit scholarship-funding organization and tax a credit on their sales and use tax return for the amount of the contributions.	A taxpayer must apply for approval and be issued an approval letter by the State. Taxpayer must make an eligible contribution to an eligible nonprofit scholarship-funding organization by the end of the tax year to earn the credit on the return.
How taxes are reduced	Tax Credit	Tax Credit
How amount of abatement is determined	Contribution is paid to a qualifying scholarship-funding organization for use in the Hope Scholarship Program.	Statutorily defined tax credit cap determines the amount available for award to applicants. The applicant must specify in the application each tax for which the taxpayer requests a credit and the applicable taxable year for a credit. The state approves tax credits on a first-come, first-served basis.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$39,075	\$309,358

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Tax abatement programs, continued:

Program Name	Capital Investment Tax Credit	New Markets Development Program
Program Purpose	To attract and grow capital-intensive industries in the State.	To promote capital investment in rural and urban low-income communities by allowing taxpayers to earn credits against specified taxes by investing in qualified community development entities that make low-income community investments in qualified active low-income community businesses to create and retain jobs.
Taxes being abated	Corporate Income Tax; Premium Tax	Corporate Income Tax; Insurance Premium Tax
Authority under which abatements are entered into	Section 220.191, F.S.	Section 288.9916, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	The business must establish a qualified project certified by the State and meet minimum capital investment, job creation, and wage requirements.	Qualified Community Development Entities (CDEs) apply to the Department of Economic Opportunity to have investments approved as qualified investments for tax credits. Taxpayers then earn credits by investing in CDEs that make investments in active low-income community businesses.
How taxes are reduced	Tax Credit	Tax Credit
How amount of abatement is determined	An annual credit may be claimed for up to 20 years in an annual amount up to 5 percent of the eligible capital costs generated by a qualifying project. The annual tax credit shall not exceed specified percentages of the annual tax liability.	Credit equal to 39 percent of the purchase price of the qualified investment.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$61,055	\$48,586

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Tax abatement programs, continued:

Program Name	Contaminated Site Rehabilitation Tax Credit	Research and Development Tax Credit
Program Purpose	To encourage voluntary rehabilitation of brownfield sites or sites contaminated with dry-cleaning solvent.	To encourage target industry business in the State.
Taxes being abated	Corporate Income Tax	Corporate Income Tax
Authority under which abatements are entered into	Sections 220.1845 and 376.30781, F.S.	Section 220.196, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	Participants must meet applicable eligibility criteria and enter either a Voluntary Cleanup Agreement or Brownfield Site Rehabilitation Agreement.	Taxpayer must claim and be allowed a research credit against federal income tax for qualified research expenses under Section 41, Internal Revenue Code, and also meet the definition of a target industry business as defined in Section 288.106, F.S.
How taxes are reduced	Tax Credit	Tax Credit
How amount of abatement is determined	The credit is 50 percent of rehabilitation costs, up to \$500,000 per site per year. To encourage completion of site rehabilitation, the applicant may claim an additional 25 percent of the total site rehabilitation costs, not to exceed \$500,000, in the final year of cleanup. To encourage the construction of affordable housing an applicant meeting applicable requirements may claim an additional 25 percent of the total site rehabilitation costs, not to exceed \$500,000.	The Florida credit is equal to 10 percent of the amount of qualified research expenses incurred in Florida and allowed under s. 41, IRC, which exceeds the base amount, defined as the average of the qualified research expenses incurred in Florida for the four tax years prior to the calendar year for which the credit is determined. The Florida credit may be prorated if the total credits applied for by all applicants exceed the credit cap (currently \$9 million).
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$16,186	\$13,850

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Tax abatement programs, continued:

Program Name	Qualified Target Industry Tax Refund Program	Florida Renew Production Credit Program
Program Purpose	To encourage the growth of higher-wage jobs and a diverse economic base by providing state tax refunds to qualified target industry businesses that originate or expand in the state or that relocate to the state.	To encourage the production of renewable energy in the state.
Taxes being abated	Sales and Use Tax; Corporate Income Tax; Intangible Personal Property Tax; Excise Tax; Ad Valorem Tax; Insurance Premium Tax; Communication Service Tax	Corporate Income Tax
Authority under which abatements are entered into	Section 288.106, F.S.	Section 220.193, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	Applicants must be a new or expanding business in Florida, create a minimum number of new full-time jobs within one or more of Florida's designated targeted industries and meet minimum wage requirements.	The credit equals to \$0.01 per kilowatt-hour (kWh) of electricity produced and sold by the taxpayer to an unrelated party during a given tax year. The credit may be claimed for electricity produced and sold on or after January 1, 2013, through June 30, 2016. The combined total amount of tax credits which may be granted for all taxpayers under this section is limited to \$5 million in state fiscal year 2012-2013 and \$10 million per state fiscal year in state fiscal years 2013-2014 through 2016-2017.
How taxes are reduced	Tax Refund	Tax Credit
How amount of abatement is determined	Demonstrate minimum Florida job creation, maintenance and wages paid.	The Florida Renewable Energy Production Credit, which provided \$5 million for the first fiscal year of the program and \$10 million for subsequent years for an annual corporate tax credit equal to \$0.01/kWh of renewable electricity produced and sold.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$15,833	\$13,689

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Tax abatement programs, continued:

Program Name	Community Contribution Tax Credit Program	Florida Renew Tech Credit
Program Purpose	To encourage donations and local private support of projects that provide housing opportunities for persons with special needs or home ownership opportunities for low-income or very-low-income families.	To encourage investments in the production, storage and distribution of biodiesel, ethanol, and other renewable fuel in the state.
Taxes being abated	Corporate Income Tax; Insurance Premium Tax; Sales and Use Tax	Corporate Income Tax
Authority under which abatements are entered into	Sections 212.08(5)(p); 220.183; and 624.5105, F.S.	Sections 220.192, F.S.
Criteria to be eligible to receive abatements and commitment of the taxpayer	A taxpayer must apply for approval and be issued an approval letter by the state. A community contribution by a person must be in the following form: (a) Cash or other liquid assets; (b) Real property, including 100 percent ownership of a real property holding company; (c) Goods or inventory; or (d) Other physical resources identified by the state.	A taxpayer must provide the capital costs, operation and maintenance costs, and research and development costs incurred in connection with an investment in the production, storage and distribution of renewable fuels for transportation in the state.
How taxes are reduced	Tax Credit or Refund	Tax Credit
How amount of abatement is determined	The credit is equal to 50 percent of the value of the donation, with a limit of \$200,000 per year. Annual limit of entire program is \$24.9 million.	Eligible costs must be incurred between July 1, 2012, and June 30, 2016. This program allows \$1 million per state fiscal year for each taxpayer with a limit of \$10 million per state fiscal year.
Provisions for recapturing abated taxes	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.	If erroneous credits are discovered during an audit of the taxpayer's books and records, the amount of tax offset by the credit will be assessed.
Type of commitments other than taxes	N/A	N/A
Total tax revenues reduced during fiscal year (in thousands)	\$18,120	\$10,403

The state had additional tax abatement programs, each amounting to less than \$8 million in revenue and estimated to be reduced in fiscal year 2018-19. In total, these programs resulted in \$22.5 million in estimated tax abatements and include the Brownfield Redevelopment Bonus Tax Refund, Qualified Defense and Space Contractor Tax Refund Program, ROA Building Materials Sales Tax Refund, Urban High-Crime Area Job Tax Credit Program, Rural Job Tax Credit Program, Enterprise Zone Jobs Credit, Enterprise Zone Business Property, Enterprise Zone Property Credit, New and Expanding Business, Semi-Conductor Defense and Space Technology Tax Exemption, Redevelopment Projects, Child Care Tax Credit, State Housing Credit, Hazardous Waste Facility Credit, Florida AMT Credit, Emergency Excise Tax Credit, and the Energy Economic Zone Tax Credit.

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NOTE 5 - CAPITAL ASSETS

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets' lives are not capitalized.

For financial statement purposes, the state reports capital assets under the following categories and has established a reporting capitalization threshold for each category. Applicable capital assets are depreciated over the appropriate estimated useful lives using the straight-line method.

Capital Asset Category	Financial Statement Capitalizing Threshold	Estimated Useful Life (in Years)
Land and other nondepreciable assets	Capitalize all	Not depreciable
Nondepreciable infrastructure	Capitalize all	Not depreciable
Construction work in progress	\$100,000 when work is completed	Not depreciable
Buildings, equipment, and other depreciable assets		
Buildings and building improvements	\$100,000	5 - 50
Infrastructure and infrastructure improvements (depreciable)	\$100,000	3 - 50
Leasehold improvements	\$100,000	2 - 15
Intangible assets	\$4,000,000	2 - 30
Property under capital lease	Threshold correlates to asset category	2 - 20
Furniture and equipment	\$1,000 and \$250 for non-circulated books	2 - 25
Works of art and historical treasures	Items capitalized as of June 30, 1999, remain capitalized; capitalize unless considered a collection	5 - 50
Library resources	\$25	5 - 50
Other capital assets	\$1,000	3 - 20

The state has elected to use the modified approach for accounting for its roadways, bridges and other infrastructure assets included in the State Highway System. Under this approach, the Department of Transportation has made the commitment to maintain these assets at levels established by the Department of Transportation and approved by the Florida Legislature. No depreciation expense is reported for such assets, nor are amounts capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The Department of Transportation maintains an inventory of these assets and performs periodic condition assessments to establish that the predetermined condition level is being maintained. In addition, the Department of Transportation makes annual estimates of the amounts that must be expended to maintain these assets at the predetermined condition levels. Refer to the Other Required Supplementary Information for additional information on infrastructure using the modified approach.

Not included in the reported capital assets are the irreplaceable collections at various historic sites and museums throughout the state. For example, the Museum of Florida History, located in Tallahassee, currently has artifacts illustrating the history of Florida since the arrival of human beings on the peninsula. It also has access to collections that include Florida upland and underwater archaeology, Florida archives, and Florida and Spanish colonial numismatics.

Depreciation expense charged to functions of governmental activities for the year ended June 30, 2019, is as follows (in thousands):

General Government	\$	90,943
Education		11,518
Human Services		29,303
Criminal Justice & Corrections		87,267
Natural Resources & Environment		59,881
Transportation		38,251
Judicial Branch		6,246
Total depreciation expense (governmental activities)	\$	323,409

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Primary government capital asset activities for the fiscal year ended June 30, 2019, are as follows (in thousands):

GOVERNMENTAL ACTIVITIES

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets, not being depreciated:				
Land and other nondepreciable assets	\$ 19,601,363	\$ 519,631	\$ 19,315	\$ 20,101,679
Infrastructure and infrastructure improvements - nondepreciable	49,942,915	1,146,762	5,463	51,084,214
Construction work in progress	3,035,499	1,558,058	534,213	4,059,344
Total capital assets, not being depreciated	72,579,777	3,224,451	558,991	75,245,237
Capital assets, being depreciated:				
Buildings and building improvements	5,592,516	148,487	173,894	5,567,109
Infrastructure and infrastructure improvements	814,030	22,068	7,009	829,089
Leasehold improvements	6,739	3,914	2,299	8,354
Property under capital lease	174,809	86	26	174,869
Furniture and equipment	1,799,770	173,660	154,255	1,819,175
Works of art and historical treasures	1,919	1	2	1,918
Library resources	25,899	303	2	26,200
Other	76,970	882	270	77,582
Total capital assets, being depreciated	8,492,652	349,401	337,757	8,504,296
Less accumulated depreciation for:				
Buildings and building improvements	2,982,464	162,378	46,178	3,098,664
Infrastructure and infrastructure improvements	508,381	29,323	4,577	533,127
Leasehold improvements	2,831	2,671	271	5,231
Property under capital lease	106,297	9,520	22	115,795
Furniture and equipment	1,356,354	115,723	96,230	1,375,847
Works of art and historical treasures	1,173	65	3	1,235
Library resources	17,038	661	2	17,697
Other	60,768	3,068	84	63,752
Total accumulated depreciation	5,035,306	323,409	147,367	5,211,348
Total capital assets, being depreciated, net	3,457,346	25,992	190,390	3,292,948
Governmental activities capital assets, net	\$ 76,037,123	\$ 3,250,443	\$ 749,381	\$ 78,538,185

BUSINESS-TYPE ACTIVITIES

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets, not being depreciated:				
Land and other nondepreciable assets	\$ 1,162,724	\$ 554,552	\$ 494,135	\$ 1,223,141
Infrastructure and infrastructure improvements - nondepreciable	9,614,944	2,441,918	1,730,550	10,326,312
Construction work in progress	1,806,787	17,600,161	17,988,813	1,418,135
Total capital assets, not being depreciated	12,584,455	20,596,631	20,213,498	12,967,588
Capital assets, being depreciated:				
Buildings and building improvements	499,604	78,242	42,521	535,325
Infrastructure and infrastructure improvements	306,715	601,701	291,786	616,630
Leasehold improvements	66	—	7	59
Furniture and equipment	380,119	42,175	31,018	391,276
Library resources	12	4	1	15
Other	186,884	38,223	52,646	172,461
Total capital assets, being depreciated	1,373,400	760,345	417,979	1,715,766
Less accumulated depreciation for:				
Buildings and building improvements	177,220	16,124	742	192,602
Infrastructure and infrastructure improvements	1,784	27,346	53	29,077
Leasehold improvements	30	—	5	25
Furniture and equipment	208,979	51,857	16,262	244,574
Library resources	7	1	—	8
Other	76,705	14,295	15,004	75,996
Total accumulated depreciation	464,725	109,623	32,066	542,282
Total capital assets, being depreciated, net	908,675	650,722	385,913	1,173,484
Business-type activities capital assets, net	\$ 13,493,130	\$ 21,247,353	\$ 20,599,411	\$ 14,141,072

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Component units' capital asset activities for the fiscal year ended June 30, 2019, are as follows (in thousands):

COMPONENT UNITS

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets, not being depreciated:				
Land and other non-depreciable assets	\$ 6,837,630	\$ 5,706,263	\$ 5,645,156	\$ 6,898,737
Construction work in progress	1,564,408	1,608,579	1,206,413	1,966,574
Total capital assets, not being depreciated	8,402,038	7,314,842	6,851,569	8,865,311
Capital assets, being depreciated:				
Buildings and building improvements	20,362,819	1,205,171	741,419	20,826,571
Infrastructure and infrastructure improvements	3,652,226	1,991,143	1,795,567	3,847,802
Leasehold improvements	457,964	109,024	1,838	565,150
Property under capital lease	141,930	152,790	4,752	289,968
Furniture and equipment	3,822,155	451,969	321,546	3,952,578
Works of art and historical treasures	3,785	21	—	3,806
Library resources	1,003,547	35,061	7,925	1,030,683
Other	473,280	84,967	52,630	505,617
Total capital assets, being depreciated	29,917,706	4,030,146	2,925,677	31,022,175
Less accumulated depreciation for:				
Buildings and building improvements	7,651,824	710,487	234,241	8,128,070
Infrastructure and infrastructure improvements	1,450,410	487,563	397,734	1,540,239
Leasehold improvements	167,610	41,561	1,327	207,844
Property under capital lease	59,958	46,985	3,543	103,400
Furniture and equipment	2,724,121	435,249	301,270	2,858,100
Works of art and historical treasures	2,031	169	—	2,200
Library resources	837,212	38,207	6,984	868,435
Other	339,644	122,758	99,667	362,735
Total accumulated depreciation	13,232,810	1,882,979	1,044,766	14,071,023
Total capital assets, being depreciated, net	16,684,896	2,147,167	1,880,911	16,951,152
Component units capital assets, net	\$ 25,086,934	\$ 9,462,009	\$ 8,732,480	\$ 25,816,463

NOTE 6 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**A. Pensions**

The Florida Department of Management Services (Department) is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System (FRS) Pension Plan and Other State-Administered Systems. For the fiscal year ended June 30, 2019, the Department administered three defined benefit plans, two defined contribution plans, a supplemental funding of defined benefit plans for municipal police officers and firefighters, and various general revenue funded pension programs. Beginning with the fiscal year ended June 30, 2014, the Department issued a publicly-available, audited comprehensive annual financial report (CAFR) that includes financial statements, notes and required supplementary information for each of the pension plans which it administers. Detailed information about the plans is provided in the FRS CAFR which is available online or by contacting the Department.

Copies of this report, as well as the plans' actuarial valuations, can be obtained from the Department of Management Services, Division of Retirement (Division), Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000; by telephone toll free at 877-377-1737 or 850-488-5706; by email at rep@dms.myflorida.com; or at the Division's website (www.frs.myflorida.com).

1. Defined Benefit Plans**The Florida Retirement System**

The FRS is a cost-sharing multiple-employer public-employee retirement system with two primary plans – the FRS defined benefit pension plan (Pension Plan) and the FRS Investment Plan. The FRS Pension Plan was created in Chapter 121, Florida Statutes (F.S.), effective December 1, 1970, by consolidating and closing these existing plans to new members: the Teachers' Retirement System (Chapter 238, F.S.), the State and County Officers and Employees' Retirement System (Chapter 122, F.S.), and the Highway Patrol Pension Trust Fund (Chapter 321, F.S.). In 1972, the Judicial Retirement System (Chapter 123, F.S.) was closed and consolidated into the FRS. The FRS was created to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide the Investment Plan as a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. The FRS Investment Plan is an integrated defined contribution plan administered by the State Board of Administration (SBA). Effective July 1, 2007, the Institute of Food and Agricultural Sciences (IFAS) Supplemental Retirement Program, established under Section 121.40, F.S., was consolidated under the FRS Pension Plan as a closed retirement plan. Participation in the IFAS Supplemental Retirement Program does not constitute membership in the FRS.

Chapter 121, F.S., also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class (SMSC) employed by the state, state elected officials who chose SMSC membership in lieu of Elected Officers' Class membership (EOC), and faculty and specified employees in the State University System and Florida College System institutions. Provisions relating to the FRS are also contained in Chapter 112, F.S.

Membership

FRS membership is compulsory for eligible employees filling a regularly established position in a state agency, county agency, state university, state college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, F.S., or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools, and metropolitan planning organizations, although optional, is generally irrevocable after election to participate is made. Members hired into certain positions may be eligible to withdraw from the FRS altogether or elect to participate in the non-integrated optional retirement programs in lieu of the FRS except faculty of a medical college in a state university who must participate in the State University System Optional Retirement Program (SUSORP). Retirees initially reemployed in regularly established positions on or after July 1, 2010, may not participate in the FRS except for defined contribution plan retirees employed in a regularly established position on or after July 1, 2017. FRS Pension Plan retirees remain ineligible for renewed membership.

Retirees of the FRS Investment Plan, the SUSORP, the State Community College System Option Retirement Program (SCCSORP), and the Senior Management Service Optional Annuity Program who are initially reemployed on or after July 1, 2010, and who are employed in a regularly established position on or after July 1, 2017, will be enrolled in the FRS Investment Plan, SUSORP, or SCCSORP based upon the position held as renewed members on or after July 1, 2017.

There are five general classes of membership, as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class* – Members in senior management level positions in state and local governments as well as assistant state attorneys, assistant statewide prosecutors, assistant public defenders, assistant attorneys general, deputy court administrators, and assistant capital collateral representatives. Members of the EOC may elect to withdraw from the FRS or participate in the SMSC in lieu of the EOC.
- *Special Risk Class* – Members who are employed as law enforcement officers, firefighters, firefighter trainers, fire prevention officers, state fixed-wing pilots for aerial firefighting surveillance, correctional officers, emergency medical technicians, paramedics, community-based correctional probation officers, youth custody officers (from July 1, 2001, through June 30, 2014), certain health-care related positions within state forensic or correctional facilities, or specified forensic employees of a medical examiner's office or a law enforcement agency, and meet the criteria to qualify for this class.
- *Special Risk Administrative Support Class* – Former Special Risk Class members who are transferred or reassigned to nonspecial risk law enforcement, firefighting, emergency medical care, or correctional administrative support positions within an FRS special risk-employing agency.
- *Elected Officers' Class* – Members who are elected state or county officers and the elected officers of cities and special districts that choose to place their elected officials in this class.

Beginning July 1, 2001, through June 30, 2011, the FRS Pension Plan provided for vesting of benefits after six years of creditable service for members working on or after July 1, 2001, and initially enrolled before July 1, 2011. Members not actively working in a position covered by the FRS Pension Plan 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, 2011, vest after eight years of creditable service. Members are eligible for normal retirement when they have met the requirements listed below. Early retirement may be taken any time after vesting within 20 years of normal retirement age; however, there is a 5% benefit reduction for each year prior to the normal retirement age.

- *Regular Class, Senior Management Service Class, and Elected Officers' Class Members* – For members initially enrolled in the FRS Pension Plan before July 1, 2011, six or more years of creditable service and age 62, or the age after completing six years of creditable service if after age 62. Thirty years of creditable service regardless of age before age 62.

For members initially enrolled in the FRS Pension Plan on or after July 1, 2011, eight or more years of creditable service and age 65, or the age after completing eight years of creditable service if after age 65. Thirty-three years of creditable service regardless of age before age 65.

- *Special Risk Class and Special Risk Administrative Support Class Members* – For members initially enrolled in the FRS Pension Plan before July 1, 2011, six or more years of Special Risk Class service and age 55, or the age after completing six years of Special Risk Class service if after age 55. Twenty-five years of special risk service regardless of age before age 55. A total of 25 years of service including special risk service and up to four years of active duty wartime service and age 52. Without six years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

For members initially enrolled in the FRS Pension Plan on or after July 1, 2011, eight or more years of Special Risk Class service and age 60, or the age after completing eight years of Special Risk Class service if after age 60. Thirty years of special risk service regardless of age before age 60. Without eight years of Special Risk Class service, members of the Special Risk Administrative Support Class must meet the requirements of the Regular Class.

Benefits

The Florida Legislature establishes and amends the benefit terms of the FRS Pension Plan. Benefits under the FRS Pension Plan are computed on the basis of age, average final compensation, creditable years of service, and accrual value per year by membership class. Members are also provided in-line-of-duty or regular disability and survivors' benefits. Pension benefits of eligible retirees and annuitants are increased each July 1 by a cost-of-living adjustment. If the member is initially enrolled in the FRS Pension Plan 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 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. This individually calculated 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.

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The DROP became effective July 1, 1998, subject to provisions of Section 121.091(13), F.S. FRS Pension Plan members who reach normal retirement are eligible to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in the DROP for a maximum of 60 months. Authorized instructional personnel may participate in the DROP for up to 36 additional months beyond their initial 60-month participation period. Monthly retirement benefits remain in the FRS Trust Fund during DROP participation and accrue interest until the member terminates to finalize retirement. As of June 30, 2019, the FRS Trust Fund held in trust \$2,542,917,693 in accumulated benefits and interest for 33,490 DROP participants. Of these 33,490 DROP participants, 31,749 were active in the DROP with balances totaling \$2,277,211,830. The remaining participants were no longer active in the DROP and had balances totaling \$265,705,863 to be processed after June 30, 2019.

Administration

The Division administers the FRS Pension Plan. The SBA invests the assets of the FRS Pension Plan held in the FRS Trust Fund. Costs of administering the FRS Pension Plan are funded from earnings on investments of the FRS Trust Fund. Reporting of the FRS Pension Plan is on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the obligation is incurred.

Contributions

All participating employers must comply with statutory contribution requirements. Section 121.031(3), F.S., requires an annual actuarial valuation of the FRS Pension Plan, which is provided to the Legislature as guidance for funding decisions. Employer and employee contribution rates are established in Section 121.71, F.S. Employer contribution rates under the uniform rate structure (a blending of both the FRS Pension Plan and Investment Plan rates) are recommended by the actuary but set by the Legislature. Statutes require that any unfunded actuarial liability (UAL) be amortized within 30 plan years. Pursuant to Section 121.031(3)(f), F.S., any surplus actuarial amounts available to offset total retirement system costs are to be amortized over a 10-year rolling period on a level-dollar basis. The balance of legally required reserves for the FRS Pension Plan at June 30, 2019, was \$163,573,726,217. These funds were reserved to provide for total current and future benefits, refunds, and administration of the FRS Pension Plan.

The table below presents FRS employer contribution rates. Rates indicated are uniform rates for all FRS members and include UAL contribution rates. These rates do not include a 1.66% contribution rate for the Retiree Health Insurance Subsidy (HIS) Program and a 0.06% assessment for the administration of the FRS Investment Plan and the educational program available to all FRS members. In addition, the July 1, 2018, statutory employer rates do not include the 3.00% mandatory employee contribution for all membership classes except for members in the DROP.

Membership Class	Uniform Employer Rates Recommended by Actuarial Valuation as of July 1, 2017 for Fiscal Year 2018-2019	July 1, 2018 Statutory Rates (Ch. 121, F.S.)
Regular	6.54%	6.54%
Senior Management Service	22.34%	22.34%
Special Risk	22.78%	22.78%
Special Risk Administrative Support	33.26%	33.26%
Elected Officers - Judges	39.05%	39.05%
Elected Officers - Legislators/Attorneys/Cabinet	55.03%	55.03%
Elected Officers - County	46.98%	46.98%
DROP - applicable to members from all of the above classes or plans	12.37%	12.37%

Employee eligibility, benefits, and contributions by class are as previously described. Employees not filling regular established positions and working under the other personal services or temporary status are not covered by the FRS.

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Retiree Health Insurance Subsidy Program

The HIS Program is a non-qualified cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, F.S. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. 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. For the fiscal year ended June 30, 2019, 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, F.S. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of eligible 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. For the fiscal year ended June 30, 2019, the contribution rate was 1.66% of payroll pursuant to Section 112.363, F.S. The state contributed 100% of its statutorily required contributions for the current and preceding two years. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, the legislature may reduce or cancel HIS payments.

The Florida National Guard Supplemental Retirement Benefit Plan

The Florida National Guard Supplemental Retirement Benefit Plan (National Guard Benefit) is a single-employer, non-qualified defined benefit pension plan established under Section 250.22, F.S., and is administered by the Division. The Florida Legislature establishes and amends the plan. Florida National Guard retirees must have at least 30 years of Florida National Guard service. Normal retirement is at age 62 with early retirement available beginning at age 60. The monthly benefit is equal to 50% of the federal military pay table for the highest rank held while in the Florida National Guard less the benefit received from the Federal Government for military service. The benefit amount is recalculated whenever the federal military pay table is increased or the federal benefit is increased by a cost of living adjustment. The benefit is payable for the lifetime of the retiree without a survivor benefit option. The table below shows the number of employees covered by the benefit terms.

Active Members	10,954
Retirees	753
Terminated Vested Members	299
Total	<u>12,006</u>

The National Guard Benefit is funded by an annual appropriation from General Revenue by the Legislature. Any appropriated funds not obligated for benefit payments owed at June 30 each year revert to the General Revenue Fund.

Pension Amounts for Defined Benefit Pension Plans

Net Pension Liability

At June 30, 2019, the State reported a total liability of \$7,709,641,876 for its proportionate share of the net pension liabilities of the defined benefit, multiple-employer cost-sharing pension plans and its single-employer, non-qualified pension plan. The table below presents the fiduciary net position for the FRS and HIS plans as well as the State's proportion and proportionate share as of the measurement date of June 30, 2018, and the fiduciary net position of the National Guard Benefit as of the measurement date of June 30, 2019:

	FRS Pension Plan	HIS	National Guard Benefit	Total
Plan total pension liability (A)	\$ 191,317,399,000	\$ 10,816,575,623	\$ 818,492,864	
Plan fiduciary net position (B)	(161,196,880,609)	(232,463,369)	—	
Plan net pension liability (A-B)	30,120,518,391	10,584,112,254	818,492,864	
State's proportion	17.733845390%	14.641028104%	100.00%	
State's proportionate share	\$ 5,341,526,162	\$ 1,549,622,850	\$ 818,492,864	\$ 7,709,641,876

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The State's proportion of the net pension liability for FRS Pension Plan and HIS was based on contributions paid to the plans by the State relative to the contributions paid by all participating employers. The table below shows the change in proportion since the prior measurement date:

	FRS	HIS
State's proportion at prior measurement date, June 30, 2017	17.591496280%	14.470956524%
State's proportion at measurement date, June 30, 2018	17.733845390%	14.641028104%
Increase / (decrease) in proportion	0.142349110%	0.170071580%

The table below shows the changes in National Guard Benefit net pension liability for the fiscal year ended June 30, 2019:

National Guard Benefit

Changes in Net Pension Liability	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of June 30, 2018	\$ 732,441,066	\$ —	\$ 732,441,066
Changes for the year:			
Service Cost	11,580,542	—	11,580,542
Interest on total pension liability	28,506,155	—	28,506,155
Effect of economic/demographic gains or losses	—	—	—
Effect of assumptions changes or inputs	60,964,398	—	60,964,398
Benefit payments	(14,999,297)	(14,999,297)	—
Employer contributions	—	15,044,297	(15,044,297)
Administrative expenses	—	(45,000)	45,000
Balances as of June 30, 2019	\$ 818,492,864	\$ —	\$ 818,492,864

Actuarial Methods and Assumptions

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The Department determines the assumptions in the valuations for GASB Statement No. 67 reporting purposes. The FRS Pension Plan's GASB Statement No. 67 valuation is performed annually. The HIS program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of the measurement date of July 1, 2018, using the entry age normal actuarial cost method. Inflation increases for the FRS Pension Plan and the HIS is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%.

Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at the statutorily required rates. Based on these assumptions, 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 and was applied to all periods of projected benefit payments to determine the total pension liability.

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Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

There were changes in benefit terms for the FRS Investment Plan prior to the measurement date that affected the total pension liability. An in-line-of-duty presumption was created for firefighters whose death or total and permanent disability results from 21 specified cancers or from the treatment of the cancer. There were no changes in benefit terms for HIS that affected the total pension liability since the prior measurement date. There were no changes between the measurement date and the reporting date which significantly impact the State's proportionate share of the net pension liability, deferred outflows, deferred inflows and pension expense for either FRS Pension Plan or HIS.

The following changes in actuarial assumptions occurred in 2018:

- FRS Pension Plan: The long-term expected rate of return was reduced from 7.10% to 7.00%.
- HIS: The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

The long-term expected rate of return on FRS Pension Plan investments was determined using a forward-looking capital market economic model, which includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.0%	2.9%
Fixed income	18.0%	4.4%
Global equity	54.0%	7.6%
Real estate (property)	11.0%	6.6%
Private equity	10.0%	10.7%
Strategic investments	6.0%	6.0%
	100.0%	

The National Guard Benefit has not had a formal actuarial experience study performed. Due to the pay-as-you-go nature of the program, full actuarial valuations will be conducted in even-numbered years. Liabilities for odd-numbered years will be developed based on the results of a full actuarial valuation using standard actuarial roll-forward techniques. The total pension liability was determined by an actuarial valuation as of the valuation date, July 1, 2018, using the individual entry age normal actuarial cost method. The inflation rate was assumed at 2.60%, the annual increase in Federal Military Pay tables is assumed at 2.00%, and the Cost-of-Living adjustments are assumed at 2.60%.

Because the National Guard Benefit uses a pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine the total pension liability for the program. Mortality assumptions for the plan was based on the Generational RP-2000 with Projection Scale BB tables.

There were no changes in benefit terms to the National Guard Benefit that affected the total pension liability since the prior measurement date.

The following changes in actuarial assumptions occurred in 2019 for the National Guard Benefit:

- The municipal bond rate used to determine total pension liability decreased from 3.87% to 3.50%.

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Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the State's proportionate share of the FRS and HIS plan's net pension liability and the National Guard Benefit net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

FRS Pension Plan			HIS		
1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
\$9,748,509,282	\$5,341,526,162	\$1,681,266,148	\$1,764,929,625	\$1,549,622,850	\$1,370,152,176

National Guard Benefit		
1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
\$1,021,008,541	\$818,492,864	\$667,496,239

Pension Expense and Deferred Outflows / (Inflows) of Resources

In accordance with GASB Statement No. 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employee).
- Differences between expected and actual earnings on pension plan investments – amortized over five years.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2018, was 6.4 years for FRS Pension Plan and 7.2 years for HIS.

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The State's proportionate share of the components of collective pension expense and deferred outflows and inflows of resources reported in the pension allocation schedules for the measurement date year ended June 30, 2018, are presented below for each plan.

FRS Pension Plan

	Recognized in Expense Reporting Period Ending June 30, 2019	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	\$ 429,866,095	Current	\$ —	\$ —
Interest cost	2,278,432,046	Current	—	—
Effect of plan changes	—	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	114,663,564	6.4 years	452,507,563	(16,423,899)
Effect of assumptions changes or inputs	413,992,411	6.4 years	1,745,350,980	—
Member contributions	(132,360,175)	Current	—	—
Projected investment earnings	(1,897,476,936)	Current	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	27,074,001	6.4 years	297,162,320	(274,994,209)
Net difference between projected and actual investment earnings	(294,622,450)	5 years	—	(412,698,019)
Contributions subsequent to the measurement date	—	1 year	543,394,529	—
Administrative expenses	3,578,253	Current	—	—
Total	\$ 943,146,809		\$ 3,038,415,392	\$ (704,116,127)

Health Insurance Subsidy

	Recognized in Expense Reporting Period Ending June 30, 2019	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	\$ 37,839,804	Current	\$ —	\$ —
Interest cost	57,056,841	Current	—	—
Effect of plan changes	—	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	3,199,613	7.2 years	23,724,039	(2,632,750)
Effect of assumptions changes or inputs	17,769,106	7.2 years	172,337,205	(163,839,084)
Member contributions	(34,678)	Current	—	—
Projected investment earnings	(1,066,684)	Current	—	—
Changes in proportion and differences between contributions and proportionate share of contributions	(11,245,634)	7.2 years	98,074,153	(138,671,997)
Net difference between projected and actual investment earnings	514,664	5 years	935,389	—
Contributions subsequent to the measurement date	—	1 year	80,050,945	—
Administrative expenses	24,644	Current	—	—
Total	\$ 104,057,676		\$ 375,121,731	\$ (305,143,831)

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The average expected remaining service life of all employees provided with pensions through the National Guard defined benefit single-employer plan at June 30, 2019, was 11.6 years. The State's pension expense and deferred outflows and deferred inflows of resources reported for the fiscal year ended June 30, 2019, are presented below for the plan.

National Guard Benefit Plan

	Recognized in Expense Reporting Period Ending June 30, 2019	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources
Service cost	\$ 11,580,542	Current	\$ —	\$ —
Interest cost	28,506,155	Current	—	—
Effect of economic/demographic gains or losses (difference between expected and actual experience)	5,754,902	11.6 years	50,232,319	—
Effect of assumptions changes or inputs	21,365,686	11.6 years	248,573,385	(70,649,940)
Administrative expenses	45,000	Current	—	—
Total	\$ 67,252,285		\$ 298,805,704	\$ (70,649,940)

Deferred outflows of resources related to contributions paid subsequent to the measurement date as shown in the tables above will be recognized as a reduction of the net pension liability in the reporting period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Reporting Period Ending June 30,	FRS Pension Plan Expense	HIS Expense	National Guard Benefit Expense
2020	\$ 712,357,000	\$ 10,073,463	\$ 27,120,588
2021	474,773,592	9,994,605	27,120,588
2022	60,977,861	5,892,533	27,120,588
2023	303,502,409	(3,661,416)	27,120,588
2024	206,778,933	(24,618,264)	27,120,588
Thereafter	32,514,941	(7,753,966)	92,552,824
Total	\$ 1,790,904,736	\$ (10,073,045)	\$ 228,155,764

Payables to the Pension Plans

The State reported payables of \$7.2 million to the FRS Pension Plan, and \$1.7 million to the HIS Program as of June 30, 2019, for legally required contributions to the plans.

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2. Defined Contribution Programs

FRS Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the plan. Retirement benefits are based upon the value of the member's account upon retirement. The FRS Investment Plan provides vesting after one year of service regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the years of service required for vesting under the Pension Plan (including the service credit represented by the transferred funds) is required to be vested for these funds and the earnings on the funds. The employer pays a contribution as a percentage of salary that is deposited into the individual member's account. Effective July 1, 2011, there is a mandatory employee contribution of 3.00%. The FRS Investment Plan member directs the investment from the options offered under the plan. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer assessment of 0.06% of payroll and by forfeited benefits of plan members. 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. Upon receiving a distribution, other than a de minimis distribution or required minimum distribution, the member is a retiree. Disability coverage is provided for total and permanent disability (non-duty or line of duty); the employer pays an employer contribution to fund the disability benefit which is deposited in the FRS Trust Fund. 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. Survivor benefit coverage is provided to the surviving spouse or dependent children of members who die in line of duty; the employer pays an employer contribution to fund the survivor benefit which is deposited in the FRS Trust Fund. The member's account balance must be transferred to the FRS Pension Plan when approved for survivor benefits to receive guaranteed lifetime monthly benefits under the FRS Pension Plan for the surviving spouse or on behalf of the dependent children until the youngest unmarried dependent child reaches age 18, or up to age 25 if unmarried and enrolled as a fulltime student.

State University System Optional Retirement Program

Section 121.35, F.S., created the SUSORP for eligible State University System faculty, administrators, and administrative and professional staff. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the program. This program is designed to aid universities in recruiting employees who may not remain in the FRS long enough to vest. The SUSORP is a defined contribution plan that, upon signing an investment contract, provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies to invest as directed by the participant to provide retirement and death benefits. Employees in eligible positions are compulsory participants in the SUSORP unless they elect FRS membership. Faculty in a college of medicine with a faculty practice plan are mandatory SUSORP participants and cannot elect FRS membership.

The employing universities were statutorily required to contribute 5.15% of the participants' gross monthly compensation from July 2018, through June 2019. In accordance with Chapter 60U-2, Florida Administrative Code, 0.01% of the employer contribution rate was used for the administration of the SUSORP program and 5.14% was distributed to the provider companies designated by the participant. SUSORP members are not eligible to receive HIS Payments from the HIS Trust Fund. There is a HIS component included in the employer's contribution deposited in the members' accounts. Effective July 1, 2011, there is a mandatory employee contribution of 3.00%. A participant may contribute by salary reduction an amount not to exceed the percentage contributed by the university. In addition to the employer funding to the participants' accounts, the employing universities are required to make a contribution as a percent of covered payroll that is transferred to the FRS Trust Fund to help amortize any UAL. The required UAL contribution rate for fiscal year 2018-19 was 3.50%.

Senior Management Service Optional Annuity Program (SMSOAP)

Section 121.055, F.S., created the SMSOAP as an optional retirement program alternative for state members of the SMSC. Employees in eligible state positions may make an irrevocable election to participate in the SMSOAP in lieu of the SMSC. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the program, and closed the program to new members effective July 1, 2017.

The SMSOAP is a defined contribution plan that, upon signing an investment contract, provides full and immediate vesting of all contributions paid on behalf of the participants to the participating provider companies. Participants direct the investment of contributions to provide retirement and death benefits. Employers were required to contribute 6.27% of covered payroll from

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July 2018 through June 2019. The employers' contributions were paid to the provider companies designated by the participant. Effective July 1, 2011, there is a mandatory employee contribution of 3%. A participant may contribute by salary reduction or deduction an amount not to exceed the percentage contributed by the employer. In addition to the employer funding to the participants' accounts, the state agencies are required to make a contribution as a percent of covered payroll that is transferred to the FRS Trust Fund to help amortize the UAL. The required UAL contribution rate for fiscal year 2018-19 was 17.89%.

Pension Amounts for Defined Contribution Plans

As of June 30, 2019, the State reported the following pension amounts related to the defined contribution plans:

Reporting Period Ended June 30, 2019	FRS Investment Plan	Optional Retirement Plan	Optional Annuity Program
<i>Pension Expense</i> ^{1,2}	\$ 70,259,823	\$ 46,380,396	\$ 71,153
<i>Forfeitures</i>	5,079,654	—	—
<i>Pension Liability</i>	2,965,352	—	—

¹ Pension expense excludes the required UAL which is recognized in the Defined Benefit Pension Plan as contributions.

² The amount of forfeitures is not reflected in pension expense recognized by the State and is used to offset administrative costs.

B. Other Postemployment Benefits (OPEB)

The Division of State Group Insurance (DSGI) within the Department is responsible for administering the State Employees' Group Health Insurance Program. The program covers retired employees and is considered an other postemployment benefits plan.

Plan Description

The DSGI Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan which provides healthcare benefits to retired state and university employees in accordance with Section 110.123, Florida Statutes (F.S.). Pursuant to the provisions of Section 112.0801, F.S., all public employers that offer benefits through a group insurance plan shall allow their retirees and their eligible dependents the option to continue participation in the plan during retirement. As a part of normal retirement, a retiree has 60 days after separation to elect post-retirement health coverage. After 60 days, they are no longer entitled to benefits. A retiree is defined as any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The law also requires the claims experience of the retirees under 65 group to be combined with the claims experience of active employees for premium determination and the premium offered to retired employees to be no more than the premium applicable to active employees. As a result, the state implicitly subsidizes the premium rates paid by retirees due to increasing health care costs with age and the commingling of the claims experience in a single risk pool with a single premium determination for active employees and retirees under age 65.

There are six participating employers including, the primary government of the state and 14 discretely presented component units which are reported as one employer in the valuation, along with five other governmental entities. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Benefit provisions as described by Section 110.123, F.S., and contributions, can be amended by the Florida Legislature. The Governor's recommended budget and the General Appropriations Act provide for a premium level necessary for funding the program each year on a pay-as-you-go basis.

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Benefits Provided

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All non-OPS employees of the State are eligible to receive postemployment health care benefits. Four types of health plans are offered to eligible participants:

- Standard statewide Preferred Provider Organization (PPO) Plan.
- High Deductible PPO Plan.
- Standard Health Maintenance Organization (HMO) Plan.
- High Deductible HMO Plan.

HMO coverage is available only to those retirees who live or work in the HMO's service area. The four PPO and HMO options are considered managed-care plans and have specific provider networks.

Employees covered by benefit terms

At valuation date of July 1, 2017, there were 190,666 employees covered by the OPEB Plan, as shown in the following table:

Active members	137,962
No coverage active members	15,658
Retired and inactive members	37,046
Total employees	190,666

There are currently zero inactive plan members entitled to but not yet receiving benefits because the OPEB Plan does not provide a vested termination benefit.

Contributions

Retirees participating in the group insurance plans offered by the State of Florida are required to contribute 100% of the premiums. The State of Florida implicitly subsidizes the healthcare premium rates paid by retirees by allowing them to participate in the same health plan offered to active employees. Retirees under age 65 pay the same premium amounts as applicable to the active employees. Retirees over age 65 are included in the overall risk pool but pay a lesser premium amount than is applicable to active employees because Medicare is the primary payer. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

Note that the projected post-65 employee contributions for the fully-insured HMO plan are assumed to cover the entire cost of the program.

Total OPEB Liability

As of June 30, 2019, the State reported a total OPEB liability of \$10,551,552,000 of which the State (primary government) and its component units reported \$7,807,094,000 and \$2,744,458,000, respectively, for its proportionate share of the total OPEB liability measured as of June 30, 2018. The table below presents the State and its component units proportion change since the prior measurement date:

	State	Component Units
Proportion at prior measurement date, June 30, 2017	73.99%	26.01%
Proportion at measurement date, June 30, 2018	73.99%	26.01%
Increase / (Decrease) in proportion	—%	—%

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Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2017
Measurement date	June 30, 2018
Actuarial cost method	Entry age normal
Amortization method	The recognition period for the changes in assumption and proportionate share is 8 years
Actuarial value of assets	N/A
Inflation	2.60%
Salary Increases	Varies by FRS Class
Discount rate	3.87%
Healthcare cost trend rates	7.8% and 5.2% for PPO and HMO respectively for 2018, increasing to 10.6% and 8.0% by 2022, then decreasing to 5.2% for both PPO and HMO by 2044. Afterward decreasing by 0.1% for each per year to an ultimate rate of 3.8% by 2076 and thereafter.
Retirees' share of benefit-related costs	100% of projected health insurance premiums for retirees
Medical aging factors	4% per year prior to age 65 3% per year between ages 65 and 75 2% per year between ages 75 and 85 0% per year thereafter
Marital status	80% assumed married, with male spouses 3 years older than female spouses
Health care participation (HMO)	50% participation assumed, with 25% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage
Health care participation (PPO)	50% participation assumed, with 35% electing spouse coverage. Members who elected no coverage as actives are assumed to elect coverage in the same proportion as active members with coverage

The discount rate of 3.87% was based on the Bond Buyer General Obligation 20-year Municipal Bond Index. The discount rate changed from 3.58% for the opening balance as of June 30, 2017 to 3.87% as of June 30, 2018 actually resulting in an overall decrease in total OPEB liability.

Mortality rates were based on the Generational RP-2000 with Projected Improvement Scale BB. Disabled mortality has not adjusted for mortality improvements.

The demographic actuarial assumptions for retirement, disability, withdrawal and salary merit scales used in the June 30, 2017 OPEB valuation were based on the results of an actuarial experience study for the period January 1, 2010, through December 31, 2014, adopted by the Florida Retirement System July 1, 2016 Actuarial Valuation. Comparing with the previous valuation as of July 1, 2015, all the demographic assumptions remain unchanged except active mortality which was based on the Generational RP-2000 with Projected Improvement Scale BB and updated using the rates mandated by Chapter 2015-17, Florida Statutes for pension plans. The overall effect of the mortality change was an increase in the actuarial liability and normal cost.

The healthcare trend rates for the first five years used in this valuation were consistent with the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2017 through June 30, 2023 as presented on August 3, 2017 at the Self-Insurance Estimating Conference. For out years, the long-term healthcare trends were generated by the Getzen Model, but no longer reflect the potential impact of the excise tax due to its uncertainty. The actuarial liability increased, and normal cost decreased slightly due to the changes in healthcare trend rate assumptions.

Retirees participating in the group insurance plans offered by the State of Florida are required to contribute 100% of the premiums. Retiree contributions were not as high as expected based on the expected increases from July 1, 2015, to July 1, 2017. As such, the net implicit subsidy gap further widened and costs increased.

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Changes in Total OPEB Liability (in thousands)

See chart below for details.

Changes in Total OPEB Liability	State	Component Units	Total
Reporting period ending June 30, 2018	\$ 7,999,457	\$ 2,811,628	\$ 10,811,085
Changes for the year:			
Service cost	333,334	117,178	450,512
Interest	295,937	104,032	399,969
Changes of benefit terms	—	—	—
Difference between expected and actual experience	—	—	—
Changes of assumptions or other inputs	(689,139)	(242,256)	(931,395)
Benefit payments	(137,236)	(41,383)	(178,619)
Changes of proportionate shares to the total OPEB liability and difference between the actual benefit payments and expected benefit payments	4,741	(4,741)	—
Other changes	—	—	—
Net changes	(192,363)	(67,170)	(259,533)
Reporting period ending June 30, 2019	\$ 7,807,094	\$ 2,744,458	\$ 10,551,552

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table demonstrates the sensitivity of the total OPEB liability to changes in the discount rate. The sensitivity analysis shows the impact to the state's proportionate share of the total OPEB liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate (expressed in thousands):

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
State	\$ 9,495,469	\$ 7,807,094	\$ 6,492,624
Component Units	3,337,980	2,744,458	2,282,381
Total	\$ 12,833,449	\$ 10,551,552	\$ 8,775,005

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table demonstrates the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The sensitivity analysis shows the impact to the state's proportionate share of the total OPEB liability if the healthcare cost trend rates were 1.00% higher or 1.00% lower than the current healthcare cost trend rate (expressed in thousands):

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
State	\$ 6,315,220	\$ 7,807,094	\$ 9,809,426
Component Units	2,220,013	2,744,458	3,448,346
Total	\$ 8,535,233	\$ 10,551,552	\$ 13,257,772

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OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the State of Florida recognized OPEB expense of \$385,246,000 and \$135,427,000 for primary governments and the component units respectively. At June 30, 2019, the State of Florida reported deferred outflows of resources and deferred inflows of resources related to OPEB for state primary governments and component units from the following sources (expressed in thousands):

	State		Component Units	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Changes of assumptions or other inputs	\$ —	\$ 1,572,098	\$ —	\$ 552,644
Changes of proportionate shares to the total OPEB liability and difference between the actual benefit payments and expected benefit payments	4,148	16,418	16,418	4,148
Transaction subsequent to the measurement date	145,516	—	51,229	—
Total	\$ 149,664	\$ 1,588,516	\$ 67,647	\$ 556,792

Amounts reported as deferred outflows of resources related to OPEB resulting from transactions subsequent to the measurement date as shown in the table above will be recognized as a reduction of the total OPEB liability in the reporting period ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Year Ending June 30,	State	Components Units	Total
2020	\$ (249,802)	\$ (84,917)	\$ (334,719)
2021	(249,802)	(84,917)	(334,719)
2022	(249,802)	(84,917)	(334,719)
2023	(249,802)	(84,917)	(334,719)
2024	(249,802)	(84,917)	(334,719)
Thereafter	(335,358)	(115,789)	(451,147)
Total	\$ (1,584,368)	\$ (540,374)	\$ (2,124,742)

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NOTE 7 - COMMITMENTS AND OPERATING LEASES

A. Construction Commitments

Road and bridge construction projects, supervised by the Department of Transportation, are included in the Department of Transportation work program, which is updated during each budget cycle. As of June 30, 2019, the Department had available approximately \$14.8 billion in budget authority committed on executed contracts arising from both current and prior year projects. Other major construction commitments of the State of Florida at June 30, 2019, totaled \$469 million. Refer to Note 5 for additional disclosures relating to construction in progress. Construction commitments for component units totaled \$3.0 billion.

B. Florida Ports Financing Commission Revenue Bonds

Section 320.20, Florida Statutes, obligates the state to remit annually \$25 million to a designated trustee for the purpose of repaying the debt on certain Florida Ports Financing Commission revenue bonds. The Florida Ports Financing Commission is not part of the state's reporting entity. These revenue bonds do not create or constitute a legal obligation or debt of the state. Funding for the annual remittance comes from the State of Florida, Department of Transportation's portion of motor vehicle registration fees, which was \$633,150,916 for the fiscal year ended June 30, 2019. The table below represents the Florida Ports Financing Commission revenue bonds outstanding as of June 30, 2019:

Series	Amount
2011A	\$ 6,370,000
2011B	85,345,000
2011A (Intermodal)	49,245,000
2011B (Intermodal)	34,780,000
Total	\$ 175,740,000

C. Operating Leases

Operating leases are not recorded on the balance sheets or statements of net assets; however, operating lease payments are recorded as expenditures/expenses when incurred. Total operating lease payments for the state's governmental activities, business-type activities, and component units were \$136.8 million, \$9.5 million, and \$78.3 million, respectively, for the year ended June 30, 2019. The following is a schedule of future non-cancelable operating lease payments for the primary government and component units at June 30, 2019 (in thousands):

	Primary Government		Component Units
	Governmental Activities	Business-type Activities	
2020	\$ 138,570	\$ 8,965	\$ 79,180
2021	132,552	9,057	62,575
2022	120,238	9,036	55,648
2023	110,176	7,441	43,514
2024	98,851	6,947	38,278
2025-2029	197,818	22,798	128,134
2030-2034	75,715	3,098	32,002
2035-2039	33,061	—	11,501
2040-2044	20,691	—	4,185
2045-2049	3,945	—	7,295
2050-2054	—	—	212
2055-2059	—	—	212
2060-2064	—	—	212
2065-2069	—	—	212
2070-2074	—	—	212
2075-2079	—	—	212
2080-2084	—	—	212
2085-2089	—	—	85
Total	\$ 931,617	\$ 67,342	\$ 463,881

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D. Encumbrances

As of June 30, 2019, encumbrances for major and nonmajor governmental funds were (in thousands):

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation	Nonmajor Governmental Funds	Total
Encumbrances:	<u>\$ 153,035</u>	<u>\$ 27,047</u>	<u>\$ 101,750</u>	<u>\$ 90,805</u>	<u>\$ 45,844</u>	<u>\$ 795,247</u>	<u>\$ 1,213,728</u>

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NOTE 8 - BONDS PAYABLE AND CERTIFICATES OF PARTICIPATION

A. Bonds Payable

1. Outstanding Bonds

Bonds payable at June 30, 2019, are as follows (in thousands):

Bond Type	Original Amount	Amount Outstanding	Interest Rates	Annual Maturity To
Governmental Activities:				
Road and Bridge Bonds	\$ 2,207,285	\$ 1,906,500	2.500%-5.000%	2048
Florida DOT Financing Corporation	164,005	154,800	4.000%-5.000%	2033
SBE Capital Outlay Bonds	305,990	101,430	2.000%-5.000%	2030
Lottery Education Bonds	1,676,320	971,465	3.000%-5.000%	2032
Public Education Bonds	9,796,425	7,367,140	2.000%-6.000%	2048
State University System Bonds	119,845	96,860	3.000%-5.000%	2033
University Auxiliary Bonds	974,970	764,161	2.120%-7.500%	2043
Inland Protection Bonds	60,615	39,600	4.850%-5.400%	2024
Florida Forever Bonds	1,096,985	669,285	2.000%-5.000%	2029
Water Pollution Control Bonds	564,775	276,575	3.500%-5.250%	2031
Florida Facilities Pool Bonds	190,835	176,670	3.000%-5.000%	2039
State Infrastructure Bank Bonds	123,615	16,965	4.250%-5.000%	2027
Seaport Investment Bonds	138,145	120,100	4.000%-5.000%	2043
Everglades Restoration Bonds	255,220	179,535	1.850%-5.000%	2035
	<u>17,675,030</u>	<u>12,841,086</u>		
Unamortized premiums (discounts) on bonds payable		840,637		
Total Bonds Payable	<u>\$ 17,675,030</u>	<u>\$ 13,681,723</u>		
Business-type Activities:				
Road and Bridge Bonds	\$ 3,730,480	\$ 2,685,070	2.500%-5.250%	2048
Florida Hurricane Catastrophe Fund Bonds	3,200,000	2,200,000	2.163%-2.995%	2022
	<u>6,930,480</u>	<u>4,885,070</u>		
Unamortized premiums (discounts) on bonds payable		159,848		
Total Bonds Payable	<u>\$ 6,930,480</u>	<u>\$ 5,044,918</u>		

2. Types of Bonds

Road and Bridge Bonds are issued to finance the cost of acquiring real property, or the rights to real property for state roads, or to finance the cost of state bridge construction. The bonds, serial and term, are secured by a pledge of a portion of the state-assessed motor fuel tax revenues, and by a pledge of the full faith and credit of the state.

Department of Transportation Financing Corporation Bonds are issued by the Florida Department of Transportation Financing Corporation (a blended component unit) to finance the cost of certain projects within the Department of Transportation's adopted Work Program. The bonds mature serially and are secured by a pledge of moneys deposited in the State Transportation Trust Fund, consisting primarily of revenues derived from fuel taxes, federal aid and motor vehicle fees.

Capital Outlay Bonds are issued to finance capital outlay projects of school districts and community colleges. The bonds mature serially and are secured by a pledge of a portion of the state-assessed motor vehicle license tax and by a pledge of the full faith and credit of the state.

Lottery Bonds are issued to finance the costs of various local school district educational facilities. The bonds mature serially and are secured by a pledge of a portion of the lottery revenues transferred to the Educational Enhancement Trust Fund.

Public Education Capital Outlay Bonds are issued to finance capital outlay projects of local school districts, community colleges, vocational technical schools, and state universities. The bonds, serial and term, are secured by a pledge of the state's gross receipts tax revenues and by a pledge of the full faith and credit of the state.

State University System Bonds are issued to construct university student life facilities. The bonds mature serially and are secured by a system pledge of Capital Improvement Fee revenues.

University Auxiliary Bonds are issued to construct university facilities, including primarily parking and student housing. The bonds, serial and term, are secured by university pledges of certain housing system revenues, parking system revenues, student fee assessments and indirect costs grant revenues.

Inland Protection Bonds are issued by the Inland Protection Financing Corporation (a blended component unit) for the purpose of financing the rehabilitation of petroleum contaminated sites. The bonds mature serially and are secured by a pledge of moneys derived from a wholesale excise tax primarily on petroleum products.

Florida Forever Bonds are issued to finance the cost of acquisition and improvements of lands, water areas, and related property interests and resources in the State of Florida for the purposes of restoration, conservation, recreation, water resource development, or historical preservation. The bonds mature serially and are secured by a pledge of documentary stamp tax collections.

Florida Water Pollution Control Bonds are issued by the Florida Water Pollution Control Financing Corporation (a blended component unit) to fund loans to local governments to finance or refinance the cost of wastewater treatment and storm water management projects. The bonds, serial and term, are secured by a pledge of the loan payments from local governments.

Florida Facilities Pool Bonds are issued to provide funds for the acquisition and construction of facilities to be leased to state agencies. The bonds mature serially and are secured by a pledge of the revenues derived from the leasing and operations of these facilities.

State Infrastructure Bank Bonds are issued primarily to finance loans made for the purpose of financing qualified transportation projects. The bonds mature serially and are secured by a pledge of repayments on pledged loans and moneys and investments held in reserve accounts.

Seaport Investment Program Bonds are issued primarily to finance improvements at various seaports within the State of Florida. The bonds, serial and term, are secured by a first lien on the annual allocation of certain fees derived from motor vehicle title certificates to the Seaport Investment Program.

Everglades Restoration Bonds are revenue bonds issued to finance the costs of acquisition and improvement of lands, water areas, and related property interests and resources for the purpose of implementing the Comprehensive Everglades Restoration Plan and to fund the Florida Keys Area of Critical State Concern protection program. The bonds mature serially and are secured by a pledge of documentary stamp tax revenues.

Toll Facilities Bonds are issued to provide construction funds for roads and bridges. Toll bonds, serial and term, are secured by a pledge of toll facility revenues.

Florida Hurricane Catastrophe Fund Bonds are issued by the State Board of Administration Finance Corporation. Post-event bonds are issued to make payments to participating insurers for losses resulting from covered events (hurricanes). The bonds mature serially and are secured by emergency assessments and reimbursement premiums. Pre-event bonds are also issued to provide a source of funds to reimburse participating insurers for losses relating to future covered events and are secured by reimbursement premiums.

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3. Pledged Revenues

The table below contains information regarding revenues pledged to repay debt obligations (dollars in thousands). For each Bond Type, the table discloses Gross Revenue, Operating Expenses, Net Revenue Available for Debt Service, Principal, Interest, Coverage Ratio, Final Maturity, Remaining Debt Service, and Revenue Ratio. The Bond Types with Operating Expenses are considered self-supporting debt and are paid from the associated facilities being financed. If Operating Expenses are not shown, the bond type is considered to be Net Tax Supported debt and serviced by dedicated tax or fee revenues.

Bond Type	Revenue ³	Less Operating Expenses	Net Available for Debt Service	Debt Service			Coverage Ratio	Final Maturity	Remaining Debt Service	Revenue Ratio ⁷
				Principal	Interest ⁴	Total Debt Service				
Florida Turnpike (Toll Facility)	\$ 1,078,094	\$ 238,344	\$ 839,750	\$ 143,680	\$ 115,300	\$ 258,980	3.24	2048	3,813,412	77.89%
Florida Forever/Everglades ^{1,2}	2,651,100	—	2,651,100	116,305	45,272	161,577	16.41	2035	1,033,324	100.00%
Lottery Education ¹	1,927,054	—	1,927,054	199,770	57,290	257,060	7.50	2032	1,174,231	100.00%
Alligator Alley (Toll Facility)	34,749	10,416	24,333	1,805	994	2,799	8.70	2027	22,359	70.03%
Sunshine Skyway ⁶	28,809	8,756	20,053	—	—	—	2.92	2038	130,565	69.61%
State Infrastructure Bank ¹	35,362	—	35,362	7,200	1,168	8,368	4.23	2027	19,094	100.00%
Florida Hurricane Catastrophe ⁷	1,559,827	23,544	1,536,283	—	—	—	N/A	2021	2,293,739	98.49%
State University System Bonds ¹	58,547	—	58,547	9,945	4,576	14,521	4.03	2033	120,317	100.00%
University Auxiliary Bonds										
Parking System Revenue Bonds										
Florida International University	15,601	6,296	9,304	3,430	2,893	6,323	1.47	2043	101,723	59.64%
University of South Florida	15,111	8,327	6,784	2,550	386	2,936	2.31	2026	16,156	44.90%
University of Florida	15,744	6,330	9,414	1,020	820	1,840	5.12	2039	55,730	59.79%
Florida Atlantic University	7,325	2,897	4,428	1,515	558	2,073	2.14	2032	15,799	60.45%
University of Central Florida	25,185	4,214	20,971	2,765	973	3,738	5.61	2032	26,214	83.27%
Florida State University	12,174	3,133	9,040	3,506	1,230	4,736	1.91	2031	31,992	74.26%
Housing System Revenue Bonds										
Florida Agricultural & Mechanical University	16,047	9,707	6,340	815	1,731	2,546	2.49	2042	73,980	39.51%
Florida International University	31,728	17,079	14,649	4,100	3,319	7,419	1.97	2041	113,429	46.17%
University of Florida	56,544	39,483	17,061	5,255	2,553	7,808	2.19	2033	74,512	30.17%
Florida Atlantic University	19,698	8,233	11,466	3,045	2,335	5,380	2.13	2036	62,953	58.21%
University of Central Florida	32,299	18,720	13,579	5,040	3,593	8,633	1.57	2042	110,503	42.04%
Florida State University	49,179	23,237	25,942	7,940	7,345	15,285	1.70	2040	221,412	52.75%
Student Health and Wellness Center Revenue Bonds										
University of Central Florida	17,920	—	17,920	465	152	617	29.05	2024	3,092	100.00%
Florida State University	14,901	—	14,901	1,415	965	2,380	6.26	2030	26,181	100.00%
University of North Florida	4,484	—	4,484	490	558	1,048	4.28	2036	20,341	100.00%
Student Services Center Revenue Bonds										
University of Florida	29,263	—	29,263	1,630	1,602	3,232	9.05	2033	45,262	100.00%
DOT Financing Corporation	4,694,931	—	4,694,931	9,205	6,285	15,490	303.10	2033	216,854	100.00%
Water Pollution Control Bonds	84,834	—	84,834	28,030	14,664	42,694	1.99	2031	350,050	100.00%
Inland Protection Bonds	235,565	—	235,565	7,205	1,586	8,791	26.80	2024	45,906	100.00%
Seaport Investment Program	200,000	—	200,000	2,605	5,974	8,579	23.31	2043	205,980	100.00%

¹ Operating Expenses are not listed for various programs. For these programs, either no operating expenses reduce revenues available for debt service, or, in the case of the Lottery, include expenses unrelated to the operation of the program, such as payment of lottery prizes. Instead, for these programs, the revenue shown is the amount available to pay debt service.

² Remaining debt service assumes 3.25% interest rate on the Everglades Series 2007A-B Bonds (Multi-Modal).

³ Refer to Note 8A.2. for information on the sources of pledged revenues.

⁴ Debt service interest is shown net of interest subsidy payments received from the Federal Government for Build America Bonds.

⁵ Revenue Ratio is calculated as Net Available for Debt Service divided by Revenue.

⁶ Sunshine Skyway Revenue Bonds, Series 2019A were issued in Fiscal Year 2019; however, no debt service will be paid until Fiscal Year 2020. Coverage is shown based on maximum annual debt service of \$6,874,250 for illustrative purpose.

⁷ Florida Hurricane Catastrophe Bonds debt service is reduced by interest earnings on bond proceeds and bond proceeds used to repay principal.

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4. State Debt Limitations

Section 215.98, F.S., establishes the ratio of tax-supported debt service to tax-supported revenues as the benchmark debt ratio for purposes of setting the state's legal debt margin. Under the policy, if the ratio exceeds 6%, additional tax-supported debt may be authorized only if the Legislature determines the additional debt is in the best interest of the state. If the ratio exceeds 7%, additional tax-supported debt may be authorized only if the Legislature determines it is necessary to address a critical state emergency. During the fiscal year 2018-19, the ratio remained below 6%.

5. Debt Service Requirements

Annual debt service requirements to amortize bonds at June 30, 2019, are as follows (in thousands):

Year Ending June 30	Primary Government Governmental Activities				
	General		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
	Principal	Interest	Principal	Interest	Total
2020	\$ 1,026,545	\$ 574,765	\$ 4,388	\$ 2,450	\$ 1,608,148
2021	1,047,695	524,015	6,054	2,623	1,580,387
2022	1,059,020	472,610	6,316	2,439	1,540,385
2023	1,034,340	421,813	6,569	2,247	1,464,969
2024	951,430	371,589	6,790	2,048	1,331,857
2025-2029	3,549,880	1,259,956	30,545	7,183	4,847,564
2030-2034	2,315,790	622,790	15,519	3,188	2,957,287
2035-2039	1,270,810	237,794	9,094	1,747	1,519,445
2040-2044	325,410	65,937	7,176	414	398,937
2045-2049	167,715	14,239	—	—	181,954
Bonds payable and interest	12,748,635	4,565,508	92,451	24,339	17,430,933
Unamortized premiums (discounts)	840,637	—	—	—	840,637
Total bonds payable and interest	\$ 13,589,272	\$ 4,565,508	\$ 92,451	\$ 24,339	\$ 18,271,570

Year Ending June 30	Primary Government Business-type Activities		
	Bonds		Total
	Principal	Interest	
	Principal	Interest	Total
2020	\$ 688,575	\$ 171,620	\$ 860,195
2021	1,145,895	143,350	1,289,245
2022	784,745	112,506	897,251
2023	133,085	97,242	230,327
2024	139,840	90,588	230,428
2025-2029	644,515	361,464	1,005,979
2030-2034	585,495	235,007	820,502
2035-2039	462,435	116,304	578,739
2040-2044	225,110	39,839	264,949
2045-2049	75,375	7,087	82,462
Bonds payable and interest	4,885,070	1,375,007	6,260,077
Unamortized premiums (discounts)	159,848	—	159,848
Total bonds payable and interest	\$ 5,044,918	\$ 1,375,007	\$ 6,419,925

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Year Ending June 30	Component Units				Total
	General		Direct Borrowings and Direct Placements		
			Principal	Interest	
2020	\$ 631,892	\$ 314,162	\$ 31,562	\$ 21,322	\$ 998,938
2021	882,198	157,099	34,539	20,234	1,094,070
2022	522,108	138,702	35,752	19,161	715,723
2023	106,507	127,274	35,404	17,907	287,092
2024	409,007	128,583	35,212	16,781	589,583
2025-2029	583,788	483,047	199,666	65,077	1,331,578
2030-2034	663,985	373,351	134,071	36,207	1,207,614
2035-2039	610,782	237,324	73,760	17,965	939,831
2040-2044	636,823	136,374	33,840	8,250	815,287
2045-2049	243,471	21,393	13,390	703	278,957
2050-2054	19,950	1,546	—	—	21,496
2055-2059	2,195	73	—	—	2,268
2060-2064	—	—	—	—	—
Bonds payable and interest	5,312,706	2,118,928	627,196	223,607	8,282,437
Unamortized premiums (discounts)	131,462	—	886	—	132,348
Total bonds payable and interest	\$ 5,444,168	\$ 2,118,928	\$ 628,082	\$ 223,607	\$ 8,414,785

Annual debt service requirements for university capital improvement debt payable at June 30, 2019, are as follows (in thousands):

Year Ending June 30	Universities		Total
	Principal	Interest	
2020	\$ 52,184	\$ 31,996	\$ 84,180
2021	53,780	29,765	83,545
2022	53,177	27,547	80,724
2023	52,328	25,296	77,624
2024	50,631	23,122	73,753
2025-2029	240,224	84,931	325,155
2030-2034	168,122	40,180	208,302
2035-2039	73,290	14,347	87,637
2040-2044	27,641	2,161	29,802
Total capital improvement debt payable and interest	771,377	279,345	1,050,722
Unamortized premiums (discounts)	16,831	—	16,831
Total capital improvement debt payable and interest	<u>\$ 788,208</u>	<u>\$ 279,345</u>	<u>\$ 1,067,553</u>

6. Advance Refundings and Current Refundings

During the fiscal year ended June 30, 2019, the state took advantage of favorable conditions and issued bonds for the purpose of refunding previously issued bonds. The refundings of these bond series were made in order to obtain lower interest rates and the resulting savings in debt service payments over the life of the bonds. The economic gains obtained by these refundings are the differences between the present value of old debt service and new debt service requirements.

The proceeds of the current refundings were used to immediately call the refunded bonds or deposited in Special Purpose Investment Accounts with the State Treasury and used to call refunded bonds within 90 days of the issuance of the refunding bonds. The proceeds of the advance refundings were deposited into irrevocable trusts and invested in direct obligations of the Federal government, obligations guaranteed by the Federal government, or Special Purpose Investment Accounts with the State Treasury. The funds deposited along with the interest to be earned will be sufficient to meet the future principal and interest payments on the refunded bonds as they become due.

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Bonds legally defeased through the consummation of refunding transactions are not included in Florida's outstanding debt. Irrevocable escrow accounts held by the State Board of Administration to service the refunded bonds are reported as agency funds. The following refundings occurred during the fiscal year.

Advance Refundings

Governmental Activities

State of Florida, Department of Management Services Refunding Certificates of Participation, Series 2018A in the amount of \$251,945,000, in part, along with additional funds of \$30,198,935, were used to advance refund \$215,620,000 of the State of Florida, Department of Management Services Certificates of Participation, Series 2009C (Federally Taxable - Build America Bonds - Issuer Subsidy) maturing in the years 2020 through 2029. The refunding resulted in debt savings of \$20,169,965, an economic gain of \$14,902,846, and a deferred loss on refunding of \$2,538,088.

State of Florida, Department of Environmental Protection, Florida Forever Revenue Refunding Bonds, Series 2018A in the amount of \$119,305,000, in part, along with additional funds of \$16,003,980, were used to advance refund \$149,480,000 of the State of Florida, Department of Environmental Protection, Florida Forever Revenue Bonds, Series 2010B Build America Bonds (Federally Taxable-Issuer Subsidy) maturing in the years 2020 through 2029. The refunding resulted in debt savings of \$19,961,738, an economic gain of \$15,367,854, and a deferred loss on refunding of \$2,753,126.

State of Florida, Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Refunding Bonds, Series A 2019-3 in the amount of \$36,402,142, along with additional funds of \$3,501,943, were used to advance refund \$35,080,000 of the State of Florida, Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Bonds, Series 2012A, maturing in the years 2019 through 2032. The refunding resulted in an increase in debt service of \$5,462,886, and economic gain of \$890,064.

State of Florida, State Board of Education, Lottery Revenue Refunding Bonds, Series 2019A in the amount of \$74,685,000, along with additional funds of \$14,921,762, were used to advance refund \$99,200,000 of the State of Florida, State Board of Education Lottery Revenue Bonds, Series 2010B Build America Bonds (Federally Taxable-Issuer Subsidy) maturing in the years 2020 through 2029. The refunding resulted in debt savings of \$13,386,707, an economic gain of \$10,211,057, and a deferred loss on refunding of \$1,243,521.

Business-type Activities

State of Florida, Department of Transportation Turnpike Revenue Refunding Bonds, Series 2019A in the amount of \$224,455,000, along with additional funds of \$7,823,434, were used to advance refund \$255,000,000 of the State of Florida, Department of Transportation Turnpike Revenue Bonds, Series 2009B Build America Bonds (Federally Taxable-Issuer Subsidy) maturing in the years 2020 through 2039. The refunding resulted in debt savings of \$40,560,145, an economic gain of \$27,820,127, and a deferred loss on refunding of \$4,363,646.

Current Refundings

Governmental Activities

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2018 Series C in the amount of \$149,120,000, along with additional funds of \$1,933,126, were used to refund \$162,390,000 of the State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2007 Series D maturing in the years 2019 through 2038. The refunding resulted in debt savings of \$31,834,854, an economic gain of \$24,124,332, and a deferred loss on refunding of \$2,779,384.

State of Florida, Board of Governors University of Florida Parking Facility Revenue Bonds, Series 2018A in the amount of \$39,070,000, in part, along with additional funds of \$79,500, were used to refund \$11,375,000 of the State of Florida, Board of Governors University of Florida Parking Facility Revenue Bonds, Series 2007A maturing in the years 2019 through 2027. The refunding resulted in debt savings of \$941,375, an economic gain of \$809,736, and a deferred loss on refunding of \$57,912.

State of Florida, Department of Management Services Refunding Certificates of Participation, Series 2018A in the amount of \$251,945,000, in part, along with additional funds of \$13,041,511, were used to refund \$14,205,000 of the State of Florida, Department of Management Services Certificates of Participation, Series 2008A maturing in the years 2019 through 2027 and

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\$83,885,000 of the State of Florida, Department of Management Services Certificates of Participation, Series 2009A maturing in the years 2019 through 2028. The refunding resulted in debt savings of \$12,589,192, an economic gain of \$10,036,875, and a deferred loss on refunding of \$1,499,122.

State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Refunding Bonds, 2019 Series A in the amount of \$8,560,000 were used to refund \$9,705,000 of the State of Florida, Full Faith and Credit, State Board of Education Capital Outlay Bonds, 2009 Series A maturing in the years 2020 through 2029. The refunding resulted in debt savings of \$940,603, an economic gain of \$830,548, and a deferred loss on refunding of \$137,660.

State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2019A in the amount of \$240,695,000, along with additional funds of \$3,339,937, were used to refund \$161,850,000 of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Bonds, Series 2009A maturing in the years 2020 through 2039 and \$105,345,000 of the State of Florida, Full Faith and Credit, Department of Transportation Right-of-Way Acquisition and Bridge Construction Refunding Bonds, Series 2009B maturing in the years 2020 through 2028. The refunding resulted in debt savings of \$52,157,039, an economic gain of \$41,265,221, a deferred loss on refunding of \$1,528,971 on the 2009A bonds and a deferred gain on refunding of \$12,969 on the 2009B bonds.

State of Florida, Full Faith and Credit, Department of Transportation Financing Corporation Bonds are issued by the Florida Department of Transportation Financing Corporation (a blended component unit) to finance the cost of certain projects within the Department of Transportation's adopted Work Program. The bonds mature serially and are secured by a pledge of moneys deposited in the State Transportation Trust Fund, consisting primarily of revenues derived from fuel taxes, federal aid and motor vehicle fees.

State of Florida, Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Refunding Bonds, Series A 2019-1 in the amount of \$10,049,090, along with additional funds of \$1,232,305, were used to refund \$10,471,000 of the State of Florida, Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Bonds, Series 2010A, maturing in the years 2019 through 2030. The refunding resulted in debt savings of \$1,333,856, and an economic gain of \$1,061,192.

State of Florida, Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Refunding Bonds, Series A 2019-2 in the amount of \$6,798,534, were used to refund \$6,265,000 of the State of Florida, Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue Refunding Bond, Series 2010B, maturing in the years 2019 through 2025. The refunding resulted in debt savings of \$74,149, and an economic gain of \$213,568.

State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2019 Series A in the amount of \$438,900,000, along with additional funds of \$8,459,678, were used to refund \$188,610,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Bonds, 2008 Series C maturing in the years 2020 through 2022, \$42,200,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2009 Series A maturing in the years 2020 through 2022, \$69,690,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2009 Series B maturing in the years 2020 through 2024, \$56,610,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2009 Series C maturing in the years 2020 through 2023, and \$114,250,000 State of Florida, Full Faith and Credit, State Board of Education Public Education Capital Outlay Refunding Bonds, 2009 Series D maturing in the years 2020 through 2024. The refunding resulted in debt savings of \$36,399,856, an economic gain of \$34,875,638, and a deferred gain on refunding of \$6,585,191.

State of Florida, Department of Environmental Protection Everglades Restoration Revenue Refunding Bonds, Series 2019A in the amount of \$19,570,000, along with additional funds of \$4,467,009, were used to refund \$26,595,000 of the State of Florida, Department of Environmental Protection Everglades Restoration Revenue Bonds, Series 2010B Build America Bonds (Federally Taxable-Issuer Subsidy) maturing in the years 2020 through 2029. The refunding resulted in debt savings of \$3,744,179, and an economic gain of \$2,966,797, and no deferred gain or loss on refunding.

Business-type Activities

None.

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Cash In-substance Defeasance

Governmental Activities

The State of Florida, Department of Environmental Protection Florida Forever Revenue Bonds, Series 2010A (the "Series 2010A Bonds") in the amount of \$10,000,000 was in-substance defeased on January 24, 2019, when a cash deposit of \$10,106,278 was made to an irrevocable escrow account. These funds were subsequently invested in direct obligations of the Federal government until used to redeem the Series 2010A Bonds on July 1, 2019.

7. Prior-year Defeased Bonds

In prior years, the state has deposited with escrow agents in irrevocable trusts amounts sufficient to meet the debt service requirements of certain bonds. These defeased bonds are not reported as outstanding debt. Irrevocable trusts established with the State Board of Administration are reported in an agency fund. Debt considered defeased consists of the following (in thousands):

	Principal at 6/30/2019
<u>Governmental Activities</u>	
University Auxiliary Bonds	\$ 419
Public Education Capital Outlay Bonds	127,325
Total	<u>\$ 127,744</u>

8. Arbitrage Regulations

The state complies with federal arbitrage regulations.

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9. Direct Interest

The state's bonds are issued for the creation or continuing existence of various programs. Interest is reported at June 30, 2019, in the following governmental activities as direct expenses on the Statement of Activities (in thousands):

Governmental Activities	Interest
Education:	
SBE Capital Outlay Bonds	\$ 3,873
Lottery Education Bonds	31,198
Public Education Bonds	259,926
State University System Bonds	2,857
University Auxiliary Bonds	29,419
Total Education	327,273
Natural Resources and Environment:	
Inland Protection Bonds	2,362
Everglades Restoration Bonds	5,898
Water Pollution Control Bonds	12,397
Florida Forever Bonds	22,322
Total Natural Resources and Environment	42,979
Transportation:	
Road and Bridge Bonds (Right of Way)	66,969
State Infrastructure Bank Bonds	1,098
Seaport Investment Bonds	5,109
FDOT Financing Corporation	3,825
Total Transportation	77,001
Total Direct Interest	\$ 447,253

10. Governmental Activities – Unrestricted Net Position Deficit

Governmental activities reflect a negative unrestricted net position balance of \$16.2 billion at June 30, 2019. This deficit is primarily the result of education-related bonds in which the state is responsible for the debt, but the state colleges, state universities, or the local school districts own the capital assets. Because the state does not own these capital assets, the bonded debt is not netted on the line item "Net investment in capital assets." Instead, this bonded debt is netted with unrestricted net position. Education-related bonds include SBE Capital Outlay Bonds; PECO Bonds; State University System Improvement Bonds; and Lottery Education Bonds; which have a total ending balance at June 30, 2019, of \$9.1 billion. The state has an additional \$0.7 billion in other bonds, including Florida Forever bonds in which the state does not own the related capital assets. The resources related to the payment of this debt will be provided from future revenue sources. If these bonds were removed, the adjusted unrestricted net position for governmental activities would be a negative \$6.4 billion.

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B. Certificates of Participation

1. Primary Government

The state has issued certificates of participation (original amount of \$462,240,000) to finance privately operated detention and mental health facilities. The certificates of participation's interest rates range from 3.750% - 6.825% and the last maturity date is July 1, 2030. The following is a schedule of future minimum principal and interest payments for certificates of participation for governmental activities at June 30, 2019 (in thousands):

Year Ending June 30	Principal	Interest	Total
2020	\$ 31,100	\$ 18,340	\$ 49,440
2021	32,675	16,746	49,421
2022	34,325	15,071	49,396
2023	36,885	13,297	50,182
2024	38,775	11,413	50,188
2025-2029	180,630	28,056	208,686
2030-2034	29,645	726	30,371
Total	384,035	103,649	487,684
Unamortized premiums (discounts)	37,586	—	37,586
Total certificates of participation payable	\$ 421,621	\$ 103,649	\$ 525,270

2. Component Units

Component units (universities and a water management district) have issued certificates of participation (original amount of \$845,225,000) primarily to finance academic and student facilities, and construction projects for Everglades restoration. The certificates of participation's interest rates range from 2.500% to 5.250% and the last maturity date is July 1, 2048. The following is a schedule of future minimum principal and interest payments for certificates of participation for component units at June 30, 2019 (in thousands):

Year Ending June 30	General		Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2020	\$ 16,155	\$ 24,363	\$ 6,752	\$ 5,628	\$ 52,898
2021	30,515	40,404	6,979	5,361	83,259
2022	18,995	22,097	7,249	5,083	53,424
2023	19,850	21,166	7,488	4,583	53,087
2024	20,840	20,149	6,670	4,328	51,987
2025-2029	122,605	83,418	36,449	17,648	260,120
2030-2034	155,815	49,529	40,117	10,300	255,761
2035-2039	109,005	11,898	32,785	2,413	156,101
2040-2044	9,055	2,556	—	—	11,611
2045-2049	8,465	873	—	—	9,338
Total	511,300	276,453	144,489	55,344	987,586
Unamortized premiums (discounts)	61,769	—	(42)	—	61,727
Total certificates of participation payable	\$ 573,069	\$ 276,453	\$ 144,447	\$ 55,344	\$ 1,049,313

NOTE 9 - INSTALLMENT PURCHASES, CAPITAL LEASES, AND PUBLIC-PRIVATE PARTNERSHIPS

A. Installment Purchases

The state has a number of installment purchase contracts primarily providing for the acquisition of buildings, furniture, and equipment. At June 30, 2019, 58% of the state's installment purchase contracts for primary governmental activities were for furniture and equipment, and the remaining 42% for buildings. Installment purchase contracts for component units consisted of 100% of furniture and equipment. The following is a schedule of future minimum installment purchase contract payments for the primary government and component units at June 30, 2019 (in thousands):

Year Ending June 30	Primary Government		Totals
	Governmental Activities	Business-type Activities	
2020	\$ 7,443	\$ 15,599	\$ 23,042
2021	4,975	—	4,975
2022	3,116	—	3,116
2023	2,263	—	2,263
2024	2,263	—	2,263
2025-2029	2,120	—	2,120
2030-2034	1,447	—	1,447
2035-2039	482	—	482
Total	24,109	15,599	39,708
Less: Interest	(2,446)	(63)	(2,509)
Present value of future minimum payments	\$ 21,663	\$ 15,536	\$ 37,199

Year Ending June 30	Component Units		Totals
	General	Direct Borrowings and Placements	
2020	\$ 1,179	\$ 935	\$ 2,114
2021	827	813	1,640
2022	380	88	468
2023	380	—	380
2024	380	—	380
2025-2029	—	—	—
2030-2034	—	—	—
2035-2039	—	—	—
Total	3,146	1,836	4,982
Less: Interest	(94)	(47)	(141)
Present value of future minimum payments	\$ 3,052	\$ 1,789	\$ 4,841

B. Capital Leases

The state has a number of capital leases providing for the acquisition of land, buildings, and furniture and equipment. At June 30, 2019, 100% of the state's capital leases for governmental activities were for furniture and equipment. Capital leases for component units consisted of 39% for buildings, 59% for furniture and equipment, and the remaining 2% for land. The following is a schedule of future minimum capital lease payments for the primary government and component units at June 30, 2019 (in thousands):

Year Ending June 30	Primary Governmental Activities
2020	\$ 2,750
2021	710
2022	707
2023	710
2024	446
2025-2029	924
2030-2034	—
2035-2039	—
2040-2044	—
2045-2049	—
2050-2054	—
2055-2059	—
2060-2064	—
2065-2069	—
2070-2074	—
Total	6,247
Less: Interest	(570)
Present value of future minimum payments	\$ 5,677

Year Ending June 30	Component Units		Totals
	General	Direct Borrowings and Placements	
2020	\$ 11,377	\$ 1,533	\$ 12,910
2021	10,528	1,533	12,061
2022	9,297	1,360	10,657
2023	6,753	1,360	8,113
2024	18,650	1,360	20,010
2025-2029	21,912	5,479	27,391
2030-2034	11,145	—	11,145
2035-2039	2,763	—	2,763
2040-2044	2,282	—	2,282
2045-2049	2,282	—	2,282
2050-2054	2,282	—	2,282
2055-2059	2,282	—	2,282
2060-2064	2,282	—	2,282
2065-2069	2,282	—	2,282
2070-2074	2,282	—	2,282
Total	108,399	12,625	121,024
Less: Interest	(32,293)	(1,386)	(33,679)
Present value of future	\$ 76,106	\$ 11,239	\$ 87,345

C. Public-Private Partnerships

Pursuant to Section 334.30, Florida Statutes, the Department of Transportation (Department) executed two 35-year, Public-Private Partnership concession agreements in March and October of 2009 for the design, build, finance, operation and maintenance of the Interstate 595 Corridor and the Port Miami Tunnel. Payments consist of construction-period payments, lump-sum final acceptance payments upon completion of construction, and annual performance-based availability payments to be made during the 30-year operations and maintenance period. The Department executed a 40-year concession agreement in September 2014 for the design, build, finance, operation and maintenance of 21 miles of the Interstate 4 Corridor in Seminole and Orange Counties. Annual availability payments are all-inclusive payments consisting of unpaid portions of construction costs, annual operations costs, and maintenance expenses. The payment schedule below includes the full amount of the estimated payments for the Interstate 595 Corridor and the Port Miami Tunnel and is an estimate of unpaid construction payments during the term of the agreements based on the percentage of completion of the projects at June 30, 2019, for the Interstate 4 Corridor. The annual availability payments for Interstate 595 Corridor and the Port Miami Tunnel are performance-based and are subject to change based on a fixed percentage as defined in the agreement and on the Consumer Price Index, which could impact the payment schedule. In October 2015, the Department executed a supplemental agreement with the I-595 concessionaire reflecting overall cost reductions for this project as a result of the concessionaire's debt refinancing. The annual availability payments for the Interstate 4 Corridor are performance-based with a portion of the payment that is level and another portion that is indexed based on the Consumer Price Index, which could impact the payment schedule. The lanes were open to traffic on Interstate 595 and Port Miami Tunnel in March and August 2014, respectively. Construction for the Interstate 4 Corridor is expected to be completed during fiscal year 2021. The Department has one other public-private partnership agreement for the design, build, and finance of another transportation project. The unpaid construction costs for this agreement as of June 30, 2019 represents 1% of payments due in 2020. The following is a schedule of future maximum payments for the primary government at June 30, 2019 (in thousands):

Year Ending June 30	Primary Government		Totals
	Governmental Activities	Business-type Activities	
2020	\$ 478,267	\$ 15,240	\$ 493,507
2021	277,955	16,627	294,582
2022	340,313	14,735	355,048
2023	117,938	16,896	134,834
2024	119,393	17,391	136,784
2025-2029	639,500	94,188	733,688
2030-2034	677,290	100,707	777,997
2035-2039	751,674	117,029	868,703
2040-2044	783,112	115,110	898,222
2045-2049	172,940	—	172,940
2050-2054	153,703	—	153,703
2055-2059	14,687	—	14,687
Total	4,526,772	507,923	5,034,695
Less: Interest	(1,846,151)	(292,682)	(2,138,833)
Present value of future maximum payments	\$ 2,680,621	\$ 215,241	\$ 2,895,862

NOTE 10 - CHANGES IN LONG-TERM LIABILITIES

Changes in long-term liabilities for governmental activities during the fiscal year ended June 30, 2019, are as follows (in thousands):

	Balance July 1, 2018	Restatement	Additions	Deletions	Balance June 30, 2019	Due Within One Year (Current)
Governmental Activities						
Bonds payable:						
Road and Bridge Bonds	\$ 1,777,970	\$ —	\$ 485,975	\$ 357,445	\$ 1,906,500	\$ 93,535
FL DOT Financing Corporation	—	—	164,005	9,205	154,800	7,900
SBE Capital Outlay Bonds	122,525	—	8,560	29,655	101,430	16,300
Lottery Education Bonds	1,195,750	—	74,685	298,970	971,465	170,170
Public Education Bonds	7,792,120	—	704,090	1,129,070	7,367,140	508,065
State University System Bonds	106,805	—	—	9,945	96,860	10,295
University Auxiliary Bonds	740,546	—	39,070	107,906	671,710	43,390
Inland Protection Bonds	46,805	—	—	7,205	39,600	7,425
Florida Forever Bonds	810,040	—	119,305	260,060	669,285	101,735
Water Pollution Control Bonds	304,605	—	—	28,030	276,575	27,790
State Infrastructure Bank Bonds	24,165	—	—	7,200	16,965	6,400
Seaport Investment Bonds	122,705	—	—	2,605	120,100	2,740
Everglades Restoration Bonds	202,285	—	19,570	42,320	179,535	15,740
Florida Facilities Pool Bonds	190,835	—	—	14,165	176,670	15,060
Bonds from direct borrowings and direct placements ¹	33,379	—	61,865	2,793	92,451	4,388
	13,470,535	—	1,677,125	2,306,574	12,841,086	1,030,933
Unamortized bond premiums (discounts)	873,565	—	177,919	210,847	840,637	—
Total bonds payable	14,344,100	—	1,855,044	2,517,421	13,681,723	1,030,933
Certificates of participation payable	492,041	—	251,945	322,365	421,621	31,100
Deposits	880,419	—	878,466	829,041	929,844	913,165
Compensated absences	758,177	—	366,116	375,838	748,455	186,760
Claims payable	2,792,477	—	3,324,754	2,978,505	3,138,726	1,844,515
Installment purchases/capital leases	40,432	—	742	13,834	27,340	9,315
Public-private partnership agreements	2,456,625	—	429,892	205,896	2,680,621	414,183
Advances - Due to Unclaimed Prop. TF	936,873	—	36,095	—	972,968	—
Due to other governments	397,066	—	4,035	22,853	378,248	—
Other postemployment benefits	7,782,114	—	1,893	191,986	7,592,021	138,735
Pension liability	7,347,628	—	342,125	118,336	7,571,417	55,762
Other liabilities	12,467	—	625	40	13,052	—
Total Governmental Activities	\$ 38,240,419	\$ —	\$ 7,491,732	\$ 7,576,115	\$ 38,156,036	\$ 4,624,468

¹Direct borrowings and direct placements have been separately identified due to the implementation of GASB Statement No. 88. Direct borrowings and direct placements for Governmental Activities includes bond issuances from University Auxiliary Bonds.

Long-term liabilities for governmental activities are generally liquidated by the applicable governmental funds and/or internal service funds. Specifically, the special revenue funds, capital projects funds, and/or internal service funds will liquidate the certificates of participation payable, installment purchase contracts, and capital lease obligations. The applicable special revenue funds and internal service funds will reduce deposits when such monies are earned. The governmental and internal services funds that account for employees' salaries and wages will liquidate the compensated absences liabilities. The General Fund, Health and Family Services Fund, and the non-major special revenue fund will generally liquidate claims payable. The Public Education Fund will liquidate the advances due to the Unclaimed Property Trust Fund to the extent that the Unclaimed Property Trust Fund does not have sufficient assets to pay claimants requesting payment of unclaimed funds. The nonmajor special revenue funds will generally liquidate other liabilities. The Transportation-Governmental Fund will liquidate the public-private partnership agreements and due to other governments liabilities from annual appropriations. Refer to Note 9 for additional information on the public-private partnership agreements. The pension liability and the Other postemployment benefits (OPEB) related to all governmental

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funds are reported above. The pension liability is adjusted each year based upon investment performance and contributions received. The state does not currently fund the OPEB liability so it is non-liquidating. Refer to Note 6 for additional information on the pension liability and OPEB.

The Department of Management Services' outstanding \$176.7 million Florida Facilities Pool Bonds provide for acceleration in an event of a payment default, subject to request of the Trustee or the holders of not less than 25% of the outstanding bonds.

The outstanding \$61.9 million Board of Governors, Florida Agricultural and Mechanical University Dormitory Revenue and Revenue Refunding Bonds from direct borrowings provide that, upon any event of default the lender may: (1) declare the principal of, and interest on, the bonds immediately due and payable; (2) exercise any of its rights under the loan agreement; (3) apply for the appointment of receiver, trustee, liquidator, or conservator; or (4) at the request of the Secretary of the United States Department of Education, terminate the loan agreement and declare all amounts advanced to the University, and interest thereon, immediately due and payable. Should the Secretary request the lender to pursue option (4), such funds, including costs of collection, may be collected by administrative offset against payments due to the University from the Federal Government for grants and contracts.

The Department of Management Services' outstanding \$314.9 million certificates of participation provide for acceleration and the surrender of the financed public and private correctional facilities (the projects) in the event of a default. Upon an event of default or an event of non-appropriation, the Corporation may terminate the lease, take possession of the projects, and accelerate the rent payments due for the current fiscal year. If the Corporation elects not to terminate the lease upon an event of default, it may exclude the Department, sell or lease certain equipment, and hold the Department liable for monetary damages. Additionally, following an event of non-appropriation, the lease automatically terminates, and the Department must immediately surrender all projects to the Trustee, who may then liquidate, rent, or lease the projects. The Trustee may also exercise all remedies available to the Corporation or cause the Corporation to pursue such remedies.

The Department of Children and Families' outstanding \$69.1 million certificates of participation provide for acceleration and the surrender of the financed forensic mental health and civil commitment facilities (the projects) in the event of a default. Upon an event of default or event of non-appropriation, the principal of all outstanding certificates may be accelerated at the request of the Trustee or the owners of a majority of the outstanding certificates. Upon an event of default or an event of nonappropriation, the Corporation may terminate the lease and require the Department to vacate, surrender, and transfer possession of the projects to the Corporation. Additionally, upon an event of default, without terminating the lease, it may take possession of the project, exclude the Department, and sublet the project. In each case the Department is liable for monetary damages. The Trustee may exercise all remedies available to the Corporation, and may take possession of the projects, or any portions thereof, and dispose of the Corporation's interest therein for the benefit of the owners of the outstanding certificates.

The State of Florida's governmental and business-type activities also have an unused line of credit in the amount of \$53,704,804 as of June 30, 2019.

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Changes in long-term liabilities for business-type activities and component units during the fiscal year ended June 30, 2019, are as follows (in thousands):

	Balance July 1, 2018	Restatement	Additions	Deletions	Balance June 30, 2019	Due Within One Year (Current)
Business-type Activities						
Bonds payable:						
Toll Facility Bonds	\$ 2,474,485	\$ —	\$ 611,070	\$ 400,485	\$ 2,685,070	\$ 138,575
Florida Hurricane Catastrophe Fund Bonds	2,700,000	—	—	500,000	2,200,000	550,000
	5,174,485	—	611,070	900,485	4,885,070	688,575
Unamortized bond premiums (discounts)	123,107	—	70,570	33,829	159,848	—
Total bonds payable	5,297,592	—	681,640	934,314	5,044,918	688,575
Accrued prize liability	420,611	—	5,722,804	5,714,982	428,433	190,301
Deposits	123,603	—	122,495	77,610	168,488	118,584
Compensated absences	23,669	—	12,314	11,849	24,134	6,670
Tuition and housing benefits payable	10,732,595	—	1,088,992	528,694	11,292,893	644,981
Installment purchases/capital leases	28,697	—	—	13,161	15,536	15,536
Claims payable	1,896,663	—	3,950,000	2,396,531	3,450,132	3,450,132
Public-private partnership agreements ¹	217,682	—	—	2,441	215,241	1,647
Other postemployment benefits	199,176	—	3,081	5,335	196,922	3,593
Pension liability	135,524	—	3,407	1,403	137,528	1,101
Other liabilities	897	—	276	—	1,173	—
Total Business-type Activities	\$ 19,076,709	\$ —	\$ 11,585,009	\$ 9,686,320	\$ 20,975,398	\$ 5,121,120

¹Public-private partnerships are included in the Installment purchases/capital leases lines of the Proprietary Funds Statement of Net Position.

As of June 30, 2019, the Florida Hurricane Catastrophe Fund's outstanding debt was secured with collateral of \$2.2 billion. This debt contains provisions that, in an event of default, the Trustee may, and upon written request of the holders of a majority of the aggregate principal amount of all outstanding parity obligations shall, declare the principal of all outstanding parity obligations to be due and payable immediately.

	Balance July 1, 2018	Restatement	Additions	Deletions	Balance June 30, 2019	Due Within One Year (Current)
Component Units						
Bonds payable	\$ 6,147,076	\$ (610,652)	\$ 191,017	\$ 283,273	\$ 5,444,168	\$ 631,892
Bonds from direct borrowings and direct placements ¹	—	610,652	152,262	134,832	628,082	31,562
Deposits	1,149,319	—	946,702	903,579	1,192,442	916,955
Compensated absences	719,477	—	106,518	93,717	732,278	87,207
Installment purchases/capital leases	82,732	(9,545)	17,537	11,566	79,158	10,420
Claims payable	1,164,378	—	67,920	51,291	1,181,007	34,692
Certificates of participation payable	818,255	(150,810)	50,481	144,857	573,069	16,155
Due to other governments/primary	811,325	—	—	21,119	790,206	52,184
Other postemployment benefits	2,963,726	—	498,623	533,155	2,929,194	48,975
Pension liability	3,489,575	—	1,351,541	1,241,973	3,599,143	24,937
Asset retirement obligations	—	—	9,482	—	9,482	—
Other liabilities	787,418	(182,546)	525,124	418,618	711,378	137,733
Notes from direct borrowings and direct placements - Excludes Bonds ¹	—	342,901	90,924	54,484	379,341	32,146
Total Component Units	\$ 18,133,281	\$ —	\$ 4,008,131	\$ 3,892,464	\$ 18,248,948	\$ 2,024,858

¹Direct borrowings and direct placements have been separately identified due to the implementation of GASB Statement No. 88.

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The University of Florida Shands Teaching Hospital and Clinic's outstanding \$180.4 million direct placement bonds provide that the principal of all outstanding direct placement bonds may be accelerated upon an event of default.

The University of South Florida's outstanding \$252.0 million certificates of participation, including \$114.4 million direct placements, provide that the outstanding principal may be accelerated upon an event of default.

The University of Central Florida Foundation, Inc.'s outstanding \$73.6 million long-term debt from direct placements are secured with collateral of capital assets used in operations and provide that in an event of default, all outstanding amounts may be accelerated.

The State's component units also have unused lines of credit of \$66,198,411 as of June 30, 2019.

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NOTE 11 - INTERFUND BALANCES AND TRANSFERS

At June 30, 2019, amounts to be received or paid with current available resources are reported as due from or due to other funds, whereas the noncurrent portion is reported as advances to or advances from other funds. Interfund balances at June 30, 2019, consist of the following (in thousands):

Due to Other Funds (in thousands)	Due from Other Funds (in thousands)				
	Governmental Activities				
	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation
Governmental Activities					
General Fund	\$ —	\$ 24,779	\$ 490	\$ 151,740	\$ 10,723
Natural Resources, Environment, and Growth Management	7,192	—	—	989	16,354
Public Education	140	—	—	2,820	—
Health and Family Services	11,879	5	16	—	—
Transportation	5,690	2,225	—	86	—
Nonmajor Governmental Funds	65,054	2,445	20,994	31,539	56,635
Internal Service Funds	259	—	—	—	2
Business-type Activities					
Transportation	124	—	—	—	96,895
Lottery	37	—	75,454	—	—
Hurricane Catastrophe Fund	—	—	—	—	—
Prepaid College Program	—	—	—	—	—
Reemployment Assistance	91	—	—	—	—
Nonmajor Enterprise Funds	7,618	—	—	219	—
Fiduciary Funds					
Private-purpose Trust Funds	158	19	939	—	—
Pension and Other Employee Benefits Trust Funds	18	—	—	—	—
Agency Funds	68,923	—	904	2,284	9,235
Investment Trust Funds	—	—	—	—	—
Total	\$ 167,183	\$ 29,473	\$ 98,797	\$ 189,677	\$ 189,844

(Continued Below)

Due to Other Funds (in thousands)	Due from Other Funds (in thousands)	
	Governmental Activities	
	Nonmajor Governmental Funds	Internal Service Funds
Governmental Activities		
General Fund	\$ 92,135	\$ 3,617
Natural Resources, Environment, and Growth Management	963	506
Public Education	282	283
Health and Family Services	10,449	3,076
Transportation	26,772	4,319
Nonmajor Governmental Funds	11,474	2,159
Internal Service Funds	6	178
Business-type Activities		
Transportation	—	—
Lottery	7	44
Hurricane Catastrophe Fund	—	—
Prepaid College Program	—	—
Reemployment Assistance	885	—
Nonmajor Enterprise Funds	615	613
Fiduciary Funds		
Private-purpose Trust Funds	429	3
Pension and Other Employee Benefits Trust Funds	—	91
Agency Funds	1,963	—
Investment Trust Funds	—	—
Total	\$ 145,980	\$ 14,889

(Continued next page)

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Due to Other Funds (in thousands)	Due from Other Funds (in thousands)			
	Business-type Activities			Nonmajor Enterprise Funds
	Transportation	Prepaid College Program	Reemployment Assistance	
Governmental Activities				
General Fund	\$ —	\$ —	\$ 223	\$ 4,571
Natural Resources, Environment, and Growth Management	—	—	6	—
Public Education	—	—	8	—
Health and Family Services	—	—	147	15
Transportation	266	—	14	34
Nonmajor Governmental Funds	—	—	57	21
Internal Service Funds	—	—	6	—
Business-type Activities				
Transportation	—	—	—	—
Lottery	—	—	3	3
Hurricane Catastrophe Fund	—	—	—	283
Prepaid College Program	—	—	—	1
Reemployment Assistance	—	—	—	—
Nonmajor Enterprise Funds	—	—	20	—
Fiduciary Funds				
Private-purpose Trust Funds	—	3,156	—	7
Pension and Other Employee Benefits Trust Funds	—	—	2	7,768
Agency Funds	124,471	—	2	33
Investment Trust Funds	—	—	—	94
Total	\$ 124,737	\$ 3,156	\$ 488	\$ 12,830

(Continued below)

Due to Other Funds (in thousands)	Due from Other Funds (in thousands)			
	Fiduciary Funds			Total
	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Agency Funds	
Governmental Activities				
General Fund	\$ —	\$ 1,018	\$ 123,015	\$ 412,311
Natural Resources, Environment, and Growth Management	—	16	—	26,026
Public Education	134	—	1	3,668
Health and Family Services	—	—	38	25,625
Transportation	—	—	9,404	48,810
Nonmajor Governmental Funds	—	—	150	190,528
Internal Service Funds	—	3,351	21,419	25,221
Business-type Activities				
Transportation	—	—	—	97,019
Lottery	—	—	—	75,548
Hurricane Catastrophe Fund	—	—	—	283
Prepaid College Program	3,973	—	—	3,974
Reemployment Assistance	—	—	90	1,066
Nonmajor Enterprise Funds	—	—	—	9,085
Fiduciary Funds				
Private-purpose Trust Funds	—	—	—	4,711
Pension and Other Employee Benefits Trust Funds	—	60,436	—	68,315
Agency Funds	—	—	—	207,815
Investment Trust Funds	—	—	—	94
Total	\$ 4,107	\$ 64,821	\$ 154,117	\$ 1,200,099

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Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands)	
	Governmental Activities	
	General Fund	Transportation
Governmental Activities		
Public Education	\$ —	\$ —
Nonmajor Governmental Funds	625	73
Internal Service Funds	500	—
Business-type Activities		
Transportation	—	90,706
Total	\$ 1,125	\$ 90,779

(Continued below)

Advances from Other Funds (in thousands)	Advances to Other Funds (in thousands)	
	Fiduciary Funds	
	Private-purpose Trust Funds	Total
Governmental Activities		
Public Education	\$ 972,968	\$ 972,968
Nonmajor	—	698
Internal Service Funds	—	500
Business-type Activities		
Transportation	—	90,706
Total	\$ 972,968	\$ 1,064,872

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During the course of operations, there are numerous transactions between funds within the state. Interfund transfers during the fiscal year are as follows (in thousands):

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)				
	Governmental Activities				
	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation
Governmental Activities					
General Fund	\$ —	\$ 968,705	\$ —	\$ 1,564,358	\$ 319,275
Natural Resources, Environment, and Growth Management	132,875	—	—	4,715	—
Public Education	51,300	—	—	12,421	—
Health and Family Services	53,684	—	209,411	—	—
Transportation	68,740	21,689	—	342	—
Nonmajor Governmental Funds	401,711	64,973	335,465	50,355	1,391,127
Internal Service Funds	8,524	221	—	121	258
Business-type Activities					
Transportation	—	—	—	—	50,103
Lottery	1	—	1,927,054	—	—
Hurricane Catastrophe Fund	—	—	—	—	—
Reemployment Assistance	20	—	—	—	—
Nonmajor Enterprise Funds	108,403	—	—	4,713	—
Fiduciary Funds					
Private-purpose Trust Funds	13	—	20	265	—
Pension and Other Employee Benefits Trust Funds	2,455	—	—	—	—
Total	\$ 827,726	\$ 1,055,588	\$ 2,471,950	\$ 1,637,290	\$ 1,760,763

(Continued below)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)	
	Governmental Activities	
	Nonmajor Governmental Funds	Internal Service Funds
Governmental Activities		
General Fund	\$ 850,629	\$ 1,884
Natural Resources, Environment, and Growth Management	173,076	—
Public Education	1,208,348	—
Health and Family Services	155,311	—
Transportation	522,929	—
Nonmajor Governmental Funds	318,112	448
Internal Service Funds	8,480	—
Business-type Activities		
Transportation	—	—
Lottery	142	—
Hurricane Catastrophe Fund	13,500	—
Reemployment Assistance	11,679	—
Nonmajor Enterprise Funds	18,035	—
Fiduciary Funds		
Private-purpose Trust Funds	3,322	—
Pension and Other Employee Benefits Trust Funds	90	23,170
Total	\$ 3,283,653	\$ 25,502

(Continued next page)

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Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)			
	Business-type Activities			
	Transportation	Lottery	Reemployment Assistance	Nonmajor Enterprise Funds
Governmental Activities				
General Fund	\$ —	\$ —	\$ 1,233	\$ 3,228
Natural Resources, Environment, and Growth Management	—	—	47	—
Public Education	—	—	16	—
Health and Family Services	—	—	720	769
Transportation	85,675	—	66	—
Nonmajor Governmental Funds	—	—	338	3,161
Internal Service Funds	—	—	22	49
Business-type Activities				
Transportation	—	—	—	—
Lottery	—	—	3	—
Hurricane Catastrophe Fund	—	—	—	—
Reemployment Assistance	—	—	—	—
Nonmajor Enterprise Funds	—	—	118	—
Fiduciary Funds				
Private-purpose Trust Funds	—	—	—	—
Pension and Other Employee Benefits Trust Funds	—	—	2	18,495
Total	\$ 85,675	\$ —	\$ 2,565	\$ 25,702

(Continued below)

Transfers to Other Funds (in thousands)	Transfers from Other Funds (in thousands)			
	Fiduciary Funds			
	Private-purpose Trust Funds	Pension and Other Employee Benefits Trust Funds	Investment Trust Funds	Total
Governmental Activities				
General Fund	\$ 1,625	\$ 15,058	\$ —	\$ 3,725,995
Natural Resources, Environment, and Growth Management	—	—	—	310,713
Public Education	135	—	—	1,272,220
Health and Family Services	—	—	—	419,895
Transportation	—	—	—	699,441
Nonmajor Governmental Funds	—	—	—	2,565,690
Internal Service Funds	—	722	—	18,397
Business-type Activities				
Transportation	—	—	—	50,103
Lottery	—	—	—	1,927,200
Hurricane Catastrophe Fund	—	—	—	13,500
Reemployment Assistance	—	—	—	11,699
Nonmajor Enterprise Funds	—	—	—	131,269
Fiduciary Funds				
Private-purpose Trust Funds	—	—	—	3,620
Pension and Other Employee Benefits Trust Funds	—	648,672	—	692,884
Total	\$ 1,760	\$ 664,452	\$ —	\$ 11,842,626

NOTE 12 - RISK MANAGEMENT

A. State Risk Management Trust Fund

The State Risk Management Trust Fund (Fund) provides property insurance coverage for state buildings and contents against loss from fire, lightning, sinkholes, flood, and other hazards customarily insured by extended coverage. The property insurance program has a self-insured retention of \$2 million per occurrence for losses arising from all perils listed above except named windstorm and flood. The property insurance program also has a self-insured retention of \$2 million per occurrence for losses arising from named windstorm and flood, but with an additional annual aggregate self-insured retention of \$40 million. Commercial reinsurance is purchased for losses over the self-insured retention up to \$68.5 million per occurrence for named windstorm and flood losses through February 15, 2020, and \$225 million per occurrence for covered perils other than named wind and flood.

The Fund's estimated liability for unpaid property insurance claims at the fiscal year-end is determined by an actuarial method and includes an amount for losses incurred but not yet reported. The amount paid for property claim losses did not exceed the self-insured retentions for the last two fiscal years. Changes in the Fund's property insurance claims liability amount for the fiscal years ended June 30, 2018, and June 30, 2019, were as follows (in thousands):

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-end
June 30, 2018	\$ 1,235	\$ 785	\$ (940)	\$ 1,080
June 30, 2019	\$ 1,080	\$ 519	\$ (511)	\$ 1,088

The estimated liability for unpaid property insurance claims for the fiscal year ended June 30, 2019, does not include outstanding property claim loss payments resulting from Hurricane Irma that struck Florida in September of 2017 or outstanding property claim loss payments resulting from Hurricane Michael that struck Florida in October of 2018. Estimated unpaid loss payments for Hurricane Irma and Hurricane Michael total \$16.5 million.

The Fund also provides casualty insurance coverage for the risks of loss related to federal civil rights and employment actions, workers' compensation, court-awarded attorney fees, automobile liability, and general liability. The state is self-insured for all claims associated with liability risks and in-state workers' compensation coverage. The state purchases an insurance policy for out-of-state workers' compensation coverage.

The estimated liability for unpaid casualty insurance claims at June 30, 2019, was \$1.15 billion. This amount was determined through an actuarial method based on historical paid and incurred losses and includes an amount for losses incurred but not yet reported. In addition, this amount includes the present value of workers' compensation indemnity claims liability of \$252.5 million, discounted using a 4 percent annual percentage rate per Section 625.091, Florida Statutes. The undiscounted workers' compensation indemnity claims liability is \$352.6 million.

Changes in the Fund's casualty insurance claims liability for the fiscal years ended June 30, 2018, and June 30, 2019, were as follows (in thousands):

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-end
June 30, 2018	\$ 1,139,604	\$ 138,379	\$ (134,532)	\$ 1,143,451
June 30, 2019	\$ 1,143,451	\$ 134,258	\$ (130,233)	\$ 1,147,476

Actual current year claims and changes in estimate for casualty lines of coverage for the fiscal year ended June 30, 2019, decreased by \$4.1 million as compared to the previous fiscal year.

B. Employee and Retiree Health Insurance Funds

Employees and retirees may obtain health care services through participation in the state's group health insurance plan or through membership in a health maintenance organization plan under contract with the state. The state's risk financing activities associated with state group health insurance, such as the risks of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund, an internal service fund. It is the practice of the state not to purchase commercial coverage for the risks of losses covered by this program.

The program's estimated fiscal year-end liability includes an amount for claims that have been incurred but not reported, which is based on analyses of historical data performed by both the state and its contractors. Changes in claims liability amounts for the fiscal years ended June 30, 2018, and June 30, 2019, were as follows (in thousands):

Fiscal Year Ended	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimate	Claim Payments	Balance at Fiscal Year-end
June 30, 2018	\$ 171,010	\$ 1,946,441	\$ (1,950,153)	\$ 167,298
June 30, 2019	\$ 167,298	\$ 2,118,454	\$ (2,088,265)	\$ 197,487

During the year, for program operations, both employee and retiree participation in the state group health insurance program are accounted for in the State Employees Group Health Insurance Trust Fund. Retiree participation in the program is considered an Other Postemployment Benefit (OPEB) for purposes of this report. See Note 6, Section B regarding OPEB for additional information. Asset and liability balances related to retiree participation in the program as of June 30, 2019, were transferred from the State Employees Group Health Insurance Trust Fund and reported in Other Agency Funds in accordance with the requirements of GASB Codification Section P53, *Reporting Assets Accumulated for Defined Postemployment Benefits Other Than Pensions not Provided Through Trusts that Meet Specified Criteria*.

NOTE 13 - FLORIDA PREPAID COLLEGE PROGRAM

The Stanley G. Tate Florida Prepaid College Program (Program) was created in 1987 to provide a medium through which the costs of tuition, tuition differential fee, local fees, and dormitory residence may be paid in advance of enrollment in a state postsecondary institution at a rate lower than the projected corresponding cost at the time of actual enrollment. The Florida Prepaid College Board (Board) administers the Program, and the State of Florida guarantees the obligations of the Board to qualified beneficiaries if moneys in the Program are insufficient. The Program is accounted for in an enterprise fund. An actuarial study is performed to determine the Program's funding status. The actuarial present value of future contract benefits reflects the present value of estimated future contract benefits and expenses and is adjusted for the effects of projected tuition and fees increases, dormitory housing fees increases, and termination of contracts. Additional information as of June 30, 2019, is as follows:

Actuarial present value of future contract benefits and expenses payable	\$ 11,292,893,208
Net position available (net of outstanding refund payments and unrealized gain/loss on securities lending portfolio)	\$ 14,990,000,000
Net position as a percentage of future contract benefits and expenses obligation	132.7%

NOTE 14 -INSURANCE ENTERPRISES

The State of Florida has established multiple enterprises that provide insurance, reinsurance, and guarantee services. The primary risk exposures to the state relate to catastrophic hurricane losses, access to liquidity from credit markets, and ultimate dependence on public assessments.

A. FLORIDA HURRICANE CATASTROPHE FUND

The Florida Hurricane Catastrophe Fund (FHCF) was created in 1993 by the Florida Legislature, as a state fund administered by the State Board of Administration (SBA) to provide a source of reimbursement to most residential property insurers for catastrophic hurricane losses, thereby creating additional insurance capacity. Most admitted residential property insurers writing FHCF covered policies are required to purchase reimbursement coverage with the FHCF.

The reimbursement coverage covers a portion of hurricane losses in excess of an insurer's share of an industry wide retention, up to the lesser of either the statutory limit or the actual claims-paying capacity of the FHCF. For the contract year ended May 31, 2019, the industry retention for determining each insurer's retention was \$7.255 billion per hurricane for the two hurricanes with the largest losses and \$2.418 billion for each additional hurricane in the contract year. The aggregate coverage capacity for the contract year (in excess of retention) was \$17.0 billion. The statute requires that an actuarially indicated formula developed by an independent actuary be used to calculate the reimbursement premiums collected for the coverage.

The SBA is required to contract with each insurer writing covered policies in the state to reimburse the insurer for a specified percentage of losses from covered events in excess of the insurer's retention. The total obligation of the SBA with respect to all contracts covering a particular contract year is statutorily capped at the "actual claims-paying capacity" of the FHCF, defined by law as the sum of the balance of the fund as of December 31 of the contract year, plus any reinsurance purchased by the fund, plus the amount the SBA is able to raise through the issuance of post-event revenue bonds. This amount is determined by the FHCF based on reports of its financial advisors and bond underwriters and is reviewed by the FHCF Advisory Council. The FHCF has a fiscal year end of June 30 and its reimbursement contracts expire on May 31. As of June 30, 2019, the FHCF had a net position of \$10.29 billion, including the net position of the State Board of Administration Finance Corporation.

If available resources and pre-catastrophe debenture financing are not adequate to satisfy reimbursement claims, the State Board of Administration Finance Corporation may issue revenue bonds secured by emergency assessments. The SBA has the sole authority to direct the Florida Office of Insurance Regulation to levy assessments on most property and casualty insurance policy premiums on behalf of the FHCF. Aggregate assessments may not exceed 10% and assessments in relation to losses in one contract year may not exceed 6%. This assessment authority is neither related to nor restricted by the assessments levied by either Citizens Property Insurance Corporation (Citizens), a discretely presented component unit, or the Florida Insurance Guaranty Association, Inc. (FIGA). As of June 30, 2019, the FHCF is not levying assessments.

Hurricane losses represent the estimated ultimate cost of all reported and unreported claims during the year that exceed the participating insurers' individual company retention levels. The estimates for current year and prior year losses are continually reviewed and adjusted as experience develops or new information becomes known and such adjustments are included in current operations. During the 2018 hurricane season, the State of Florida experienced Hurricane Michael, which made landfall at Mexico Beach, Florida, as a major Category 5 storm on October 10, 2018. As of June 30, 2019, the estimated ultimate loss to the FHCF for this hurricane was \$1.45 billion. Hurricane Irma, which occurred during the 2017 hurricane season, had an estimated ultimate loss to the FHCF of \$2.50 billion as of June 30, 2018. Due to increased loss development, Hurricane Irma's estimated ultimate loss to the FHCF as of June 30, 2019 was increased to a total of \$5.00 billion, an additional \$2.50 billion increase for fiscal year ended June 30, 2019.

In April 2013, pre-event Series 2013A Revenue Bonds were issued in the amount of \$2.0 billion to maximize the ability of the FHCF to meet future obligations. The proceeds from these bonds may be used to pay for losses incurred from future covered events. Investment earnings on these funds, as well as reimbursement premiums, if necessary, are used to pay the debt service requirements of these bonds. The remaining amount due at maturity and the maturity date for these bonds is \$1.0 billion on July 1, 2020.

In March 2016, pre-event Series 2016A Revenue Bonds were issued in the amount of \$1.2 billion to provide funds, together with other available funds, to maximize the ability of the FHCF to meet future obligations. The proceeds from these bonds may be used to pay for losses incurred from future covered events. Investment earnings on these funds, as well as reimbursement

premiums, if necessary, are used to pay the debt service requirements of these bonds. The amounts due at maturity and the maturity dates for these bonds will be \$550 million on July 1, 2019, and \$650 million on July 1, 2021.

In addition to the issuance of bonds, the FHCF purchased aggregate excess catastrophe reinsurance providing coverage to the FHCF for 92% of \$1.0 billion of losses in excess of \$10.5 billion of losses, effective June 1, 2019 through May 31, 2020; and \$1.0 billion of losses in excess of \$10.5 billion of losses, effective June 1, 2018 through May 31, 2019.

B. CITIZENS PROPERTY INSURANCE CORPORATION

Citizens Property Insurance Corporation (Citizens) was established on August 1, 2002, pursuant to Section 627.351(6), Florida Statutes (the Act), to provide certain residential and non-residential property insurance coverage to qualified risks in the State of Florida under circumstances specified in the Act. This legislation was enacted such that property insurance be provided through Citizens to applicants who are in good faith entitled to procure insurance through the voluntary market but are unable to do so. Citizens results from a combination of the Florida Residential Property and Casualty Joint Underwriting Association (the FRPCJUA) and the Florida Windstorm Underwriting Association (the FWUA). The FRPCJUA was renamed Citizens and the FWUA's rights, obligations, assets, liabilities and all insurance policies were transferred to Citizens. Unlike private insurers offering coverage through the admitted market, Citizens is not required to obtain or to hold a certificate of authority issued by the Florida Department of Financial Services, Office of Insurance Regulation (the Office). Likewise, Citizens is not subject to Risk-Based Capital (RBC) requirements or required to have a pledged deposit on file with the State of Florida. For purposes of its tax-exempt status, Citizens is considered a political subdivision and an integral part of the State of Florida. As such, Citizens' operations may be affected by the legislative process.

Citizens operates pursuant to a Plan of Operation (the Plan), under the Act, approved by the Financial Services Commission (the Commission) of the State of Florida. The Commission is composed of the Governor, the Chief Financial Officer, the Attorney General and the Commissioner of Agriculture of the State of Florida.

Citizens is supervised by a Board of Governors (the Board) which consists of nine individuals who reside in the State of Florida. The Governor appoints three members, and the Chief Financial Officer, the President of the Senate and the Speaker of the House of Representatives each appoint two members of the Board. At least one of the two members appointed by each appointing officer must have a demonstrated expertise in the insurance industry. The Chief Financial Officer designates one of the appointees as the Board's chair. All Board members serve at the pleasure of their appointing officers.

Citizens' President and Chief Executive Officer (Executive Director) and senior managers are engaged by and serve at the pleasure of the Board. The Executive Director is subject to confirmation by the Florida Senate.

Pursuant to the Act, all revenues, expenses, assets and liabilities of Citizens shall remain divided into three separate accounts: the Personal Lines Account, the Commercial Lines Account and the Coastal Account (collectively, the Accounts). A brief history of each account follows:

Personal Lines Account History - The FRPCJUA began operations on January 21, 1993, after Hurricane Andrew, pursuant to Section 627.351(6), F.S., to provide certain residential property insurance coverage to qualified risks in the State of Florida for applicants who were in good faith entitled to procure insurance through the private market but were unable to do so. Residential property coverage consists of the types of coverage provided to homeowners, mobile homeowners, tenants, condominium unit owners, and similar policies. The policies provide coverage for all perils covered under a standard residential policy, subject to certain underwriting requirements. Such policies may exclude windstorm coverage on property within eligible areas. This portion of the FRPCJUA's activities became the Personal Lines Account (PLA) under Citizens.

Commercial Lines Account History - The Florida Property and Casualty Joint Underwriting Association (FPCJUA) was activated in early 1994 to provide commercial residential coverage (i.e., coverage for condominium associations, apartment buildings and homeowner associations) to organizations unable to obtain such coverage from a private insurer. During 1995, legislation was enacted to transfer all obligations, rights, assets, and liabilities related to commercial residential coverage from the FPCJUA to the FRPCJUA. The legislation required that the premiums, losses, assets and liabilities be accounted for separately from the FRPCJUA's personal residential business. This portion of the FRPCJUA's activities became the Commercial Lines Account (CLA) under Citizens. In 2006, the FPCJUA was re-activated to provide commercial non-residential wind-only coverage. In 2007, legislation was enacted which resulted in the transfer and assumption of the FPCJUA's commercial non-residential policies by Citizens. These policies were added to the CLA.

Coastal Account History - The FWUA, which was a residual market mechanism for windstorm and hail coverage in select areas of the State of Florida, was created by an act of the Florida Legislature in 1970 pursuant to Section 627.351(2), Florida Statutes. FWUA was a Florida unincorporated association, the members of which were all property insurance companies holding a certificate of authority to provide property insurance coverage in the State of Florida. FWUA provided policies of windstorm insurance for property owners within the eligible areas who were unable to obtain such coverage from private insurers. Insured properties include personal residential, commercial residential and commercial non-residential properties. This portion of the FWUA's activities became the High-Risk Account under Citizens. In 2007, Citizens received authority to issue multi-peril policies in the High-Risk Account. Pursuant to legislative changes during 2011, the High-Risk Account was renamed the Coastal Account.

ASSESSMENTS

Citizens' enabling legislation and the Plan establish a process by which Citizens is required to levy assessments to recover deficits incurred in a given plan year for any of its three accounts. Deficits are calculated separately, and assessments are levied separately, for each of the three accounts. The Plan provides for deficits to be determined in accordance with standards promulgated by the Governmental Accounting Standards Board, adjusted for certain items.

In the event of a Plan Year Deficit in any Account, Citizens must first levy an assessment against the premium of each Citizens policyholder (the Citizens Policyholder Surcharge) in each of Citizens' Accounts, as a uniform percentage of the premium of the policy of up to 15% of such premium. Citizens Policyholder Surcharges are not subject to commissions, fees, or premium taxes; however, failure to pay a Citizens Policyholder Surcharge will be treated as failure to pay premiums.

If the Citizens Policyholder Surcharge is insufficient to eliminate a deficit in the Coastal Account, Citizens would then levy a Regular Assessment on assessable insurers, as defined in Section 627.351(6), F.S. The assessment is based upon each assessable insurer's share of direct written premium for the Subject Lines of Business in the State of Florida for the calendar year preceding the year in which the deficit occurred, and is applied as a uniform percentage of up to 2% of subject premiums. The Regular Assessment is not available for deficits within the PLA or CLA.

If the deficit in any year in any account is greater than the amount that may be recovered through Citizens' Policyholder Surcharges and Regular Assessments, Citizens is required to levy any remaining Plan Year Deficit as an Emergency Assessment. An Emergency Assessment is to be collected by all assessable insurers, Surplus Lines Agents, and Citizens from policyholders upon the issuance or renewal of policies for Subject Lines of Business for as many years as necessary to cover the Plan Year Deficit in the account.

The primary difference between the assessment base for Regular Assessments and Emergency Assessments is the inclusion of Citizens' direct written premium in the assessment base for Emergency Assessments, in addition to the Regular Assessment being limited to the Coastal account only.

For purposes of Regular Assessments and Emergency Assessments, the "Subject Lines of Business" are all lines of property and casualty insurance, including automobile lines, but excluding accident and health, workers' compensation, and medical malpractice insurance, and also excluding insurance under the National Flood and Federal Crop insurance programs.

In November 2012, Citizens received notice of an assessment from FIGA totaling \$27.8 million. Amounts recouped from policyholders relating to this assessment were \$154 thousand and \$1.1 million during 2018 and 2017, respectively. As of December 31, 2017, Citizens reported an over-collection in the amount of \$152 thousand within other current liabilities on the statements of net position. Citizens discontinued collections effective March 1, 2018 and settled the net over-collection in May 2018 with FIGA pursuant to Section 631.57(3)(f), Florida Statutes, and filed a final reconciliation with the Office.

Effective March 5, 2015, the 2005 Emergency Assessment was terminated for all policies with effective dates on or after July 1, 2015. The 2005 Emergency Assessment was anticipated to be collected over a ten year period commencing July 1, 2007. As of December 31, 2018 and 2017, collections in excess of the Emergency Assessment were \$141.7 million and \$143.6 million, respectively. These balances are reported as the reserve for future assessments on the accompanying statements of net position until such time as the Board approves a change to direct these excess collections to be used for any lawful purpose available within the Plan.

C. FLORIDA INSURANCE GUARANTY ASSOCIATION, INC.

The Florida Insurance Guaranty Association, Inc. (FIGA), a not-for-profit corporation, was established by the Florida Legislature through the Florida Insurance Guaranty Association Act of 1970 (the Act). FIGA was created to provide a mechanism for the payment of covered claims of insolvent insurers and to assist in the detection and prevention of insurers' insolvencies. FIGA operates under the supervision and approval of a board of directors, comprised of five to nine persons, recommended by the member insurers pursuant to Section 631.56, F.S., and subsequently appointed by the Department of Financial Services.

The members of FIGA are all insurers that hold a certificate of authority to provide property and casualty coverage in the State of Florida.

The funding of FIGA's activities is provided by distributions from the estates of insolvent insurers and assessments of members. The assessments are calculated and, as considered necessary, levied against member insurers on the basis of net direct written premiums in the State of Florida in the classes protected by the Act. FIGA obtains the amount of the net direct written premiums, by company and by class of protection, to use as the basis for assessment calculations. The maximum regular assessment rate is 2%. In addition to the regular assessment, during 2006, the Florida Legislature granted FIGA the authority to levy an emergency assessment up to an additional 2% of net direct written premiums for the account specified in Section 631.55(2)(b), F.S., to pay covered claims of insurers rendered insolvent by the effects of a hurricane. Also in 2006, FIGA was granted the authority to work with an affected municipality, county, or financing conduit organization under Chapter 163, F.S., to issue tax-exempt bonds should the funding need arise for the account specified in Section 631.55(2)(b), F.S. As of June 30, 2019, FIGA has not needed to utilize this bonding authority and no tax-exempt bonds have been issued.

D. FLORIDA WORKERS' COMPENSATION INSURANCE GUARANTY ASSOCIATION, INC.

The Florida Workers' Compensation Insurance Guaranty Association, Inc. (FWCIGA), a not-for-profit corporation, was established by the Florida Legislature in 1997 as a merger of the workers' compensation account of the Florida Insurance Guaranty Association, Inc., and the Florida Self-Insurance Fund Guaranty Association. FWCIGA was created to provide a mechanism for the payment of covered claims of insolvent workers' compensation insurers and to assist in the detection and prevention of insurers' insolvencies. FWCIGA operates under the supervision and approval of a board of directors, comprised of eleven persons. Eight directors are recommended by member insurers pursuant to Section 631.912, F.S., and subsequently appointed by the Florida Department of Financial Services. The remaining three directors are the Florida Insurance Consumer Advocate, designee of the state's Chief Financial Officer, and one person with commercial insurance experience appointed by the Governor.

The members of FWCIGA are all insurers that hold a certificate of authority to provide workers' compensation coverage in the State of Florida.

The funding of FWCIGA's activities is provided by distributions from the estates of insolvent insurers and assessments of members. The assessments are calculated and, as considered necessary, levied against member insurers on the basis of workers' compensation net direct written premiums in the State of Florida without taking into account any applicable discounts or credits for deductibles. FWCIGA obtains the amount of the net direct written premiums, by company, to use as the basis for assessment calculations. The maximum assessment rate is 2% for insurance companies and self-insurance funds. In addition to the regular assessment, the Florida Legislature granted FWCIGA the authority to levy an up to an additional 1.5% of net direct written premiums if the 2% assessment is insufficient to make payments for the calendar year.

NOTE 15 - CONTINGENCIES**A. Federal Family Education Loan Program**

The Florida Department of Education (FDOE) administers the Federal Family Education Loan Program (FFELP), 20 USC s. 1071 et. seq. The primary purpose is to guarantee the repayment of principal and accrued interest of eligible student loans made by participating lenders under the FFELP.

The Higher Education Amendments of 1998 (the Amendments) were enacted on October 7, 1998, with a retroactive date of October 1, 1998, for most provisions. The Amendments changed the financial and reporting structure of guaranty agencies. Pursuant to the amendments, the FDOE established a Federal Student Loan Reserve Fund (Federal Fund) and a Guaranty Agency Operating Fund, as required, to account for the FFELP activities, 20 USC s. 1072a and s. 1072b.

The regulations for administering the program are found in Title 34 of the Code of Federal Regulations, Part 682. Student loans are issued by participating financial institutions to eligible students and their parents under FFELP. If a student loan guaranteed by FDOE defaults, the Federal Fund pays the lender for the defaulted student loan. The United States Department of Education (USDOE) is the program's reinsurer. Reinsurance amounts received from the USDOE to replenish the Federal Fund are currently 100%. Once the loan has defaulted, the FDOE begins collection activities with the borrower.

The passage of the Health Care and Education Reconciliation Act of 2010 ended the guarantor portion of the program after June 30, 2010. FDOE still maintains administrative and collection activities for the loans guaranteed by FDOE prior to July 1, 2010, as required by FFELP. The Federal Fund is used to account for assets held by FDOE as an agent for the Federal government and therefore is custodial in nature and is the property of USDOE. At June 30, 2019, approximately \$278 million of Program loans were still outstanding from loans that had been made prior to the Program ending on June 30, 2010. The amount of potential liability to the federal fund is indeterminable.

B. Federally Assisted Grant Programs

Medicaid Program - The United States Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) is requesting state reimbursement of amounts determined unallowable under the Florida Medicaid Reform Section 1115 Demonstration Waiver Special Terms and Conditions for state fiscal years ended June 30, 2006, through June 30, 2014. The CMS alleged the State of Florida submitted Low Income Pool (LIP) cost limit reconciliations showing LIP payments in excess of allowable costs for LIP providers. The disallowance notice was issued on September 28, 2016, and the Agency for Health Care Administration (AHCA) filed its Request for Reconsideration with the CMS on November 21, 2016. On January 19, 2017, AHCA's Request for Reconsideration was denied by CMS. AHCA has filed an appeal with the Department Appeals Board (DAB). At this time, the briefing has concluded and a decision is expected to be issued. If AHCA is ultimately unsuccessful in its challenges, it may be required to return \$97,570,183 to the Federal Government.

Medicaid Program - CMS is requesting state reimbursement of the federal share paid for claimed Medicaid expenditures associated with LIP payments made under Florida's Medicaid Reform Section 1115 Demonstration covering the period from July 1, 2006, through June 30, 2009. The disallowance notices were issued on September 28, 2016, and AHCA filed its Request for Reconsideration with the CMS on November 21, 2016. On January 19, 2017, AHCA's Request for Reconsideration was denied by CMS. AHCA has filed an appeal with the DAB. At this time the briefing has concluded, and a decision is expected to be issued. If AHCA is ultimately unsuccessful in its challenges, it may be required to return \$63,233,036 to the Federal Government.

Medicaid Program - On July 29, 2016, AHCA posted amended outpatient Medicaid rates for state fiscal year 2016-2017 to its website. Those Medicaid reimbursement rate change forms were dated July 29, 2016 ("July 29 Rate Letters"). The Public Health Trust of Miami-Dade County, Florida filed its Petition for Formal Administrative Determination of Invalidity of Agency Statements and Existing Rule 59G-6.030 on October 31, 2016. The petition was then consolidated with other petitions that challenged the same issue. Petitioners alleged the July 29 Rate Letters and the methodology by which AHCA used to calculate the outpatient Medicaid rates are statements that constitute an unadopted rule. On February 13, 2017, the Division of Administrative Hearings (DOAH) issued an Order Extending Stay of Unadopted Rule Challenge and Rescheduling Final Hearing in Existing Rule Challenge. On February 23, 2017, the final hearing was held at DOAH. The Petitioners were unsuccessful and the Agency prevailed. The hospitals filed an appeal. The appeal has concluded and the Court entered an Order in favor of the Hospitals. At this time the Agency is attempting to calculate the impact of this challenge which could result in a net fiscal impact in excess of \$25 million.

Medicaid Program - This is a statewide class action lawsuit filed in 2005 related to children's access to medical and dental services. After a protracted trial, the court issued findings of fact and conclusions of law in 2014 that were unfavorable to the AHCA, without regard to the fact that in the meantime Florida's Medicaid program had been entirely transformed by the implementation of Statewide Medicaid Managed Care. In 2015, the State entered into a settlement agreement with the Plaintiffs requiring ongoing meetings and performance measures over the next four years. The measures reached in 2019 will determine whether the case will conclude or potentially go back to trial. If certain measurements are not met, the State may be required to seek an appropriation from the legislature in order to pay all pediatric physicians 100 percent of the Medicare rate. Depending on the outcome of the ongoing settlement negotiations, the cost of this case could reasonably exceed \$25 million going forward.

C. Other

Disability Rights Florida Inc. v. Julie Jones, Secretary, Florida Department of Corrections, Case No. 3:18-cv-179-J-25JRK (U.S. District Court, Middle District of Florida) - Plaintiffs alleged that the Florida Department of Corrections (DOC) denied mental health care to mentally ill inmates confined in the inpatient mental health units, in violation of the Eighth Amendment of the U.S. Constitution, Title II of the Americans with Disabilities Act, and the Rehabilitation Act. In February 2018, the Court approved a consent decree under which DOC agreed to implement widespread changes to its psychiatric treatment system. Potential costs to implement this agreement exceed \$115 million.

Inpatient/Outpatient hospital rate challenges - Approximately 60 petitioner hospitals challenged Notice of Agency Action letters issued by the AHCA in February 2015 regarding inpatient and outpatient hospital rates. The hospitals filed petitions with the Agency Clerk, which were forwarded to the Division of Administrative Hearings. By mutual agreement between AHCA and the petitioners, the cases were relinquished back to AHCA in March 2015 for settlement negotiations, which continue. Approximately half of these petitions have been resolved by final order. An adjustment to inpatient and outpatient reimbursement rates could result in a net fiscal impact exceeding \$25 million.

NOTE 16 - LITIGATION

Due to its size and broad range of activities, the State is involved in various, though sometimes routine, legal actions. The following are the significant loss contingencies associated with legal proceedings:

- A. Florida Department of Agriculture and Consumer Services, et al., v. Dolliver, et al., Case No. SC19-2047 (Fla. Supreme Court); Florida Department of Agriculture and Consumer Services, et al., v. Dellaselsa, et al., Case No. 2D18-1393 (Fla. 1st DCA); Dellaselsa, et al., v. Florida Department of Agriculture and Consumer Services, et al., Case No. 03-CA-1947 (20th Cir. Lee County); Ayers, et al., v. Florida Department of Agriculture and Consumer Services, Case No. 05-CA-4120 (9th Cir. Orange County); In re Citrus Canker Litigation, Case No. 03-8255 CA 13 (11th Cir. Miami-Dade County)**

Plaintiffs in these actions are homeowners seeking compensation for the removal of their canker-exposed citrus trees by the Florida Department of Agriculture and Consumer Services (DACS) after January 1, 2000.

Dellaselsa (styled Dolliver in the Supreme Court), Case No. 03-CA-1947, concerns homeowners in Lee County. Plaintiffs were awarded judgments of \$13,625,249 for compensation and \$892,886 in attorneys' fees and costs, plus interest. The 2017 Florida Legislature appropriated \$16,475,800 for these judgments, but the Governor vetoed the appropriation and no such appropriation was made in either 2018 or 2019. The trial court issued a writ of mandamus ordering the DACS to pay the judgments, with interest. The Second District Court of Appeal affirmed the writ. The Department's appeal to the Florida Supreme Court is currently pending.

Ayers, Case No. 05-CA-4120, concerns homeowners in Orange County. Plaintiffs were awarded judgments of \$31,534,722 for compensation, and \$770,813 for attorneys' fees and costs, plus interest. These judgments remain unpaid, while accruing post-judgment interest.

In re Citrus Canker Litigation, Case No. 03-8255 CA 13, concerns homeowners in Miami-Dade County. The Court found no liability on behalf of the DACS. Plaintiffs' appeal is pending.

- B. McLane Suneast, Inc. v. Florida Department of Business and Professional Regulation, Case No. 14-CA-372 (9th Cir., Osceola County)**

McLane Suneast, Inc., a major distributor of tobacco products including cigars, cigarettes, and smokeless tobacco, alleged that the State's taxes and surcharges of cigarettes and other tobacco products, including those established by the "Protecting Florida's Health Act" (Chapter 2009-79, Laws of Florida), violate the Commerce Clause and the Equal Protection Clause of the U. S. Constitution, as well as the Due Process Clause and Equal Rights Clause of the Florida Constitution, by taxing different kinds of tobacco products disparately, without taxing or levying surcharges upon cigars. Plaintiff sought declaratory and monetary relief, including a refund of all cigarette and other tobacco taxes and surcharges paid to the Department of Business and Professional Regulation since July 1, 2009, the total amount of which exceeded \$5.5 billion by the beginning of 2019. The Department settled the case in May 2019 as part of a comprehensive settlement involving numerous, unrelated refund claims by Plaintiff, including those based on *Micjo v. Florida Department of Business and Professional Regulation*, 78 So. 3d 124 (Fla. 2nd DCA 2012), previously estimated at \$49 million. The parties settled the case and all unrelated claims for \$42.5 million total, after which Plaintiff dismissed the case in August 2019.

- C. Hoffer, et al., v. Secretary, Florida Department of Corrections, Case No. 19-11921 (U.S. Court of Appeals, 11th Cir.); Hoffer, et al., v. Secretary, Department of Corrections, Case No. 4:17-cv-214-MW-CAS (U.S. District Court, Northern District of Florida)**

Plaintiffs allege that the Florida Department of Corrections (DOC) failed to provide proper medical treatment to inmates with chronic Hepatitis C, thus violating the Eighth Amendment of the U.S. Constitution, Title II of the Americans with Disabilities Act, and the Rehabilitation Act. In November 2017, the Court certified the class and in December 2017 issued a preliminary injunction ordering DOC to provide certain treatment. On April 18, 2019, the U.S. District Court issued a final order requiring DOC to treat all inmates with Hepatitis C and, among other requirements, to improve its identification of people with the disease. DOC's appeal of the order is pending. The claim potentially represents future costs exceeding \$46 million for testing, treatment and staffing.

- D. Geffin, et al., v. DeSantis, et al., Case No. SC20-27 (Fla. Supreme Court); DeSantis, et al., v. Geffin, et al., Case No. 1D19-928 (Fla. 1st DCA); Geffin, et al., v. DeSantis, et al., No. 2017-CA-1364 (2nd Cir. Leon County) and Villacorta, et al., v. DeSantis, et al., No. 2017-CA-1526 (2nd Cir. Leon County).** These two cases have been consolidated under Case No. 2017-CA-1364.

Plaintiffs allege that the State of Florida Governor, Board of Governors, Board of Education, Department of Education, and Commissioner of Education are liable for failure to match private donations to public colleges, universities, and their students pursuant to four statutory programs. Plaintiffs allege breach and impairment of contract and seek declaratory relief and damages of over \$1 billion. The First District Court of Appeal reversed the trial court's denial of Defendants' motions to dismiss on sovereign immunity grounds. Plaintiffs are currently seeking discretionary review by the Florida Supreme Court.

- E. Florida Education Association, et al., v. Department of Education, et al., Case No. 4-17-cv-414-RH/CAS (U.S. District Court, Northern District of Florida)**

Plaintiffs, including the Florida Education Association and seven individual teachers, sought to maintain a class action against the Department of Education (DOE) and certain school districts. Plaintiffs allege violations of Title VII of the Civil Rights Act and the Florida Civil Rights Act based on claims of racial and age discrimination related to the application of the Best and Brightest Teacher Scholarship Program. The parties reached a settlement for which the 2019 Florida Legislature appropriated \$15.5 million and the Court has issued preliminary approval.

- F. UMB Bank, National Association, v. Florida Department of Transportation, Case No. 2018-CA-2677 (2d Cir., Leon County)**

Plaintiff, as successor trustee of the bonds sold to fund construction of the Garcon Point Bridge, filed suit against the Florida Department of Transportation (DOT), which insures, operates, and maintains the bridge pursuant to a Lease Purchase Agreement with the Santa Rosa Bay Bridge Authority. Plaintiff alleges that a toll increase is necessary to facilitate debt service and seeks damages of \$75 million for failing to increase tolls when initially requested by Plaintiff. In December 2019, the trial court granted Plaintiff's motion for summary judgment as to DOT's counterclaim and ordered DOT to implement the toll recommendations of its independent traffic consultant. The case remains open as to Plaintiff's claims for damages and attorneys' fees.

NOTE 17 - DEFICIT FUND BALANCE AND NET POSITION

A. Governmental Funds

The *Public Education Fund* has a deficit unassigned fund balance of approximately \$821.1 million. The deficit is primarily the result of establishing an advance (long-term liability) on potential future claims by the Department of Financial Services' *Unclaimed Property Trust Fund*. The Department of Financial Services pays claims as they are due from current remittances. If sufficient funds are not available to pay claims, requests are made by the Department of Financial Services to the Department of Education to return the amount of funds necessary to pay claims or funds are borrowed from the Department of Financial Services' *Trust Funds Control Fund* and repaid prior to year-end.

B. Proprietary Funds

The Lottery has a deficit unrestricted net position of approximately \$53.2 million. This deficit is a result of certain liabilities being recorded for reporting purposes only and being excluded from the calculation of transfers to the *Educational Enhancement Trust Fund*. This deficit does not affect the Lottery's ability to pay prizes or to provide services.

The Internal Service Fund, *Data Centers*, has a deficit net position of approximately \$15.6 million. This deficit is primarily due to long-term obligations, consisting mainly of a compensated absences liability and an accrual of pension and other post-employment benefit (OPEB) liabilities. The compensated absences liability will be liquidated on a pay-as-you-go basis. The pension and OPEB liabilities do not require cash flows and have no effect on the ability to provide services.

The Internal Service Fund, *Other*, has a deficit net position of approximately \$98.9 million. This deficit is primarily due to long-term obligations, consisting mainly of a compensated absences liability and an accrual of pension and OPEB liabilities. The compensated absences liability will be liquidated on a pay-as-you-go basis. The pension and OPEB liabilities do not require cash flows and have no effect on the ability to provide services.

C. Component Units

The Component Units, *Florida Colleges* and *Other State Universities*, have deficit unrestricted net positions of approximately \$358.4 million and \$448.0 million, respectively. Those deficits are primarily due to long-term obligations, consisting mainly of a compensated absences liability and an accrual of pension and OPEB liabilities. The compensated absences liability will be liquidated on a pay-as-you-go basis. The pension and OPEB liabilities do not require cash flows and have no effect on the ability to provide services.

NOTE 18 - SUBSEQUENT EVENTS

A. Bonds

The following bonds for governmental activities and business-type activities of the primary government were issued or sold subsequent to June 30, 2019:

Agency/Bond	Series	Amount	Matures	Interest Rate
Governmental Activities:				
Board of Governors, Florida International University Parking Facility Revenue Refunding Bonds	2019A	\$ 19,805,000	07/01/2020-07/01/2039	4.000% - 5.000%
Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds	2019 Series B	\$ 135,465,000	06/01/2020-06/01/2039	4.000% - 5.000%
Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds	2019 Series C	\$ 234,155,000	06/01/2020-06/01/2039	3.000% - 5.000%
Full Faith and Credit, Department of Transportation, Right-of-Way Acquisition and Bridge Construction Bonds	2019B	\$ 184,500,000	07/01/2020-07/01/2049	3.000% - 5.000%
Department of Environmental Protection, Everglades Restoration Revenue Refunding Bonds	2019B	\$ 42,220,000	07/01/2020-07/01/2027	5.000% - 5.000%
Full Faith and Credit, State Board of Education, Public Education Capital Outlay Refunding Bonds	2019 Series D	\$ 168,825,000	06/01/2020-06/01/2039	3.000% - 5.000%
Inland Protection Financing Corporation Revenue Refunding Bonds	2019A	\$ 24,820,000	07/01/2020-07/01/2024	5.000% - 5.000%
Department of Transportation, Federal Highway Reimbursement Revenue Bonds (Indirect GARVEEs)	2019A	\$ 123,225,000	07/01/2020-07/01/2031	5.000% - 5.000%
Full Faith and Credit, State Board of Education, Capital Outlay Refunding Bonds	2020 Series A	\$ 20,530,000	01/01/2021-01/01/2030	5.000% - 5.000%
Board of Governors, University of Central Florida Parking Facility Revenue Refunding Bonds	2019A	\$ 6,120,000	07/01/2020-07/01/2029	5.000% - 5.000%
Florida Water Pollution Control Financing Corporation Water Pollution Control Revenue Refunding Bonds	2019A	\$ 214,220,000	01/15/2021-01/15/2030	1.850%-2.600%
Board of Governors Florida Agricultural and Mechanical University Dormitory Revenue Bonds	2019A	\$ 17,929,622	07/01/2031-01/01/2039	1.788%-2.123%
Business-type Activities:				
Department of Transportation, Turnpike Revenue Bonds	2019B	\$ 177,930,000	07/01/2020-07/01/2049	1.110% - 3.000%

CASH DEFEASANCE OF DEBT:

Agency/Bond/Series	Defeasance Date	Amount	Matures	Interest Rate
Governmental Activities:				
Board of Governors, University of Central Florida Student Health Center Revenue Bonds, Series 2004A	9/25/2019	\$ 2,685,000	07/01/2020-07/01/2024	4.750%-5.000%

B. Prepaid College Program

In January 2020, the Florida Prepaid College Board lowered Florida Prepaid College Program prices by \$1.3 billion for 224,000 existing customers who purchased prepaid college plans since 2008 due to successive years of lower than anticipated tuition and fee increases. As a result of the lower prices, the Board will provide refunds exceeding \$500 million to existing customers.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

2019 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)**

	General Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2018	\$ 4,444,689	\$ 4,444,689	\$ 4,444,689	\$ —
Reversions	80,319	80,319	80,319	—
Fund Balances, July 1, 2018, restated	4,525,008	4,525,008	4,525,008	—
REVENUES				
Fees and charges	1,277,961	1,314,661	1,342,502	27,841
Licenses	963,753	909,454	531,013	(378,441)
Taxes	35,849,670	36,442,320	37,852,700	1,410,380
Miscellaneous	399	399	1,348	949
Interest	261,637	192,837	165,388	(27,449)
Grants	25,023	25,023	18,431	(6,592)
Refunds	10,139	10,139	338,515	328,376
Transfers and distributions	3,296,150	3,463,550	3,407,822	(55,728)
Other	380,103	412,803	480,511	67,708
Total Revenues	42,064,835	42,771,186	44,138,230	1,367,044
Total Available Resources	46,589,843	47,296,194	48,663,238	1,367,044
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	3,862,852	4,077,535	4,010,718	66,817
Other personal services	58,706	69,737	66,359	3,378
Expenses	356,567	391,506	380,289	11,217
Grants and aids	15,408,936	15,395,083	15,331,912	63,171
Operating capital outlay	13,599	15,975	14,745	1,230
Food products	67,583	66,630	66,458	172
Fixed capital outlay	294,105	294,105	294,105	—
Lump sum	413,271	14,085	14,085	—
Special categories	12,563,657	13,105,499	12,787,988	317,511
Financial assistance payments	349,568	349,568	346,446	3,122
Continuing appropriations	—	508,812	508,812	—
Grants/aids to local governments	175,782	175,782	175,782	—
Data processing services	57,053	56,688	51,226	5,462
Pensions and benefits	17,293	17,293	16,132	1,161
Total Operating Expenditures	33,638,972	34,538,298	34,065,057	473,241
Nonoperating expenditures:				
Transfers	5,936,465	5,936,465	5,936,465	—
Refunds	400,650	400,650	400,650	—
Other	2,540,588	2,540,588	2,540,588	—
Total Nonoperating Expenditures	8,877,703	8,877,703	8,877,703	—
Total Expenditures	42,516,675	43,416,001	42,942,760	473,241
Fund Balances, June 30, 2019	\$ 4,073,168	\$ 3,880,193	\$ 5,720,478	\$ 1,840,285

The notes to required supplementary information are an integral part of this schedule.

2019 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)**

	Natural Resources, Environment, and Growth Management			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2018	\$ 2,078,261	\$ 2,078,261	\$ 2,078,261	\$ —
Reversions	2,294	2,294	2,294	—
Fund Balances, July 1, 2018, restated	2,080,555	2,080,555	2,080,555	—
REVENUES				
Fees and charges	126,637	200,366	158,635	(41,731)
Licenses	44,824	52,859	53,840	981
Taxes	5,448	313,500	328,271	14,771
Miscellaneous	151	530	488	(42)
Interest	27,711	52,492	32,124	(20,368)
Grants	286,400	254,940	244,085	(10,855)
Refunds	2,658	3,895	4,266	371
Bond proceeds	177	—	—	—
Transfers and distributions	1,639,683	1,619,279	1,698,430	79,151
Other	130,294	26,930	148,760	121,830
Total Revenues	2,263,983	2,524,791	2,668,899	144,108
Total Available Resources	4,344,538	4,605,346	4,749,454	144,108
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	343,457	357,529	344,299	13,230
Other personal services	25,984	26,254	23,694	2,560
Expenses	59,763	59,469	57,102	2,367
Grants and aids	14,818	14,818	14,818	—
Operating capital outlay	2,177	2,077	1,938	139
Fixed capital outlay	458,213	458,213	458,213	—
Lump sum	500	—	—	—
Special categories	308,897	323,098	288,496	34,602
Grants/aids to local governments	591,683	591,683	591,683	—
Data processing services	911	891	890	1
Total Operating Expenditures	1,806,403	1,834,032	1,781,133	52,899
Nonoperating expenditures:				
Transfers	400,275	400,275	400,275	—
Refunds	22,391	22,391	22,391	—
Other	362,368	362,368	362,368	—
Total Nonoperating Expenditures	785,034	785,034	785,034	—
Total Expenditures	2,591,437	2,619,066	2,566,167	52,899
Fund Balances, June 30, 2019	\$ 1,753,101	\$ 1,986,280	\$ 2,183,287	\$ 197,007

The notes to required supplementary information are an integral part of this schedule.

2019 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)**

	Public Education			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2018	\$ 984,231	\$ 984,231	\$ 984,231	\$ —
Reversions	45,863	45,863	45,863	—
Fund Balances, July 1, 2018, restated	1,030,094	1,030,094	1,030,094	—
REVENUES				
Fees and charges	73,905	60,425	60,427	2
Licenses	1,221	1,229	1,229	—
Taxes	814,479	645,568	642,121	(3,447)
Miscellaneous	603	9	7	(2)
Interest	32,663	48,877	45,312	(3,565)
Grants	2,353,255	2,379,954	2,382,451	2,497
Refunds	1,872	3,404	2,980	(424)
Bond proceeds	—	125,046	125,046	—
Transfers and distributions	2,973,706	3,213,459	3,213,459	—
Other	146,484	192,757	228,696	35,939
Total Revenues	6,398,188	6,670,728	6,701,728	31,000
Total Available Resources	7,428,282	7,700,822	7,731,822	31,000
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	38,108	38,493	33,009	5,484
Other personal services	1,088	1,089	357	732
Expenses	8,250	8,000	4,485	3,515
Grants and aids	3,440,187	3,440,187	3,440,187	—
Operating capital outlay	701	701	40	661
Fixed capital outlay	1,802,260	1,802,260	1,802,260	—
Special categories	1,112,637	1,196,921	1,196,921	—
Financial assistance payments	70,199	70,199	70,073	126
Payments to U.S. Treasury	970	121	121	—
Data processing services	10,364	10,394	9,078	1,316
Total Operating Expenditures	6,484,764	6,568,365	6,556,531	11,834
Nonoperating expenditures:				
Transfers	305,524	305,524	305,524	—
Refunds	335	335	335	—
Other	6,481	6,481	6,481	—
Total Nonoperating Expenditures	312,340	312,340	312,340	—
Total Expenditures	6,797,104	6,880,705	6,868,871	11,834
Fund Balances, June 30, 2019	\$ 631,178	\$ 820,117	\$ 862,951	\$ 42,834

The notes to required supplementary information are an integral part of this schedule.

2019 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)**

	Health and Family Services			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2018	\$ 1,775,872	\$ 1,775,872	\$ 1,775,872	\$ —
Reversions	460,487	460,487	460,487	—
Fund Balances, July 1, 2018, restated	2,236,359	2,236,359	2,236,359	—
REVENUES				
Fees and charges	1,840,327	1,864,115	1,400,395	(463,720)
Licenses	23,441	23,341	21,918	(1,423)
Taxes	626,895	626,895	679,163	52,268
Interest	1,496	16,963	2,660	(14,303)
Grants	19,599,399	19,048,933	19,048,933	—
Refunds	2,202,746	2,237,213	2,281,921	44,708
Bond proceeds	361	6	—	(6)
Transfers and distributions	2,235,111	2,588,439	2,716,521	128,082
Other	38,512	40,443	68,427	27,984
Total Revenues	26,568,288	26,446,348	26,219,938	(226,410)
Total Available Resources	28,804,647	28,682,707	28,456,297	(226,410)
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	1,313,791	1,325,010	1,210,665	114,345
Other personal services	119,999	123,593	102,974	20,619
Expenses	292,318	290,393	231,865	58,528
Grants and aids	104,890	104,890	95,255	9,635
Operating capital outlay	16,459	17,871	12,005	5,866
Food products	1,110	1,110	911	199
Fixed capital outlay	6,968	6,968	6,968	—
Lump sum	16,223	—	—	—
Special categories	24,249,125	23,661,633	23,496,858	164,775
Financial assistance payments	58,876	57,395	17,023	40,372
Grants/aids to local governments	2,392	2,392	2,392	—
Data processing services	19,828	22,170	22,170	—
Claim bills and relief acts	4,525	4,525	4,525	—
Total Operating Expenditures	26,206,504	25,617,950	25,203,611	414,339
Nonoperating expenditures:				
Continuing appropriations	42,881	42,881	42,881	—
Transfers	1,461,912	1,461,912	1,461,912	—
Refunds	27,964	27,964	27,964	—
Other	328,728	328,728	328,728	—
Total Nonoperating Expenditures	1,861,485	1,861,485	1,861,485	—
Total Expenditures	28,067,989	27,479,435	27,065,096	414,339
Fund Balances, June 30, 2019	\$ 736,658	\$ 1,203,272	\$ 1,391,201	\$ 187,929

The notes to required supplementary information are an integral part of this schedule.

2019 STATE OF FLORIDA CAFR

**BUDGETARY COMPARISON SCHEDULES
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)**

	Transportation			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Fund Balances, July 1, 2018	\$ 365,691	\$ 365,691	\$ 365,691	\$ —
Reversions	2,502	2,502	2,502	—
Fund Balances, July 1, 2018, restated	368,193	368,193	368,193	—
REVENUES				
Fees and charges	178,678	165,000	178,678	13,678
Taxes	2,974,360	2,781,800	2,974,361	192,561
Miscellaneous	76,934	—	—	—
Interest	2,036	2,036	1,864	(172)
Grants	—	—	2	2
Refunds	17,786	—	17,819	17,819
Bond proceeds	324,396	324,395	264,100	(60,295)
Transfers and distributions	386,072	386,072	367,987	(18,085)
Other	19,100	21,051	21,083	32
Total Revenues	3,979,362	3,680,354	3,825,894	145,540
Total Available Resources	4,347,555	4,048,547	4,194,087	145,540
EXPENDITURES				
Operating expenditures:				
Salaries and benefits	4,225	4,269	3,908	361
Other personal services	18	18	6	12
Expenses	771	769	752	17
Operating capital outlay	5	5	4	1
Fixed capital outlay	343,932	343,932	343,932	—
Special categories	61,876	61,869	61,489	380
Total Operating Expenditures	410,827	410,862	410,091	771
Nonoperating expenditures:				
Transfers	342,262	342,262	342,262	—
Refunds	56,338	56,338	56,338	—
Other	3,098,779	3,098,779	3,098,779	—
Total Nonoperating Expenditures	3,497,379	3,497,379	3,497,379	—
Total Expenditures	3,908,206	3,908,241	3,907,470	771
Fund Balances, June 30, 2019	\$ 439,349	\$ 140,306	\$ 286,617	\$ 146,311

The notes to required supplementary information are an integral part of this schedule.

2019 STATE OF FLORIDA CAFR

**BUDGET TO GAAP RECONCILIATION
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019
(in thousands)**

	General Fund	Natural Resources, Environment, and Growth Management	Public Education	Health and Family Services	Transportation
Budgetary basis fund balances	\$ 5,720,478	\$ 2,183,287	\$ 862,951	\$ 1,391,201	\$ 286,617
Items not included in budgetary basis fund balances:					
Security lending investments within the State Treasury	772,394	64,236	43,400	3,305	83,200
Fair value adjustments to investments within the State Treasury	127,587	14,183	9,582	730	18,370
Special investments within the State Treasury	20,242	—	—	32,657	—
Non-State Treasury cash and investments	1,097,580	2,606	2	19,198	1,254,539
Adjustment for State Transportation Trust Fund elimination	—	—	—	—	524,760
Adjusted budgetary basis fund balances	7,738,281	2,264,312	915,935	1,447,091	2,167,486
Adjustments (basis differences):					
Net receivables/(payables) not carried forward	1,058,216	1,676,878	(93,317)	1,042,614	(193,279)
Net deferred outflows/(inflows) of resources	(138,656)	(914)	—	(804,627)	(284,705)
Inventories, prepaid items and deferred charges	10,931	767	—	36,787	7,234
Encumbrances	153,035	27,047	101,750	90,805	45,844
GAAP basis fund balances	\$ 8,821,807	\$ 3,968,090	\$ 924,368	\$ 1,812,670	\$ 1,742,580

The notes to required supplementary information are an integral part of this schedule.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

Budget Process

Chapter 216, Florida Statutes (F.S.), promulgates the process used to develop the budget for the State of Florida. Each year, the head of each state agency and the Chief Justice of the Supreme Court for the Judicial Branch submit a final annual legislative budget request to the Governor and Legislature by October 15 as required in Section 216.023(1), F.S. Then, at least 30 days before the scheduled annual legislative session in each year, the Governor, as Chief Budget Officer, submits his recommended budget to each legislator.

The Governor also provides estimates of revenues sufficient to fund the recommended appropriations. Revenue estimates for the General Fund and selected trust funds are made by the Revenue Estimating Conference. This group includes members of the Executive and Legislative branches with forecasting experience who develop official information regarding anticipated state and local government revenues as needed for the state budgeting process. Revenue estimates for trust funds not projected by the Revenue Estimating Conference (consisting mainly of special revenue funds) are provided by state agencies. These estimates may be revised during the course of the Legislature's consideration and adoption of a final budget. These estimates, together with known available cash balances, are further considered by the Governor and the Chief Justice of the Florida Supreme Court during the preparation of annual release (spending) plans. Further adjustments to the original budget's trust fund revenue estimates may be made to conform agency revenue estimates to actual and projected revenue streams.

The Governor's recommended budget is considered and amended by the Legislature and a final appropriations bill is then approved by the Legislature (subject to the line-item veto power of the Governor and override authority of the Legislature); this bill then becomes the General Appropriations Act. The Governor and the Chief Justice of the Supreme Court may, under certain conditions and subject to the review and objection procedures set forth in Section 216.177, F.S., establish appropriations and corresponding releases for amounts not appropriated by the Legislature to agencies and the Judicial Branch, respectively. This includes appropriations for non-operating disbursements, such as the purchase of investments and the transfer of money between state funds.

If circumstances warrant, the head of a department or the Chief Justice of the Supreme Court may transfer appropriations (other than fixed capital outlay appropriations) but only to the extent of 5 percent of the original appropriation or \$250,000, whichever is greater, or within certain programs and between identical funding sources and specific appropriation categories. Transfers of general revenue appropriations in excess of 5 percent or \$250,000, whichever is greater, or for fixed capital outlay, or for transfers of general revenue appropriations not allowed within the departments' program flexibility may be approved by the Legislative Budget Commission. The Governor and the Chief Justice of the Supreme Court may approve changes of expenditure authority within any trust fund for agencies and the Judicial Branch, respectively, if the changes are less than \$1 million. The Legislative Budget Commission may approve trust fund changes in excess of \$1 million. At the end of the fiscal year, any balance of an operating appropriation which has not been disbursed but is expended (recorded as a payable) or contracted to be expended (recorded as a reserve for encumbrances in governmental fund types), may be carried forward into the next fiscal year. If these appropriations, however, have not been disbursed by September 30 they will revert pursuant to Section 216.301(1), F.S.

The Chief Financial Officer approves disbursements in accordance with legislative authorizations. The budget is controlled at the account code level, which is defined as an appropriation category (e.g., salaries and benefits), and funded within a budget entity. The Governor and the Chief Financial Officer are responsible for detecting conditions which could lead to a deficit in any agency's funds and reporting that fact to the Legislative Budget Commission and the Chief Justice of the Supreme Court. The Constitution of the State, Article VII, Section 1(d), states, "Provision shall be made by law for raising sufficient revenue to defray the expenses of the state for each fiscal period."

Budgetary Basis of Accounting

The budgetary basis of accounting required by state law differs materially from the basis used to report revenues and expenditures in accordance with generally accepted accounting principles (GAAP). Appropriations are made from funds that are prescribed by law. These legal basis fund types (known as state funds) are the General Revenue Fund, numerous trust funds, and the Budget Stabilization Fund. Certain moneys maintained outside of the State Treasury, known as local funds, are available to agencies for their operations. Because the funds are located in banks outside of the State Treasury, budgetary authority and the disbursement of these funds are not controlled by the Chief Financial Officer. For example, the State Board of Administration operates from such funds.

The state presents budgetary comparison schedules for the General Fund and major special revenue funds as part of the other required supplementary information. In addition, budgetary comparison schedules for non-major special revenue funds which have legally adopted annual budgets are presented with other combining and individual fund statements and schedules.

Budgetary basis revenues are essentially reported on a cash basis and include amounts classified by GAAP as other financing sources. Budgetary basis expenditures include disbursements, except those for prior year carry/certified forwards, plus current year payables and encumbrances which are carried/certified forward into the next fiscal year. They also include amounts classified by GAAP as other financing uses. State law requires prior year payables and encumbrances not carried/certified forward to be paid from the current year budget. The Lump Sum expenditure category presented in the budgetary comparison schedules is used as a budgetary tool to track moneys appropriated to a particular fund until subsequent allocations are made to other expenditure categories.

The presentation of budgetary comparison information for the major governmental fund for transportation excludes the State Transportation Trust Fund within the Department of Transportation because it accounts for projects of a multi-year nature, and comparison of actual annual expenditures to a multi-year appropriated amount is not meaningful. Appropriations are made in total the first year of a project even though they are released and expended over the period of construction for a project. For the fiscal year ended June 30, 2019, State Transportation Trust fund revenues and expenditures totaled \$2.61 billion and \$7.08 billion, respectively, with \$4.49 billion of net other financing sources.

Budget to GAAP Reconciliation

The budgetary comparison schedules for the General Fund and the major special revenue funds present comparisons of the original budget and final budget with actual revenues and expenditures on a budgetary basis. A budget to GAAP reconciliation is presented following the budgetary comparison schedules because accounting principles for budgetary basis differ significantly from those used to present financial statements in conformity with GAAP.

2019 STATE OF FLORIDA CAFR

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***
(in thousands)

	2014	2015	2016	2017	2018
Proportion of the net pension liability	17.802202632%	17.961696240%	18.150587866%	17.591496280%	17.733845390%
Proportionate share of the net pension liability	\$ 1,086,196	\$ 2,319,994	\$ 4,583,038	\$ 5,203,447	\$ 5,341,526
Covered-employee payroll	\$ 4,538,946	\$ 4,591,628	\$ 4,596,099	\$ 4,621,442	\$ 4,791,286
Proportionate share of the net pension liability as percentage of covered payroll	23.93%	50.53%	99.72%	112.59%	111.48%
Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%	84.26%

Notes to Schedule:

Changes in actuarial assumptions: The long-term expected rate of return was decreased from 7.10% to 7.00%.

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

**SCHEDULE OF STATE CONTRIBUTIONS TO PENSION PLAN
FLORIDA RETIREMENT SYSTEM
LAST 10 FISCAL YEARS***
(in thousands)

	2015	2016	2017	2018	2019
Statutorily required contributions	\$ 437,921	\$ 442,631	\$ 457,950	\$ 505,400	\$ 543,395
Contributions recognized by the plan	437,921	442,631	457,950	505,400	543,395
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 4,591,628	\$ 4,596,099	\$ 4,621,442	\$ 4,791,286	\$ 4,829,858
Contributions recognized by the plan as a percentage of covered payroll	9.54%	9.63%	9.91%	10.55%	11.25%

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

2019 STATE OF FLORIDA CAFR

OTHER REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS***
(in thousands)

	2014	2015	2016	2017	2018
Proportion of the net pension liability	15.286183318%	15.144426318%	14.878355474%	14.470956524%	14.641028104%
Proportionate share of the net pension liability	\$ 1,429,295	\$ 1,544,493	\$ 1,734,011	\$ 1,547,301	\$ 1,549,623
Covered-employee payroll	\$ 4,534,435	\$ 4,588,003	\$ 4,593,175	\$ 4,619,123	\$ 4,789,207
Proportionate share of the net pension liability as percentage of covered payroll	31.52%	33.66%	37.75%	33.50%	32.36%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%	1.64%	2.15%

Notes to Schedule:

Changes in actuarial assumptions: The municipal bond rate used to determine total pension liability was increased from 3.58% to 3.87%.

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

**SCHEDULE OF STATE CONTRIBUTIONS TO PENSION PLAN
RETIREE HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS***
(in thousands)

	2015	2016	2017	2018	2019
Statutorily required contributions	\$ 57,891	\$ 76,261	\$ 76,584	\$ 79,399	\$ 80,051
Contributions recognized by the plan	57,891	76,261	76,584	79,399	80,051
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 4,588,003	\$ 4,593,175	\$ 4,619,123	\$ 4,789,207	\$ 4,828,290
Contributions recognized by the plan as a percentage of covered payroll	1.26%	1.66%	1.66%	1.66%	1.66%

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

2019 STATE OF FLORIDA CAFR

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FLORIDA NATIONAL GUARD SUPPLEMENTAL RETIREMENT BENEFIT PLAN
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016	2017	2018	2019
<u>Total Pension liability</u>						
Service cost	\$ 5,979	\$ 7,161	\$ 9,044	\$ 12,904	\$ 9,925	\$ 11,581
Interest on total pension liability	18,852	19,164	19,259	19,100	21,080	28,506
Effect of plan changes	—	—	—	—	—	—
Effect of economic/demographic (gains) or losses	—	—	27,462	—	39,056	—
Effects of assumption changes or inputs	27,926	46,330	118,280	(95,586)	90,989	60,964
Benefit payments	(14,366)	(14,423)	(14,413)	(14,677)	(14,897)	(14,999)
Net changes in total pension liability	38,391	58,232	159,632	(78,259)	146,153	86,052
Total pension liability, beginning	408,292	446,683	504,915	664,547	586,288	732,441
Total pension liability, ending	<u>\$ 446,683</u>	<u>\$ 504,915</u>	<u>\$ 664,547</u>	<u>\$ 586,288</u>	<u>\$ 732,441</u>	<u>\$ 818,493</u>
<u>Fiduciary Net Position</u>						
Employer contributions	\$ 14,366	\$ 14,495	\$ 14,423	\$ 14,720	\$ 14,905	\$ 15,044
Member contributions	—	—	—	—	—	—
Investment income net of investment expenses	—	—	—	—	—	—
Benefit payments	(14,366)	(14,423)	(14,413)	(14,677)	(14,897)	(14,999)
Administrative expenses	—	(72)	(10)	(43)	(8)	(45)
Net change in fiduciary position	—	—	—	—	—	—
Fiduciary net position-beginning	—	—	—	—	—	—
Fiduciary net position-ending	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Net pension liability-ending	<u>\$ 446,683</u>	<u>\$ 504,915</u>	<u>\$ 664,547</u>	<u>\$ 586,288</u>	<u>\$ 732,441</u>	<u>\$ 818,493</u>
Fiduciary net position as a % of the total pension liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 466,939	\$ 476,278	\$ 477,549	\$ 487,100	\$ 485,666	\$ 495,379
Net pension liability as a % of covered-payroll	95.66%	106.01%	139.16%	120.36%	150.81%	165.23%

Notes to Schedule:

Changes of assumptions or input: The municipal bond rate used to determine total pension liability decreased from 3.87% to 3.50%.

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

SCHEDULE OF STATE CONTRIBUTIONS TO PENSION PLAN
FLORIDA NATIONAL GUARD SUPPLEMENTAL RETIREMENT BENEFIT PLAN
LAST 10 FISCAL YEARS*
(in thousands)

	2014	2015	2016	2017	2018	2019
Statutorily required State contribution	\$ 14,366	\$ 14,495	\$ 14,423	\$ 14,720	\$ 14,905	\$ 15,044
Contributions recognized by the plan	14,366	14,495	14,423	14,720	14,905	15,044
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	<u>\$ 466,939</u>	<u>\$ 476,278</u>	<u>\$ 477,549</u>	<u>\$ 487,100</u>	<u>\$ 485,666</u>	<u>\$ 495,379</u>
Contributions as a percentage of covered-employee payroll	3.08%	3.04%	3.02%	3.02%	3.07%	3.04%

* Fiscal year 2015 was the first year of GASB Statement No. 68 implementation; therefore, information was not available for a full 10-year presentation.

2019 STATE OF FLORIDA CAFR

OTHER REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN OTHER POSTEMPLOYMENT BENEFITS LIABILITY
LAST 10 FISCAL YEARS*
(in thousands)

	2017	2018
<u>Total OPEB Liability</u>		
Service cost	\$ 558,284	\$ 450,512
Interest	350,228	399,969
Changes of Benefit Terms	—	—
Difference between expected and actual experience	—	—
Changes of assumptions or other inputs	(1,746,361)	(931,395)
Benefit payments	(162,902)	(178,619)
Other changes	—	—
Net Changes in Total OPEB Liability	(1,000,751)	(259,533)
Total OPEB Liability - Beginning	11,811,836	10,811,085
Total OPEB Liability - Ending	<u>\$ 10,811,085</u>	<u>\$ 10,551,552</u>
Covered-employee payroll	\$ 7,847,743	\$ 8,527,828
Total OPEB liability as a percentage of covered-employee payroll	137.76%	123.73%

*Fiscal Year 2018 was the first year of GASB Statement No. 75 implementation; therefore, information was not available for a full 10-year presentation.

Note to Required Supplementary Information

The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB) does not have assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

Potential factors that may significantly decrease/increase State's total OPEB liability reported as of June 30, 2018, include discount rate, inflation rate, salary increases, payroll growth, healthcare inflation, retiree contribution increase rate, medical aging factors, healthcare participation, healthcare cost trends, mortality rates, and other demographic assumptions.

The discount rate changed from 3.58% for the opening balance as of June 30, 2017, to the discount rate of 3.87% as of June 30, 2018. This change resulted in a decrease in total OPEB liability.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

INFORMATION ABOUT INFRASTRUCTURE ASSETS
REPORTED USING THE MODIFIED APPROACH

Pursuant to GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, the state has adopted an alternative process to record depreciation expense on selected infrastructure assets. Under this alternative method, referred to as the modified approach, the state expenses certain maintenance and preservation costs and does not report depreciation expense. Assets accounted for under the modified approach include approximately 12,115 centerline miles of roads and 7,060 bridges that the state is responsible for maintaining.

In order to utilize the modified approach, the state is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure assets.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the state.
- Document that the assets are being preserved approximately at, or above, the established condition level.

Condition and Maintenance Programs

Resurfacing Program: Road pavements require periodic resurfacing. The frequency of resurfacing depends on the volume of traffic, type of traffic, pavement material variability, and weather conditions. Resurfacing preserves the structural integrity of highway pavements and includes pavement resurfacing, pavement rehabilitation, and minor reconstruction.

The Florida Department of Transportation (FDOT) conducts an annual Pavement Condition Survey. Pavements are rated on a scale of 0 to 10 (with 10 being the best) in each of three criteria: ride smoothness, pavement cracking, and wheel path rutting. Ride smoothness is what the motorist experiences. It directly affects motor vehicle operation costs. Pavement cracking refers to the structural deterioration of the pavement, which leads to loss of smoothness and deterioration of the road base by water seepage if not corrected. Wheel path rutting refers to depressions in pavement caused by heavy use. Ride smoothness and wheel path rutting are measured mechanically using lasers. Pavement cracking is determined through visual observation by experienced survey crews.

The condition rating scales were set by a statewide committee of pavement engineers, so that a pavement segment receiving a rating of six or less in any of the three rating criteria is designated a deficient pavement segment. In low-speed areas, the ride rating must drop to five or less before a pavement segment is considered deficient due to ride.

The FDOT standard is to ensure that 80% of the pavement on the State Highway System remains non-deficient.

Bridge Repair/Replacement Program: The FDOT Bridge Repair Program places primary emphasis on periodic maintenance and specified rehabilitation work activities on State Highway System bridge structures. The FDOT Bridge Replacement Program's primary focus is on the replacement of structurally deficient or weight restricted bridges on the State Highway System. In addition, the Bridge Replacement Program addresses bridges that require structural repair but which are more cost effective to replace.

The FDOT conducts bridge condition surveys using the National Bridge Inspection Standards to determine condition ratings. Each bridge is inspected at least once every two years. During the inspection process, the major components such as deck, superstructure, and substructure are assigned a condition rating. The condition rating ranges from 0 to 9. By FDOT policy, a rating of 8 to 9 is excellent. A rating of 6 to 7 is good. A rating of 5 indicates fair condition. A rating of 4 or less identifies bridges in poor condition requiring major repairs or replacement per FDOT policy. A rating of 2 indicates a critical bridge condition, and a rating of 1 indicates imminent bridge failure and is used for a bridge that is closed, but with corrective action may be put back into light service. A rating of 0 indicates that the bridge is out of service and beyond corrective action. Per FDOT policy, bridges rated fair or poor do not meet performance standards.

The FDOT standard is to ensure that 90% of all department maintained bridges do not need major repairs or replacement.

Routine Maintenance Program: The FDOT is responsible for managing and performing routine maintenance on the State Highway System to help preserve the condition of the system. Routine maintenance includes many activities, such as repairing

highways, keeping up roadsides, responding to emergencies, maintaining signs, striping roadways, and keeping storm drains clear and structurally sound.

The quality and effectiveness of the routine maintenance program is monitored by periodic surveys, using the Maintenance Rating Program (MRP), which results in an annual assessment. The MRP has been used since 1985 to evaluate routine maintenance of the transportation system in five broad categories or elements. The five rating elements are roadway, roadside, vegetation/aesthetics, traffic services, and drainage. The MRP provides a maintenance rating of 0 to 100 for each category and overall.

The FDOT standard is to achieve and maintain an overall maintenance rating of 80.

Condition Rating for the State Highway System

Percentage of pavement meeting FDOT standards

<u>2019</u>	<u>2018</u>	<u>2017</u>
87%	91%	92%

Percentage of bridges meeting FDOT standards

<u>2019</u>	<u>2018</u>	<u>2017</u>
95%	95%	96%

Maintenance Rating

<u>2019</u>	<u>2018</u>	<u>2017</u>
83	85	86

**Comparison of Needed-to-Actual Maintenance Preservation
(in millions)**

Resurfacing Program

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Needed \$	555.6	\$ 590.4	\$ 530.8	\$ 619.5	\$ 571.6
Actual	479.8	522.6	541.5	610.1	570.6

Bridge Repair/Replacement Program

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Needed \$	114.3	\$ 239.6	\$ 642.5	\$ 191.4	\$ 110.4
Actual	104.6	240.3	567.2	199.3	111.6

Routine Maintenance Program

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Needed \$	690.1	\$ 655.0	\$ 661.3	\$ 627.4	\$ 599.9
Actual	817.7	756.1	741.7	723.3	694.6

The FDOT determines its program needs based on a five-year plan. The needed amounts provided above are for estimated expenses and commitments relating to projects within the plan at the time of the budget request. The nature of a long-term plan is that it is continually changing. Projects are added, deleted, adjusted, or postponed. The differences between the needed and actual amounts above reflect these changes.

EXECUTION COPY

**SOUTH FLORIDA EVALUATION TREATMENT CENTER
FINANCING CORPORATION
(A NOT-FOR-PROFIT FLORIDA CORPORATION)**

**RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING THE
REFINANCING OF THE CORPORATION'S 2005 CERTIFICATES OF
PARTICIPATION THROUGH THE COMPETITIVE SALE AND ISSUANCE OF
REFUNDING CERTIFICATES OF PARTICIPATION; AUTHORIZING AND
APPROVING THE EXECUTION OF CERTAIN DOCUMENTS IN
CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE**

The undersigned, being all the board members (the "Board") of SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION (the "Corporation"), a Florida not-for-profit special purpose corporation, which acts as Lessor under the Lease-Purchase Agreement, dated as of October 1, 2006, with the State of Florida Department of Children and Families (the "Department") for financing the acquisition, construction, and equipping of a secure civil commitment facility do hereby adopt the following resolutions:

1. RESOLVED, the Board, in light of current market conditions and the need to coordinate the sale of the 2021A Certificates among various parties, desires to authorize the sale of the 2021A Certificates pursuant to a competitive sale through the Division of Bond Finance of the State Board of Administration (the "Division") and authorize distribution of preliminary and final Offering Statements in connection with the issuance of the 2021A Certificates.

AUTHORIZATION OF ISSUANCE AND SALE OF THE SERIES 2021A CERTIFICATES. The Board hereby authorizes and approves the refinancing of the Certificates of Participation, Series 2005, previously issued to finance the South Florida Evaluation Treatment Center Financing Corporation project (the "Project") leased by the Corporation to the Department, through the issuance and sale of Refunding Certificates of Participation evidencing fractional undivided interests of the owners thereof in Basic Rent Payments to be made by the Department (the "2021A Certificates") in an aggregate principal amount not to exceed \$15,500,000.

The Corporation shall, in consultation with the Division, sell the 2021A Certificates by competitive sale on the date and at the time to be provided for in a Notice of Certificate Sale (the "Notice of Certificate Sale") to be published and distributed for the Series 2021A Certificates. The Division is hereby authorized to publish the Notice of Certificate Sale and a form of a proposal for the sale of the 2021A Certificates (the "Bid

Form”). The Notice of Certificate Sale and the Bid Form shall be in such form as shall be determined by the Division, and shall contain such information as required by law.

The Authorized Representatives of the Corporation (as defined below) are hereby authorized and empowered to award the 2021A Certificates when offered, on determination of the best Bid, as defined in the Notice of Certificate Sale, submitted in accordance with the terms of such Notice of Certificate Sale provided for herein, and such award shall be final.

AUTHORIZATION OF EXECUTION AND DISTRIBUTION OF THE PRELIMINARY OFFERING STATEMENT AND FINAL OFFERING STATEMENT. The Board hereby approves and accepts the form of the preliminary Offering Statement (the “Preliminary Offering Statement”) relating to the 2021A Certificates in substantially the form attached hereto as EXHIBIT A, and authorizes the execution of the Preliminary Offering Statement in substantially the form attached hereto, with such insertions, filling in of blanks, changes or deletions as may be approved by one or more of the President, the Secretary, any Vice President or any Assistant Secretary of the Corporation (the “Authorized Representatives”), with the execution or the acceptance thereof by an Authorized Representative being conclusive evidence of the Corporation’s approval of the final form of thereof with such insertions, filling in of blanks, changes or deletions.

The Board hereby authorizes and ratifies the use and distribution of said Preliminary Offering Statement in connection with the sale and issuance of the 2021A Certificates. The Division is hereby authorized to publish and distribute the Preliminary Offering Statement.

The Board hereby approves the form of the final Offering Statement, to be in substantially the form of the Preliminary Offering Statement, with such revisions as shall hereafter be approved by one or more of the Authorized Representatives.

The Board hereby ratifies the actions of the Department deeming the Preliminary Offering Statement “final,” as required by Rule 15c2-12 of the Securities Exchange Commission.

2. RESOLVED, the Board hereby authorizes and approves the modification of certain documents in connection with said refinancing of the 2005 Certificates through the sale and issuance of the 2021A Certificates, including execution and delivery of the instruments referenced below, and hereby authorizes and approves the execution and delivery of the following instruments by and between the parties noted herein, each in substantially the form presented to the members of the Board in connection with execution of this Resolution or in the form negotiated and approved as set forth herein, with such insertions, filling in of blanks, changes or deletions as are approved by one or more of the Authorized Representatives, with the execution or the acceptance thereof by one or both of the Authorized Representatives being conclusive evidence of the Board's approval of the final form of such documents with such insertions, filling in of blanks, changes or deletions:

(A) THE FIRST SUPPLEMENT TO LEASE-PURCHASE AGREEMENT. The Board hereby approves and accepts the form of the First Supplement to the Lease-Purchase Agreement between the Corporation and the Department in substantially the form attached hereto as EXHIBIT B, and authorizes the execution and delivery thereof by the Corporation;

(B) THE 2021A LEASE SCHEDULE. The Board hereby approves and accepts the substitution of a new lease schedule, the 2021A Lease Schedule, between the Department and the Corporation, in substantially the form attached hereto as EXHIBIT C, for the refinancing of the 2005 Certificates with the proceeds of the Series 2021A Certificates, and authorizes the execution and delivery thereof by the Corporation;

(C) THE 2021A SUPPLEMENTAL TRUST AGREEMENT. The Board hereby approves and accepts the 2021A Supplemental Trust Agreement among the Trustee, the Corporation, and the Department, in substantially the form attached hereto as EXHIBIT D, and authorizes the execution and delivery thereof by the Corporation;

(D) OTHER INSTRUMENTS. Such other instruments, certificates, opinions and other matters as an Authorized Representative, the Department, the Division, and Special Counsel may deem necessary or desirable in connection with this refinancing of the 2005 Certificates. The Board further authorizes its Authorized Representatives to execute any and all certificates or other instruments or documents required or contemplated by this Resolution, the 2012A Supplemental Trust Agreement, the First Supplement to Lease-Purchase Agreement, or any other document, and to take any and all other actions which, in any case, is necessary or desirable in relation to the issuance of the 2021A Certificates.

3. RESOLVED, the Board hereby authorizes the Authorized Representatives to negotiate and contract for the hiring of such professional service firms necessary to consummate the refinancing contemplated herein, including but not limited to, the Division, Nabors Giblin & Nickerson, P.A., as special counsel, and Public Resources Advisory Group, Inc., as financial advisor.

4. RESOLVED, the actions contained herein are effective as of December 14, 2020.

EXECUTION COPY

**FLORIDA CIVIL COMMITMENT CENTER
FINANCING CORPORATION
(A NOT-FOR-PROFIT FLORIDA CORPORATION)**

**RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING THE
REFINANCING OF THE CORPORATION'S 2006 CERTIFICATES OF
PARTICIPATION THROUGH THE COMPETITIVE SALE AND ISSUANCE OF
REFUNDING CERTIFICATES OF PARTICIPATION; AUTHORIZING AND
APPROVING THE EXECUTION OF CERTAIN DOCUMENTS IN
CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.**

The undersigned, being all the board members (the "Board") of FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION (the "Corporation"), a Florida not-for-profit special purpose corporation, which acts as Lessor under the Lease-Purchase Agreement, dated as of October 1, 2006, with the State of Florida Department of Children and Families (formerly the Florida Department of Children and Family Services) (the "Department") for financing the acquisition, construction, and equipping of a secure civil commitment facility, do hereby adopt the following resolutions:

1. RESOLVED, the Board, in light of current market conditions and the need to coordinate the sale of the 2021B Certificates among various parties, desires to authorize the sale of the 2021B Certificates pursuant to a competitive sale through the Division of Bond Finance of the State Board of Administration (the "Division") and authorize distribution of preliminary and final Offering Statements in connection with the issuance of the 2021B Certificates.

AUTHORIZATION OF ISSUANCE AND SALE OF THE 2021B CERTIFICATES. The Board hereby authorizes and approves the refinancing of the Certificates of Participation, Series 2006, previously issued to finance the Florida Civil Commitment Center Financing Corporation project (the "Project") leased by the Corporation to the Department, through the issuance and sale of Refunding Certificates of Participation evidencing fractional undivided interests of the owners thereof in Basic Rent Payments to be made by the Department (the "2021B Certificates") in an aggregate principal amount not to exceed \$41,750,000.

The Corporation shall, in consultation with the Division, sell the 2021B Certificates by competitive sale on the date and at the time to be provided for in a Notice of Certificate Sale (the "Notice of Certificate Sale") to be published and distributed for the 2021B Certificates. The Division is hereby authorized to publish the Notice of Certificate Sale and a form of a proposal for the sale of the 2021B Certificates (the "Bid Form"). The Notice of

Certificate Sale and the Bid Form shall be in such form as shall be determined by the Division, and shall contain such information as required by law.

The Authorized Representatives of the Corporation (as defined below) are hereby authorized and empowered to award the 2021B Certificates when offered, on determination of the best Bid, as defined in the Notice of Certificate Sale, submitted in accordance with the terms of such Notice of Certificate Sale provided for herein, and such award shall be final.

AUTHORIZATION OF EXECUTION AND DISTRIBUTION OF THE PRELIMINARY OFFERING STATEMENT AND FINAL OFFERING STATEMENT. The Board hereby approves and accepts the form of the preliminary Offering Statement (the "Preliminary Offering Statement") relating to the 2021B Certificates in substantially the form attached hereto as EXHIBIT A, and authorizes the execution of the Preliminary Offering Statement in substantially the form attached hereto, with such insertions, filling in of blanks, changes or deletions as may be approved by one or more of the President, the Secretary, any Vice President or any Assistant Secretary of the Corporation (the "Authorized Representatives"), with the execution or the acceptance thereof by an Authorized Representative being conclusive evidence of the Corporation's approval of the final form of thereof with such insertions, filling in of blanks, changes or deletions.

The Board hereby authorizes and ratifies the use and distribution of said Preliminary Offering Statement in connection with the sale and issuance of the 2021B Certificates. The Division is hereby authorized to publish and distribute the Preliminary Offering Statement.

The Board hereby approves the form of the final Offering Statement, to be in substantially the form of the Preliminary Offering Statement, with such revisions as shall hereafter be approved by one or more of the Authorized Representatives.

The Board hereby ratifies the actions of the Department deeming the Preliminary Offering Statement "final," as required by Rule 15c2-12 of the Securities Exchange Commission.

AUTHORIZATION OF EARLY TERMINATION OF INVESTMENT AGREEMENT. The Board hereby authorizes, since the 2021B Certificates will not be secured by the Reserve Account, the early termination of the investment agreement by which the Reserve Account applicable to the 2006 Certificates is invested, and any documentation required to effectuate the same.

2. **RESOLVED**, the Board hereby authorizes and approves the modification of certain documents in connection with said refinancing of the 2006 Certificates through the sale and issuance of the 2021B Certificates, including execution and delivery of the instruments referenced below, and hereby authorizes and approves the execution and delivery of the following instruments by and between the parties noted herein, each in substantially the form presented to the members of the Board in connection with execution

of this Resolution or in the form negotiated and approved as set forth herein, with such insertions, filling in of blanks, changes or deletions as are approved by one or more of the Authorized Representatives, with the execution or the acceptance thereof by one or both of the Authorized Representatives being conclusive evidence of the Board's approval of the final form of such documents with such insertions, filling in of blanks, changes or deletions:

(A) THE FIRST SUPPLEMENT TO LEASE-PURCHASE AGREEMENT. The Board hereby approves and accepts the form of the First Supplement to the Lease-Purchase Agreement between the Corporation and the Department in substantially the form attached hereto as EXHIBIT B, and authorizes the execution and delivery thereof by the Corporation;

(B) THE 2021B LEASE SCHEDULE. The Board hereby approves and accepts the substitution of a new lease schedule, the 2021B Lease Schedule, between the Department and the Corporation, in substantially the form attached hereto as EXHIBIT C, for the refinancing of the 2006 Certificates with the proceeds of the 2021B Certificates, and authorizes the execution and delivery thereof by the Corporation;

(C) THE 2021B SUPPLEMENTAL TRUST AGREEMENT. The Board hereby approves and accepts the 2021B Supplemental Trust Agreement among the Trustee, the Corporation, and the Department, in substantially the form attached hereto as EXHIBIT D, and authorizes the execution and delivery thereof by the Corporation;

(D) OTHER INSTRUMENTS. Such other instruments, certificates, opinions and other matters as an Authorized Representative, the Department, the Division, and Special Counsel may deem necessary or desirable in connection with this refinancing of the 2006 Certificates. The Board further authorizes its Authorized Representatives to execute any and all certificates or other instruments or documents required or contemplated by this Resolution, the 2012B Supplemental Trust Agreement, the First Supplement to Lease-Purchase Agreement, or any other document, and to take any and all other actions which, in any case, is necessary or desirable in relation to the issuance of the 2021B Certificates.

3. RESOLVED, the Board hereby authorizes the Authorized Representatives to negotiate and contract for the hiring of such professional service firms necessary to consummate the refinancing contemplated herein, including but not limited to, the Division, Nabors Giblin & Nickerson, P.A., as special counsel, and Public Resources Advisory Group, Inc., as financial advisor.

4. RESOLVED, the actions contained herein are effective as of December 14, 2020.

TRUST AGREEMENT

BY AND AMONG

**SUNTRUST BANK,
AS TRUSTEE**

AND

**SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION,
AS CORPORATION**

AND

**FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AS DEPARTMENT**

DATED AS OF OCTOBER 1, 2005

**SECURING
CERTIFICATES OF PARTICIPATION
(SOUTH FLORIDA EVALUATION TREATMENT CENTER PROJECT), SERIES 2005,
EVIDENCING FRACTIONAL UNDIVIDED
INTERESTS OF THE OWNERS THEREOF IN BASIC RENT PAYMENTS
TO BE MADE UNDER A LEASE-PURCHASE AGREEMENT
BY THE FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AN AGENCY OF THE STATE OF FLORIDA**

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EXHIBIT A - DEFINITIONS

EXHIBIT B - FORM OF CERTIFICATE OF PARTICIPATION

EXHIBIT C - FORM OF REQUEST AND AUTHORIZATION

EXHIBIT D - FORM OF INSTRUCTIONS TO TRUSTEE TO PAY COSTS OF ISSUANCE

TRUST AGREEMENT

THIS TRUST AGREEMENT, is made and entered into as of October 1, 2005, by and among **SUNTRUST BANK**, a Georgia corporation with corporate trust powers qualified to accept trusts of the type herein set forth (the "Trustee"), the **SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION**, a not-for-profit corporation duly organized and existing under the laws of the State of Florida (the "Corporation"), and the **FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES**, an agency of the State duly organized and existing under the laws of the State of Florida (the "Department").

WITNESSETH:

WHEREAS, the State of Florida Board of Trustees of the Internal Improvement Trust Fund (the "Board of Trustees") and the Department entered into a Lease, dated September 26, 2005 (the "State Lease"), with respect to certain real property including particularly, the Land (as described herein), and

WHEREAS, the Department deems it in the best interests of the State to enter into (a) that certain Sublease dated as of October 1, 2005 (the "Sublease") from the Department to the Corporation as lessee under the Sublease, and (b) that certain Lease-Purchase Agreement, dated as of October 1, 2005 (the "Lease Agreement"), between the Corporation, as lessor, and the Department, as lessee, to lease-purchase certain real and/or personal property described in the Lease Schedule to the Lease Agreement (the "Lease Schedule") (which items of property are collectively referred to herein as the "Project"); and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing the Project will be made by the issuance and sale of Certificates of Participation issued hereunder (the "Certificates"), which shall be secured by and be payable from the right of the Corporation to receive Basic Rent Payments (as defined herein) to be made by the Department pursuant to the Lease Agreement and the Lease Schedule; and

WHEREAS, the Trustee has agreed to deliver the Certificates pursuant to and upon receipt of a Request and Authorization from the Corporation and the Department; and

WHEREAS, as of the date hereof, the Corporation will assign to the Trustee, by absolute assignment, all of its right, title and interest in and to the Sublease, the Lease Agreement and the Lease Payments (as defined herein), other than its rights of indemnification, its right to enter into amendments to the Lease Schedule from time to time and its obligations provided in Section 6.03 of the Lease Agreement, pursuant to an Assignment of Leases, dated as of October 1, 2005, between the Corporation and the Trustee (the "Assignment of Leases"); and

WHEREAS, the proceeds of the sale of the Certificates will be deposited with the Trustee and such funds shall be held and disbursed pursuant to the terms of this Trust Agreement in order to, among other things, fund the acquisition, construction and installation of the Project; and

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged the parties hereto agree as follows:

I. DEFINITIONS AND RULES OF CONSTRUCTION

1.01 DEFINITIONS.

The capitalized terms used herein shall have the meanings, for the purpose of this Trust Agreement ascribed to them in Exhibit A attached hereto unless the context clearly requires some other meaning. The term "Agreement" or "Trust Agreement" as used herein shall mean this Trust Agreement unless the context clearly requires some other meaning.

1.02 RULES OF CONSTRUCTION.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

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

II. RECITALS AND REPRESENTATIONS

2.01 SUBLEASE AND LEASE AGREEMENT.

The Corporation and the Department have entered into (a) the Sublease whereby the Department leases the Land to the Corporation and (b) the Lease Agreement and the Lease Schedule, whereby the Corporation has agreed to lease the Project to the Department and the Department has agreed to lease the Project from the Corporation and to make Lease Payments therefor in accordance with the terms thereof.

2.02 ASSIGNMENT OF LEASES.

The Corporation has absolutely assigned and transferred to the Trustee all its rights, title and interest under the Sublease and the Lease Agreement, other than (i) its rights of indemnification thereunder, (ii) its right to enter into amendments of the Sublease, the Lease Agreement and the Lease Schedule from time to time, pursuant to the terms and provisions of the Assignment of Leases and (iii) its obligations under Section 6.03 of the Lease Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed herein to authenticate and deliver the Certificates each evidencing an interest in the Basic Rent Payments, as set forth in such Certificates.

2.03 REPRESENTATIONS.

In the Lease Agreement, the Corporation and the Department have agreed to cause the acquisition, construction and installation of the Project pursuant to the Plans and Specifications as provided in the Construction Contract, and the Developer will be responsible for the letting of contracts and agreements for the acquisition, construction and installation of the Project and for supervising the acquisition, construction and installation of the Project pursuant to the Construction Contract.

2.04 DESCRIPTION AND ESTIMATED COST OF THE PROJECT.

The description of the Project to be acquired and constructed by the Developer pursuant to the Construction Contract and the Operations Contract and leased by the Department from the Corporation pursuant to the terms and provisions of the Lease Agreement and the estimated Cost of such Project shall be as set forth in the Lease Schedule relating thereto.

2.05 CONDITIONS PRECEDENT SATISFIED.

Each party hereto represents with respect to itself that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and delivery of this Trust Agreement have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto each represents as to itself that it is now duly empowered to execute and deliver this Trust Agreement.

III. APPOINTMENT OF TRUSTEE; DECLARATION OF TRUST

3.01 APPOINTMENT OF TRUSTEE.

In consideration of the recitals hereinabove set forth and for other valuable consideration, the Corporation and the Department hereby appoint the Trustee to receive, hold, invest and disburse the Trust Estate and to perform certain other functions, all as hereinafter provided and subject to the terms and conditions of this Trust Agreement.

3.02 DECLARATIONS OF TRUST.

- (a) The Corporation, the Department and the Trustee hereby create this trust for the purpose of facilitating the lease purchase financing of the Project and the Trustee agrees to (i) accept the assignment and transfer of the rights of the Corporation in and to the Sublease; (ii) accept the assignment and transfer of the rights of the Corporation in and to the Lease Agreement (other than the right of the Corporation to be indemnified by the Department upon the occurrence of various events described therein, its right to enter into amendments to the Lease Schedule from time to time and its obligations under Section 6.03 of the Lease Agreement) pursuant to the terms and provisions of the Assignment of Leases, (iii) execute, authenticate and deliver the Certificates against receipt of the proceeds from the sale thereof, deposit such proceeds hereunder and disburse same, together with earnings thereon, in accordance with the terms and provisions hereof and of this Trust Agreement, and (iv) do all other things necessary or incidental to the purposes hereof.
- (b) The Trustee hereby declares that it holds and will hold the Trust Estate upon the trusts and apply the moneys held hereunder as hereinafter set forth for the use and benefit of the Owners of the Certificates as set forth herein.

3.03 TRUST ESTATE.

The Trust Estate, which shall be held for the benefit of the Owners of the Certificates from time to time Outstanding hereunder, consists of the following:

- (a) All right, title and interest in the funds and accounts established under this Trust Agreement (other than the Rebate Fund, the Costs of Issuance Fund and the Supplemental Rent Fund) and the cash, securities and investments of which they are comprised;
- (b) All rights and interest of the Corporation in, to and under the Sublease;
- (c) All right, title and interest of the Corporation in, to and under the Lease Agreement and the right to receive the Lease Payments under the Lease Agreement but excluding any rights of indemnification set forth therein, its right to enter into amendments to the Lease Schedule from time to time and its obligations provided in Section 6.03 of the Lease Agreement;
- (d) All right, title and interest of the Trustee under the Assignment of Leases;
- (e) Any moneys received by the Trustee which are derived from the exercise by the Trustee, as assignee of the Corporation, of any of the remedies under this Trust Agreement, the Sublease, and the Lease Agreement; and

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- (f) All property which by the express provisions of this Trust Agreement or the Lease Agreement is required to be subject to the lien hereof, and any additional property that may from time to time hereafter expressly be made subject to the lien hereof by the Trustee, the Corporation or the Department or anyone authorized to act on their behalf;

PROVIDED, HOWEVER, that in each case any portion of the Trust Estate which is derived from the sale, re-letting or other disposition of the Project, moneys and damages received in relation to the Project and any cash, securities and investments in any Pledged Accounts shall be utilized solely for the benefit of the Owners of Certificates and for whose benefit such Pledged Accounts were established, subject to certain rights of the Trustee as set forth herein.

3.04 TRUST ESTATE FOR BENEFIT OF CERTIFICATE OWNERS.

- (a) Subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, the Corporation and the Department hereby declare, and the Trustee acknowledges, that the Trust Estate shall secure the payment of the principal of, Prepayment Premium, if any, and interest on the Outstanding Certificates, which represent an undivided proportionate interest in the Basic Rent Payments under the Lease Agreement.
- (b) The Trustee shall be entitled to and shall, subject to the provisions of Article IX hereof and after being provided with indemnity reasonably acceptable to it, take all steps, actions and proceedings necessary, in its judgment, to enforce all of the rights of the Corporation in and under the Sublease and the Lease Agreement for the benefit of the Owners of the Certificates.
- (c) If the Certificates shall be paid, or provision for payment shall be made in accordance with the terms and provisions of Section 12.01 hereof, and all other payments due hereunder shall be made as provided in Article XII hereunder, the Trust Estate shall terminate and the Owners of the Certificates shall have no right thereto, except as otherwise provided herein.

IV. ISSUANCE OF CERTIFICATES

4.01 AUTHORIZATION OF CERTIFICATES.

- (a) The aggregate principal amount (irrespective of any original issue premium or discount) of Certificates that may be issued is hereby expressly limited to \$41,940,000; provided, however, that Completion Certificates and Refunding Certificates may additionally be issued in additional amounts in the manner provided in Sections 4.12 and 4.13, respectively, hereof. The Series 2005 Certificates shall bear interest from their dated date and shall be issuable as fully registered Certificates without coupons in denominations of \$5,000 and integral multiples thereof. The Series 2005 Certificates shall be lettered and numbered R-1 and upward.
- (b) The Series 2005 Certificates issuable under this Trust Agreement shall be designated "Certificates of Participation (South Florida Evaluation Treatment Center Project), Series 2005 Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be made under a Lease-Purchase Agreement by the Florida Department of Children and Family Services, an agency of the State of Florida."
- (c) The Certificates shall be issued for the purposes of (a) funding the Costs of the Project, or completing the Project as provided in Section 4.12 hereof, (b) funding the Reserve Account in an amount equal to the Reserve Requirement, (c) funding capitalized interest on the Series 2005 Certificates, and (d) paying the Costs of Issuance of the Series 2005 Certificates.
- (d) The Certificates shall be substantially in the form set forth in Exhibit B hereto, with such appropriate variations, omissions and insertions as may be necessary or appropriate to conform to the provisions of this Trust Agreement. All Certificates may have endorsed thereon such legends or text as may be necessary or appropriate to conform to any

applicable rules and regulations of any governmental authority or of any securities exchange on which the Certificates may be listed or any usage or requirement of law with respect thereto.

- (e) The Series 2005 Certificates shall be dated as of their date of delivery. Interest on the Certificates shall be payable on each Payment Date, commencing April 1, 2006.
- (f) The Series 2005 Certificates shall bear interest at the respective rates and shall mature on April 1 or October 1 of each of the years in the respective amounts set opposite each date in the following schedule:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
October 1, 2008	\$ 680,000	4.000 %	3.370 %	101.707 %
April 1, 2009	685,000	4.250	3.490	102.394
October 1, 2009	710,000	4.250	3.520	102.617
April 1, 2010	715,000	4.500	3.640	103.443
October 1, 2010	745,000	4.500	3.680	103.623
April 1, 2011	745,000	5.000	3.820	105.677
October 1, 2011	780,000	5.000	3.850	105.988
April 1, 2012	780,000	5.000	3.960	105.802
October 1, 2012	820,000	5.000	3.990	106.013
April 1, 2013	820,000	5.000	4.090	105.736
October 1, 2013	865,000	5.000	4.120	105.860
April 1, 2014	860,000	5.000	4.210	105.520
October 1, 2014	905,000	5.000	4.230	105.642
April 1, 2015	905,000	5.000	4.290	105.426
October 1, 2015	1,925,000	5.000	4.310	105.495
October 1, 2016	2,025,000	5.000	4.390	104.839
October 1, 2017	2,130,000	5.000	4.450	104.350
October 1, 2018	2,240,000	5.000	4.500	103.945
October 1, 2019	2,355,000	5.000	4.540	103.622
October 1, 2020	2,475,000	5.000	4.560	103.461
October 1, 2021	2,600,000	5.000	4.590	103.220
October 1, 2022	2,725,000	4.500	4.670	98.025

\$12,450,000 5.000% Term Certificates due October 1, 2025 - Yield 4.680%, Price 102.501%

- (g) The Series 2005 Certificates maturing in the years 2008 through 2022 shall be Serial Certificates and the Series 2005 Certificates maturing October 1, 2025 shall be Term Certificates.
- (h) The principal of the Certificates shall be payable from the Principal Component of the Basic Rent Payments on April 1 and October 1 of each year, except as otherwise provided by a Supplemental Trust Agreement. The interest on the Certificates shall be payable semiannually from the Interest Component of Basic Rent Payments on the Payment Dates, except as otherwise provided by a Supplemental Trust Agreement. Interest on the Certificates shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months, except as otherwise provided by a Supplemental Trust Agreement. Except as otherwise provided in Section 4.01 (a) hereof, the Certificates shall be numbered in such manner as the Trustee deems appropriate.
- (i) Except as provided in Section 4.11 hereof, the principal of all Certificates shall be payable at the Principal Office of the Trustee. Payment of the principal of all Certificates shall be made upon the presentation and surrender of such Certificates as the same shall become due and payable. Payment of interest on the Certificates shall be by check or draft mailed to the Owner as of the close of business on the Record Date at his address as it appears on the

Certificate Register maintained by the Trustee; except that, if and to the extent that there shall be a default in payment of interest due on such Payment Date, such defaulted interest payment shall be paid to the Owners in whose name any such Certificates are registered at the close of business on the fifteenth day preceding the date of payment of such defaulted interest payment; provided, however, that at the request and expense of any Owner of \$1,000,000 or more in aggregate principal amount of Outstanding Certificates as of the applicable Record Date, interest shall be paid by wire transfer on the Interest Payment Date to a bank account located in the continental United States and designated in writing to the Trustee by said Owner at least five days prior to such Interest Payment Date.

- (j) Subject to the foregoing provisions of this Section, each Certificate delivered under this Trust Agreement upon transfer of or in exchange for or in lieu of any other Certificate shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Certificate and each such Certificate shall bear interest from such date, so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

4.02 DELIVERY OF CERTIFICATES.

- (a) The Certificates, other than Completion Certificates and Refunding Certificates, shall be executed substantially in the form and in the manner set forth herein, but before such Certificates shall be delivered by the Trustee, there shall be filed or deposited with the Trustee the following:
 - (1) A copy, certified by the President or Secretary of the Corporation, or his or her designee, of the resolution or resolutions of the Board of Directors of the Corporation approving the form of and authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule, the Assignment of Leases, the Construction Contract and this Trust Agreement;
 - (2) A certified copy of the Act and other actions of the Department authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule, the Construction Contract, the Operations Contract and this Trust Agreement and a statement of the Department approving the form of, and execution and delivery by the Corporation, of the Assignment of Leases;
 - (3) An executed copy of the Request and Authorization relating to the Certificates;
 - (4) A fully executed counterpart of this Trust Agreement;
 - (5) A fully executed counterpart of the Sublease together with a certified copy of the State Lease;
 - (6) A fully executed counterpart of the Lease Agreement and the Lease Schedule;
 - (7) A fully executed counterpart of the Assignment of Leases;
 - (8) A fully executed counterpart of the Construction Contract;
 - (9) A fully executed counterpart of the Operations Contract;
 - (10) A fully executed counterpart of the Payment and Performance Bonds;
 - (11) A Survey of the Land;
 - (12) A Phase I Environmental Audit of the Land;
 - (13) A mortgagee title insurance policy, or a commitment with respect thereto, on ALTA forms, dated the Closing Date, with a reputable title insurance company authorized to write title insurance in the State, indicating the Corporation and the Trustee as named insureds, which shall insure the leasehold interest of the Corporation and the Trustee in the Land under the Sublease in an amount equal to the par amount of the Series 2005 Certificates, to be free and clear of all liens and encumbrances, except Permitted Encumbrances;

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- (14) An opinion of counsel for the Corporation to the effect that (A) the Corporation has been duly organized and is validly existing as a not-for-profit corporation in good standing under the laws of the State, and the Corporation has the power and authority to execute and deliver this Trust Agreement, the Sublease, the Lease Agreement, the Assignment of Leases and the Construction Contract, (B) this Trust Agreement, the Sublease, the Lease Agreement, the Lease Schedule, the Assignment of Leases and the Construction Contract, have each been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of the Corporation enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by principles of equity;
- (15) An opinion of counsel to the Department to the effect that (A) the Department is a duly organized and validly existing department of the State and has all necessary power and authority to execute and deliver the State Lease, the Sublease, the Lease Agreement, the Lease Schedule, the Construction Contract, the Operations Contract and this Trust Agreement and (B) the State Lease, the Sublease, the Lease Agreement, the Lease Schedule, the Construction Contract, the Operations Contract and this Trust Agreement has each been duly authorized, executed and delivered by the Department and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Department enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by the usual equitable principles;
- (16) An opinion of counsel to the Board of Trustees to the effect that (A) the Board of Trustees is a duly organized and validly existing department of the State and has all necessary power and authority to execute and deliver the State Lease and the approval to the Sublease and (B) the State Lease has been duly authorized, executed and delivered by the Board of Trustees and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Board of Trustees enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by the usual equitable principles;
- (17) An opinion of Special Counsel to the effect that, except for Taxable Certificates, the Interest Component of such series of Certificates is excluded from the gross income of the Owners thereof for purposes of federal income taxation;
- (18) An opinion of counsel for GEO Care, Inc. ("GEO") to the effect that (A) GEO has been duly organized and is validly existing as a for-profit corporation in good standing under the laws of the State, and GEO has the power and authority to execute and deliver and the Construction Contract and the Operations Contract, (B) the Construction Contract and the Operations Contract have each been duly authorized, executed and delivered by GEO and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of GEO enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by principles of equity;
- (19) The Letter of Credit; and
- (20) Such other documents, certificates and opinions as the Department, the Corporation, the Trustee, GEO , or their counsel, may reasonably request.
- (b) When the documents described in Section 402(a) hereof shall have been filed with the Trustee, and when the Certificates shall have been executed and authenticated as required

by this Trust Agreement, the Trustee shall deliver the Certificates at one time to, or upon the order of, the Purchasers of the Certificates, but only upon payment to the Trustee of the purchase price of such Certificates and the accrued interest thereon, if any. The Trustee shall be entitled to rely upon the resolutions described in paragraphs (1) and (2) of Section 4.02(a) hereof as to all matters stated therein. The Trustee shall be entitled to rely upon the opinions described in paragraphs (14), (15), (16) and (17) of Section 4.02(a) hereof as to all matters stated therein.

4.03 EXECUTION OF CERTIFICATES

The Certificates shall be executed with the manual or facsimile signature of an authorized officer of the Trustee. In case any officer whose signature or a facsimile of whose signature shall appear on any Certificates shall cease to be such officer before the delivery of such Certificates, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Any Certificates may bear the facsimile signature of, or may be signed by, such officer as at the actual time of the execution of such Certificates shall be the proper officer to sign such Certificates although at the dated date of such Certificates such officer may not have been such officer.

4.04 AUTHENTICATION OF CERTIFICATES.

Only such Certificates as shall have endorsed thereon a certificate of authentication substantially in the form set forth in Exhibit B hereto, manually executed by the Trustee, shall be entitled to any benefit or security under this Trust Agreement. No Certificate shall be valid or obligatory for any purpose unless and until such certificate of authentication on the Certificate shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Certificate shall be conclusive evidence that such Certificate has been duly authenticated and delivered under this Trust Agreement. The Trustee's certificate of authentication on any Certificate shall be deemed to have been duly executed if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Certificates that may be issued hereunder at any one time.

4.05 EXCHANGE OF CERTIFICATES.

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

4.06 NEGOTIABILITY, REGISTRATION AND TRANSFER OF CERTIFICATES.

- (a) The Trustee shall keep or cause to be kept a Certificate Register, which shall at all times be open to inspection by the Department, the Corporation and the Owners of ten percent (10%) or more of the aggregate principal amount of Certificates then Outstanding to which such Certificate Register relates; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on the Certificate Register, of Certificates as provided herein.
- (b) The transfer of any Certificate may be registered only upon the Certificate Register upon surrender thereof to the Trustee together with an assignment duly executed by the Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such registration of transfer the Trustee shall authenticate and deliver in exchange for such Certificate a new registered Certificate or Certificates, registered in the name of the transferee, of any denomination or denominations authorized by this Trust Agreement in the aggregate principal amount equal to the principal amount of such Certificate surrendered or exchanged, of the same maturity and series and bearing interest at the same rate.

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

4.07 OWNERSHIP OF CERTIFICATES.

The Trustee shall deem and treat the Person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute Owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and interest payments with respect to such Certificate and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the Corporation, the Department nor the Trustee shall be affected by any notice to the contrary.

4.08 MUTILATED, DESTROYED, STOLEN OR LOST CERTIFICATES.

- (a) In case any Certificate secured hereby shall become mutilated or be destroyed, stolen or lost, the Trustee shall cause to be executed, shall authenticate and deliver, a new Certificate of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Certificate or in lieu of and in substitution for such Certificate destroyed, stolen or lost, and the Owner shall pay the reasonable expenses and charges of the Trustee in connection therewith and, in case of a Certificate destroyed or lost, the Owner shall file with the Trustee evidence satisfactory to the Trustee that such Certificate was destroyed or lost, and of his ownership thereof, and as a condition precedent to delivery of such new Certificate the Trustee may require indemnity satisfactory to it.
- (b) Every Certificate issued pursuant to the provisions of this Section in exchange or substitution for any Certificate which is mutilated, destroyed, lost or stolen shall constitute an additional contractual obligation pursuant to the terms hereof, whether or not the destroyed, lost or stolen Certificate shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits hereof equally and proportionately with any and all other Certificates duly issued under this Trust Agreement. All Certificates shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Certificates, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

4.09 TEMPORARY CERTIFICATES.

- (a) Until definitive Certificates are ready for delivery, there may be executed, and upon request of the Department, the Trustee shall authenticate and deliver, in lieu of definitive Certificates

and subject to the same limitations and conditions, typewritten temporary Certificates, in the form of fully registered Certificates in denominations of \$5,000 or any whole multiple thereof, substantially of the tenor of the Certificates set forth in this Trust Agreement and with such appropriate omissions, insertions and variations as may be required.

- (b) If temporary Certificates shall be issued, the Trustee, upon preparation of the definitive Certificates and presentation to it at its designated office of any temporary Certificate, shall cancel the same and authenticate and deliver to the Owner, without charge to such Owner, a definitive Certificate or Certificates of an equal aggregate principal amount, of the same maturity and series and bearing interest at the same rate as the temporary Certificate surrendered. Until so exchanged, the temporary Certificates shall in all respects be entitled to the same benefit and security of this Trust Agreement as the definitive Certificates to be issued and authenticated hereunder.

4.10 EVIDENCE OF SIGNATURES OF CERTIFICATE OWNERS AND OWNERSHIP OF CERTIFICATES.

- (a) Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Certificate Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:
 - (1) The fact and date of the execution by any Certificate Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions that the Persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.
 - (2) The fact of the ownership of Certificates by any Certificate Owner and the amount, the principal Payment Date and the numbers of such Certificates and the date of his ownership of the same shall be proved by the Certificate Register held by the Trustee pursuant to this Trust Agreement.
- (b) Nothing contained in this Article IV shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which may seem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Department or the Trustee in pursuance of such request or consent.

4.11 BOOK ENTRY.

Notwithstanding the provisions in this Trust Agreement, the Certificates will be issued initially as one fully registered Certificate for each maturity in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and deposited in the custody of DTC. The Beneficial Owners will not receive physical delivery of the Certificates. Individual purchases of the Certificates may be made in book-entry form only in principal amounts equal to Authorized Denominations thereof. Payments of principal and premium, if any, and interest on the Certificates will be made to DTC or its nominee as holder of the Certificates.

DTC shall pay interest to the Beneficial Owners of record through its participants (the "Participants") as of the close of business on the Record Date. DTC shall pay the prepayment price of the Certificates called for prepayment to the Beneficial Owners of record through its Participants in accordance with its customary procedures. Transfer of ownership interests in the Certificates shall be made by DTC and its Participants, acting as nominees of the Beneficial Owners, in accordance with rules specified by DTC and its Participants.

Neither the Department nor the Corporation nor the Trustee shall have any responsibility or obligations to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the Basic Rent evidenced by the Certificates; (c) the delivery or timeliness of delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Trust Agreement to be given to Certificate holders; (d) the timely delivery or implementation of any optional or mandatory notices or payments to, among, or between the Department, the Corporation, the Trustee, DTC, the Participants or the Beneficial Owners; (e) the selection of the Beneficial Owners to receive payments in the event of any partial prepayment of the Certificates; or (f) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Certificate holder.

The Department, the Corporation and the Trustee may treat and consider the Person in whose name each Certificate is registered in the registration books kept by the Trustee as the Holder and absolute owner of such Certificate for the purpose of payment of principal, prepayment premium, if any, and interest with respect to such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee shall pay all Basic Rent received as evidenced by the Certificates only to or upon the order of the respective Holders, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Department's obligations with respect to payment of Basic Rent evidenced by the Certificates to the extent of the sum or sums so paid. No Person other than a Holder, as shown in the registration books kept by the Trustee, shall receive a certificated Certificate evidencing the obligation of the Department to make payments of Basic Rent pursuant to the provisions hereof.

Certificates in certificated form will be issued directly to owners of the Certificates other than DTC, or its nominee, upon the occurrence of the following events (subject, however, to operation of the two sentences following clause (c) below):

- (a) DTC determines not to continue to act as securities depository for the Certificates; or
- (b) the Department and the Corporation have advised DTC of their determination that DTC is incapable of discharging its duties; or
- (c) the Department and the Corporation have determined that it is in the best interest of the holders of the Certificates not to continue the book-entry system of transfer or that interests of the Beneficial Owners of the Certificates might be adversely affected if the book-entry system of transfer is continued.

Upon occurrence of the event described in (a) or (b) above, the Department and the Corporation shall attempt to locate another qualified Securities Depository. If the Department and the Corporation fail to locate another qualified Securities Depository to replace DTC, the Trustee shall authenticate and deliver Certificates in certificated form. In the event the Department and the Corporation make the determination noted in (b) or (c) above (as to which the Department and the Corporation undertake no obligation to make any investigation to determine the occurrence of any events that would permit the Department and the Corporation to make any such determination), and has made provisions to notify the Beneficial Owners of the Certificates of the availability of certificated Certificates by mailing an appropriate notice to DTC, the Department and the Corporation shall cause the Trustee to authenticate and deliver Certificates in certificated form pursuant to Exhibit B to Participants (as requested by DTC) in appropriate amounts. Principal of and interest on the Certificates shall be payable as otherwise provided in this Article IV.

4.12 COMPLETION CERTIFICATES.

- (a) Completion Certificates may be issued to provide necessary funds to complete payment of the Costs of the Project previously financed hereunder or to finance additional property which shall be added to the Project or which shall be substituted for a portion of the Project. Except for the purposes of Section 6.03 of the Lease Agreement, such Completion Certificates, for purposes of this Trust Agreement and the Lease Agreement, shall constitute a part of the same series of Certificates as the Certificates issued to pay the original Costs of the Project. Such Completion Certificates shall be executed substantially in the form and in the manner set forth herein, but before such Completion Certificates shall be delivered by the Trustee, there shall be filed or deposited with the Trustee the following:
- (1) A copy, certified by the Secretary of the Corporation, or his designee, of the resolution or resolutions of the Board of Directors of the Corporation approving the form of and authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule as amended, to take into account the Completion Certificates, the Assignment of Leases, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates;
 - (2) A certified copy of the Act and other actions of the Department authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule relating to the original Project as amended, if necessary, to take into account the Completion Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates and approving the execution and delivery by the Corporation of the Assignment of Leases;
 - (3) An executed copy of the Request and Authorization relating to such Completion Certificates;
 - (4) A fully executed counterpart of this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates;
 - (5) A fully executed counterpart of the State Lease, the Sublease, the Lease Agreement and the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, the change, if any, to such Project and the additional Basic Rent Payments that would have to be made thereunder;
 - (6) A fully executed counterpart of the Assignment of Leases, if amended;
 - (7) A fully executed counterpart of the Construction Contract, if amended;
 - (8) A fully executed counterpart of the Operations Contract, if amended;
 - (9) A fully executed counterpart of the Payment and Performance Bonds, if amended;
 - (10) A Survey of the additional Land, if any;
 - (11) An Environmental Audit of the additional Land, if any;
 - (12) A commitment for title insurance policy, on ALTA forms, dated the Closing Date, with a reputable title insurance company authorized to write title insurance in the State, indicating the Corporation and the Trustee as named insureds, which shall insure the leasehold interest of the Corporation in the Land under the Sublease in an amount equal to the amount which reflects any modifications thereto for which Completion Certificates were issued, to be free and clear of all liens and encumbrances, except Permitted Encumbrances;
 - (13) An opinion of counsel for the Corporation to the effect that (A) the Corporation has been duly organized and is validly existing as a not-for-profit corporation in good standing under the laws of the State, and the Corporation has the power and authority to execute and deliver this Trust Agreement, the Supplemental Trust Agreement relating to such Completion Certificates, the Sublease, the Lease Agreement, the Lease Schedule

relating to the original Project as amended to take into account the Completion Certificates and the Assignment of Leases, (B) this Trust Agreement, the Supplemental Trust Agreement relating to such Completion Certificates, the Sublease, the Lease Agreement, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, and the Assignment of Leases has each been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of the Corporation enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or by usual equity principles;

- (14) An opinion of counsel to the Department to the effect that (A) the Department is a duly organized and validly existing agency of the State and has all necessary power and authority to execute and deliver the Sublease, the Lease Agreement, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates, (B) the Sublease, the Lease Agreement and the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates has each been duly authorized, executed and delivered by the Department and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Department enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by the usual equitable principles and (C) all approvals required to be issued by the State pursuant to Section 255.25, Florida Statutes, have been obtained and, to such counsel's knowledge after due investigation, all State permits or approvals required for the lease, construction and operation of the Project, if any, have been obtained;
- (15) An opinion of Special Counsel to the effect that (A) except for Taxable Certificates, the Interest Component of such series of Certificates is excluded from the gross income of the Owners thereof for purposes of federal income taxation and (B) the issuance of such Certificates will not, in and of itself, adversely affect the exclusion from gross income of the Interest Component of all other Outstanding Certificates, to the extent then excluded;
- (16) An opinion of counsel to the Board of Trustees to the effect that (A) the Board of Trustees is a duly organized and validly existing department of the State and has all necessary power and authority to execute and deliver the State Lease and the approval to the Sublease and (B) the State Lease relating to the original Project as amended to take into account the Completion Certificates has been duly authorized, executed and delivered by the Board of Trustees and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Board of Trustees enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by the usual equitable principles;
- (17) An opinion of counsel for GEO to the effect that (A) GEO has been duly organized and is validly existing as a for-profit corporation in good standing under the laws of the State, and GEO has the power and authority to execute and deliver and the Construction Contract and the Operations Contract relating to the original Project as amended to take into account the Completion Certificates, (B) the Construction Contract and the Operations Contract relating to the original Project as amended to take into account the Completion Certificates have each been duly authorized, executed and delivered by GEO and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of GEO enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by

bankruptcy, insolvency or other laws affecting creditors' rights generally and by principles of equity; and

- (18) Such other documents, certificates and opinions as the Department, the Corporation, the Trustee, GEO , or their counsel, may reasonably request.
- (b) When the documents described in Section 4.12(a) hereof shall have been filed with the Trustee and when the Completion Certificates shall have been executed and authenticated as required by this Trust Agreement, the Trustee shall deliver the Completion Certificates at one time to, or upon the order of, the Purchasers of such Completion Certificates, but only upon payment to the Trustee of the purchase price of the Completion Certificates and the accrued interest thereon, if any. The Trustee shall be entitled to rely upon the resolutions described in paragraphs (1) and (2) of Section 4.12(a) hereof as to all matters stated therein. The Trustee shall be entitled to rely upon the opinions described in paragraphs (13), (14), (15) and (16) of Section 4.12(a) hereof as to all matters stated therein.
- (c) The proceeds of the Completion Certificates may also be used to fund a Reserve Requirement, capitalize interest on such Completion Certificates and/or pay Costs of Issuance, and shall be deposited in the Pledged Accounts established for the Certificates which financed the original Project in such manner and in such amounts as determined by the Supplemental Trust Agreement relating to authorization of such Completion Certificates. The Completion Certificates shall be secured on a parity with the Certificates in accordance with the terms hereof.

4.13 REFUNDING CERTIFICATES.

- (a) Refunding Certificates may be issued under and secured by this Trust Agreement, subject to the conditions hereinafter provided in this Section, at any time or times, for the purposes of (i) providing funds for refunding part or all of the Certificates at or prior to their maturity or maturities, including the payment of any Prepayment Premium thereon and interest which will accrue on such Certificates to their dates of payment, (ii) making a deposit, if necessary, to the subaccount of the Reserve Account which shall secure such Refunding Certificates, and (iii) paying the Costs of Issuance relating to said Refunding Certificates. Such Refunding Certificates shall be executed substantially in the form and manner set forth herein, but before the Refunding Certificates shall be delivered by the Trustee, there shall be filed or deposited with the Trustee the following:
 - (1) A copy, certified by the Secretary of the Corporation, or his or her designee, of the resolution or resolutions of the Board of Directors of the Corporation approving the form of and authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule), the Assignment of Leases, this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates;
 - (2) A certified copy of the Act and other actions of the Department authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule), this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates and approving the execution and delivery by the Corporation of the Assignment of Leases;
 - (3) An executed copy of the Request and Authorization relating to such Refunding Certificates;
 - (4) A fully executed counterpart of this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates;
 - (5) A fully executed counterpart of the Sublease and the State Lease;

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- (6) A fully executed counterpart of the Lease Agreement and the Lease Schedule as amended to take into account the Refunding Certificates;
 - (7) A fully executed counterpart of the Assignment of Leases;
 - (8) A fully executed counterpart of an Escrow Deposit Agreement;
 - (9) A commitment for title insurance policy, on ALTA forms, dated the Closing Date, with a reputable title insurance company authorized to write title insurance in the State, indicating the Corporation and the Trustee as named insureds, which shall insure the leasehold interest of the Corporation and the Trustee in the Land under the Sublease in an amount equal to the amount which reflects any modifications thereto for which Refunding Certificates were issued, to be free and clear of all liens and encumbrances, except Permitted Encumbrances;
 - (10) An opinion of counsel for the Corporation to the effect that (A) the Corporation has been duly organized and is validly existing as a not-for-profit corporation in good standing under the laws of the State, and the Corporation has the power and authority to execute and deliver this Trust Agreement, the Supplemental Trust Agreement relating to such Refunding Certificates, the Sublease, the Lease Agreement, the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule), and the Assignment of Leases, and (B) this Trust Agreement, the Supplemental Trust Agreement relating to such Refunding Certificates, the Sublease, the Lease Agreement, the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule), and the Assignment of Leases has each been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of the Corporation enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or by usual equity principles;
 - (11) An opinion of counsel to the Department to the effect that (A) the Department is a duly organized and validly existing agency of the State and has all necessary power and authority to execute and deliver the Sublease, the Lease Agreement, the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule), this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates, (B) the Sublease, the Lease Agreement and the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule relating to the Certificates to be refunded), this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates has each been duly authorized, executed and delivered by the Department and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Department enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by the usual equitable principles;
 - (12) An opinion of Special Counsel to the effect that (A) except in the case of Taxable Certificates, the Interest Component of the Refunding Certificates and the Refunded Certificates is or will remain excluded from the gross income of the Owner thereof for purposes of federal income taxation and (B), in the case of an advance refunding, the Refunded Certificates have been defeased in accordance with the terms hereof;
 - (13) A report of a certified public accountant or firm of certified public accountants verifying the mathematical accuracy of calculations supplied by the Department, or its designee, that the proceeds of such Refunding Certificates plus any other moneys available for such purpose, including investment earnings, shall be not less than an amount sufficient to pay the principal of and the Prepayment Premium, if any, on the Certificates to be refunded

and the Interest Component of Basic Rent represented by the Certificates which will accrue thereon to the prepayment date or maturity dates applicable thereto; and

- (14) Such other documents, certificates and opinions as the Department, the Corporation, the Trustee, GEO, or their counsel, may reasonably request.
- (b) When the documents described in Section 4.13(a) hereof shall have been filed with the Trustee and when the Refunding Certificates shall have been executed and authenticated, the Trustee shall deliver such Refunding Certificates to or upon the order of the Purchasers thereof, but only upon payment to the Trustee of the purchase price of such Refunding Certificates, plus accrued interest, if any. The Trustee shall be entitled to rely upon the resolutions described in paragraphs (1) and (2) of Section 4.13(a) hereof as to all matters stated herein. The Trustee shall be entitled to rely upon the opinions described in paragraphs (10), (11) and (12) of Section 4.13(a) hereof as to all matters stated therein.
- (c) Other than for amounts required to pay Costs of Issuance or to make deposits to the Reserve Account, the proceeds of such Refunding Certificates and any other moneys received by the Trustee or other escrow agent acceptable to the Department for such purpose, shall be held by the Trustee or such other escrow agent in a special fund appropriately designated, to be held in trust for the sole and exclusive purpose of paying the principal of, Prepayment Premium, if any, and interest on the Certificates to be refunded, all as provided in Section 12.01 hereof.
- (d) The Trustee is hereby authorized, at the written direction of the Department, to remove moneys from the Principal Account, the Interest Account and the Reserve Account pledged to the payment of the Certificates to be refunded and apply the same in the manner required by the Supplemental Trust Agreement authorizing the issuance of the Refunding Certificates.
- (e) Subject to the provisions of Section 4.13(d) hereof, the Refunding Certificates shall be secured in the same manner and from the same Pledged Accounts as were the Certificates to be refunded in accordance with the terms hereof.

4.14 PAYMENTS FROM TRUST ESTATE ONLY; DISTRIBUTION OF TRUST ESTATE.

- (a) Each Certificate executed and delivered pursuant to this Trust Agreement shall rank pari passu and be equally and ratably secured under this Trust Agreement with each other Certificate issued pursuant to this Trust Agreement and Outstanding, without preference, priority or distinction of any such Certificate over any other such Certificate.
- (b) Except as otherwise expressly provided in Section 4.14(a) above, and elsewhere herein, all amounts payable by the Trustee with respect to the Certificates pursuant to this Trust Agreement shall be paid only from the Trust Estate or from any other amounts derived from the Project and only to the extent that the Trustee shall have actually received sufficient income or proceeds from the Trust Estate to make such payments. Each Certificate Holder agrees, except as otherwise expressly provided herein, to look solely to the income of and the proceeds from the Trust Estate to the extent available for distribution to such holder as herein provided and that the Trustee is not personally liable to any Certificate Holder for any amounts payable under this Trust Agreement or subject to any liability whatsoever under this Trust Agreement except as a result of gross negligence or willful misconduct by the Trustee.

V. PREPAYMENT

5.01 PREPAYMENT.

- (a) The Series 2005 Certificates are subject to Extraordinary Prepayment, in whole, on any date, or in part, on any Extraordinary Prepayment Date (if in part, in any order of maturity as directed by the Department or, in the absence of such direction, in inverse order of maturity

and by lot within a maturity as may be designated by the Trustee), without prepayment premium, at the principal amount, together with accrued interest to the Extraordinary Prepayment Date, from the Net Proceeds of insurance or condemnation or other amounts deposited with the Trustee pursuant to Section 5.08(c) of the Lease Agreement. The Extraordinary Prepayment Date with respect to any partial Extraordinary Prepayment shall be the next succeeding Payment Date following the receipt by the Trustee of the moneys to be used for such prepayment; provided, however, if such Payment Date occurs within forty (40) days of receipt by the Trustee of the moneys to be used for such prepayment, the Extraordinary Prepayment Date shall be the second succeeding Payment Date.

- (b) The Series 2005 Certificates are subject to Special Prepayment, in whole on the Special Prepayment Date, without prepayment premium, at a prepayment price equal to the original issue price of each Certificate, together with accrued interest to the Special Prepayment Date, from amounts on deposit in the Project Account, the Capitalized Interest Account and the Reserve Account deposited into the Prepayment Fund pursuant to Section 3.03(g) of the Lease Agreement for failure to commence construction prior to the Construction Commencement Deadline; provided, however, the Department may elect not to prepay the Series 2005 Certificates so long as the then-current ratings on the Series 2005 Certificates will not be withdrawn, downgraded or adversely impacted if the Series 2005 Certificates are not prepaid. The Special Prepayment Date with respect to any Special Prepayment shall be a date selected by the Department by written direction to the Trustee not less than thirty (30) days, nor more than sixty (60) days, after the Construction Commencement Deadline.
- (c) The Series 2005 Certificates maturing on or before October 1, 2015 shall not be subject to prepayment at the option of the Department. Any of the Series 2005 Certificates maturing on or after October 1, 2016 may be prepaid, from optional prepayments of Basic Rent made by the Department pursuant to the Lease Agreement, in whole on October 1, 2015 or any date thereafter, or in part on October 1, 2015 or any Payment Date thereafter and in such order of maturities as may be designated by the Department, or if not so designated, in the inverse order of maturities, and by lot within a maturity in such manner as may be designated by the Trustee, at the Prepayment Price of par, plus accrued and unpaid interest thereon to the prepayment date. The moneys necessary to fund such optional prepayment shall be deposited with the Trustee not less than thirty-five (35) days prior to such date of prepayment.
- (d) The Series 2005 Certificates maturing on October 1, 2025 shall be subject to mandatory prepayment, without prepayment premium, commencing on October 1, 2023 from Amortization Installments in the amounts and in the years set forth below (the Trustee shall select such Certificates by lot in such manner as it deems appropriate):

<u>Payment Date</u>	<u>Amortization Installment</u>
October 1, 2023	\$2,860,000
October 1, 2024	3,005,000
October 1, 2025 (Final Maturity)	6,585,000

5.02 SELECTION OF CERTIFICATES TO BE PREPAID.

- (a) When Certificates are selected for prepayment by lot, selection of Certificates for prepayment shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in the principal amount of \$5,000 or any whole multiple thereof, and that in selecting portions of Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount with respect to such Certificate by \$5,000.
- (b) Upon any partial prepayment pursuant to this Article V, the Trustee shall provide the Department with, or cause to be provided, a revised schedule of Basic Rent Payments which

schedule shall take into account such prepayment and shall be and become for all purposes part of the Lease Agreement.

5.03 NOTICE OF PREPAYMENT.

- (a) When prepayment of Certificates is authorized or required pursuant to the provisions hereof and of any Supplemental Trust Agreement relating to such Certificates, the Trustee shall give to the Owners of Certificates to be prepaid notice, at the expense of the Department, of the prepayment of the Certificates. Such notice shall state: (i) the CUSIP numbers of all Certificates being prepaid, (ii) the original issue date of such Certificates, (iii) the maturity date, series and rate of interest borne by each Certificate being prepaid, (iv) the prepayment date, (v) the Prepayment Price, (vi) the date on which such notice is mailed, (vii) if less than all Outstanding Certificates are to be prepaid, the certificate number (and, in the case of a partial prepayment of any Certificate, the principal amount) of each Certificate to be prepaid, (viii) that on such prepayment date there shall become due and payable upon each Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof in the case of Certificates to be prepaid in part only, together with interest accrued thereon to the prepayment date, and that from and after such date interest thereon shall cease to accrue and be payable, (ix) that the Certificates to be prepaid, whether as a whole or in part, are to be surrendered for payment of the Prepayment Price at the designated corporate trust office of the Trustee at an address specified, and (x) the name and telephone number of a person designated by the Trustee to be responsible for such prepayment.
- (b) Notice of such prepayment shall be given by first class mail, postage prepaid, not more than sixty (60) days or fewer than thirty (30) days prior to said date of prepayment, to the Owners of any Certificates to be prepaid. Any defect in such notice as mailed shall not affect the validity of the proceedings for the prepayment of the Certificates for which proper notice has been given.
- (c) In addition to the mailing of the notice described above, further notice of prepayment shall be provided as set forth in the following paragraph provided, however, that failure to provide such further notice of prepayment to comply with the terms of this paragraph shall not in any manner defeat the effectiveness of a call for prepayment if notice thereof is given as prescribed in Sections 5.03(a) and 5.03(b) hereof:

Each further notice of prepayment shall be sent on the second Business Day prior to the date regular notice of prepayment is given by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Certificates (such depositories now being The Depository Trust Company, New York, New York, Midwest Securities Trust Company, Chicago, Illinois and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and on the date notice of prepayment is given, notice of prepayment shall be mailed to four or more national information services which disseminate notices of prepayment of obligations such as the Certificates (such information services now being Financial Information, Inc.'s "Daily Called Bond Service," Jersey City, New Jersey, Kenny Information Service "Called Bond Service," New York, New York, Moody's "Municipal and Government," New York, New York and Standard & Poor's "Called Bond Record", New York, New York).

5.04 DEPOSIT OF PREPAYMENT AMOUNTS; EFFECT OF CALLING FOR PREPAYMENT.

- (a) On or before the date on which a notice of prepayment is mailed pursuant to Section 5.03 hereof, there shall be deposited with the Trustee moneys or Refunding Securities or a combination thereof in an amount sufficient, together with the interest earnings thereon, to pay the principal of and the Prepayment Premium, if any, and interest accruing thereon to the prepayment date of the Certificates called for prepayment.

- (b) On the date fixed for prepayment, notice having been given in the manner and under the conditions hereinabove provided, the Certificates or portions thereof called for prepayment shall be due and payable at the Prepayment Price provided therefor, plus accrued interest to such date. If money or Refunding Securities, or a combination of both, sufficient to pay the Prepayment Price of the Certificates to be prepaid, plus accrued interest thereon to the date fixed for prepayment, are held by the Trustee in trust for the Owners of Certificates to be prepaid, interest on the Certificates called for prepayment shall cease to accrue as of the date set for prepayment; such Certificates shall cease to be entitled to any benefits or security under this Trust Agreement or to be deemed Outstanding; and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the Prepayment Price thereof, plus accrued interest to the date fixed for prepayment from the moneys and/or Refunding Securities held therefor. Certificates and portions of Certificates for which irrevocable instructions to pay on one or more specified dates or to call for prepayment at the earliest prepayment date have been given to the Trustee in form satisfactory to it shall not thereafter be deemed to be Outstanding under this Trust Agreement and shall cease to be entitled to the security of or any rights under this Trust Agreement, other than rights to receive payment of the Prepayment Price thereof and accrued interest thereon to the date fixed for prepayment, to be given notice of prepayment in the manner provided in Section 5.03 hereof, and, to the extent hereinafter provided, to receive Certificates for any unpaid portions of Certificates if money or Refunding Securities, or a combination of both, sufficient to pay the Prepayment Price of such Certificates or portions thereof, together with accrued interest thereon to the date upon which such Certificates are to be prepaid, are held in separate accounts by the Trustee in trust for the Owners of such Certificates.

5.05 PREPAYMENT OF A PORTION OF CERTIFICATES.

If a portion of an Outstanding Certificate shall be selected for prepayment, the Owner thereof or his attorney or legal representative shall present and surrender such Certificate to the Trustee for payment of the principal amount thereof so called for prepayment and the Prepayment Premium, if any, on such principal amount, and the Trustee shall authenticate and deliver to or upon the order of such Owner or his legal representative, without charge therefor, for the unpaid portion of the principal amount of the Certificate so surrendered, a Certificate of the same maturity and series and bearing interest at the same rate; provided, however, that if the Owner is a securities depository nominee, the securities depository, in its discretion, (a) may surrender such Certificate to the Trustee and request that the Trustee authenticate and deliver a new Certificate for the portion of the principal amount of the Certificate so surrendered which was not prepaid, or (b) shall make an appropriate notation on the Certificate indicating the dates and amounts of such reduction in principal.

5.06 CANCELLATION.

Certificates so prepaid, presented and surrendered shall be cancelled upon the surrender thereof.

VI. ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND ACCOUNTS

6.01 APPLICATION OF CERTIFICATE PROCEEDS.

On the date of delivery of the Certificates, the Trustee agrees to deposit the proceeds of the Certificates as provided in the Request and Authorization relating to the Certificates, which shall be in substantially the form provided in Exhibit C attached hereto.

6.02 CREATION OF FUNDS AND ACCOUNTS.

- (a) There is hereby established with the Trustee the following funds and accounts:
 - (1) The "South Florida Evaluation Treatment Center Financing Corporation Lease Project Fund." The Trustee shall maintain three separate accounts in the Project Fund: the "Project Account," the "Costs of Issuance Account" and the "Capitalized Interest Account."
 - (2) The "South Florida Evaluation Treatment Center Financing Corporation Lease Payment Fund" or "Lease Payment Fund". The Trustee shall maintain three separate accounts in the Lease Payment Fund: the "Principal Account," the "Interest Account" and the "Reserve Account."
 - (3) The "South Florida Evaluation Treatment Center Financing Corporation Prepayment Fund" or "Prepayment Fund".
 - (4) The "South Florida Evaluation Treatment Center Financing Corporation Lease Rebate Fund" or "Rebate Fund".
 - (5) The "South Florida Evaluation Treatment Center Financing Corporation Earnings Fund" or "Earnings Fund".
 - (6) The "South Florida Evaluation Treatment Center Financing Corporation Supplemental Rent Fund" or "Supplemental Rent Fund".
- (b) Moneys in the aforementioned funds and accounts (other than the Rebate Fund, the Costs of Issuance Account and the Supplemental Rent Fund) (the "Pledged Accounts"), until applied in accordance with the provisions hereof, shall be subject to an exclusive first lien and charge in favor of the Owners of the Certificates and for the further security of such Owners in accordance with the terms hereof. The Trustee shall keep and hold moneys in the funds and accounts established pursuant to this Section separate and apart from all other funds and moneys held by it.

6.03 PROJECT ACCOUNT.

- (a) The Trustee shall deposit into the Project Account (i) a portion of the proceeds from the Certificates in accordance with the Request and Authorization, (ii) any additional amounts deposited with the Trustee by the Department for the purpose of paying additional Project Costs in accordance with Section 3.05 of the Lease Agreement, (iii) any proceeds of Liquidated Damages required to be deposited into the Project Account pursuant to Section 3.03(g) of the Lease Agreement, (iv) any unexpended moneys remaining in the Costs of Issuance Account required to be deposited into the Project Account in accordance with Section 3.07 of the Lease Agreement, and (v) any Net Proceeds deposited with the Trustee by the Department pursuant to Section 5.08(b) of the Lease Agreement. Amounts in the Project Account shall be disbursed for Costs of the Project and for no other purpose except as provided in Sections 6.03(g), (h) and (i) hereof. Disbursements from the Project Account shall be made by the Trustee upon receipt of a completed Application for Payment and the related Certification for Payment, in substantially the form required by the Construction Contract, requesting disbursement, duly executed in accordance with the Construction Contract. The Corporation has delegated to the Department the authority under the Construction Contract to review and approve the Application for Payment and the related Certifications for Payment on behalf of the Corporation. The Trustee may conclusively and exclusively rely on such Applications for Payment and Certifications for Payment for purposes of disbursing money from the Project Account.
- (b) The Trustee shall make payment for each item or portion of the Project to the Developer or the written designee of the Developer (which may include the Vendor or Contractor of any portion of the Project) in the amount therefor by transferring such amount (less any retainage as provided in the Construction Contract and noted in the Application For Payment and

related Certification For Payment) from the Project Account by check made payable to, or by wire transfer into an account of the Vendor, Developer or Contractor designated in the Application For Payment and related Certification For Payment in advance by the Developer within two Business Days of the receipt of a Application For Payment and related Certification For Payment from the Developer (provided the Application For Payment and related Certification For Payment are in compliance with the terms hereof and the Construction Contract). The parties acknowledge that the Trustee, pursuant to a certificate of an Authorized Officer of the Developer, shall, with the prior written consent of the Department, waive any noncompliance with the requirements for the disbursement of Project Account moneys. The Trustee shall have no responsibility to determine if any Application For Payment and related Certification For Payment is in compliance with the Construction Contract other than to confirm that such Application For Payment and related Certification For Payment expressly states that it is so in compliance properly executed by the Department as its designee.

- (c) The Trustee shall make payment for each item of Equipment in the amount of the purchase price therefor from the Project Account by transferring such amount in accordance with the procedures described in Section 6.03(b) hereof within two Business Days of the receipt of (i) an Application For Payment and related Certification For Payment, and (ii) an invoice or bill of sale from a Vendor.
- (d) (1) Before the Trustee is authorized to make any disbursements for the construction (except for the payment of Architect's or Engineer's fees or other costs or deposits prior to the Construction Commencement Deadline as described in Section 6.03(d)(3) below), the Trustee shall have received from the Developer the following instruments and documents:
 - (A) A copy of all permits or government approvals obtained by the Department, the Corporation or the Developer for the construction and operation of such Building, if any, including, without limitation, building permits and the approvals required to be issued by the State pursuant to Section 255.25, Florida Statutes.
 - (B) The payment and performance bond as required by the Construction Contract.
 - (C) A copy of the Plans and Specifications certified by the Architect of record.
 - (D) An opinion of counsel to the Department addressed to the Trustee and the Corporation to the effect that all State permits or approvals required for the lease, construction and operation of the Project, if any, including, without limitation, the approvals required to be issued by the State pursuant to Section 255.25, Florida Statutes, have been obtained.

The Developer shall certify to the Trustee that each of the items filed with the Trustee pursuant to this Section 6.03(d)(1) hereof are in conformity with the requirements of this Trust Agreement, the Lease Agreement and the Construction Contract. The Trustee may conclusively rely on such certifications. Nothing hereinabove shall be interpreted to require that the items mentioned in clauses (A) through (D), inclusive, be filed with each Application For Payment and related Certification For Payment so long as such items are on file with the Trustee.

- (2) Each Application For Payment and related Certification For Payment submitted for payment of Project Costs constituting construction costs (except for the payment of Architect's or Engineer's fees or other costs or deposits prior to the Construction Commencement Deadline as described in Section 6.03(d)(3) below) must be approved pursuant to Section 7.02 of the Construction Contract and must include certificates and/or affidavits from the Architect, Engineer, Department, Contractor or Developer (as is appropriate under the circumstances), certifying with respect to the portion of the Project to which such Application For Payment and related Certification For Payment relates to the matters required by the Construction Contract.

- (3) Each Application For Payment and related Certification For Payment submitted for payment of Project Costs constituting Architect's or Engineer's fees or other costs or deposits prior to the Construction Commencement Deadline must be accompanied by the invoice for the amount of such fees or other costs or deposits and, for each disbursement prior to the Construction Commencement Deadline, a certificate of the Developer certifying that the amount of disbursement requested thereunder, together with all prior disbursements from the proceeds of the Series 2005 Bonds (including disbursements for costs of issuance and capitalized interest) and together with the Basic Rent Payments due on all succeeding Payment Dates prior to the date sixty (60) days after the Construction Commencement Deadline and less the interest or earnings through the date of such request on any proceeds of the Series 2005 Bonds, does not exceed the amount then available to be drawn under the Letter of Credit for liquidated damages in the event of a failure to commence construction on or before the Construction Commencement Deadline.
- (e) Execution and submission of an Application For Payment and related Certification For Payment completed in accordance with the Construction Contract shall, solely for purposes of this Trust Agreement, constitute approval and acceptance by the Department of the items or portions of the Project identified therein for purposes of disbursements hereunder and under the Lease Agreement.
- (f) Upon the receipt by the Trustee of an Application For Payment and related Certification For Payment, the Trustee shall disburse moneys from the Project Account in the manner required in this Section to reimburse the Developer for Project Costs paid by the Developer prior to the Commencement Date relating to the Project in anticipation of the issuance of the Certificates.
- (g) Upon the receipt of a certificate executed by an Authorized Officer of the Developer and the Department stating that all the Costs of the Project have been paid and acquisition, construction and installation of the Project has progressed to Final Completion and Final Acceptance of the Project has occurred (as those terms are defined in the Construction Contract), all in accordance with the Construction Contract, amounts remaining in the Project Account (the "Remaining Project Account Funds") shall be deposited into the Lease Payment Fund in accordance with Section 6.06(a) hereof. If the Department provides a certificate of an Authorized Officer of the Department that all or a portion of moneys then on deposit in the Project Account are required to pay Project Costs for items which have been or will be ordered or contracted, or Project Costs constituting sales or use taxes of items installed if such sales or use taxes are or will be payable but have not yet been paid, then such Remaining Project Account Funds or portions thereof shall not be deemed excess amounts within the meaning of this Section 6.03(g) and shall be retained in the Project Account for the purpose of payment of said Project Costs described in said certificate.
- (h) Upon the receipt of a certificate executed by an Authorized Officer of the Developer stating that all the Project Costs with respect to repair, restoration, or acquisition of replacement property of the Project in accordance with Section 5.08(b) of the Lease Agreement have been paid and the repair, restoration or acquisition of replacement property of the Project has been completed and approved and accepted by the Department in accordance with Section 5.08(b) of the Lease Agreement, the funds derived from Net Proceeds deposited with the Trustee pursuant to Section 5.08(b) of the Lease Agreement and remaining in the Project Account (the "Remaining Net Proceeds Funds") shall be deposited into the Lease Payment Fund in accordance with Section 6.06(a) hereof. If the Department provides a certificate of an Authorized Officer of the Department that all or a portion of moneys then on deposit in the Project Account are required to pay costs of repair, restoration or acquisition of replacement property of the Project for items which have been or will be ordered or contracted, or sales or use taxes of such items if such sales or use taxes are or will be payable but have not yet been paid, then such Remaining Net Proceeds Funds or portions thereof shall be retained in the Project Account for the purpose of payment of said costs described in said certificate.
- (i) Notwithstanding anything herein to the contrary, all interest and other income earned from the investment of moneys in the Project Account (1) shall be transferred and deposited into the

Earnings Fund as set forth in Section 6.08 hereof to the extent such interest and other income earned from the investment of moneys in the Project Account exceed the yield (as defined in Section 148(h) of the Code) on the Certificates, and (2) any remainder of such interest and other income earned from the investment of moneys in the Project Account shall be, (A) prior to making the final payment under the Construction Contract, retained in the Project Account, and (B) after making final payment under the Construction Contract, transferred and deposited first, into the Reserve Account to the extent funds on deposit therein are less than the Reserve Requirement, and second, into the Lease Payment Fund.

6.04 COSTS OF ISSUANCE ACCOUNT.

- (a) Amounts in the Costs of Issuance Account may be disbursed for Costs of Issuance no more than twelve months from the date of delivery of Certificates. Disbursements from the Costs of Issuance Account shall be made by the Trustee upon receipt of an Application For Payment and related Certification For Payment, in substantially the form attached hereto as Exhibit D, executed in accordance with Section 3.04 of the Lease Agreement.
- (b) All interest and other income earned from the investment of moneys in the Costs of Issuance Account shall be transferred and deposited (1) into the Earnings Fund as set forth in Section 6.08 hereof to the extent such interest and other income earned from the investment of moneys in the Cost of Issuance Account exceed the yield (as defined in Section 148(h) of the Code) on the Certificates, and (2) into the Project Account to the extent of any remainder of such interest and other income earned from the investment of moneys in the Costs of Issuance Account .
- (c) Upon receipt of a certificate executed by an Authorized Officer of the Department stating that all Costs of Issuance relating to the Certificates have been paid or provision for payment thereof has been made, the Trustee shall transfer any amounts remaining in the Costs of Issuance Account to the Project Account and the Costs of Issuance Account shall be closed.

6.05 CAPITALIZED INTEREST ACCOUNT.

- (a) Funds in the Capitalized Interest Account shall be transferred to the Interest Account in the Lease Payment Fund on each Payment Date in an amount necessary to pay the interest coming due on the Certificates on such Payment Dates. Such transfer shall be made on the Business Day prior to each Payment Date for the Certificates until the Capitalized Interest Account is closed.
- (b) All interest and other income earned from the investment of moneys in the Capitalized Interest Account shall be transferred and deposited (1) into the Earnings Fund as set forth in Section 6.08 hereof to the extent such interest and other income earned from the investment of moneys in the Capitalized Interest Account exceed the yield (as defined in Section 148(h) of the Code) on the Certificates, and (2) into the Project Account to the extent of any remainder of such interest and other income earned from the investment of moneys in the Capitalized Interest Account.

6.06 DISPOSITION OF BASIC RENT PAYMENTS; DEPOSITS TO LEASE PAYMENT FUND.

- (a) Deposits of Available Revenues made by the Department pursuant to Section 4.03(c) of the Lease Agreement with the Trustee, as assignee of the Corporation pursuant to the Lease Agreement and pursuant to the Assignment of Leases, any amounts required to be deposited into the Lease Payment Fund in accordance with Section 5.08(b) of the Lease Agreement, any amounts required to be deposited into the Lease Payment Fund in accordance with Sections 6.03(g) and (h) and Section 6.05 hereof and any amounts required to be deposited into the Lease Payment Fund pursuant to Section 6.17 hereof shall be deposited as received by the Trustee in the Lease Payment Fund in the following manner and in the following order of priority:

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- (1) Subject to the provisions of Section 6.05 hereof, there shall be deposited to the Interest Account from the Interest Component of Basic Rent and other amounts so deposited (including accrued interest), an amount which shall be sufficient to pay the interest becoming due on the Certificates on the next succeeding Payment Date and any other amounts required to be deposited to the credit of the Lease Payment Fund. Moneys in the Interest Account shall be used to pay the interest on the Certificates as and when the same becomes due, whether by prepayment or otherwise, and for no other purpose. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on all Outstanding Certificates on the next succeeding Payment Date.
 - (2) There shall be deposited to the Principal Account from the Principal Component of Basic Rent and other amounts so deposited, an amount which shall be sufficient to pay the principal and the Amortization Installment becoming due on such Certificates on the next succeeding principal Payment Date and any other amounts required to be deposited to the credit of the Lease Payment Fund. Moneys in the Principal Account shall be used to pay the principal and the Amortization Installment of the Certificates as and when the same shall mature or are prepaid, and for no other purpose. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal and the Amortization Installment coming due on all Outstanding Certificates on the next succeeding date on which principal or amortization becomes due.
- (b) Whenever there has been a prepayment of Basic Rent Payments, for any reason, the Trustee shall prepare, or cause to be prepared, and transmit to the Department a revised Basic Rent Payment schedule for the Lease Schedule reflecting such prepayment.

6.07 RESERVE ACCOUNT.

The Reserve Account shall be initially funded by deposit of moneys from the proceeds from the sale of the Certificates or a Reserve Account Surety Bond, or a combination of both, in a total amount which equals the Reserve Requirement.

- (a) If on any Payment Date, the amounts in the Interest Account or the Principal Account are less than the interest, principal and Amortization Installment then due in relation to the Certificates, the Trustee shall transfer, from the Reserve Account, to such account or accounts, an amount sufficient to make up any deficiency therein. In the event of any such transfer, the Trustee, except subsequent to an Event of Non-Appropriation, shall, within five (5) days after making such transfer, provide written notice to the Department of the amount and date of such transfer and the Department shall, within twelve (12) months of receipt of such written notice, pay to the Trustee from moneys budgeted and appropriated as Basic Rent, for deposit into the Reserve Account, an amount necessary to cause the moneys in the Reserve Account to be equal to the Reserve Requirement applicable thereto.
- (b) The Trustee is hereby authorized at any time to accept a Reserve Account Surety Bond and any subsequent Reserve Account Surety Bond in satisfaction of the Reserve Requirement for the Reserve Account pursuant to Section 4.03(g) of the Lease Agreement. To the extent necessary to comply with this Section, the Trustee is hereby directed to take any and all actions required to draw on the Reserve Account Surety Bond and any subsequent Reserve Account Surety Bond deposited in the Reserve Account.
- (c) Moneys in the Reserve Account shall only be used for the purpose of making up for deficiencies in the Interest Account or Principal Account in the event that moneys therein are less than the Interest Component and Principal Component of Basic Rent Payments then due on any Payment Date.
- (d) If on any Payment Date, the amount of all payments due and payable on the Certificates exceeds the amount on hand in the Interest Account and the Principal Account, taking into account any transfers made from the Reserve Account pursuant to Sections 6.07(a) and 6.07(b) hereof, the Trustee shall apply the moneys on hand therein first to the payment of all

past due interest with respect to such Certificates, and, second, to the payment of that portion of the unpaid principal or Amortization Installment of such Certificate which is then past due, pro rata if necessary.

- (e) Whenever the moneys, if any, in the Lease Payment Fund, including the Reserve Account, if any, shall be sufficient to pay all of the remaining principal of, Amortization Installments and interest coming due on such Certificates, moneys in the Reserve Account shall be deposited to the Interest Account and Principal Account as required to pay such Certificates, and no further Basic Rent Payments shall be required under the Lease Agreement.
- (f) If the amounts in the Reserve Account exceed the Reserve Requirement applicable thereto then in effect, as the same may be adjusted from time to time, the Trustee shall deposit such excess amounts in the Reserve Account (1) to the Earnings Fund as set forth in Section 6.08 hereof to the extent interest and other income earned from the investment of moneys in the Reserve Account exceed the yield (as defined in Section 148(h) of the Code) on the Certificates, and (2) to the Interest Account to the extent of any remainder of such excess amounts.

6.08 EARNINGS FUND.

- (a) All interest and other income earned from the investment of moneys in (i) the Capitalized Interest Account, (ii) the Project Account, (iii) the Costs of Issuance Account and (iv) the Reserve Account, to the extent such interest and other income earned from the investment of moneys in such accounts exceed the yield (as defined in Section 148(h) of the Code) on the Certificates, shall be transferred and deposited into the Earnings Fund.
- (b) Moneys on deposit in the Earnings funds shall be applied in the following manner:
 - (1) Upon receipt of any written notice from the Corporation or the Rebate Analyst pursuant to Section 6.14 hereof, the Trustee shall transfer to the Rebate Fund an amount equal to that required to pay Rebate Requirements under Section 6.14 hereof; and
 - (2) Promptly after making such required transfer to the Rebate Fund (or after receipt of such notification if no amount is required to be transferred), the Trustee shall deposit the balance remaining in the Earnings Fund (A) prior to making the final payment under the Construction Contract, to the Project Account, and (B) after making final payment under the Construction Contract, first, to the Reserve Account to the extent funds on deposit therein are less than the Reserve Requirement, and second, to the Lease Payment Fund.
- (c) Transfers to the Earnings Fund of interest and income from investments shall be made by the Trustee prior to each Payment Date, and shall be applied as set forth herein. At the time of deposit of said moneys in the Earnings Fund, the Trustee shall report the amount of said deposit to the Department.

6.09 PREPAYMENT FUND.

The Trustee shall deposit to the Prepayment Fund for prepayment of Certificates in accordance with Article V hereof (a) any amounts deposited by the Department for the purpose of paying the Prepayment Price of all or a portion of such Certificates on an Optional Prepayment Date or Mandatory Prepayment Date in accordance with this Trust Agreement, (b) any amounts required to be deposited by the Department to the Prepayment Fund pursuant to Section 3.03(g) of the Lease Agreement, and (c) any Net Proceeds required to be transferred to the Prepayment Fund pursuant to Section 5.08(c) of the Lease Agreement. Said moneys shall be set aside in the Prepayment Fund solely for the purpose of prepaying the Certificates in advance of their maturity and shall be applied to the prepayment at the applicable Prepayment Price of such Certificates being prepaid on such prepayment date. Interest on such prepaid Certificates shall be paid from the Interest Account, except to the extent moneys for payment of interest were deposited to the Prepayment Fund, in which case it shall be paid from the Prepayment Fund.

6.10 SUPPLEMENTAL RENT FUND.

There shall be deposited to the Supplemental Rent Fund all supplemental rent payments made by the Department pursuant to the Lease Agreement. Amounts deposited to the Supplemental Rent Fund shall be applied as follows:

- (a) to the Trustee, on each Payment Date, the amount due for services under this Trust Agreement;
- (b) to the Rebate Analyst, on each October 1, the amount due for services in connection with the Series 2005 Certificates;
- (c) to the Corporation, on each Payment Date, the amount due for administrative expenses including annual fees payable to the State of Florida, legal fees of the Corporation, costs associated with compliance with Section 13.03 of this Trust Agreement and Section 5.32 of the Lease Agreement; and
- (d) to such other Persons in payment of such other amounts as the Corporation may direct.

6.11 DEPOSIT AND INVESTMENT OF MONEYS IN ACCOUNTS.

All moneys held by the Trustee in any of the funds or accounts established pursuant to this Trust Agreement shall be deposited or invested in Permitted Investments. The Department, prior to termination of the Lease Agreement, and the Corporation thereafter, each through an Authorized Officer, shall provide the Trustee written instructions with respect to investment of the moneys held hereunder in Permitted Investments and the Trustee shall make investments in accordance with said instructions. In the event the Department or the Corporation, as the case may be, does not provide the Trustee with written instructions with respect to investments, the Trustee shall invest such funds in Permitted Investments described in clause 1 of the definition of such term and the Trustee shall notify the Department and the Corporation thereof.

6.12 EARNINGS ON FUNDS AND ACCOUNTS.

Except as otherwise provided herein, Investment Earnings on the funds and accounts held hereunder shall be retained in such fund or account.

6.13 CREDIT AGAINST LEASE PAYMENTS.

Not earlier than thirty (30) days and not later than fifteen (15) days prior to each Payment Date, the Trustee shall report to the Department the amount of the credit against Basic Rent Payments available to the Department under the Lease Agreement. Such credit shall be an amount equal to the sum of (a) the amount of interest and other income deposited in the Interest Account pursuant to Section 6.12 hereof since the date of the previous report made by the Trustee pursuant to this Section, (b) the amount of moneys, if any, transferred to the Interest Account and Principal Account pursuant to Section 6.05 hereof since the date of the previous report made by the Trustee pursuant to this Section, (c) the amount of moneys, if any, transferred to the Interest Account pursuant to Section 6.07(f) hereof since the date of the previous report made by the Trustee pursuant to this Section, plus (d) the amount, if any, on deposit in the Principal Account and the Interest Account on the date of the report made by the Trustee pursuant to this Section which is not derived from the sources described in clauses (a), (b) and (c) above. In addition to the credit referenced in the preceding sentence, the Trustee and the Corporation acknowledge that there shall be applied as a credit against Basic Rent Payments payable on a Payment Date an amount equal to the amount then on deposit in the Interest Account representing accrued interest and that the amount in the Reserve Account shall be applied as a credit against the last Basic Rent Payments as provided in Section 6.07(e) hereof. In the event that the total amount of the credit exceeds the Basic Rent Payment due on the Payment Date following said report, the amount of said excess shall be applied as a credit against the next subsequent Basic Rent Payments.

6.14 APPLICATION OF MONEYS IN THE REBATE FUND.

- (a) At the direction of the Corporation, the Trustee shall pay to the United States, out of amounts in the Rebate Fund, the rebate requirement, in the amounts and at the times described in each Tax Regulatory Agreement.
- (b) In the event that, prior to the time of any required payment out of the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Department shall deposit with the Trustee for application to the Rebate Fund an amount equal to such deficiency in the Rebate Fund prior to the time such payment is due. Each payment required to be made pursuant to this subsection shall be made in the manner described in the Letters of Instructions.
- (c) Any Tax Regulatory Agreement shall be amended from time to time as, in the opinion of Special Counsel, shall be necessary to reflect the current status of the Code in regard to the rebate requirement.
- (d) Any funds remaining in the Rebate Fund, after prepayment and payment of all of the Certificates and any amounts required to be paid to the United States, or provision made therefor satisfactory to the Trustee, including accrued interest and payment of any applicable fees or other amounts to the Trustee and satisfaction of the rebate requirement described in the Tax Regulatory Agreement, shall be withdrawn by the Trustee and remitted to the Department.
- (e) Each Supplemental Trust Agreement authorizing the issuance of Certificates shall have attached thereto or executed in connection therewith a Tax Regulatory Agreement relating to the rebate requirement described herein, unless Special Counsel determines such Tax Regulatory Agreement is unnecessary.

6.15 METHOD OF VALUATION AND FREQUENCY OF VALUATION.

In computing the amount in any fund or account, Permitted Investments in which money in such fund or account is invested shall be valued at one hundred per centum (100%) of the principal or face amount thereof; provided, that Permitted Investments in which money in the Reserve Account is invested shall be valued at fair market value and marked to market at least once per year on October 1. With respect to all funds and accounts, valuation shall be determined by the Trustee annually; provided that, in the event of a withdrawal from the Reserve Account, the Reserve Account shall be valued by the Trustee immediately after such withdrawal and monthly thereafter until the amount on deposit in the Reserve Account equals the Reserve Requirement. If amounts on deposit in the Reserve Account shall be less than the applicable Reserve Requirement as a result of a failure by the Department to make any Basic Rent Payments, such deficiency shall be made up immediately from first available moneys after required deposits to the Lease Payment Fund.

6.16 INVESTMENT OF AMOUNTS REPRESENTING CAPITALIZED INTEREST.

All amounts representing capitalized interest shall be held by the Trustee, pledged solely to the payment of the Interest Component of the Basic Rent Payments under the Lease Purchase Agreement or for Special Prepayment of Certificates in accordance with the provisions hereof and invested only in Permitted Investments maturing at such time and in such amounts as are necessary to match the interest payments to which they are pledged.

6.17 LETTER OF CREDIT.

- (a) Pursuant to Section 4.02 (a), upon issuance of the Series 2005 Certificates, the Letter of Credit shall be deposited with the Trustee.
- (b) In the event that Substantial Completion of the Project has not been achieved prior to January 1, 2008, the Trustee shall draw upon the Letter of Credit (1) on the date two Business Days before April 1, 2008 and each Payment Date thereafter and (2) on the date of

Substantial Completion, in amounts equal to the Liquidated Damages then payable under the Construction Contract for each day from and including January 1, 2008 through the date of Substantial Completion or, if not completed, through such Payment Date. The Trustee shall deposit such amount to the Lease Payment Fund to be used for the payment of Basic Rent Payments. The Corporation or the Department shall confirm in writing to the Trustee at least five Business Days prior to April 1, 2008 and each Payment Date thereafter the date of Substantial Completion or, if not yet completed, that Substantial Completion has not been completed and the Trustee shall calculate the amount to be drawn on the Letter of Credit based thereon.

- (c) In the event that construction of the Project has not commenced by the Construction Commencement Deadline and the Series 2005 Certificates are to be prepaid in accordance with Section 5.01(b) hereof, the Trustee shall draw on the Letter of Credit on the date two Business Days before the Special Prepayment Date the amount equal to the Liquidated Damages then payable under the Construction Contract equal to an amount determined by the Department to be necessary to pay the principal amount of all Series 2005 Certificates, plus interest to the Special Prepayment Date, after applying the moneys on deposit in the Project Fund and the Lease Payment Fund to the Special Prepayment of such Series 2005 Certificates, and deposit such amount to the Prepayment Fund to be used for the Special Prepayment of the Series 2005 Certificates.

6.18 NO UNAUTHORIZED TRANSFERS.

No amount shall be withdrawn or transferred from or paid out of any fund or account except as expressly provided in this Trust Agreement.

VII. GENERAL COVENANTS AND REPRESENTATIONS

7.01 DEPARTMENT TO PERFORM AGREEMENTS.

The Department covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the State Lease, Sublease, the Lease Agreement and the Construction Contract, to the extent so imposed, except to the extent that such obligations and duties have been assigned to other parties pursuant to the Sublease, the Lease Agreement, the Operations Contract, the Construction Contract and this Trust Agreement.

7.02 CORPORATION TO PERFORM AGREEMENTS.

The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Sublease, the Lease Agreement, the Assignment of Leases and the Construction Contract, to the extent so imposed.

7.03 NO OBLIGATION WITH RESPECT TO PERFORMANCE BY TRUSTEE.

The Corporation and the Department shall not have any obligation or liability to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

7.04 NO LIABILITY TO OWNERS FOR PAYMENT.

Except as provided in this Trust Agreement, neither the Corporation nor the Trustee shall have any obligation or liability to the Owners of the Certificates with respect to the payment of the Lease Payments by the Department when due or with respect to the performance by the Department of any other covenants made by it in the Lease Agreement.

7.05 COVENANT NOT TO IMPAIR TAX STATUS OF CERTIFICATES.

Prior to an Event of Default or an Event of Non-Appropriation, neither the Corporation nor the Department shall take nor permit nor suffer to be taken nor fail to take any action within their control, or direct the Trustee to take or fail to take any action, which action or failure to act would impair the exclusion, if applicable, from gross income for federal income tax purposes of the Interest Component of the Basic Rent Payment, including the calculation and payment of any rebate necessary to preserve the exclusion. Prior to an Event of Default or an Event of Non-Appropriation, neither the Corporation nor the Department shall permit or direct the investment of any proceeds of the Certificates or the Lease Payments by the Trustee in such a manner that would result in the Certificates (other than Taxable Certificates) being characterized as "arbitrage bonds" under Section 148 of the Code. Prior to an Event of Default or an Event of Non-Appropriation, the Corporation and the Department will comply with the provisions of the arbitrage certificate and the exhibits thereto executed by the Department which relates to the Certificates. This Agreement shall not be construed to constrain in any manner the ability of the Trustee to sublease, sell or dispose of the Project following an Event of a Default or Event of Non-Appropriation under the Lease Agreement. With respect to the obligations of the Trustee pursuant to this Section, the Trustee shall use its best efforts and shall be liable only as a result of negligence or willful misconduct.

7.06 NO PERSONAL LIABILITY.

No recourse shall be had for the obligations specified hereunder, under the Certificates or under the Lease Agreement or for any claim based hereon or thereon or upon any representation, obligation, covenant or agreement in this Trust Agreement or the Certificates or the Lease Agreement against any past, present or future officer, vendor, employee, director or agent of the Trustee, the Corporation, the Department or the Developer as such, either directly or through the Trustee, the Corporation, the Department or the Developer, or any successor thereto under any statute or rule of law or equity, constitution or by the enforcement or any assessment or penalty or otherwise, and all such liability of any such officers, members, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Trust Agreement, the Sublease, the Lease Agreement and the issuance of the Certificates.

7.07 CORPORATION OBLIGATIONS FOR PROJECT.

- (a) The Corporation holds a leasehold interest to the Land and the Project, subject to the rights of the Department under the Lease Agreement. In consideration of the issuance of the Certificates, the Corporation agrees that if an Event of Default described in Section 8.01(d) hereof or an Event of Non-Appropriation occurs, it shall, at the request of the Trustee, take all actions necessary in order to fully transfer its leasehold interest in all or a portion of the Project to the Trustee. In accordance with the terms of Section 8.03 hereof and except as provided in Section 7.03 of the Lease Agreement, the Trustee may exercise such remedies with respect to the leasehold interest in and to the Project if an Event of Default described in Section 8.01(d) or an Event of Non-Appropriation occurs. The proceeds from the exercise of any such remedies shall be used as provided in Section 8.04 hereof. If the Department relinquishes possession of the Project pursuant to the Lease Agreement subsequent to an Event of Default described in Section 8.01(d) or an Event of Non-Appropriation hereof, the Corporation hereby agrees that the Trustee may, subject to the provisions of Sections 8.14 and 9.02 hereof, take possession of the Project and shall have complete authority over the disposition of the Project for the remaining term of the Sublease in accordance with the terms hereof and of the Lease Agreement. The Corporation will promptly comply with all directions of the Trustee in regard to such disposition. As a condition to the acceptance by the Trustee of possession of the Project, the Trustee shall have the right to receive from the Department such assurances, reports and opinions as to the absence of hazardous substances and such other environmental matters with respect to the Project as the Trustee may reasonably request.

- (b) The Department and Corporation each agrees that it shall not place, or permit the placement of, any lien or encumbrance on the Project, except Permitted Encumbrances. In addition, the Corporation shall not join in or consent to the sale or re-letting of the Project, or any portion thereof, except as may be directed by the Trustee or as shall be required by the terms of the Lease Agreement.

7.08 PROJECT ESSENTIAL.

The Department represents that it has an immediate need for the Project and expects to make immediate use of the Project, which need is not temporary or expected to diminish during the Maximum Lease Term.

7.09 RESERVED.

VIII. EVENTS OF DEFAULT AND REMEDIES

8.01 EVENTS OF DEFAULT.

Each of the following events is hereby declared an Event of Default under the Trust Agreement:

- (a) Payment of any installment of interest on any Certificate shall not be made when the same shall become due and payable; or
- (b) Payment of the principal, Amortization Installment or the Prepayment Premium, if any, of any Certificate shall not be made when the same shall become due and payable, whether at maturity or by proceedings for mandatory prepayment or otherwise; or
- (c) Default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in this Trust Agreement or any Supplemental Trust Agreement and such default shall continue for thirty (30) days after receipt by the Department and the Corporation of a written notice from the Trustee specifying such default and requiring the same to be remedied unless the Trustee has agreed in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Department or the Corporation, or its assignee, within the applicable period and diligently pursued until the default is corrected; or
- (d) An "Event of Default" shall have occurred under the Lease Agreement, and it shall not have been remedied or waived.

8.02 ACCELERATION OF MATURITIES.

Upon the happening and continuance of any Event of Default specified in Section 8.01 hereof, or an Event of Non-Appropriation specified in Section 7.01 of the Lease Agreement, the Trustee may, and shall, upon the written request of the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding, by notice in writing to the Department and the Corporation, declare the principal of all Certificates then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Certificates or in this Trust Agreement to the contrary notwithstanding; provided, further, that if at any time after the principal of the Certificates shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Trust Agreement, moneys shall have accumulated in or shall have been paid into the Lease Payment Fund sufficient to pay the principal of all matured Certificates and all arrears of interest, if any, upon all Certificates then Outstanding (except the principal of any Certificate not then due and payable by its

terms and the interest accrued on such since the last interest Payment Date), and the charges, compensations, expenses, disbursements, advances and liabilities of the Trustee and all other; amounts then payable by the Department under the Lease Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Certificates or in this Trust Agreement (other than a default in the payment of the principal of such Certificates then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Certificates not then due and payable by their terms (Certificates then due and payable only because of a declaration under this Section shall not be deemed to be due and payable by their terms) and then Outstanding, shall, by written notice to the Department and the Corporation, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent Event of Default hereunder or impair any right consequent thereon.

8.03 ENFORCEMENT OF REMEDIES.

- (a) Upon the happening and continuance of any Event of Default specified in Section 8.01 hereof, or an Event of Non-Appropriation specified in Section 7.01 of the Lease Agreement, then and in every such case the Trustee may, and shall, upon the written request of the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding, proceed, subject to the provisions of Sections 9.02 and 8.14 of this Trust Agreement, to protect and enforce its rights and the rights of the Owners under the laws of the State, under this Trust Agreement, the Sublease or the Lease Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid of execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel chosen by the Trustee, shall deem most effectual to protect and enforce such rights. Subject to the terms hereof, the Trustee may also exercise all remedies it or the Corporation may have under law and under the Trust Agreement, the Sublease and the Lease Agreement.
- (b) In the enforcement of any remedy under this Trust Agreement, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any Event of Default hereunder becoming and remaining due from the Department for principal, interest or otherwise under any of the provisions of this Trust Agreement or of the Certificates, together with interest on overdue payments of principal at the rate of interest equal to the then current weighted average interest rate of the Outstanding Certificates and all reasonable costs and expenses of collection and of all proceedings hereunder, without prejudice to any other right or remedy of the Trustee or of the Owners and to recover and enforce any judgment or decree against the Department, but solely as provided herein, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from money available for such purposes), in any manner provided by law, the money adjudged or decreed to be payable.
- (c) As provided in Section 7.07 hereof and subject to the limitations thereof, the Trustee, upon an Event of Default described in Section 8.01(d) hereof or an Event of Non-Appropriation, may take possession of the Project, and it shall, if the Department relinquishes possession of the Project pursuant to the Lease Agreement subsequent to an Event of Default described in Section 8.01(d) hereof, take possession of the Project, in accordance with the provisions of Section 7.07 hereof. Upon taking possession of the Project, the Trustee is authorized to relet or otherwise dispose of the Corporation's interest in the Project, or any portion thereof, for the benefit of the Owners of the Certificates. The rights of the Trustee under this Section 8.03 are subject to the rights and approval of the Board of Trustees pursuant to the State Lease.

8.04 PRO-RATA APPLICATION OF FUNDS.

- (a) Anything in this Trust Agreement to the contrary notwithstanding, if at any time the money in the Lease Payment Fund shall not be sufficient to pay the interest on or the principal of the Certificates as the same shall become due and payable (either by their terms or by acceleration of maturities under the provisions of Section 8.02 hereof), the Trustee, subsequent to payment of all reasonable costs and expenses relating to collection of such moneys and reasonable fees and expenses of the Trustee including reasonable legal fees, shall deposit all moneys derived from the re-letting or other disposition of the Project, including moneys and damages collected in connection therewith, and all moneys in the Pledged Accounts (amounts in the Project Account may, at the discretion of the Trustee, be retained in such account to continue payment of the acquisition and construction of the Project) into a special account established for the sole benefit of the Owners of the Certificates and shall apply moneys in such special account as follows:

First: to the payment to the Persons entitled thereto of all installments of interest on such Certificates then due and payable in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Certificates;

Second: to the payment to the Persons entitled thereto of the unpaid principal of any Certificates that shall have become due and payable whether at maturity or upon acceleration, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of Certificates due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference;

Third: to the payment of the interest on and the principal of such Certificates, to the purchase and retirement of such Certificates, and to the prepayment of such Certificates, all in accordance with the provisions hereof; and

Fourth: to the payment of any surplus moneys to the Department.

- (b) Whenever money is to be applied by the Trustee pursuant to the provisions of this Section, such money shall be applied by the Trustee at such times and from time to time, as the Trustee in its sole discretion shall determine, having due regard for the amount of such money available for such application and the likelihood of additional money becoming available for such application in the future; the setting aside of such money, in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Corporation, the Department, to any Owner or to any other Person for any delay in applying any such money so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such money, it shall fix the date (which shall be a Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give notice by first class mail, postage prepaid, to all Owners of the fixing of any such date, and shall not be required to make payment to the Owner of any Certificates until such Certificates shall be surrendered to the Trustee for cancellation if fully paid.

8.05 EFFECT OF DISCONTINUANCE OF PROCEEDINGS.

If any proceeding taken by the Trustee or Owners on account of any Event of Default hereunder shall have been discontinued or abandoned for any reason, then and in every such case, the Corporation,

the Department, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no proceeding had been taken.

8.06 CONTROL OF PROCEEDINGS BY OWNERS.

The Owners of a majority in aggregate principal amount of the Certificates then Outstanding shall have the right, subject to the provisions of Sections 8.14 and 9.02 of this Trust Agreement, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder in regard to such Certificates, provided that such direction shall be in accordance with law and the provisions of this Trust Agreement and the Lease Agreement.

8.07 RESTRICTIONS UPON ACTIONS BY INDIVIDUAL OWNERS.

Except as provided in Section 8.13 of this Trust Agreement, no Owner shall have any right to institute any suit, action or proceeding in equity or at law on any Certificate or for the execution of any trust hereunder or for any other remedy hereunder unless such Owner previously shall have given to the Trustee written notice of the Event of Default or Event of Non-Appropriation on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall have made a written request of the Trustee after the right to exercise such powers or right of action as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceedings in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Trust Agreement or to any other remedy hereunder. It is understood and intended that, except as otherwise above provided, no one or more Owners shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of this Trust Agreement, or to enforce any right hereunder except in the manner provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Owners and that any individual rights of action or other right given to one or more of such Owners by law are restricted by this Trust Agreement to the rights and remedies herein provided and are further subject to the provisions of Section 8.14 below.

8.08 APPOINTMENT OF A RECEIVER.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under this Trust Agreement, the Trustee shall be entitled to the appointment of a receiver or receivers for the Project with such powers as the court making such appointments shall confer.

8.09 ENFORCEMENT OF RIGHTS OF ACTION.

All rights of action (including the right to file proof of claim) under this Trust Agreement or under any Certificates may be enforced by the Trustee without the possession of any Certificates or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners hereby secured, and any recovery of judgment shall be for the equal benefit of the Owners.

8.10 NO REMEDY EXCLUSIVE.

No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be

cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

8.11 WAIVERS.

No delay or omission by the Trustee or of any Owner in the exercise of any right or power occurring upon any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver of any such Event of Default hereunder or any acquiescence therein; and every power or remedy given by this Trust Agreement to the Trustee and to the Owners may be exercised from time to time and as often as may be deemed expedient. The Trustee may, and upon written request of the Owners of not less than a majority in principal amount of the Certificates then Outstanding, shall, waive any Event of Default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Trust Agreement or before the completion of the enforcement of any rights of the Trustee hereunder, but such waiver shall not waive any subsequent Event of Default hereunder or impair any rights or remedies consequent thereon.

8.12 NOTICE OF DEFAULT.

The Trustee shall mail to all Owners, at their addresses as they appear on the Certificate Register, written notice of the occurrence of any Event of Default set forth in Section 8.01 hereof, or an Event of Non-Appropriation specified in Section 7.01 of the Lease Agreement, within thirty (30) days after the Trustee shall have notice of the same; provided that, except upon the happening of an Event of Default specified in clauses (a) and (b) of Section 8.01 of this Trust Agreement, the Trustee may withhold such notice to the Owners if in its opinion such withholding is in the interest of the Owners; and provided, further, that the Trustee shall not be subject to any liability to any Owner by reason of its failure to mail any such notice.

8.13 RIGHT TO ENFORCE PAYMENT OF CERTIFICATES UNIMPAIRED.

If the Trustee shall fail to take actions required of it pursuant to this Article, nothing in this Article shall affect or impair the right of any Owner to enforce the payment of the principal of and interest on his Certificate or the obligation to pay the principal of and interest on each Certificate to the Owner thereof at the time and place in said Certificate expressed.

IX. THE TRUSTEE

9.01 ACCEPTANCE OF DUTIES.

- (a) The Trustee by execution hereof accepts and agrees to fulfill the trusts imposed upon it by this Trust Agreement, but only upon the terms and conditions set forth in this Article and subject to the provisions of this Trust Agreement. Prior to the occurrence of any Event of Default hereunder or Event of Non-Appropriation and after the curing of any Events of Default that may have occurred, the Trustee shall perform such duties and only such duties of the Trustee as are specifically set forth in this Trust Agreement. During the existence of any such Event of Default that has not been cured or upon the Event of Non-Appropriation, the Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.
- (b) No provision of this Trust Agreement, any Certificate, the Sublease, the Lease Agreement, or the Assignment of Leases shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

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- (1) Unless an Event of Default shall have occurred and be continuing and following an Event of Non-Appropriation:
- (A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Trust Agreement, the Sublease, the Lease Agreement, and the Assignment of Leases, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Agreement, the Sublease, the Lease Agreement, and the Assignment of Leases, and no implied covenants or obligations shall be read into this Trust Agreement, the Sublease, the Lease Agreement, or the Assignment of Leases against the Trustee, and
 - (B) the Trustee may conclusively rely, as to the accuracy of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to it by the Department and the Corporation conforming to the requirements of this Trust Agreement, the Sublease, the Lease Agreement, and the Assignment of Leases, and
- (2) At all times, regardless of whether or not any such Event of Default or Event of Non-Appropriation shall exist:
- (A) the Trustee shall not be liable for any error of judgment made by a responsible officer or officers of the Trustee unless it shall be proved that the Trustee actions in ascertaining the pertinent facts constitute gross negligence or willful misconduct;
 - (B) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners as provided in Article VIII hereof (subject to Section 8.14 hereof), relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any power conferred upon the Trustee under this Trust Agreement, the Sublease and the Lease Agreement; and
 - (C) the Trustee may consult with counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.
- (c) None of the provisions contained in this Trust Agreement, the Sublease, the Lease Agreement, and the Assignment of Leases as applicable shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

9.02 INDEMNIFICATION AS CONDITION FOR REMEDIAL ACTION.

The Trustee shall be under no obligation to institute any suit or to take any remedial proceeding in the Event of a Default under this Trust Agreement or an Event of Non-Appropriation 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, 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 which may reasonably arise out of the remedial proceeding proposed to be taken. The Trustee nevertheless may, in its sole-discretion, but is not required to, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Trustee shall be entitled to reimbursement from any money in its possession under the provisions of this Trust Agreement and shall be entitled to a preference therefor over any Certificates Outstanding hereunder.

9.03 LIMITATIONS ON OBLIGATIONS AND RESPONSIBILITIES.

The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Department or the Corporation, or to report, or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or

assessments, or to require any such payment to be made. Except as to the acceptance of the trusts by its execution of this Trust Agreement, the Trustee shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment of this Trust Agreement, or in respect of the validity of Certificates or the due execution or issuance thereof. The Trustee shall be under no obligation to see that any duties herein imposed upon the Corporation, the Department, any depositary other than a Trustee as depositary, or any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

9.04 FAILURE OF CORPORATION OR DEPARTMENT TO ACT.

The Trustee shall not be liable or responsible because of the failure of the Corporation or the Department 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 Department or because of the loss of any money arising through the insolvency or the act or default or omission of any depositary other than a Trustee depositary in which such money shall have been deposited under the provisions of this Trust Agreement. The Trustee shall not be responsible for the application of any of the proceeds of Certificates or any other money deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Trust Agreement. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

9.05 COMPENSATION AND INDEMNIFICATION OF TRUSTEE.

Subject to the provisions of any contract between the Corporation, the Department and the Trustee relating to the compensation of the Trustee, the Corporation shall pay or cause the Department to pay to the Trustee reasonable compensation for all services performed by it hereunder and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and the performance of its powers and duties hereunder and shall, to the extent permitted by applicable law, indemnify and save the Trustee harmless against any liabilities that it may incur in the proper exercise and performance of its powers and duties hereunder and under the Lease Agreement. During the continuance of an Event of Default referred to in Section 8.01(a) or (b) or an event of Non-Appropriation, or the Trustee shall have a first charge against the Trust Estate for its fees and expenses.

9.06 STATEMENTS FROM TRUSTEE.

- (a) It shall be the duty of the Trustee, on a quarterly basis, to file with the Corporation and Department a statement setting forth in respect of the preceding one-month period:
 - (1) the amount withdrawn or transferred by it and the amount deposited with it on account of each fund or account held by it under the provisions of this Trust Agreement,
 - (2) the amount on deposit with it at the end of such period in each such fund or account,
 - (3) a brief description of all obligations held by it as an investment of money in each such fund or account,
 - (4) the amount applied to the purchase or prepayment of Certificates under the provisions of Article V of this Trust Agreement and a description of the Certificates or portions thereof so purchased or prepaid, and
 - (5) any other information that the Department may reasonably request.
- (b) In addition, on each anniversary date of the issuance of the Certificates, the Trustee shall file with the Corporation the information in its possession necessary to determine the rebatable arbitrage as set forth in Letters of Instructions.

- (c) All records and files pertaining to Certificates, the Corporation and the Department in the custody of the Trustee shall be open at all reasonable times to the inspection of the Department, the Corporation and their agents and representatives:

9.07 TRUSTEE MAY RELY ON CERTIFICATES.

If at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, and in any case in which this Trust Agreement provides for permitting or taking any action, the Trustee may rely upon any certificate required or permitted to be filed with it under the provisions of this Trust Agreement, and any such certificate shall be evidence of such fact or protect the Trustee in any action that it may or may not take or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact. Except as otherwise provided in this Trust Agreement, any request, notice, certificate or other instrument from the Corporation, the Department or the Developer to the Trustee shall be deemed to have been signed by the purported proper party or parties if signed by any Authorized Officer of the Corporation, the Department or the Developer, as the case may be, and the Trustee may accept and rely upon a certificate signed by any such representative as to any action taken by the Corporation, the Department or the Developer.

9.08 TRUSTEE MAY PAY TAXES AND ASSESSMENTS.

It is the expectation of the Parties hereto that the Land and the Project shall remain exempt from real property taxes throughout the term hereof. In the event that such taxes shall become payable and the Corporation or the Department shall fail to pay or cause to be paid any tax, assessment or governmental or other charge payable on the part of the Department or the Corporation relating to the Lease Agreement to the extent, if any, that the Department or the Corporation may be deemed by the Trustee liable for same, and the Trustee has received notice of foreclosure or sale of tax certificates with respect to such taxes, assessments, governmental or other charges, the Trustee, subject to Section 9.01(c) hereof, may pay such tax, assessment or governmental charge (unless such tax, assessment or governmental charge is being contested in accordance with Section 5.09 of the Lease Agreement), without prejudice, however, to any rights of the Trustee or the Owners hereunder arising in consequence of such failure; and any amount at any time so paid under this Section shall be repaid upon demand by the Trustee from funds made available by the Department, but the Trustee shall be under no obligation to make any such payment from sources provided in the Trust Agreement unless it shall have available or be provided with adequate funds for the purpose of such payment.

9.09 CERTAIN RIGHTS OF THE TRUSTEE.

Subject to the provisions of Section 9.01 hereof, the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

9.10 RESIGNATION AND REMOVAL OF TRUSTEE SUBJECT TO APPOINTMENT OF SUCCESSOR.

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 9.13.

9.11 RESIGNATION OF TRUSTEE.

Subject to the provisions of Section 9.10, the Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing given to the Department and the Corporation, and mailed, postage prepaid, at the Trustee's expense, to each Owner, not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee hereunder if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts hereof. No resignation shall take effect until a successor Trustee has been appointed pursuant to the terms hereof.

9.12 REMOVAL OF TRUSTEE.

- (a) The Trustee may be removed at any time by the Corporation (provided an Event of Default described in Section 8.01(d) hereof or an Event of Non-Appropriation has not occurred and remains uncured), or by an instrument or concurrent instruments in writing, executed by the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding and filed with the Department, not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments. A photostatic copy of any instrument or instruments filed with the Department under the provisions of this paragraph, duly certified by an Authorized Representative of the Department as having been received by the Department, shall be delivered promptly to the Trustee.
- (b) The Trustee may also be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Certificates then Outstanding.
- (c) The removal of a Trustee shall not become effective until a successor Trustee has been appointed pursuant to the terms hereof.

9.13 APPOINTMENT OF SUCCESSOR TRUSTEE.

- (a) If at any time hereafter the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or commission, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any reason, the Corporation shall appoint a Trustee to fill such vacancy. A successor Trustee shall not be required if the Trustee shall sell or assign substantially all of its corporate trust business and the vendee or assignee shall continue in the trust business, or if a transfer of the trust department of the Trustee is required by operation of law, provided that such vendee, assignee or transferee is (i) a bank or trust company which is duly authorized to exercise corporate trust powers in the State and subject to examination by federal or State authority, (ii) of good standing, and (iii) having, or its parent having, a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000). The Corporation shall mail notice of any such appointment made by it, postage prepaid, to all Owners.
- (b) At any time within one (1) year after any such vacancy shall have occurred, the Owners of not less than twenty-five percent (25%) in principal amount of Certificates then Outstanding, by an instrument or concurrent instruments in writing, executed by such Owners and filed with the Corporation, may nominate a successor Trustee, which the Corporation shall appoint and which shall supersede any Trustee theretofore appointed by the Corporation. Photostatic copies, duly certified by the Authorized Representative of the Corporation as having been received by the Corporation, of each such instrument shall be delivered promptly by the Department to the predecessor Trustee and to the Trustee so appointed by the Owners.
- (c) If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section, any Owner hereunder or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.
- (d) Any successor Trustee hereafter appointed shall be (i) a bank or trust company which is duly authorized to exercise corporate trust powers in the State and subject to examination by federal or State authority, (ii) of good standing, and (iii) having, or its parent having, a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000).

9.14 VESTING OF DUTIES IN SUCCESSOR TRUSTEE.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the Corporation, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities and powers, and subject to all the duties and obligations, of its predecessor; but such predecessor shall nevertheless, on the written request of its successor or of the Corporation and upon payment of the expenses, charges and other disbursements of such predecessor that are payable pursuant to the provisions of Section 9.05 hereof, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities and powers of such predecessor hereunder; and every predecessor Trustee shall deliver all property and money held by it hereunder to its successor. Should any instrument in writing from the Corporation be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the Corporation.

X. EXECUTION OF INSTRUMENTS BY OWNERS, PROOF OF OWNERSHIP

10.01 EXECUTION OF INSTRUMENTS BY OWNERS.

- (a) Any request, direction, consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by any Owner may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners or their attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement and shall be conclusive in favor of the Trustee, the Department and the Corporation with regard to any action taken by either under such instrument if made in the following manner:
 - (1) The fact and date of the execution by any Person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a Person other than an individual, such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.
 - (2) The ownership of Certificates shall be proved by the registration books kept under the provisions of this Trust Agreement.
- (b) Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of any Owner shall bind every future Owner of the same Certificate in respect of anything done by the Trustee in pursuance of such request or consent.
- (c) Notwithstanding any of the foregoing provisions of this Section, the Trustee shall not be required to recognize any Person as an Owner or to take any action at his request unless such Certificates shall be deposited with it.

XI. SUPPLEMENTAL TRUST AGREEMENTS; AMENDMENT OF FINANCING DOCUMENTS

11.01 SUPPLEMENTAL TRUST AGREEMENTS AND MODIFICATION OF RELATED CERTIFICATE DOCUMENTS WITHOUT CONSENT OF OWNERS.

The Corporation, the Department and the Trustee, from time to time and at any time, may enter into Supplemental Trust Agreements and modifications and amendments of the Related Certificate Documents, without the consent of the Owners of the Certificates, for the following purposes.

- (a) To cure any ambiguity or formal defect or omission, to correct or supplement any provision herein or in any of the Related Certificate Documents that may be inconsistent with any other provision herein or in any of the Related Certificate Documents, to make any other provisions with respect to matters or questions arising under this Trust Agreement or in any of the Related Certificate Documents, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this Trust Agreement or in any of the Related Certificate Documents; provided, that any such modification, alteration, amendment, addition or replacement does not materially adversely affect the interests of the Owners, or
- (b) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee, or
- (c) To add to the provisions of this Trust Agreement or any of the Related Certificate Documents other conditions, limitations and restrictions thereafter to be observed, or
- (d) To add to the covenants and agreements of the Corporation or the Department in this Trust Agreement or in any of the Related Certificate Documents, other covenants and agreements thereafter to be observed by the Corporation or the Department or to surrender any right or power herein reserved to or conferred upon the Corporation or the Department, or
- (e) To permit the qualification of this Trust Agreement under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Corporation and the Department so determine, to add to this Trust Agreement, any Supplemental Trust Agreement or any of the Related Certificate Documents such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law, or
- (f) To provide for the issuance of Taxable Certificates or for the issuance of Certificates in bearer form, or
- (g) To provide for the issuance of Completion Certificates and Refunding Certificates or
- (h) To make any other modifications hereto or thereto which in the opinion of the Trustee, who may rely upon a written opinion of Special Counsel, shall not materially adversely affect the Owners.

11.02 MODIFICATION OF TRUST AGREEMENT AND RELATED CERTIFICATE DOCUMENTS WITH CONSENT OF OWNERS.

- (a) Subject to the terms and provisions contained in this Section, and not otherwise, the Owners of not less than a majority of the aggregate principal amount of Certificates then Outstanding shall have the right, from time to time, anything contained in this Trust Agreement or any of the Related Certificate Documents to the contrary notwithstanding, to consent to and approve the execution by the Corporation, the Department and the Trustee of such Supplemental Trust Agreement or such modification of or amendment to any of the Related Certificate Documents as shall be deemed necessary or desirable by the Corporation and the Department for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Trust Agreement or such Related

Certificate Documents; provided, however, that nothing herein contained shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Certificates issued hereunder, or (ii) a reduction in the principal amount of any Certificates or the prepayment premium or the rate of interest thereon, or (iii) a preference or priority of any Certificate over any other Certificate, except as provided herein, or (iv) a reduction in the aggregate principal amount of Certificates required for consent to such Supplemental Trust Agreement without the consent of the Owners of all of the Certificates then Outstanding. For purposes of making amendments made pursuant to this Section 11.02, Owners of Certificates which will no longer be Outstanding at the time the Supplemental Trust Agreement or modification of or amendment to the Related Certificate Document takes effect shall not have any rights of consent hereunder. Nothing contained in this Section 11.02, however, shall be construed as making necessary the approval by the Owners of the adoption and acceptance of any Supplemental Trust Agreement or any modification of or amendment to any of the Related Certificate Documents as authorized in Sections 11.01 and, except as to those matters that require the consent of the Owners of all Certificates then Outstanding, 11.03 hereof.

- (b) If at any time the Corporation and the Department shall request the Trustee to enter into any Supplemental Trust Agreement or any modification of or amendment to any of the Related Certificate Documents pursuant to this Section, the Trustee shall, at the expense of the Department, cause notice of the proposed execution of such Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents to be mailed, postage prepaid, to all affected Owners and to each rating agency which shall rate the Certificates. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Owners. The Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents when approved and consented to as provided in this Section.
- (c) Whenever, at any time within three years after the date of the mailing of such notice, the Corporation or the Department shall deliver to the Trustee an instrument or instruments in writing purporting to be executed by the Owners of not less than a majority of the aggregate principal amount of Certificates then Outstanding as required hereunder, which instrument or instruments shall refer to the proposed Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents described in such notice and shall, specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee may execute such Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents in substantially such form, without liability or responsibility to any Owner, whether or not such Owner shall have consented thereto.
- (d) If the Owners of not less than a majority in aggregate principal amount of Certificates Outstanding as required hereunder at the time of the execution of such Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to the adoption of such Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Corporation, the Department and the Trustee from executing the same or from taking any action pursuant to the provisions thereof.
- (e) Upon the execution of any Supplemental Trust Agreement or any modification or amendment to the Related Certificate Documents pursuant to the provisions of this Section, this Trust Agreement shall be and be deemed to be modified and amended in accordance therewith,

and the respective rights, duties and obligations under this Trust Agreement of the Corporation, the Department, the Trustee and all Owners shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Trust Agreement as so modified and amended.

11.03 RESERVED.

11.04 RESPONSIBILITIES OF TRUSTEE, DEPARTMENT AND CORPORATION UNDER THIS ARTICLE.

The Trustee, the Department and the Corporation shall be entitled to exercise their discretion in determining whether or not any proposed Supplemental Trust Agreement or any amendment to any Related Certificate Document or any term or provision therein contained is desirable, after considering the purposes of such instrument, the needs of the Corporation and the Department, the rights and interests of the Owners, and the rights, obligations and interests of the Trustee, and the Trustee shall not be under any responsibility or liability to the Corporation, the Department or to any Owner or to anyone whomsoever for its refusal in good faith to execute any such Supplemental Trust Agreement or Related Certificate Document if such amendment is deemed by it to be contrary to the provisions of this Article. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Corporation or the Department or Special Counsel, as conclusive evidence that any such proposed Supplemental Trust Agreement does or does not comply with the provisions of this Trust Agreement, and that it is or is not proper for it, under the provisions of this Article, to accept such Supplemental Trust Agreement.

11.05 CONSENT OF DEPARTMENT NOT REQUIRED.

Anything herein to the contrary notwithstanding, no such Supplemental Trust Agreement or amendment to any Related Certificate Document need be consented to or executed by the Department if the Department is in default hereunder, under the Lease Agreement or an Event of Non-Appropriation has occurred.

11.06 NOTICE TO RATING AGENCIES.

Copies of any proposed Supplemental Trust Agreement or any other proposed modification or amendment of this Trust Agreement, the Sublease, the Lease Agreement, or the Assignment of Leases shall be mailed or otherwise sent to the Rating Agencies at least 15 days prior to the effective date thereof.

11.07 RESERVED.

XII. DEFEASANCE

12.01 DEFEASANCE.

- (a) If the principal, Prepayment Premium, if any, and interest due or to become due on the Certificates shall be paid at the times and in the manner stipulated therein, and if all other sums of money due or to become due according to the provisions hereof shall be paid or provision for payment shall be made, including any amounts owing to the issuer of a Reserve Account Surety Bond, then these presents and the Trust Estate and rights hereby granted shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien of this Trust Agreement and execute and deliver to the Corporation and the Department such instruments in writing as shall be requisite to cancel and discharge the lien hereof and all surplus in, and balances remaining in, all funds and accounts, other than moneys held for

the prepayment or payment of Certificates and money held for the United States Treasury in the Rebate Fund, shall be delivered to the Department.

- (b) Any Certificate shall be deemed to be paid within the meaning of this Article when payment of the principal of and Prepayment Premium, if any, on such Certificate, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon prepayment as provided in this Trust Agreement, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (A) moneys sufficient to make such payment and/or (B) Refunding Securities verified by an independent certified public accountant selected by the Corporation as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees and expenses of the Trustee pertaining to the Certificate with respect to which such deposit is made. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with the Trustee nor any moneys received by the Trustee on account of principal of or Prepayment Price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Prepayment Price, if applicable, of the Certificate or Certificates for the payment or prepayment of which they were deposited and the interest accruing thereon to the date of maturity for prepayment; provided, however, new Refunding Securities and moneys may be substituted for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of or Prepayment Price, if applicable, and interest on the Refunded Certificate or Certificates as verified by an independent certified public accounting firm. At such time as a Certificate shall be deemed to be paid hereunder as aforesaid such Certificate shall no longer be deemed to be Outstanding hereunder and shall no longer be secured by or entitled to the benefits of this Trust Agreement, except for the purposes of any such payment from such moneys or Refunding Securities. Notwithstanding the foregoing, the provisions of this Trust Agreement relating to the maturity of the Certificates, interest payments and interest Payment Dates, prepayment provisions, exchange, transfer and registration of Certificates, replacement of mutilated, destroyed, lost or stolen Certificates, the safekeeping and cancellation of Certificates, non-presentment of Certificates, the holding of moneys in trust, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners notwithstanding the release and discharge of the lien of the Trust Agreement. Prepayments received pursuant to Section 4.06(c) of the Lease Agreement shall be applied in accordance with Section 4.06 of the Lease Agreement and shall be held for the benefit of the Certificates described in the notice given by the Corporation pursuant to such Section.
- (c) If Certificates for which Refunding Securities have been set aside are to be called for prepayment, irrevocable instructions to call the Certificates for prepayment shall be given by the Corporation to the Trustee.
- (d) The Trustee, within thirty (30) days after any Refunding Securities shall have been deposited with it, shall cause a notice, signed by the Trustee, to be mailed, postage prepaid, to all Owners for which Refunding Securities have been set aside, setting forth (i) the date or dates, if any, designated for the prepayment of the Certificates, (ii) a description of the Refunding Securities so held by it, and (iii) that such Certificates have been defeased as provided in this Trust Agreement.
- (e) Notwithstanding anything to the contrary set forth in this Article XII, the obligations of the Department under Section 6.03 of the Lease Agreement with respect to any Certificate (other than Taxable Certificates) defeased pursuant to this Article XII shall survive any such defeasance.

XIII. MISCELLANEOUS PROVISIONS

13.01 EFFECT OF DISSOLUTION OF CORPORATION.

In the event the Corporation for any reason shall be dissolved or its legal existence shall otherwise be terminated, all of the covenants, stipulations, obligations and agreements contained in this Trust Agreement by or on behalf of or for the benefit of the Corporation shall bind or inure to the benefit of the successor or successors of the Corporation from time to time and any officer, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law, and the term "Corporation" as used in this Trust Agreement shall include such successor or successors.

13.02 NOTICES.

- (a) All written notices, certificates, reports or statements to be given under this Trust Agreement shall be given by mail, personal delivery or telephone facsimile to the party entitled thereto, with a copy to each of the other parties to this Trust Agreement, at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States mail, postage prepaid or, in the case of personal delivery or telephone facsimile, upon delivery, to the address or facsimile number set forth below.

If to the Corporation: South Florida Evaluation Treatment Center Financing Corporation
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: Secretary

If to the Department: Florida Department of Children and Family Services
1317 Winewood Blvd.
Tallahassee, FL 32399-0700
Attention: Assistant Secretary for Mental Health

If to the Trustee: SunTrust Bank
225 E. Robinson Street, Suite 250,
Orlando, FL 32801
Attention: Corporate Trust Department

If to the Operator: GEO Care, Inc.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

If to the Developer: GEO Care, Inc.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

- (b) Any of such addresses may be changed at any time upon written notice of such change sent by United States registered mail, postage prepaid, to the other parties by the party effecting the change.
- (c) All documents received by the Trustee under the provisions of this Trust Agreement, or photostatic copies thereof, shall be retained in its possession until this Trust Agreement shall be released under the provisions of Section 12.01 of this Trust Agreement, subject at all reasonable times to the inspection of the Corporation, the Department and the agents and representatives thereof.

13.03 UNDERTAKINGS TO PROVIDE ONGOING DISCLOSURE.

The Department and the Corporation have undertaken to provide ongoing disclosure for the benefit of the Owners pursuant to Section (b)(5)(i) of Securities and Exchange Department Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240 § 240.15c2-12) as set forth in Section 5.32 of the Lease Agreement, each of which undertakings is hereby assigned to the Trustee for the benefit of the Owners. Such assignment is a present absolute assignment and not the assignment of a security interest. Section 5.32 of the Lease Agreement shall be enforceable by any Owner.

13.04 SUBSTITUTE MAILING.

If, because of the temporary or permanent suspension of postal service, the Corporation, the Department or the Trustee shall be unable to mail any notice required to be given by the provisions of this Trust Agreement, the Corporation, the Department or the Trustee shall give notice in such other manner as in the judgment of the Corporation, the Department or the Trustee shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Trust Agreement be deemed to be in compliance with the requirement for the mailing thereof.

13.05 PARTIES AND OWNERS ALONE HAVE RIGHTS UNDER TRUST AGREEMENT.

Except as herein otherwise expressly provided, nothing in this Trust Agreement, express or implied, is intended or shall be construed to confer upon any Person, other than the Trustee, the Corporation, the Department and the Owners, any right, remedy or claim, legal or equitable, under or by reason of this Trust Agreement or any provision being intended to be and being for the sole and exclusive benefit of the Trustee, the Corporation, the Department and the Owners.

13.06 EFFECT OF PARTIAL INVALIDITY.

In case any one or more of the provisions of this Trust Agreement or the Certificates shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Trust Agreement or the Certificates, but this Trust Agreement and the Certificates shall be construed and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Certificates or this Trust Agreement shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Department or the Corporation to the full extent permitted by law.

13.07 NO RECOURSE AGAINST MEMBERS, OFFICERS OR EMPLOYEES.

No recourse under, or upon, any statement, obligation, covenant, or agreement contained in this Trust Agreement, or in any Certificate hereby secured, or in any document or certification whatsoever, or under any judgment obtained against the Corporation, the Department or the Developer or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member, officer or employee, as such, of the Corporation, the Department or the Developer. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee of the Corporation, the Department or the Developer, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment of any sum that may remain due and unpaid upon the Certificates hereby secured is hereby expressly waived and released as an express condition of, and in consideration for, the execution of this Trust Agreement and the issuance of the Certificates.

13.08 EXPENSES PAYABLE UNDER TRUST AGREEMENT.

All expenses incurred in carrying out this Trust Agreement shall be payable solely from funds derived from the Department as Supplemental Rent.

13.09 DEALING IN CERTIFICATES.

The Trustee, its directors, officers, employees or agents, and any officer, employee or agent of the Corporation or the Department, may in good faith, buy, sell, own, hold and deal in any Certificates issued under the provisions of this Trust Agreement and may join in any action which any Owner may be entitled to take with like effects as if such Trustee were not a Trustee under this Trust Agreement or as if such officer, employee or agent of the Corporation or the Department did not serve in such capacity.

13.10 MULTIPLE COUNTERPARTS.

This Trust Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

13.11 HEADINGS.

Any heading preceding the text of the several articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Trust Agreement, nor shall they affect its meaning, construction or effect.

13.12 LAWS.

This Trust Agreement shall be construed and governed in accordance with the laws of the State.

[Signature Page To Follow]

IN WITNESS WHEREOF, the parties have executed this Trust Agreement by their officers hereunto duly authorized as of the date and year first written above.

SUNTRUST BANK, as Trustee

(SEAL)

By: _____

David D. Kooker, Vice President

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 2005, by David D. Kooker, as a Vice President of SUNTRUST BANK, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____

Name: _____

**SOUTH FLORIDA EVALUATION TREATMENT CENTER
FINANCING CORPORATION, as Lessor**

(SEAL)

By: _____

Dale W. Frick, President

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of November, 2005, by Dale W. Frick, as President of South Florida Evaluation Treatment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____

Name: _____

Witnesses:

Name: _____

Address: _____

Name: _____

Address: _____

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES OF
THE STATE OF FLORIDA, as Lessee**

By: _____

Lucy Hadi, Secretary

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of November, 2005, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____

Name: _____

EXHIBIT A - DEFINITIONS

"Act" means Section 916.107 and Section 287.057, Florida Statutes, and other applicable provisions of law.

"Amortization Installment" means an annual amount designated as such by the Trust Agreement, such amount to be included in the Basic Rent Payments and to be deposited by the Trustee to the credit of the Principal Account for the purpose of paying Term Certificates.

"Application For Payment and related Certification For Payment," with respect to Project Costs, means an Application for Payment and the related Certification for Payment in substantially the form required by the Construction Contract and submitted to the Trustee in accordance with the Trust Agreement and Section 7.02(c) of the Construction Contract to receive amounts from the Project Fund to pay Project Costs and, with respect to Costs of Issuance, means a requisition in substantially the form attached to the Trust Agreement as Exhibit D submitted in accordance with the Lease Agreement and the Trust Agreement.

"Appropriation Act" means the act of the State Legislature pursuant to State law that appropriates to the Department annually funds to be used by the Department to fulfill its statutory duties and its valid contractual obligations. The failure of the State Legislature to appropriate sufficient funds to the Department to make all payments so as to fulfill completely its statutory duties and its valid contractual obligations shall not result in the non-existence of an Appropriation Act in any Fiscal Year. Further, the failure of the State Legislature to appropriate sufficient funds to the Department to make all payments so as to fulfill completely the Department's statutory duties and valid contractual obligations shall not constitute an Event of Default or an Event of Non-Appropriation hereunder, so long as the State Legislature provides sufficient funds to pay all Lease Payments due hereunder in the following Fiscal Year and such funds are in fact applied by the Department for such purposes in accordance herewith and with the Appropriations Act.

"Architect" means the architect or firm of architects appointed to perform the duties of the Architect in accordance with Section 5.01 of the Lease Agreement. The Architect may be an employee of the Department, the Developer or the Contractor.

"Assignment of Leases" means the Assignment of Leases, dated as of October 1, 2005, by and between the Corporation and the Trustee, as now or hereafter amended.

"Authorized Officer" when used with respect to the Corporation, means the President, Vice President, Secretary or Treasurer of the Corporation or any other officer or employee of the Corporation who is designated by the Board of Directors of the Corporation as an Authorized Officer for purpose of the Lease Agreement and the Trust Agreement in a written certificate signed by the Chairman of the Board of Directors of the Corporation and filed with the Trustee and the Department. The term "Authorized Officer" when used with respect to the Department, means the Secretary, any Assistant Secretary or Deputy Secretary or any other officer or employee of the Department designated by the Department as an Authorized Officer for purposes of the Lease Agreement and the Trust Agreement in a written certificate signed by the Secretary or any Assistant Secretary or Deputy Secretary of the Department and filed with the Trustee and the Corporation. The term "Authorized Officer" when used with respect to the Developer, means the President, Vice President, Secretary or Treasurer of the Developer or any other officer of the Developer who is designated by the Board of Directors of the Developer as an Authorized Officer for purpose of the Lease Agreement and the Trust Agreement in a written certificate signed by the Chairman of the Board of Directors of the Developer and filed with the Trustee.

"Available Revenues" means the moneys and revenues of the Department legally available in any Fiscal Year under the applicable Appropriation Act to make the Lease Payments.

"Basic Rent" or "Basic Rent Payment" means the Basic Rent payments set forth in the Lease Schedule, as the same may be adjusted pursuant to the terms of the Lease Agreement.

"Basic Rent Payment Date" means the dates on which Basic Rent becomes due as described in the Lease Schedule.

- "Budget" or "Budget Request" means the annual budget of revenues and expenses and capital expenditures required to be adopted by the Department for each Fiscal Year and submitted to the State Legislature and the Governor of the State, as chief budget officer of the State pursuant to the laws of the State. "Budget" shall include both the Department's tentative Budget and its final Budget.
- "Buildings" means the structures to be financed or refinanced from a disbursement from the Project Account and leased to the Department as part of the Project pursuant to the terms of the Lease Agreement and Trust Agreement and which is more particularly described in a Lease Schedule, as the same may be modified or changed from time to time in accordance with the terms of the Lease Agreement and the Trust Agreement.
- "Business Day" means any day other than a Saturday or Sunday or a day on which the Trustee is authorized by law to be closed.
- "Capitalized Interest Account" means the account by that name established under Section 6.02 of the Trust Agreement.
- "Certificate" or "Certificates" means the certificates of participation prepared and delivered by the Trustee pursuant to the Trust Agreement, including the Series 2005 Certificates, any Completion Certificates and any Refunding Certificates.
- "Certificate for Payment" means a certificate issued by the Architect or Engineer or approval issued by the Department or the Corporation in accordance with Section 7.02(c) of the Construction Contract.
- "Certificate Payments" means the Principal and Interest Requirements and all other amounts coming due and payable with respect to the Certificates under the Trust Agreement.
- "Certificate Register" means the books of the Trustee for registration of the ownership of the Certificates pursuant to Section 4.06 of the Trust Agreement.
- "Closing Date" means, with respect to a particular series of Certificates, the date of issuance and delivery of such Certificates to the original purchaser or purchasers thereof.
- "Code" means the Internal Revenue Code of 1986, as amended, and all regulations and rules applicable thereto.
- "Commencement Date" means October 1, 2005.
- "Completion Certificates" means Certificates issued for purposes of completing the Project pursuant to Section 4.12 of the Trust Agreement.
- "Completion Date" means the date the Project achieves final completion, as described in Section 6.03 of the Construction Contract, and the Department has approved Final Acceptance (as that term is defined in the Construction Contract).
- "Construction Commencement Deadline" means April 1, 2007.
- "Construction Completion Deadline" means December 31, 2007.
- "Construction Contract" means the Design/Build Contract for the South Florida Evaluation Treatment Center Project dated as of October 1, 2005, among the Department, the Corporation and the Developer providing for the terms upon which the Developer shall construct and install the Project on a "turnkey" basis.
- "Contractor" means, with respect to the Project, the Person or Persons appointed by the Developer, with the consent of the Corporation, to act in such capacity.
- "Corporation" means South Florida Evaluation Treatment Center Financing Corporation, a Florida not-for-profit corporation organized and existing under the laws of the State, and any successor thereto.
- "Costs of Issuance" means all costs and expenses related to the execution, sale and delivery of the Certificates and execution and delivery of the Lease Agreement, including, but not limited to, costs paid or incurred by the Department, the Corporation or the Trustee for filing costs, printing

costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges and reimbursements, financial and other professional consultant fees and charges and reimbursements, auditors fees and charges and reimbursements, costs of rating agencies or credit ratings, fees for execution, registration, transportation and safekeeping of the Certificates, credit enhancement premiums and charges and fees in connection with the foregoing.

"Costs of Issuance Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Department" means the Florida Department of Children and Family Services.

"Developer" means GEO Care, Inc. and any successors thereto.

"Earnings Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Engineer" means the professional engineer or firm of engineers appointed to perform the duties of the Engineer in accordance with Section 5.01 of the Lease Agreement. The Engineer may be an employee of the Department, the Contractor or the Developer.

"Environmental Audit" means an environmental audit of the Land upon which the Project, or portion of the Project, as applicable, is to be constructed, acceptable to the Department, prepared by an independent engineer or other qualified consultant and concluding that such portion of the Land is "environmentally acceptable" and not recommending the performance of more intensive procedures.

"Equipment" means the items of personal property to be financed or refinanced by disbursements from the Project Account and leased to the Department pursuant to the terms and provisions of the Lease Agreement and which are more particularly described in the Lease Schedule, or any substitutions therefor or additions thereto made in accordance with the provisions of the Lease Agreement.

"Escrow Deposit Agreement" means an Escrow Deposit Agreement entered into between the Trustee, the Corporation and the Department pursuant to a Supplemental Trust Agreement providing for deposit of cash or securities for the defeasance of any Certificates.

"Estimated Completion Date" means the Scheduled Completion Date as that term is defined in the Construction Contract.

"Event of Default" or "Default," when referenced to the Lease Agreement, means an event of default or default under the Lease Agreement as set forth in Section 7.02 of the Lease Agreement, and, when referenced to the Trust Agreement, shall mean an event of default or default as set forth in Section 8.01 of the Trust Agreement.

"Event of Non-Appropriation" means the enactment of an Appropriation Act in accordance with State Law which does not provide sufficient funds to continue making Lease Payments in full for the next succeeding Renewal Lease Term beyond the end of the Initial Lease Term or the last Renewal Lease Term for which Lease Payments had been budgeted and appropriated.

"Extraordinary Prepayment" means as to the Certificates, the extraordinary prepayment of all or a portion of the Certificates pursuant to Section 5.01(a) of the Trust Agreement, and as to the Lease Payments, the extraordinary prepayment by the Department of all or a portion of the Lease Payments pursuant to Section 5.08(c) of the Lease Agreement.

"Extraordinary Prepayment Date" means the date on which such Certificates shall be prepaid pursuant to Section 5.01(a) of the Trust Agreement.

"Final Completion" shall have the meaning set forth therefor in the Construction Contract.

"Fiscal Year" means the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law as the fiscal year for the State.

"Fitch" means Fitch Ratings, a wholly owned subsidiary of FIMALAC, S.A., or any successor thereto.

- "Initial Lease Term" means the initial term of the lease of the Project from the Corporation to the Department pursuant to the terms of the Lease Agreement, which Initial Lease Term shall commence on the Commencement Date and shall end on October 1, 2006.
- "Initial Lease Termination Date" means the last day of the Initial Lease Term.
- "Insurance Consultant" means a recognized, independent insurance company or broker, selected by the Department, that has actuarial personnel experienced in the area of insurance for which the Department is to be self insured.
- "Interest Account" means the account by that name established under Section 6.02 of the Trust Agreement.
- "Interest Component" means the portion of each Basic Rent Payment constituting interest as set forth in the Lease Schedule.
- "Land" means, the real property to be leased to the Corporation by the Department pursuant to the terms of the Sublease which is more particularly described in the Lease Schedule.
- "Lease Agreement" means the Lease-Purchase Agreement, dated as of October 1, 2005, by and between the Corporation, as lessor, and the Department, as lessee, including the Lease Schedule, as now or hereafter amended, modified or supplemented.
- "Lease Payment Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.
- "Lease Payments" means, collectively, the Basic Rent, the Supplemental Rent and all other amounts owing under the Lease Agreement which are payable by the Department pursuant to the Lease Agreement; provided, however, such term shall not include Refunding Rent.
- "Lease Schedule" means the Lease Schedule, attached to the Lease Agreement as Exhibit A, which shall authorize the lease of the Project to the Department in accordance with the terms of the Lease Agreement, as the same may be amended in accordance with the Lease Agreement.
- "Lease Term" means the term of the lease of the Project, pursuant to the provisions of the Lease Agreement and Lease Schedule relating thereto, which Lease Term shall commence on the first day of the Initial Lease Term and shall be equal to the Maximum Lease Term unless the Lease Agreement is earlier terminated in accordance therewith in which case the Lease Term shall end on such date of termination.
- "Letter of Credit" means the irrevocable letter of credit of issued by Banque Paribas and provided to the Trustee and the Department to be drawn upon for Liquidated Damages as provided in Section 6.17 hereof in a face amount equal to (a) \$3,600,000 as security for Liquidated Damages payable as a result of failure to commence construction on or before the Construction Commencement Deadline and (b) reducing after commencement of construction to \$2,300,000 as security for Liquidated Damages payable as a result of failure to complete construction on or before the Construction Completion Deadline.
- "Liquidated Damages" means liquidated damage payments paid by the Developer as a result of any delay in Substantial Completion or any failure to commence construction on or before the Construction Commencement Deadline, as such liquidated damages are described in Section 10.04 of the Construction Contract.
- "Mandatory Prepayment Date" means the date on which certain Certificates shall be prepaid pursuant to Section 5.01(d) of the Trust Agreement.
- "Maximum Cost" means the maximum cost of the Project which shall be stated in the Lease Schedule.
- "Maximum Lease Term" means the maximum term of the lease of the Project as provided in the Lease Schedule.
- "Moody's" or "Moody's Investors Service" means Moody's Investors Service, or any successor thereto.

- "Net Proceeds," when used with respect to any insurance or condemnation award, means the amount of gross proceeds from such insurance or condemnation award remaining after payment of all reasonable expenses incurred in the collection of such gross proceeds.
- "Operations Contract" means the Operations Contract dated as of October 1, 2005, between the Operator and the Department, as amended or supplemented.
- "Operator" means GEO Care, Inc. and its successors.
- "Optional Prepayment Date" means the date on which the moneys deposited by the Department pursuant to the exercise of a prepayment option under Section 4.06 of the Lease Agreement shall be applied to the prepayment of Certificates in accordance with the Lease Schedule.
- "Outstanding," when used with reference to Certificates means, as of a particular date, all Certificates theretofore issued under the Trust Agreement, except:
- (1) Certificates theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
 - (2) Certificates which have been paid or provision for payment has been made in accordance with Section 12.01 of the Trust Agreement; and
 - (3) Certificates in exchange for or in lieu of which other Certificates have been issued.
- "Overdue Rate" means a rate of interest equal to the highest rate of interest allowed by law with respect to the Outstanding Certificates.
- "Owner" or "Certificate Owner" or "Owner of Certificates" or "Certificate Holder" or any-similar term, when used with respect to the Certificates means any Person who shall be the registered owner of any Outstanding Certificate.
- "Payment Dates" means April 1 and October 1 of each year; provided that, with respect to the interest due on the Certificates, "Payment Dates" means April 1 and October 1 of each year and, with respect to the principal of the Certificates, "Payment Dates" means April 1 and October 1 of each year; in each case, set forth in Section 4.01 of the Trust Agreement.
- "Permitted Encumbrances" means, in regard to the Project:
- (1) the State Lease and any liens and encumbrances created or permitted thereby;
 - (2) the Sublease and any liens and encumbrances created or permitted thereby;
 - (3) the Lease Agreement and any liens and encumbrances created or permitted thereby;
 - (4) the Assignment of Leases and any liens and encumbrances created or permitted thereby;
 - (5) subject to the provisions of Section 5.01(a) of the Lease Agreement, any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in good faith in accordance with the provisions of the Lease Agreement;
 - (6) (a) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law; (b) any liens for taxes, assessments, levies, fees, water and sewer rents or charges and other government and similar charges, which are not due and payable or which are not delinquent or the amount or validity of which are being contested in good faith and execution thereon is stayed; (c) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances and irregularities in the title to any property which do not materially and adversely impair the use of such property or materially and adversely affect the value thereof; 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; and
 - (7) any other liens or encumbrances permitted by the Lease Schedule.
- "Permitted Investments" means:

- (1) Direct Obligations of the Department of the Treasury of the United States of America.
- (2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Farmers Home Administration Certificates of Beneficial Interest
 - General Services Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - Government National Mortgage Association (GNMA)
 - U.S. Department of Housing & Urban Development (PHA's)
 - Federal Housing Administration
 - Federal Financing Bank;
- (3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America;
 - Senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies;
- (4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holdings companies are not considered as the rating of the bank);
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;
- (6) Pre-funded 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 which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or
- (7) General obligations of states with a rating of at least "A2/A" or higher by both Moody's and S&P.
- (8) Commercial paper which is rated at the time of purchase, A-1 or better by S&P
- (9) Investment agreements, supported by appropriate opinions of counsel, with notice to S&P; and subject to the following:
 - (a) For investment agreements with a term of less than three years, the provider must maintain a long-term rating by S&P of AA- and,
 - (b) For investment agreements with a term of three years or more, the provider must maintain a long-term rating by S & P of AA-. In the event that the provider's ratings fall below AA-, the provider must:
 - (i) Substitute to a provider with a rating of at least AA-;
 - (ii) Secure credit enhancement to the investment agreement from a provider rated at least AA-;
 - (iii) Provide collateral for the agreement in an amount sufficient to maintain the rating of the Bonds; or

- (iv) Terminate the Agreement, but only with the consent of the Department and with payment of all amounts then outstanding, including accrued interest.
- (10) Other forms of investments (including repurchase agreements) with notice to S&P.

The value of the above investments on any required valuation date shall be determined as follows:

- (A) As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (B) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
- (C) As to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- (D) As to any investment not specified above: the value thereof established by prior agreement between the Corporation and the Trustee.

"Permitted Transferee" means, in the event that there shall have occurred an Event of Default or Event of Non-Appropriation under the Lease Agreement, the person, to whom the Corporation's interest as sublessee in the Sublease may be assigned or sublet by the Trustee, upon receipt of the written consent of the Board of Trustees and the Department, as sublessor under the Sublease, pursuant to Section 45(D) of the Sublease.

"Person" means an individual, corporation, partnership, association, joint stock company, trust, unincorporated organization, government or political subdivision.

"Plans and Specifications" means the Developer's plans and specifications for the Project, having been accepted in writing by the Authorized Officer of the Department and on file or to be on file with the Department in accordance with the Construction Contract.

"Pledged Accounts" means the Prepayment Fund, the Project Account, Costs of Issuance Account, Capitalized Interest Account, the Reserve Account, the Earnings Fund, the Principal Account and the Interest Account.

"Prepayment Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Prepayment Premium" means the amount of prepayment premium, if any, due on any Optional Prepayment Date. The amount of such prepayment premium shall be calculated in accordance with the Trust Agreement.

"Prepayment Price" means, with respect to any Certificate or portion thereof, the principal amount or portion thereof, the applicable Prepayment Premium, if any, plus accrued interest to the prepayment date of the Certificates payable upon prepayment thereof pursuant to such Certificate and the Trust Agreement.

"Principal Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Principal Component" means the portion of each Basic Rent Payment constituting principal as set forth in the Lease Schedule.

"Principal and Interest Requirements" means the respective amounts which are required in each Fiscal Year to provide for:

- (1) the interest payable on all Certificates then Outstanding, which is payable on each interest Payment Date in such Fiscal Year,

- (2) the principal on all Serial Certificates then Outstanding, which is payable upon the maturity of the Serial Certificates in such Fiscal Year, and
- (3) the Amortization Installment for all Term Certificates then Outstanding, which is payable in such Fiscal Year.

In determining the amount of the Principal and Interest Requirements for any Fiscal Year, if interest on the Certificates is payable from the proceeds of such Certificates or from other amounts set aside irrevocably for such purpose at the time such Certificates are issued, interest on such Certificates shall be included in Principal and Interest Requirements only in proportion to the amount of interest payable in the then current Fiscal Year from amounts other than amounts so funded to pay such interest (so long as such funded interest is gross funded and invested in investments described in clause (1) of the definition of Permitted Investments, which mature no later than one Business Day prior to the related interest Payment Date).

"Principal Office" means the designated corporate trust office of the Trustee which shall initially be in Orlando, Florida, or the designated corporate trust office of any successor Trustee.

"Project" or "South Florida Evaluation Treatment Center Project" shall mean the Land, the Buildings, and/or the Equipment, as described in the Lease Schedule, as the same may be amended or modified from time to time in accordance with the terms of the Lease Agreement.

"Project Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Project Budget" means the Contract Price, as that term is defined in the Construction Contract, which serves as the budget for expenditure of moneys in the Project Account.

"Project Costs" or "Costs of the Project" means all costs of payment of, or reimbursement for, acquisition, construction and installation of the Project, including but not limited to, architectural and engineering costs and costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs and sales and use taxes and the cost of title insurance, and, in addition, Costs of Issuance to the extent that the amounts on deposit in the Costs of Issuance Account are insufficient to pay all Costs of Issuance in full. Project Costs shall specifically include any portion of the total costs of the Project or any portion thereof paid by the Corporation from funds other than proceeds of the Certificates prior to the Closing Date for which the Corporation seeks reimbursement by filing an Application For Payment and related Certification For Payment with the Trustee in the manner required by Section 6.03 of the Trust Agreement.

"Project Description" means the description of the Project as set forth in the Lease Schedule.

"Project Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Project Schedule" means the Construction Schedule (as that term is defined in the Construction Contract), which sets forth the timetable of performance measures and benchmarks or milestones with respect to the acquisition, construction, delivery and installation of the components of the Project.

"Purchasers" means the original purchasers of the Certificates.

"Qualified Financial Institution" means (1) a bank, a trust company, a national banking association, a corporation subject to registration with the Department of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America; or (2) the Government National Mortgage Association or any successor thereto or the Federal National Mortgage Association or any successor thereto; provided that, for each such entity delineated in clauses (1) and (2), its unsecured or uncollateralized long-term debt obligations, or obligations

secured or supported by a letter of credit, contract, agreement or surety bond issued by any such entity, have been assigned a credit rating by Moody's of "Aa" or better or by S&P of "AA" or better.

"Rating Agency" means, as of any date, each of Moody's, if Certificates are then rated by Moody's, Fitch, if Certificates are then rated by Fitch, and S&P, if Certificates are then rated by S&P.

"Real Estate Taxes" means all real estate taxes, public and governmental charges and assessments, including all extraordinary or special assessments, and taxes and assessments against any of the personal property included in the Project, all costs, expenses and attorneys' fees incurred by Corporation in contesting or negotiating with public authorities as to any of same and all sewer and other similar taxes and charges.

"Rebate Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Record Date" means the 15th day of the month preceding any Payment Date (whether or not a Business Day).

"Refunded Certificates" mean any Outstanding Certificates so designated by Schedule A to the Lease Schedule as amended with respect to a series of Refunding Certificates.

"Refunding Certificates" means Certificates issued for purposes of refunding the Refunded Certificates or Outstanding Certificates pursuant to Section 4.13 of the Trust Agreement.

"Refunding Rent" means the Refunding Rent payments set forth in a subsequent Schedule to the Lease Schedule payable with respect to Refunded Certificates pursuant to the Lease Agreement.

"Refunding Securities," except as otherwise provided by the Trust Agreement, means direct obligations of the Department of the Treasury of the United States of America.

"Related Certificate Documents" means the Sublease, the Lease Agreement, the Assignment of Leases, and the Construction Contract.

"Renewal Lease Term" means, in regard to the Project, the period commencing on the day after the last day of the Initial Lease Term and ending on the following October 1. Thereafter, "Renewal Lease Term" shall refer to each succeeding one (1) year term commencing on the day after the last day of the previous Renewal Lease Term and ending on the following October 1.

"Renewal Term Termination Date" means, in regard to the Project, the termination date for the then current Renewal Lease Term which shall be the last day of such Renewal Lease Term.

"Request and Authorization" means a request and authorization from the Corporation and the Department to the Trustee to authenticate and deliver Certificates in accordance with the terms thereof and of the Trust Agreement, and substantially in the form attached to the Trust Agreement as Exhibit C.

"Reserve Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Reserve Account Surety Bond" means the irrevocable letter or line of credit, insurance policy, surety bond or guarantee agreement issued by a Qualified Financial Institution in favor of the Trustee which is to be deposited into the Reserve Account in order to fulfill the Reserve Requirement.

"Reserve Requirement" means, in regard to the Reserve Account established to secure the Certificates, an amount equal to the least of (1) \$3,413,387.50, (2) the maximum Principal and Interest Requirements on account of the Outstanding Certificates secured by such account in the current or any subsequent Fiscal Year, (3) one hundred twenty-five percent (125%) of the average annual Principal and Interest Requirements on account of the Outstanding Certificates secured by such account in the current or any subsequent Fiscal Years, and (4) ten percent (10%) of the stated principal amount of such Certificates (except that, if such Certificates are issued at an original issue discount in excess of two percent, the issue price of the Certificates, net of pre-issuance accrued interest, shall be substituted for the stated principal amount).

"S&P" or "Standard & Poor's Corporation" means Standard & Poor's Ratings Group, or any successor thereto.

- "Serial Certificates" means the Certificates designated as Serial Certificates pursuant to the Trust Agreement.
- "Series 2005 Certificates" means the Certificates of Participation (South Florida Evaluation Treatment Center Project), Series 2005, Evidencing Fractional Undivided Interests of the Owners Thereof in Basic Rent Payments to be made under a Lease-Purchase Agreement issued by the Florida Department of Children and Family Services, an agency of the State of Florida, authorized pursuant to the Trust Agreement.
- "Special Counsel" shall mean Tripp Scott, P.A., Fort Lauderdale, Florida, or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exemption of the interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.
- "Special Prepayment" means the special prepayment of all or a portion of certain of the Certificates pursuant to Section 501(b) and 603(h) of the Trust Agreement.
- "Special Prepayment Date" means the date on which certain of the Certificates shall be prepaid pursuant to Section 5.01(b) of the Trust Agreement.
- "State" means the State of Florida.
- "State Lease" means the Lease, dated as of September 26, 2005, from the State of Florida Board of Trustees of the Internal Improvement Trust Fund to the Department.
- "Stipulated Loss Value" means an amount calculated in accordance with Section 5.08 of the Lease Agreement.
- "Substantial Completion" shall have the meaning set forth therefor in the Construction Contract.
- "Supplemental Rent" shall have the meaning set forth in Section 4.03(f) of the Lease Agreement.
- "Supplemental Rent Fund" means the Fund of that name established pursuant to Section 6.02 of the Trust Agreement.
- "Supplemental Trust Agreement" means any supplement to or amendment to the Trust Agreement entered into in accordance with Article XI of the Trust Agreement.
- "Survey" means a survey plat, satisfying the requirements of the Florida Department of Environmental Protection, of the Land and prepared and certified by an independent registered Florida civil engineer or land surveyor, showing with respect to such Land (i) a legal description of such portion of the Land and certifying the number of acres included in such portion of the Land; (ii) the location, dimensions and boundaries of such Land; (iii) the size and location of the Project and all existing improvements, roads, paths, culverts, drainage ditches, easements, utility lines and encroachments on such portion of the Land; (iv) the size and location of all easements, encroachments, setback lines or other changes affecting such portion of the Land and customarily reflected on land surveys; (v) all means of access to such Land, including the location of the nearest public streets and access of such portion of the Land to those streets; and (vi) the flood hazard designation (if any).
- "Taxable Certificates" means those Certificates for which the Interest Component on the Basic Rent Payments allocable to such Certificates should not be excluded from gross income for purposes of federal income taxation.
- "Tax Regulatory Agreement" means the Tax Regulatory Agreement attached to, or entered into in connection with, each Supplemental Trust Agreement authorizing the issuance of certificates as required by Section 6.14 of the Trust Agreement.
- "Term Certificates" means those Certificates designated as Term Certificates pursuant to the Trust Agreement authorizing the issuance thereof which are subject to mandatory prepayment by Amortization Installments.
- "Termination Date" means the date on which the Lease Agreement terminates pursuant to the terms thereof.

"Trust Agreement" means the Trust Agreement, dated as of October 1, 2005, among the Corporation, the Department and the Trustee, as now and hereafter amended, modified or supplemented by Supplemental Trust Agreements.

"Trust Estate" means all right, title and interest of the Trustee in and to the property and interests therein described in Section 3.03 of the Trust Agreement.

"Trustee" means SunTrust Bank, or its successor in interest as the Trustee under the Trust Agreement.

"United States Obligations" means the obligations and securities described in clauses (1) and (2) of the definition of "Permitted Investments."

"Vendor" means, the Person or Persons appointed by the Department to sell Equipment relating to the Project.

EXHIBIT B – FORM OF CERTIFICATE

CERTIFICATE OF PARTICIPATION
(SOUTH FLORIDA EVALUATION TREATMENT CENTER PROJECT), SERIES 2005,
EVIDENCING FRACTIONAL UNDIVIDED INTERESTS
OF THE OWNERS THEREOF IN BASIC RENT PAYMENTS TO BE
MADE UNDER A LEASE-PURCHASE AGREEMENT BY THE
FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AN AGENCY OF THE STATE OF FLORIDA

Interest Rate	Dated Date	Maturity Date	CUSIP
_____ %	_____, 2005	[April or October] 1, _____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$ _____

This is to certify that the Registered Owner stated above is the registered owner of this Certificate and is entitled to receive on the Maturity Date stated above, the Principal Amount stated above. This Certificate and the "Certificate Principal Amount" and "Certificate Interest Payments" hereunder (as each is defined below) represent a fractional undivided interest in the right to receive the Principal Component and Interest Component of Basic Rent Payments payable under the Lease-Purchase Agreement, dated as of October 1, 2005 (the "Lease Agreement"), between the South Florida Evaluation Treatment Center Financing Corporation, a not-for-profit Florida corporation, as lessor (the "Corporation" or "Corporation") and the Florida Department of Children and Family Services, an agency of the State of Florida, as lessee (the "Department"). Pursuant to the Lease Agreement, the Department has leased from the Corporation the Land and the Project (as such terms are defined in the Lease Agreement). The Corporation's rights under the Lease Agreement (other than certain rights specified in the Lease Agreement) have been assigned by outright assignment, without recourse, to SunTrust Bank, as trustee (the "Trustee") under the Trust Agreement, dated as of October 1, 2005 (the "Trust Agreement") among the Trustee, the Corporation and the Department, under the Assignment of Leases, dated as of October 1, 2005, between the Corporation and the Trustee.

The Basic Rent Payments under the Lease Agreement are payable solely from the Department's Available Revenues (as defined in the Trust Agreement) and the moneys on deposit with the Trustee under the Trust Agreement. The Lease Agreement is subject to renewal at the end of each fiscal year of the State which renewal will only occur if the State enacts an Appropriation Act for such ensuing fiscal year that appropriates funds for such purpose. The designated corporate trust office of the Trustee is located in Orlando, Florida (the "Principal Office"). The aforesaid Principal Amount represents a fractional undivided interest in the Principal Component of the Basic Rent Payment (the "Certificate Principal Amount") under the Lease Agreement coming due on the Maturity Date. The Owner is also entitled to receive, on April 1, 2006, and semiannually thereafter on each April 1 and October 1 (each such date being referred to herein as a "Payment Date") to and including the Maturity Date or the date of prepayment, whichever is earlier, the Owner's fractional undivided interest in the Interest Component of the Basic Rent Payment (the "Certificate Interest Payments") coming due with respect to such Payment Dates. Interest on the Principal Amount represented by this Certificate shall accrue from the Dated Date at the Interest Rate set forth above. This Certificate is one of a series of certificates of participation in the aggregate principal amount of \$41,940,000 (the "Certificates") issued to finance the acquisition, construction and installation of a forensic facility (the "Project") for lease to the Department pursuant to the Lease Agreement.

The acquisition, construction and installation of the Project shall be financed by the issuance of the Certificates pursuant to the Trust Agreement. The Department has agreed in the Lease Agreement to seek to have the State budget and appropriate in each fiscal year from Available Revenues sufficient

moneys to make the Lease Payments (as defined in the Trust Agreement) for the Project. The Department may issue Completion Certificates or Refunding Certificates (each as defined in the Trust Agreement) which shall be on parity with the Certificates upon satisfying the conditions described therefor in the Trust Agreement.

Said amounts are payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. The Principal Amount is payable at the Principal Office of the Trustee and interest is payable by check or draft of the Trustee mailed on each Payment Date to the Registered Owner of record on the fifteenth (15th) day of the month preceding the Payment Date (the "Record Date"); provided, however, that at the request and expense of the Registered Owner of \$1,000,000 or more in aggregate principal amount of Certificates, interest shall be paid by wire transfer on the Payment Date to a bank account located in the continental United States and designated in writing to the Trustee by the Registered Owner at least five days prior to said Payment Date.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS CERTIFICATE SET FORTH ON THE REVERSE HEREOF WHICH FURTHER PROVISIONS SHALL, FOR ALL PURPOSES, HAVE THE SAME EFFECT AS IF SET FORTH IN THIS PLACE.

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Trust Agreement.

THE BASIC RENT PAYMENTS AND, CONSEQUENTLY, THE CERTIFICATE PAYMENTS OF PRINCIPAL AND INTEREST ARE PAYABLE SOLELY FROM REVENUES APPROPRIATED FOR SUCH PURPOSE. THE BASIC RENT PAYMENTS ARE SUBJECT TO ANNUAL APPROPRIATION BY THE STATE. THE CERTIFICATE PAYMENTS OF PRINCIPAL AND INTEREST AND THE PAYMENTS DUE FROM THE DEPARTMENT UNDER THE LEASE AGREEMENT AND THE CONTRACTUAL OBLIGATIONS OF THE DEPARTMENT UNDER THE LEASE AGREEMENT DO NOT CONSTITUTE A GENERAL OBLIGATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE DEPARTMENT, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

The Trustee has no obligation or liability to the Registered Owner to make payments of the Certificate Principal Amount or Certificate Interest Payments with respect to this Certificate, other than from the Trust Estate. The Trustee's sole obligations are to administer, for the benefit of the Certificate Owners, the various funds and accounts established under the Trust Agreement and to exercise various responsibilities under the Trust Agreement.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be executed by facsimile signature of an authorized officer as of the date stated above.

SUNTRUST BANK,
not in its individual capacity but solely as Trustee

By: _____
Authorized Signature

CERTIFICATE OF AUTHENTICATION

This Certificate is one of the Certificates designated as Certificates of Participation, Series 2005 Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be made under a Lease-Purchase Agreement with the Florida Department of Children and Family Services described in the within-mentioned Trust Agreement.

Date of Authentication:

_____ SUNTRUST BANK,
not in its individual capacity but solely as
Trustee.

By: _____
Authorized Signature

(Reverse Side of Form of Certificate of Participation)

This Certificate has been executed by the Trustee pursuant to the terms of the Trust Agreement. Copies of the Sublease, the Lease Agreement, the Assignment of Leases, and the Trust Agreement are on file at the Principal Office of the Trustee, and reference to the Sublease, the Lease Agreement, the Assignment of Leases, and the Trust Agreement and any and all amendments to said agreements is made for a description of the covenants of the Department, the nature, extent and manner of enforcement of such covenants, the rights and remedies of the Owners of the Certificates with respect thereto and the terms and conditions upon which the Certificates are delivered thereunder. To the extent and in the manner permitted by the terms thereof, the provisions of the Sublease, the Lease Agreement, the Assignment of Leases, and the Trust Agreement may be amended by the parties thereto.

This Certificate may be transferred only by recording the transfer on the Certificate Register, which shall be kept for that purpose by the Trustee at the Principal Office of the Trustee in Orlando, Florida. A transfer of this Certificate shall be registered and a new Certificate prepared, authenticated and delivered upon surrender of this Certificate for cancellation accompanied by a written instrument of transfer in a form approved by the Trustee and duly executed by the Registered Owner hereof or his or her duly authorized attorney or legal representative. Upon the registration of the transfer and the surrender of this Certificate, the Trustee shall provide in the name of the transferee, a new fully registered Certificate or Certificates of the same aggregate principal amount, maturity and tenor as the surrendered Certificate. No exchange or transfer of any Certificates shall be required of the Trustee (1) during a period beginning at the opening of business 15 days before the day of the mailing of a notice of prepayment of Certificates and ending at the close of business on the day of such mailing, (2) for Certificates called for prepayment, or (3) during a period beginning at the opening of business on the Record Date next preceding a date set for payment of interest and ending on such date set for payment of interest. Interest on the Certificates shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

The Certificates are delivered in the form of fully registered Certificates in denominations of \$5,000 each or any whole multiple thereof, and upon surrender thereof at the Principal Office of the Trustee with a written request of exchange satisfactory to the Trustee duly executed by the Registered Owner or his duly authorized attorney or legal representative in writing, may, at the option of the Registered Owner thereof, be exchanged for an equal aggregate Principal Amount of Certificates of any other authorized denominations and of the same Interest Rate and Maturity Date.

The Certificates are subject to Extraordinary Prepayment, in whole, on any date, or in part, on any Extraordinary Prepayment Date (if in part, in any order of maturity as directed by the Department or, in the absence of such direction, in inverse order of maturity and by lot within maturities), without prepayment premium, at the principal amount, together with accrued interest to the Extraordinary Prepayment Date, from the Net Proceeds of insurance or condemnation or other amounts deposited with the Trustee pursuant to Section 5.08(c) of the Lease Agreement. The Extraordinary Prepayment Date shall be the next succeeding Payment Date following the receipt by the Trustee of the moneys to be used for such prepayment; provided, however, if such Payment Date occurs within forty (40) days of receipt by the Trustee of the moneys to be used for such prepayment, the Extraordinary Prepayment Date shall be the second succeeding Payment Date.

The Series 2005 Certificates are subject to Special Prepayment, in whole on the Special Prepayment Date, without prepayment premium, at a prepayment price equal to the original issue price of each Certificate, together with accrued interest to the Special Prepayment Date, from amounts on deposit in the Project Account, the Capitalized Interest Account and the Reserve Account deposited into the Prepayment Fund pursuant to Section 3.03(g) of the Lease Agreement for failure to commence construction prior to the Construction Commencement Deadline; provided, however, the Department may elect not to prepay the Series 2005 Certificates so long as the then-current ratings on the Series 2005 Certificates will not be withdrawn, downgraded or adversely impacted if the Series 2005 Certificates are not prepaid. The Special Prepayment Date with respect to any Special Prepayment shall be a date selected by the Department by written direction to the Trustee not less than thirty (30) days, nor more than sixty (60) days, after the Construction Commencement Deadline.

The Certificates maturing on or before October 1, 2015 shall not be subject to prepayment at the option of the Department. Any of the Certificates maturing on or after October 1, 2016 may be prepaid, from optional prepayments of Basic Rent made by the Department pursuant to the Lease Agreement, so long as no Event of Default or Event of Non-Appropriation has occurred and is continuing under the Lease Agreement, in whole on October 1, 2015 or any date thereafter, or in part on October 1, 2015 or any Payment Date thereafter and in such order of maturities as may be designated by the Department, or if not so designated, in the inverse order of maturities, and by lot within a maturity in such manner as may be designated by the Trustee, at the Prepayment Price of par, plus accrued and unpaid interest thereon to the prepayment date.

The Certificates maturing on October 1, 2025 shall be subject to mandatory prepayment commencing on October 1, 2022 from Amortization Installments in the amounts and on the dates set forth below (the Trustee shall select such Certificates by lot in such manner as it deems appropriate):

<u>Payment Date</u>	<u>Amortization Installment</u>
October 1, 2023	\$2,860,000
October 1, 2024	3,005,000
October 1, 2025 (Final Maturity)	6,585,000

When Certificates are prepaid by lot, selection of Certificates for prepayment shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in the principal amount of \$5,000 or any whole multiple thereof, and that in selecting portions of Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount of such Certificates by \$5,000.

When prepayment is authorized or required, the Trustee shall give to the Registered Owner notice, at the expense of the Department, of the prepayment of this Certificate. Such notice shall specify, among other things: (1) that the whole or a designated portion of this Certificate is to be prepaid, (2) the date of prepayment, and (3) the place or places where the prepayment will be made.

Notice of such prepayment shall be mailed, postage prepaid, not more that 60 days or fewer than 30 days prior to said date of prepayment, to the Registered Owner of any Certificate to be prepaid. Such mailing shall not be a condition precedent to such prepayment, and failure to so mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the prepayment of the Certificates.

The following abbreviations, when used in the inscription on the face of the within Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT - _____

(Cust.)

Custodian for _____

under Uniform Transfers to Minors Act of _____

(State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

For value received _____, the undersigned do(es) hereby sell, assign and transfer unto _____, whose Social Security or other identifying number is _____, the within registered Certificate and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the Certificate Register of the Trustee with full power of substitution in the premises.

Dated: _____

Note: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank, or trust company.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within registered Certificates in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT C - FORM OF REQUEST AND AUTHORIZATION

1. The undersigned, being, respectively, an authorized officer of South Florida Evaluation Treatment Center Financing Corporation, a Florida not-for-profit corporation (the "Corporation"), and an authorized officer of the Florida Department of Children and Family Services, an agency of the State of Florida (the "Department"), hereby authorize and request SUNTRUST BANK, as Trustee under that certain Trust Agreement, dated as of October 1, 2005 (the "Trust Agreement"), among it, the Corporation and the Department, to deliver the \$41,940,000 aggregate principal amount of Certificates of Participation (South Florida Evaluation Treatment Center Project), Series 2005 Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be made under a Lease-Purchase Agreement of the Florida Department of Children and Family Services, an agency of the State of Florida (the "Series 2005 Certificates"), dated as of October 1, 2005, in the respective maturities and at the respective interest rates set forth in Schedule A hereto, as authorized by the Trust Agreement, in fully registered form, to Banc of America Securities LLC and Merchant Capital, LLC (collectively, the "Underwriters"), on the date hereof, upon receipt from the Underwriters of the purchase price for the Series 2005 Certificates, which is computed as follows:

Principal Amount	\$41,940,000.00
Plus Net Original Issue Premium	1,424,144.95
Less Underwriters' Discount	<u>(370,520.00)</u>
Net Purchase Price Proceeds	\$42,993,624.95

2. Said sum shall be immediately deposited by you in the Pledged Accounts relating to such Series 2005 Certificates as follows in accordance with the provisions of the Trust Agreement.

Deposit to Project Account	\$35,308,100.65
Deposit to Costs of Issuance Account	\$ 488,600.00
Deposit to Capitalized Interest Account	\$ 3,783,536.80
Deposit to Reserve Account	<u>\$ 3,413,387.50</u>
Total Deposits	\$42,993,624.95

DATED: _____, _____

**SOUTH FLORIDA EVALUATION TREATMENT
CENTER FINANCING CORPORATION**

**FLORIDA DEPARTMENT OF CHILDREN
AND FAMILY SERVICES**

By: _____
_____, _____

By: _____
_____, _____

ACCEPTED: **SUNTRUST BANK, as Trustee**

By: _____
_____, _____

EXHIBIT D - FORM OF INSTRUCTIONS TO TRUSTEE TO PAY COSTS OF ISSUANCE

Pursuant to the provisions of that certain Trust Agreement dated as of October 1, 2005, among SUNTTRUST BANK, as trustee (the "Trustee"), SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION (the "Corporation") and the FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES (the "Department"), the Corporation and the Department, acting jointly, do hereby direct and instruct the Trustee to pay the Costs of Issuance from moneys in the Costs of Issuance Account in the Project Fund, as set forth in the Schedule attached hereto.

DATED: _____, _____

SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION

By: _____
_____, _____

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES

By: _____
_____, _____

NGN Draft #2: 12/10/20
435.05

2021A SUPPLEMENTAL TRUST AGREEMENT

by and among

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

and

**SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING
CORPORATION,
as Lessor**

and

**FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES,
formerly Florida Department of Children and Family Services,
as Lessee**

Dated as of February 1, 2021

Relating to
Refunding Certificates of Participation
Evidencing Fractional Undivided Interests of the Owners
thereof in Basic Rent Payments to be Made by the Florida Department of Children and
Families, (South Florida Evaluation Treatment Center Project), Series 2021A

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2021A SUPPLEMENTAL TRUST AGREEMENT

THIS 2021A SUPPLEMENTAL TRUST AGREEMENT, dated as of February 1, 2021 (the "2021A Supplemental Trust Agreement"), supplementing the Trust Agreement, dated as of October 1, 2005 (the "Original Trust Agreement"), by and among **U.S. BANK NATIONAL ASSOCIATION**, a national banking association with corporate trust powers qualified to accept trusts of the type set forth in the Original Trust Agreement (the "Trustee"), the **SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION**, a not-for-profit corporation duly organized and existing under the laws of the State of Florida (the "Corporation"), and **FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES**, formerly Florida Department of Children and Family Services, an agency of the State of Florida (the "Department");

W I T N E S S E T H:

WHEREAS, the Department has heretofore deemed it in its best interests to lease-purchase certain real and/or personal property from time to time and has heretofore entered into a Lease-Purchase Agreement, dated as of October 1, 2005 (the "Lease Agreement"), between the Corporation, as lessor, and the Department, as lessee; and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing the Project financed through the Lease Agreement was made by the issuance and sale of Certificates of Participation, Series 2005, issued under the Original Trust Agreement as amended by the First Trust Supplement of Trust Agreement, dated as of June 1, 2007 and the Second Trust Supplement to Trust Agreement, dated as of June 1, 2007 (the "Refunded Certificates"), which are secured by and payable from the right of the Corporation to receive Basic Rent Payments (as defined in the Lease Agreement) to be made by the Department pursuant to the Lease Agreement and related Lease Schedule; and

WHEREAS, at the request of the Department and the Corporation, the Trustee has agreed to deliver a series of Refunding Certificates under the Original Trust Agreement (the "2021A Certificates") pursuant to and upon receipt of a Request and Authorization (as defined in the Original Trust Agreement) from the Corporation and the Department and the terms of this 2021A Supplemental Trust Agreement; and

WHEREAS, the Corporation has assigned by absolute outright assignment to the Trustee all of its right, title and interest in and to the Lease Agreement and the Lease Payments (as defined in the Lease Agreement), other than its rights of indemnification and its obligations pursuant to Section 6.03 of the Lease Agreement, pursuant to the Assignment of Leases, dated as of October 1, 2005 (the "Assignment of Lease Agreement"), between the Corporation and the Trustee; and

WHEREAS, the Department and the Corporation agree that the proceeds of the 2021A Certificates shall be used to refund on a current basis all of the outstanding Refunded Certificates pursuant to the terms of the Original Trust Agreement and the Escrow Agreement (as defined below) in order to achieve certain debt service savings; and

WHEREAS, a portion of the proceeds of the 2021A Certificates, together with other legally available funds, shall be deposited into an escrow deposit trust fund established pursuant

to the Escrow Deposit Agreement, dated as of February 1, 2021, between the Department and U.S. Bank National Association, as escrow agent (the "Escrow Agreement") and shall constitute the deposit of prepaid Basic Rent Payments by the Department; and

WHEREAS, the deposit of the prepaid Basic Rent Payments in the escrow deposit trust fund shall be in an amount sufficient to pay the principal of, prepayment premium, if any, and interest on the Refunded Certificates as the same becomes due or are prepaid prior to maturity; and

WHEREAS, the Lease Agreement will continue to secure the payment of Basic Rent Payments and Supplemental Rent (as defined in the Lease Agreement) for the benefit of the 2021A Certificates; and

WHEREAS, in consideration for the deposit of such prepaid Basic Rent Payments to refund the Refunded Certificates, the Department has agreed to enter into a Lease Schedule No. 2021A (the "2021A Lease Schedule"), with the Corporation, whereby the Department will replace the Lease Schedule in its entirety, thereby continuing to lease the Project and agreed to make Basic Rent Payments sufficient to pay the principal of and interest on the 2021A Certificates; and

WHEREAS, the 2021A Certificates shall be secured in the manner provided in the Original Trust Agreement and shall have the terms and provisions contained in this Series 2021A Supplemental Trust Agreement; and

WHEREAS, all things necessary to make the 2021A Certificates, when authenticated by the Trustee and issued as provided herein and in the Original 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 2021A Supplemental Trust Agreement, and the creation, execution and issuance of the 2021A Certificates subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS SERIES 2021A SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:

ARTICLE I DEFINITIONS

SECTION 1.01. DEFINITIONS. Capitalized words and terms which are defined in the Original 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 capitalized words and terms elsewhere defined in this 2021A Supplemental Trust Agreement, the following capitalized words and terms as used in this 2021A Supplemental Trust Agreement shall have the following meanings unless the context or use indicates another or different meaning or intent:

"Escrow Agent" means U.S. Bank National Association, and any assignee or successor thereto under the terms of the Escrow Agreement.

"Escrow Agreement" means the Escrow Deposit Agreement, dated as of February 1, 2021, between the Department and the Escrow Agent.

"Original Trust Agreement" means the Original Trust Agreement, as supplemented by this 2021A Supplemental Trust Agreement, among the Trustee, the Corporation and the Department.

"Project" means the Project as described in the Lease Agreement.

"Refunded Certificates" means the Certificates of Participation, Series 2005 referenced above.

"Related Certificate Documents" means the Original Trust Agreement, the Lease Agreement, the First Supplement to Lease-Purchase Agreement, the Assignment of Leases and the Sublease.

"Reserve Requirement" means, with respect to the 2021A Certificates, zero dollars (\$0.00).

"Trustee" means U.S. Bank National Association, and any successor or assignee thereto.

"2021A Certificates" means the \$_____ Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the Florida Department of Children and Families, (South Florida Evaluation Treatment Center Project), Series 2021A, authorized to be issued under Section 4.13 of the Original Trust Agreement and Section 2.01 hereof.

"2021 Lease Schedule" means the Lease Schedule No. 2021A relating to the Project and the 2021A Certificates, which shall be part of the Lease Agreement.

"2021A Supplemental Trust Agreement" means this instrument, as the same may be amended and supplemented.

ARTICLE II
THE 2021A CERTIFICATES

SECTION 2.01. AUTHORIZATION OF 2021A CERTIFICATES. (a) There is hereby created a Series of Certificates to be issued as Refunding Certificates under the Original Trust Agreement and to be known as "Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the Florida Department of Children and Families, (South Florida Evaluation Treatment Center Project), Series 2021A" The aggregate principal amount of 2021A Certificates which may be issued is hereby expressly limited to \$_____. The 2021A Certificates shall be issued for the principal purpose of refunding on a current basis the Refunded Certificates and paying Costs of Issuance of the 2021A Certificates. The 2021A Certificates shall bear interest from their dated date and shall be issuable as fully registered Certificates without coupons in denominations of \$5,000 and integral multiples thereof. The 2021A Certificates shall be lettered and numbered R-1 and upward.

(b) Except as otherwise provided in the Original Trust Agreement, the 2021A Certificates shall be dated as of their date of delivery. Interest on the 2021A Certificates shall be payable on each Payment Date, commencing April 1, 2021. The 2021A Certificates shall be payable in the manner provided in the Original Trust Agreement.

(c) The 2021A Certificates shall bear interest at the respective rates and shall mature on _____ 1 of each of the years in the respective principal amounts set opposite each year in the following schedule:

Year	Principal	Interest
(_____ 1)	Amount	Rate

(d) All of the 2021A Certificates shall be Serial Certificates. The 2021A Certificates shall be substantially in the form set forth in Exhibit B to the Original Trust Agreement.

SECTION 2.02. ISSUANCE OF 2021A CERTIFICATES. The 2021A Certificates shall be issued upon delivery to the Trustee of the documents referred to in Section 4.13(a) of the Original Trust Agreement and the payment of the purchase price therefor.

SECTION 2.03. REFUNDING OF REFUNDED CERTIFICATES. Upon the delivery of the 2021A Certificates, the Refunded Certificates shall be refunded as provided in the Original Trust Agreement and the Escrow Agreement.

SECTION 2.04. LETTER OF INSTRUCTIONS. Attached hereto as Schedule 1 is the Letter of Instructions relating to the 2021A Certificates. The Trustee, the Corporation and the Department agree to abide by the provisions of such Letter of Instructions in accordance with, and to the extent of the terms of, the Original Trust Agreement.

SECTION 2.05. FULL BOOK-ENTRY. Notwithstanding the provisions set forth in Section 2.01 hereof or Section 4.06 of the Original Trust Agreement, the 2021A Certificates shall be initially issued in the form of a separate single certificated fully registered 2021A Certificate for each of the maturities of the 2021A Certificates. Upon initial issuance, the ownership of each such 2021A Certificate shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Except as provided in this Section, all of the outstanding 2021A Certificates shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC. As long as the 2021A Certificates shall be registered in the name of Cede & Co., all payments of interest on the 2021A Certificates shall be made by the Trustee by check or draft or by wire transfer to Cede & Co., as Holder of the 2021A Certificates.

With respect to 2021A Certificates registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, the Department, the Corporation and the Trustee shall have no responsibility or obligation to any participant in the DTC book-entry program or to any indirect participant (collectively, a "Participant"). Without limiting the immediately preceding sentence, the Department, the Corporation and the Trustee shall have no responsibility or obligation with respect to (A) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest on the 2021A Certificates, (B) the delivery to any Participant or any other Person other than a Certificate Owner, as shown in the registration books kept by the Trustee, of any notice with respect to the 2021A Certificates, or (C) the payment to any Participant or any other Person, other than a Certificate Owner, as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest on the 2021A Certificates. The Department, the Corporation and the Trustee may treat and consider the Person in whose name each 2021A Certificate is registered in the registration books kept by the Trustee as the Holder and absolute owner of such 2021A Certificate for the purpose of payment of principal of, premium, if any, and interest with respect to such 2021A Certificate, for providing notices with respect to such 2021A Certificate, for the purpose of registering transfers with respect to such 2021A Certificate and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2021A Certificates only to or upon the order of the respective holders, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Department's obligations with respect to payment of principal of, premium, if any, and interest on the 2021A Certificates to the extent of the sum or sums so paid. No Person other than a holder, as shown in the registration books kept by the Trustee, shall receive a certificated 2021A Certificate evidencing the obligation of the Department to make payments of principal of, premium, if any, and interest pursuant to the provisions hereof. Upon delivery by DTC to the Department of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Original Trust Agreement with respect to transfers during certain time periods, the words "Cede & Co." herein shall refer to such new nominee of DTC; and upon receipt of such notice, the Department shall promptly deliver a copy of the same to the Trustee.

Upon (A) receipt by the Department of written notice from DTC (i) to the effect that a continuation of the requirement that all of the outstanding 2021A Certificates be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the 2021A Certificates or (ii) to the effect that DTC is

unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder and under the Original Trust Agreement can be found which is willing and able to undertake such functions upon reasonable and customary terms, or (B) determination by the Department, in its sole discretion upon compliance with applicable DTC policies and procedures, that such book-entry only system is burdensome to the Department, the 2021A Certificates shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names holders shall designate, in accordance with the provisions hereof. In such event, the Department shall issue and the Trustee shall authenticate, transfer and exchange 2021A Certificates of like principal amount and maturity, in denominations of \$5,000 or any integral multiple thereof to the holders thereof in accordance with the provisions of the Original Trust Agreement. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the Blanket Issuer Letter of Representations to be executed by the Department and delivered to DTC shall apply to the payment of principal of and interest on the 2021A Certificates.

Prior to any transfer of the 2021A Certificates that is outside of the book-entry only system (including, but not limited to, the initial transfer outside the book-entry only system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Code. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

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ARTICLE III

APPLICATION OF 2021A CERTIFICATE PROCEEDS

SECTION 3.01. APPLICATION OF 2021A CERTIFICATE PROCEEDS. The proceeds of the 2021A Certificates (net of the underwriters' discount of \$_____) shall be applied by the Trustee as follows:

(a) Deposit to the credit of the Costs of Issuance Account an amount equal to the Costs of Issuance of the 2021A Certificates, \$_____.

(b) Deposit irrevocably in trust to the credit of the escrow deposit trust fund established under the Escrow Agreement an amount equal to \$_____ which, together with \$_____ of other funds deposited in such fund by the Department, shall be applied as set forth in the Escrow Agreement to pay the Refunded Certificates as the same mature or are earlier called for prepayment.

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ARTICLE IV
SECURITY

SECTION 4.01. SECURITY FOR 2021A CERTIFICATES. The 2021A Certificates shall be secured in the manner provided in the Original Trust Agreement and shall receive all the benefits of the Trust Estate created thereunder.

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ARTICLE V
NO PREPAYMENT OF 2021A CERTIFICATES

SECTION 5.01. PREPAYMENT OF 2021A CERTIFICATES. (a) The 2021A Certificates are not subject to Special Prepayment prior to maturity pursuant to Section 5.01(b) of the Original Trust Agreement.

(b) The 2021A Certificates shall not be subject to prepayment at the option of the Department prior to maturity.

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ARTICLE VI
AMENDMENT OF THE ORIGINAL TRUST AGREEMENT

SECTION 6.01. AMENDMENT OF ORIGINAL TRUST AGREEMENT. The Original Trust Agreement is hereby amended, as permitted by Section 11.01 thereof, as follows in connection with the issuance of the 2021A Certificates, and owners of such 2021A Certificates will be deemed to have consented to such amendments:

- (A) The requirement of Section 4.13(9) of the Original Trust Agreement that a commitment for title insurance policy dated the Closing Date be delivered in connection with Refunding Certificates is hereby deleted.
- (B) The definition of "Reserve Requirement" set forth in Exhibit A to the Original Trust Agreement is hereby amended to add an additional sentence to read as follows: "Notwithstanding the foregoing, the Corporation and Trustee, at the direction of the Department, may elect that the Reserve Requirement with respect to a Series of Refunding Certificates is zero." The parties hereto agree that the Reserve Requirement with respect to the 2021A Certificates shall be zero, and the 2021A Certificates shall not be secured by the Reserve Account.
- (C) Section 7.06 of the Original Trust Agreement is hereby amended to read as follows:

The Corporation and the Department acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation and the Department the right to receive individual confirmations of security sanctions at no additional cost, as they occur, the Corporation and the Department specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Corporation and the Department periodic cash transaction statements that include detail for all investment transactions made by the Trustee under the Trust Agreement.

- (D) The following is added as an additional requirement of the Trust Agreement:

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identified each person who opens an account. For a non-individual person such as business entity, a charity, a trust, or other legal entity, the Trustee will ask for documentation to verify such non-individual person's information and existence as a legal entity. The Trustee may also ask to see financial statements, licenses, identification and authorization

documents from individuals claiming authority to represent the entity or other relevant documentation.

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ARTICLE VII

MISCELLANEOUS

SECTION 7.01. PROVISIONS OF ORIGINAL TRUST AGREEMENT NOT OTHERWISE MODIFIED. Except as expressly modified or amended hereby, the Original Trust Agreement shall remain in full force and effect. To the extent of any conflict between the terms of the Original Trust Agreement and this Series 2021A Supplemental Trust Agreement, the terms hereof shall control.

SECTION 7.02. THIRD PARTY BENEFICIARIES. Nothing in this Series 2021A Supplemental Trust Agreement, express or implied, is to or shall be construed to confer upon or to give to any person or party other than the Corporation, and its assignee, the Trustee, and the Department any rights, remedies or claims under or by reason of this Series 2021A Supplemental Trust Agreement or any covenants, condition or stipulation hereof; and all covenants, stipulations, promises and agreements in this Series 2021A Supplemental Trust Agreement contained by or on behalf of the Corporation or the Department shall be for the sole and exclusive benefit of the Corporation, and its assignee, and the Department.

SECTION 7.03. COUNTERPARTS. This Series 2021A 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 7.04. 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 2021A Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 7.05. LAWS. This Series 2021A Supplemental Trust Agreement shall be construed and governed in accordance with the laws of the State.

SECTION 7.06. BROKER CONFIRMATION STATEMENTS NOT REQUIRED. Although the Corporation and the Department each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Corporation and the Department each hereby agree that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered, or made available, by the Trustee.

SECTION 7.07. ELECTRONIC DIRECTIONS TO TRUSTEE. The Trustee shall have the right to accept and act upon directions given pursuant to this Series 2021A Supplemental Trust Agreement, the Lease Agreement or any other document reasonably relating to the 2021A Certificates and delivered using Electronic Means (defined below); provided, however, that the Corporation or the Department, as the case may be, shall provide to the Trustee an incumbency certificate listing authorized officers with the authority to provide such directions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Corporation or the Department elects to give the Trustee directions using Electronic Means and the Trustee in its discretion elects to act upon such directions, the Trustee's

understanding of such directions shall be deemed controlling. The Corporation and the Department each understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions notwithstanding that such directions conflict or are inconsistent with a subsequent written direction. Each of the Corporation and the Department agree: (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Trustee and that there may be more secure methods of transmitting directions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

[Signature page to follow]

IN WITNESS WHEREOF, the parties have executed this Series 2021A Supplemental Trust Agreement by their officers thereunto duly authorized as of the date and year first written above.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Valerie Barreto, Assistant Vice President

**SOUTH FLORIDA EVALUATION
TREATMENT CENTER FINANCING
CORPORATION**, as Lessor

(SEAL)

By: _____
Jeremy Barr, President

ATTEST:

By: _____
Secretary

**FLORIDA DEPARTMENT OF CHILDREN
AND FAMILIES**, as Lessee

By: _____
Chad Poppell, Secretary

LETTER OF INSTRUCTIONS

Florida Department of Children and Families
Tallahassee, Florida

U.S. Bank National Association
Orlando, Florida

South Florida Evaluation Treatment Center
Financing Corporation
Deerfield Beach, Florida

Re: \$_____ Refunding Certificates of Participation Evidencing Fractional
Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by
the Florida Department of Children and Families, (South Florida Evaluation
Treatment Center Project), Series 2021A

Ladies and Gentlemen:

This letter of instructions is intended to set forth certain duties and requirements regarding the payment of rebatable arbitrage to the United States Treasury in compliance with Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code") to the extent necessary to preserve the tax-exempt treatment of interest on the above-referenced Refunding Certificates of Participation (the "2021A Certificates"). The instructions contained in this letter are based upon said Section 148(f) of the Code and, by analogy, to the Regulations. However, it is not intended to be exhaustive.

The 2021A Certificates have been issued pursuant to a Trust Agreement, dated as of October 1, 2005 (the "Original Trust Agreement"), as amended and supplemented, in particular, as supplemented by the Series 2021A Supplemental Trust Agreement, dated as of February 1, 2021 (collectively, the "Trust Agreement"), among U.S. Bank National Association, as trustee (the "Trustee"), the South Florida Evaluation Treatment Center Financing Corporation, a Florida not-for-profit corporation, as lessor (the "Corporation"), and the Florida Department of Children and Families, formerly Florida Department of Children and Family Services, an agency of the State of Florida, as lessee (the "Department"). The 2021A Certificates represent undivided proportionate interests of Owners of the 2021A Certificates in the Basic Rent Payments to be made under a Lease-Purchase Agreement, dated as of October 1, 2005, as amended and supplemented, in particular supplemented by the First Supplemental Lease-Purchase Agreement, dated as of February 1, 2021 and the 2021A Lease Schedule (collectively, the "Lease Agreement"), between the Corporation and the Department. Pursuant to an Assignment of Leases, dated as of October 1, 2005, as amended, between the Corporation and the Trustee, the Corporation has assigned all of its rights, title and interest in and to the Lease Agreement (other than certain rights and obligations

specifically excepted therein), including, without limitation, the right to receive the Basic Rent Payments, when due, to the Trustee for the benefit of the Owners of the 2021A Certificates.

Since the requirements of said Section 148(f) are subject to amplification and clarification, it may be necessary to supplement or modify the instructions contained in this letter from time to time to reflect any additional or different requirements of said Section and the Regulations or to specify that actions set forth in this letter are no longer required or that some further or different action is required to maintain or assure the exemption from federal income tax of the interest on the 2021A Certificates.

For purposes of this letter, any instructions relating to a fund, account or subaccount established under the Trust Agreement shall be deemed to apply only to that portion of such fund, account or subaccount allocable to the 2021A Certificates.

1. Tax Covenants. Pursuant to the Trust Agreement, the Corporation and the Department have made certain covenants designed to assure that the Interest Component of the Basic Rent Payments is and shall remain excludable from gross income for purposes of federal income taxation. In order to preserve this exemption neither the Corporation nor the Department should, directly or indirectly, use or permit the use of any proceeds of the 2021A Certificates or the Lease Payments or any other funds or take or omit to take any action that would cause the 2021A Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code or that would cause the Interest Component of the Basic Rent Payments to be subject to be included in gross income for federal income tax purposes under the provisions of the Code. The Department must comply with all other requirements as shall be determined by Special Counsel to be necessary or appropriate to assure that the Interest Component of the Basic Rent Payments will be excludable from gross income for purposes of federal income taxation. To that end, the Corporation and the Department shall comply with all requirements of Section 148 of the Code to the extent applicable to the 2021A Certificates.

2. Definitions. Capitalized terms used in this letter, but not otherwise defined herein, shall have the same meanings set forth in Exhibit A to the Trust Agreement and in the Department's Certificate as to Arbitrage and Certain Other Tax Matters relating to the 2021A Certificates.

"Certificate Year" means any one-year period (or shorter period from the Issue Date) ending on the close of business on the day preceding the anniversary of the Issue Date; provided, however, that the Department may select any other day as the end of a Certificate Year if such selection is made prior to the earlier of the final maturity date of the 2021A Certificates or the fifth anniversary of the Issue Date.

"Code" means the Internal Revenue Code of 1986, as amended.

"Computation Date" means each date selected by the Department as a computation date pursuant to Section 1.148-3(e) of the Regulations and the Final Computation Date.

"Fair Market Value" means, when applied to a Nonpurpose Investment, the Fair Market Value of such Investment as determined in accordance with Section 4 hereof.

"Final Computation Date" means the date the 2021A Certificates are discharged.

"Gross Proceeds" means, with respect to the 2021A Certificates:

- (1) Amounts constituting Sale Proceeds of the 2021A Certificates.
- (2) Amounts constituting Investment Proceeds of the 2021A Certificates.
- (3) Amounts constituting Transferred Proceeds of the 2021A Certificates.
- (4) Other amounts constituting Replacement Proceeds of the 2021A Certificates.
- (5) Amounts that constitute Pledged Moneys (as defined below) and that are derived directly or indirectly from the Department (or a governmental unit of which the Department is a part) or any other person who substantially benefits from the issuance of the 2021A Certificates.

"Investment Proceeds" means any amounts actually or constructively received from investing proceeds of the 2021A Certificates.

"Investment Property" means any security, obligation or other property held principally as a passive vehicle for the production of income, within the meaning of Section 1.148-1(b) of the Regulations.

"Issue Date" means February __, 2021.

"Net Proceeds" means Sale Proceeds, less the portion of such Proceeds invested in a reasonably required reserve or replacement fund under the Code.

"Nonpurpose Investment" shall have the meaning ascribed to such term in Section 148 of the Code and shall include any Investment Property in which Gross Proceeds are invested which is not acquired to carry out the governmental purpose of the 2021A Certificates, e.g., obligations acquired with Gross Proceeds that are invested temporarily until needed for the governmental purpose of the 2021A Certificates, that are used to discharge a prior issue, or that are invested in a reasonably required reserve or replacement fund.

"Nonpurpose Payments" shall include the payments with respect to Nonpurpose Investments specified in Section 1.148-3(d)(1)(i)-(v) of the Regulations.

"Nonpurpose Receipts" shall include the receipts with respect to Nonpurpose Investments specified in Section 1.148-3(d)(2)(i)-(iii) of the Regulations.

"Pledged Moneys" means moneys that are reasonably expected to be used directly or indirectly to pay debt service on the 2021A Certificates (or to reimburse a municipal bond insurer) or as to which there is a reasonable assurance that such moneys or the earnings thereon will be available directly or indirectly to pay debt service on the 2021A Certificates (or to reimburse a municipal bond insurer) if the Department encounters financial difficulties.

"Pre-Issuance Accrued Interest" means amounts representing interest that has accrued on an obligation for a period of not greater than one year before its issue date but only if those amounts are paid within one year after the Issue Date.

"Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Certificates.

"Qualified Administrative Costs" means reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage and selling commissions that are comparable to those charged nongovernmental entities in transactions not involving tax-exempt bond proceeds, but not legal and accounting fees, recordkeeping, custody or similar costs. In addition, with respect to a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow, such costs will be considered reasonable if (1) the amount of the fee the Department treats as a Qualified Administrative Cost does not exceed the lesser of (a) \$41,000 (for calendar year 2021), or (b) the greater of (x) .2% of the "computational base," or (y) \$4,000; and (2) the Department does not treat as Qualified Administrative Costs more than \$117,000 (for calendar year 2021) in brokers' commissions or similar fees with respect to all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with Gross Proceeds of the issue. For purposes of this definition only, "computational base" shall mean, with respect to guaranteed investment contracts, the amount of Gross Proceeds the Department reasonably expects, as of the date the contract is acquired, to be deposited in the guaranteed investment contract over the term of the contract and for investments other than guaranteed investment contracts, "computational base" shall mean the amount of Gross Proceeds initially invested in such investments. The above-described safe harbor dollar amounts shall be increased each calendar year for cost-of-living adjustments pursuant to Section 1.148-5(e) of the Regulations.

"Rebatable Arbitrage" means, as of any Computation Date, the excess of the future value of all Nonpurpose Receipts over the future value of all Nonpurpose Payments.

"Rebate Fund" means the Rebate Fund established pursuant to the Trust Agreement and described in Section 3 hereof.

"Regulations" means Treasury Regulations Sections 1.148-0 through 1.148-11, 1.149(b)-1 and (d)-1, and 1.150-0 through 1.150-2, as amended, and any regulations amendatory, supplementary or additional thereto.

"Replacement Proceeds" means amounts that have a sufficiently direct nexus to the 2021A Certificates or to the governmental purpose of the 2021A Certificates to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the 2021A Certificates were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the expected use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus to cause those amounts to be Replacement Proceeds. Replacement Proceeds include, but are not limited to, amounts held in a sinking fund or a pledged fund. For these purposes, an amount is pledged to pay principal of or interest on the 2021A Certificates if there is reasonable assurance that the amount will be available for such purposes in the event that the issuer encounters financial difficulties.

"Sale Proceeds" means any amounts actually or constructively received by the Department from the sale of the 2021A Certificates, including amounts used to pay underwriters'

discount or compensation and interest other than Pre-Issuance Accrued Interest. Sale Proceeds shall also include, but are not limited to, amounts derived from the sale of a right that is associated with a 2021A Certificate and that is described in Section 1.148-4(b)(4) of the Regulations.

"Special Counsel" means Nabors, Giblin & Nickerson, P.A., Tampa, Florida or such other firm of nationally recognized bond counsel as may be selected by the Department.

"Tax-Exempt Investment" means (i) an obligation the interest on which is excluded from gross income pursuant to Section 103 of the Code, (ii) United States Treasury-State and Local Government Series, Demand Deposit Securities, and (iii) stock in a tax-exempt mutual fund as described in Section 1.150-1(b) of the Regulations. Tax-Exempt Investment shall not include a specified private activity bond as defined in Section 57(a)(5)(C) of the Code. For purposes of these Rebate Instructions, a tax-exempt mutual fund includes any regulated investment company within the meaning of Section 851(a) of the Code meeting the requirements of Section 852(a) of the Code for the applicable taxable year; having only one class of stock authorized and outstanding; investing all of its assets in tax-exempt obligations to the extent practicable; and having at least 98 percent of (1) its gross income derived from interest on, or gain from the sale of or other disposition of, tax-exempt obligations or (2) the weighted average value of its assets represented by investments in tax-exempt obligations.

"Transferred Proceeds" shall have the meaning provided therefor in Section 1.148-9 of the Regulations.

"Universal Cap" means the value of all then outstanding 2021A Certificates.

"Value" (of a 2021A Certificate) means with respect to a 2021A Certificate issued with not more than two percent original issue discount or original issue premium, the outstanding principal amount, plus accrued unpaid interest; for any other 2021A Certificate, its present value.

"Value" (of an Investment) shall have the following meaning in the following circumstances:

(1) General Rules. Subject to the special rules in the following paragraph, an issuer may determine the value of an investment on a date using one of the following valuation methods consistently applied for all purposes relating to arbitrage and rebate with respect to that investment on that date:

(a) an investment with not more than two percent original issue discount or original issue premium may be valued at its outstanding stated principal amount, plus accrued unpaid interest on such date;

(b) a fixed rate investment may be valued at its present value on such date; and

(c) an investment may be valued at its Fair Market Value on such date.

(2) Special Rules. Yield restricted investments are to be valued at present value provided that (except for purposes of allocating Transferred Proceeds to an issue, for purposes of

the Universal Cap and for investments in a commingled fund other than a bona fide debt service fund unless it is a certain commingled fund):

(a) an investment must be valued at its Fair Market Value when it is first allocated to an issue, when it is disposed of and when it is deemed acquired or deemed disposed of, and provided further that;

(b) in the case of Transferred Proceeds, the Value of a Nonpurpose Investment that is allocated to Transferred Proceeds of a refunding issue on a transfer date may not exceed the Value of that investment on the transfer date used for purposes of applying the arbitrage restrictions to the refunded issue.

"Yield" means, generally, the discount rate which, when used in computing the present value of all the unconditionally payable payments of principal and interest on an obligation and all the payments for qualified guarantees paid and to be paid with respect to such obligation, produces an amount equal to the present value of the issue price of such obligation. Present value is computed as of the date of issue of the obligation. There are, however, many additional specific rules contained in the Regulations which apply to the calculation and recalculation of yield for particular obligations and such rules should be consulted prior to calculating the yield for the 2021A Certificates on any Computation Date. Yield shall be calculated on a 360-day year basis with interest compounded semi-annually. For this purpose the purchase price of a Nonpurpose Investment or Tax-Exempt Investment is its Fair Market Value, as determined pursuant to Section 4 of this letter, as of the date that it becomes allocated to Gross Proceeds of the 2021A Certificates.

3. Payment of Rebatable Arbitrage.

(a) In order to maintain the exemption from federal income tax of the Interest Component of the Basic Rent Payments, the Trustee, upon the written direction of the Department in accordance with Section 6.14 of the Original Trust Agreement, shall pay the Rebatable Arbitrage to the United States Government at the times and in the amounts determined herein from amounts on deposit in the Rebate Fund. For purposes of determining the Rebatable Arbitrage, the Department should cause the calculations to be made by competent tax counsel or other financial or accounting advisors or persons to ensure correct application of the rules contained in the Code and the Regulations relating to arbitrage rebate and, if the Department fails to retain such advisors for such purpose, the Trustee should retain such advisors for such purpose, but only at the expense of the Department.

(b) Within 30 days after any Computation Date, the Department must calculate or cause to be calculated the Rebatable Arbitrage or any penalty due pursuant to Section 3(d) below. The Department agrees to pay the Trustee the amount of the Rebatable Arbitrage for deposit to the Rebate Fund on or before the same must be remitted by the Trustee. Upon receipt of such Rebatable Arbitrage from the Department, but in no event later than 60 days following the Computation Date, the Trustee must remit (but only from amounts received from the Department) an amount which when added to the future value of previous rebate payments is not less than 90 percent (100 percent with respect to the Computation Date on the final repayment or retirement of the 2021A Certificates plus the income, if any, from the investment of the Rebatable Arbitrage due the United States Government after the final Computation Date) of the Rebatable Arbitrage.

Each payment must be accompanied by Internal Revenue Service Form 8038-T.

(c) The obligation to pay Rebatale Arbitrage to the United States, as described in this letter, shall be treated as satisfied with respect to the 2021A Certificates if (i) Gross Proceeds are expended for the governmental purpose of the 2021A Certificates by no later than the date which is six months after the Issue Date and if it is not anticipated that any other Gross Proceeds will arise during the remainder of the term of the 2021A Certificates and (ii) the requirement to pay Rebatale Arbitrage, if any, to the United States with respect to the portion of the Reserve Account allocable to the 2021A Certificates, if any, is met. For purposes described above, Gross Proceeds do not include (i) amounts deposited in a bona fide debt service fund, so long as the funds therein constitute bona fide debt service funds, or a reasonably required reserve or replacement fund (as defined in Section 1.148-1 of the Regulations and meeting the requirements of Section 1.148-2(f) of the Regulations), (ii) amounts that, as of the Issue Date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the date which is six months after the Issue Date, (iii) amounts representing Sale or Investment Proceeds derived from any Purpose Investment (as defined in Section 1.148-1 of the Regulations) and earnings on those payments, and (iv) amounts representing any repayments of grants (as defined in Section 1.148-6(d)(4) of the Regulations). If Gross Proceeds are in fact expended by such date, then, except as to amounts, if any, on deposit in the Reserve Account, Rebatale Arbitrage with respect to such Gross Proceeds need not be calculated and no payment thereof to the United States Department of Treasury need be made. Use of Gross Proceeds to redeem 2021A Certificates shall not be treated as an expenditure of such Gross Proceeds.

Notwithstanding the foregoing, if Gross Proceeds which were reasonably expected to be Gross Proceeds on the Issue Date actually become available after the date which is six months after the Issue Date, as determined by the Department, then the requirements described herein relating to the calculation of Rebatale Arbitrage and the payment thereof to the United States must be satisfied, except that no such calculation or payment need be made with respect to the initial six-month period. Any other amounts not described in this Section which constitute Gross Proceeds, other than a bona fide debt service fund, will be subject to rebate.

(d) The Department and the Trustee should keep or cause to be kept proper books of records and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the 2021A Certificates, including moneys derived from, pledged to, or to be used to make payments on the 2021A Certificates. Such records shall, at a minimum, be sufficient to enable the Department to calculate the Rebatale Arbitrage and, if necessary, shall specify the account or fund to which each investment (or portion thereof) is to be allocated and shall set forth, in the case of each investment security, (i) its purchase price, (ii) identifying information, including par amount, coupon rate, and payment dates, (iii) the amount received at maturity or its sale price, as the case may be, including accrued interest, (iv) the amounts and dates of any payments made with respect thereto, and (v) the dates of acquisition and disposition or maturity.

4. Market Price Rules. Except as provided below, the Department agrees to comply with the requirements relating to the "Fair Market Value" of acquired Nonpurpose Investments, as defined in Section 1.148-5(d) of the Regulations ("Fair Market Value"). All investments required to be made pursuant to this letter shall be made to the extent permitted by law. In this regard, the

Department agrees, among other things, that it will not acquire or cause to be acquired a Nonpurpose Investment (or any other investment acquired with Gross Proceeds or on deposit in the Rebate Fund), for a price in excess of its Fair Market Value or sell any such investment at a price (determined without any reduction for transaction costs) less than its Fair Market Value, except as provided below. For this purpose, the following rules shall apply:

(a) Established securities markets. Except as otherwise provided below, any market especially established to provide a security or obligation to an issuer of municipal obligations shall not be treated as an established market and shall be rebuttably presumed to be acquired or disposed of for a price that is not its Fair Market Value.

(b) Arm's-length price. Any transaction in which a Nonpurpose Investment is directly purchased with Gross Proceeds, or in which a Nonpurpose Investment allocable to Gross Proceeds is disposed of, shall be undertaken in a bona fide arm's-length manner, and no amount shall be paid to reduce the yield on the Nonpurpose Investment.

(c) Safe harbor for establishing Fair Market Value for guaranteed investment contracts and Nonpurpose Investments purchased for a yield restricted defeasance escrow. In the case of a guaranteed investment contract or Nonpurpose Investments purchased for a yield restricted defeasance escrow, the purchase price shall not be considered to be an arm's-length price unless all the following conditions are met:

(i) The Department makes a bona fide solicitation ("Bona Fide Solicitation") for the purchase of the investment that satisfies all of the following requirements:

(1) The bid specifications are in writing and are timely forwarded to potential providers;

(2) The bid specifications include all terms of the bid that may directly or indirectly affect the yield or the cost of the investment;

(3) The bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Department or any other person (whether or not in connection with the bond issue), and that the bid is not being submitted solely as a courtesy to the Department or any other person for purposes of satisfying these requirements;

(4) The terms of the bid specifications are such that there is a legitimate business purpose for each term other than to increase the purchase price or reduce the yield of the investment (e.g., for solicitations of Nonpurpose Investments for a yield restricted defeasance escrow, the hold firm period must be no longer than the Department reasonably requires);

(5) For purchases of guaranteed investment contracts only, the terms of the solicitation take into account the Department's reasonably expected deposit and draw down schedule for the amounts to be invested;

(6) All potential providers have an equal opportunity to bid (e.g., no potential provider is given the opportunity to review other bids before providing a bid); and

(7) At least three providers are solicited for bids that have an established industry reputation as a competitive provider of the type of investments being purchased.

(ii) The bids received by the Department must meet all of the following requirements:

(1) The Department receives at least three bids from providers that the Department solicited under a Bona Fide Solicitation and that do not have a material financial interest in the issue. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the issue date of the issue. In addition, any entity acting as a financial advisor with respect to the purchase of the investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue. A provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue.

(2) At least one of the three bids described in paragraph (c) (ii)(1) above is from a provider that has an established industry reputation as a competitive provider of the type of investments being purchased; and

(3) If the Department uses an agent to conduct the bidding process, the agent did not bid to provide the investment.

(iii) The winning bid must meet the following requirements:

(1) *Guaranteed investment contracts.* If the investment is a guaranteed investment contract, the winning bid is the highest yielding bona fide bid (determined net of any broker's fees).

(2) *Other Nonpurpose Investments.* If the investment is not a guaranteed investment contract, the following requirements are met:

(A) The winning bid is the lowest cost bona fide bid (including any broker's fees). The lowest bid is either the lowest cost bid for the portfolio or, if the Department compares the bids on an investment-by-investment basis, the aggregate cost of a portfolio comprised of the lowest cost bid for each investment. Any payment received by the Department from a provider at the time a guaranteed investment contract is purchased (e.g., an escrow float contract) for a yield restricted defeasance escrow

under a bidding procedure meeting these requirements is taken into account in determining the lowest cost bid.

(B) The lowest cost bona fide bid (including any broker's fees) is not greater than the cost of the most efficient portfolio comprised exclusively of State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt. The cost of the most efficient portfolio of State and Local Government Series Securities is to be determined at the time that bids are required to be submitted pursuant to the terms of the bid specifications. If such State and Local Government Series Securities are not available for purchase on the day that bids are required to be submitted because sales of those securities have been suspended, the cost comparison described in this paragraph is not required.

(iv) The provider of the investments or the obligor on the guaranteed investment contract certifies the administrative costs that it pays (or expects to pay) to third parties in connection with supplying the investment.

(d) The Department shall retain certificates and records documenting compliance with the above requirements until three years after the last outstanding 2021A Certificate is redeemed including, but not limited to, the following:

(i) For purchases of guaranteed investment contracts, a copy of the contract, and for purchases of Nonpurpose Investments other than guaranteed investment contracts, the purchase agreement or confirmation;

(ii) The receipt or other record of the amount actually paid by the Department for the investments, including a record of any administrative costs paid by the Department and the certification required in paragraph (c)(iv) above;

(iii) For each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results;

(iv) The bid solicitation form and, if the terms of the purchase agreement or the guaranteed investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation; and

(v) For purchase of Nonpurpose Investments other than guaranteed investment contracts, the cost of the most efficient portfolio of State and Local Government Series Securities, determined at the time that the bids were required to be submitted.

Certificates in substantially the forms of subparagraphs (v) and (vi) above must be obtained to evidence the foregoing.

5. Records. The Department and the Trustee should retain all records with respect to the calculations required by this letter for at least six years after the date on which the last of the

principal of and interest on the 2021A Certificates has been paid, whether upon maturity, redemption, or acceleration thereof.

6. Modification Upon Receipt of Special Counsel Opinion. Notwithstanding any provision of this letter, if the Department and the Trustee shall receive an opinion of Special Counsel that any specified instructions set forth in this letter are no longer required or that some further or different action is required to maintain or assure the exclusion from federal gross income of the Interest Component of the Basic Rent Payments, the Department and the Trustee may conclusively rely on such opinion in complying with the requirements of this letter and the instructions contained in this letter shall be deemed to be modified to that extent. The provisions of this and the instructions contained in this letter may be amended or modified in any manner which is necessary to comply with such regulations as may be promulgated by the United States Treasury Department from time to time.

7. Accounting for Gross Proceeds. In order to perform the calculations required by the Code and the Regulations, it is necessary to track the investment and expenditure of all Gross Proceeds. To that end, the Department must adopt reasonable and consistently applied methods of accounting for all Gross Proceeds. Appendix I hereto sets forth a description of the required allocation and accounting rules with which the Department agrees to comply.

8. Administrative Costs of Investments. Except as otherwise provided in this Section 8, an allocation of Gross Proceeds to a payment or receipt on a Nonpurpose Investment is not adjusted to take into account any costs or expenses paid, directly or indirectly, to purchase, carry, sell or retire the Nonpurpose Investment (administrative costs). Thus, administrative costs generally do not increase the payments for, or reduce the receipts from, Nonpurpose Investments.

In determining payments and receipts on Nonpurpose Investments, Qualified Administrative Costs are taken into account by increasing payments for, or reducing the receipts from, the Nonpurpose Investments. Qualified Administrative Costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody and similar costs. General overhead costs and similar indirect costs of the Department such as employee salaries and office expenses and costs associated with computing Rebtable Arbitrage are not Qualified Administrative Costs.

Allocation and accounting rules are provided in Appendix I attached hereto.

9. Department Obligations. Except for any Rebtable Arbitrage which accrues prior to the date of termination of the Lease, the Department shall have no further obligations hereunder subsequent to the termination of the Lease Agreement.

[Signature page to follow]

10. Trustee Obligations. Except for matters set forth in Sections 3(a), (b) and (d) hereof and Section 6.12 of the Original Trust Agreement, the parties hereto agree that the Trustee shall have no further obligations hereunder or under the Trust Agreement relating to the matters set forth in this letter.

Respectfully submitted,

NABORS, GIBLIN & NICKERSON, P.A.

Acknowledged:

**FLORIDA DEPARTMENT OF CHILDREN
AND FAMILIES**, as lessee

By: _____
Chad Poppell, Secretary

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Valerie Barreto, Assistant Vice President

**SOUTH FLORIDA EVALUATION
TREATMENT CENTER FINANCE
CORPORATION**

By: _____
Jeremy Barr, President

ALLOCATION AND ACCOUNTING RULES

(a) General Rule. Any issuer may use any reasonable, consistently applied accounting method to account for Gross Proceeds, investments and expenditures of an issue. An accounting method is "consistently applied" if it is applied uniformly within a Fiscal Period (as hereinafter defined) and between Fiscal Periods to account for Gross Proceeds of an issue and any amounts that are in a commingled fund.

(b) Allocation of Gross Proceeds to an Issue. Amounts are allocable to only one issue at a time as Gross Proceeds. Amounts cease to be allocated to an issue as Proceeds only when those amounts (i) are allocated to an expenditure for a governmental purpose; (ii) are allocated to Transferred Proceeds of another issue of obligations; or (iii) cease to be allocated to that issue at retirement of the issue or under the Universal Cap.

(c) Allocation of Gross Proceeds to Investments. Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the Fair Market Value of the Nonpurpose Investment as of the purchase or sale date. The Fair Market Value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment.

(d) Allocation of Gross Proceeds to Expenditures. Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a ratable allocation method, so long as the method used is consistently applied. An allocation of Gross Proceeds of an issue to an expenditure must involve a current outlay of cash for a governmental purpose of the issue. A current outlay of cash means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made.

(e) Commingled Funds. Any fund or account that contains both Gross Proceeds of an issue and amounts in excess of \$25,000 that are not Gross Proceeds of that issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of the funds deposited therein, constitutes a "commingled fund." All payments and receipts (including deemed payments and receipts) on investments held by a commingled fund must be allocated (but not necessarily distributed) among each different source of funds invested in the commingled fund in accordance with a consistently applied, reasonable ratable allocation method. Reasonable ratable allocation methods include, without limitation, methods that allocate payments and receipts in proportion to either (i) the average daily balances of the amounts in the commingled fund from each different source of funds during any consistent time period within its fiscal year, but at least quarterly (the "Fiscal Period"); or (ii) the average of the beginning and ending balances of the amounts in the commingled fund from each different source of funds for a Fiscal Period that does not exceed one month.

Funds invested in the commingled fund may be allocated directly to expenditures for governmental purposes pursuant to a reasonable consistently applied accounting method. If a

ratable allocation method is used to allocate expenditures from the commingled fund, the same ratable allocation method must be used to allocate payments and receipts on investments in the commingled fund.

Generally a commingled fund must treat all its investments as if sold at Fair Market Value either on the last day of the fiscal year or on the last day of each Fiscal Period. The net gains or losses from these deemed sales of investments must be allocated to each different source of funds invested in the commingled fund during the period since the last allocation. This mark-to-market requirement does not apply if (i) the remaining weighted average maturity of all investments held by a commingled fund during a particular fiscal year does not exceed 18 months, and the investments held by the commingled fund during that fiscal year consist exclusively of obligations; or (ii) the commingled fund operated exclusively as a reserve fund, sinking fund or replacement fund for two or more issues of the same issuer. Subject to the Universal Cap limitation, and the principle that amounts are allocable to only one issue at a time as Gross Proceeds, investments held by a commingled fund must be allocated ratably among the issues served by the commingled fund in proportion to either (i) the relative values of the bonds of those issues; (ii) the relative amounts of the remaining maximum annual debt service requirements on the outstanding principal amounts of those issues; or (iii) the relative original stated principal amounts of the outstanding issues.

(f) Universal Cap. Amounts that would otherwise be Gross Proceeds allocable to an issue are allocated (and remain allocated) to the issue only to the extent that the Value of the Nonpurpose Investments allocable to those Gross Proceeds does not exceed the Value of all outstanding bonds of the issue. Nonpurpose Investments allocated to Gross Proceeds in a bona fide debt service fund for an issue are not taken into account in determining the Value of the Nonpurpose Investments, and those Nonpurpose Investments remain allocated to the issue. To the extent that the Value of the Nonpurpose Investments allocable to the Gross Proceeds of an issue exceed the Value of all outstanding bonds of that issue, an issuer should seek the advice of Bond Counsel for the procedures necessary to comply with the Universal Cap.

(g) Expenditure for Working Capital Purposes. Subject to certain exceptions, the Proceeds of an issue may only be allocated to "working capital expenditures" as of any date to the extent that those expenditures exceed "available amounts" as of that date (i.e., "proceeds-spent-last").

For purposes of this section, "working capital expenditures" include all expenditures other than "capital expenditures." "Capital expenditures" are costs of a type properly chargeable (or chargeable upon proper election) to a capital account under general federal income tax principles. Such costs include, for example, costs incurred to acquire, construct or improve land, buildings and equipment having a reasonably expected useful life in excess of one year. Thus, working capital expenditures include, among other things, expenditures for current operating expenses and debt service.

For purposes of this section, "available amount" means any amount that is available to an issuer for working capital expenditure purposes of the type financed by the issue. Available amount excludes Proceeds of the issue but includes cash, investments and other amounts held in accounts or otherwise by an issuer for working capital expenditures of the type being financed by

the issue without legislative or judicial action and without a legislative, judicial or contractual requirement that those amounts be reimbursed. Notwithstanding the preceding sentence, a "reasonable working capital reserve" is treated as unavailable. A working capital reserve is reasonable if it does not exceed five percent of the actual working capital expenditures of an issuer in the fiscal year before the year in which the determination of available amounts is made. For purpose of the preceding sentence only, in determining the working capital expenditures of an issuer for a prior fiscal year, any expenditures (whether capital or working capital expenditures) that are paid out of current revenues may be treated as working capital expenditures.

The proceeds-spent-last requirement does not apply to expenditures to pay (i) any Qualified Administrative Costs; (ii) fees for qualified guarantees of the issue or payments for a qualified hedge for the issue; (iii) interest on the issue for a period commencing on the Issue Date and ending on the date that is the later of three years from the Issue Date or one year after the date on which the financed project is placed in service; (iv) the United States for yield reduction payments (including rebate payments) or penalties for the failure to meet the spend down requirements associated with certain spending exceptions to the rebate requirement; (v) costs, other than those described in (i) through (iv) above, that do not exceed five percent of the Sale Proceeds of an issue and that are directly related to capital expenditures financed by the issue (e.g., initial operating expenses for a new capital project); (vi) principal or interest on an issue paid from unexpected excess sale or Investment Proceeds; (vii) principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a bona fide debt service fund; and (viii) principal, interest or redemption premium on a prior issue and, for a crossover refunding issue, interest on that issue. Notwithstanding the preceding paragraph, the exceptions described above do not apply if the allocation merely substitutes Gross Proceeds for other amounts that would have been used to make those expenditures in a manner that gives rise to Replacement Proceeds.

LEASE-PURCHASE AGREEMENT

BY AND BETWEEN

**SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION,
AS LESSOR**

AND

**FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AS LESSEE**

DATED AS OF OCTOBER 1, 2005

THE CORPORATION HAS ASSIGNED ALL ITS RIGHT, TITLE AND INTEREST IN THIS LEASE AGREEMENT, EXCEPT CERTAIN RETAINED RIGHTS AS PROVIDED HEREIN, BY ABSOLUTE ASSIGNMENT TO SUNTRUST BANK, AS TRUSTEE UNDER A TRUST AGREEMENT DATED AS OF OCTOBER 1, 2005, AMONG THE TRUSTEE, THE CORPORATION AND THE DEPARTMENT, PURSUANT TO AN ASSIGNMENT OF LEASES DATED AS OF OCTOBER 1, 2005.

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EXHIBIT A – LEASE SCHEDULE

LEASE-PURCHASE AGREEMENT

THIS LEASE-PURCHASE AGREEMENT, is made and entered into as of October 1, 2005 (this "Lease Agreement"), by and between the **SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION**, a not-for-profit corporation organized and existing under the laws of the State of Florida (the "Corporation"), and the **FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES**, an agency of the State of Florida duly organized and existing under the laws of the State of Florida (the "Department");

WITNESSETH:

In consideration of the mutual covenants hereinafter contained and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

I. DEFINITIONS AND GENERAL PROVISIONS

1.01 DEFINITIONS.

The capitalized words and terms used herein shall have the meanings assigned to such words and terms in Exhibit A to the Trust Agreement, dated as of October 1, 2005, among the Corporation, the Department and SunTrust Bank, as trustee (the "Trustee"), as amended, unless the context clearly requires some other meaning.

1.02 RULES OF CONSTRUCTION.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. Statements used herein denoting an agency relationship between the Department, as agent, and the Corporation, as principal, shall be strictly construed and limited to the duties set forth herein. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Lease Agreement, refer to this Lease Agreement.

II. RECITALS

2.01 STATUS AND POWERS OF CORPORATION.

The Corporation is a not-for-profit corporation duly organized and validly existing pursuant to the laws of the State of Florida, and is authorized to lease or otherwise dispose of property, including, without limitation, the undertaking of the actions and duties more particularly described herein.

2.02 STATUS AND POWERS OF DEPARTMENT.

The Department is an agency of the State of Florida and is authorized by the laws and constitution of the State of Florida, particularly the Act, to lease-purchase and acquire real and personal property in furtherance of its public purposes.

2.03 PURPOSE OF AGREEMENT.

The Land is part of the real property leased to the Department pursuant to the State Lease for a period of twenty (20) years. In order to provide for its governmental and proprietary needs and in furtherance of its public purposes, the Department desires to lease the Land to the Corporation and to lease back from the Corporation the completed Project. The Corporation is able and willing, for adequate consideration, to lease the Land from the Department and to lease back to the Department the completed Project.

2.04 RELATED AGREEMENTS.

The parties hereto acknowledge, approve of, and consent to the terms of the following documents:

- (a) the State Lease pursuant to which the Board of Trustees of the Internal Improvement Trust Fund leases the Land to the Department;
- (b) the Sublease Lease pursuant to which the Department leases the Land to the Corporation;
- (c) the Assignment of Leases, pursuant to which the Corporation assigns by absolute assignment all of its rights and interest in the Sublease and this Lease Agreement to the Trustee, other than its rights of indemnification, its right to enter into amendments of the Lease Schedule from time to time with respect to the issuance of Completion Certificates or Refunding Certificates, and its obligations hereunder, including its obligations with respect to the tax covenants set forth in Section 6.03 hereof;
- (d) the Trust Agreement, pursuant to which the Trustee, the Department and the Corporation agree to implement this Lease Agreement by providing for the delivery of Certificates to fund the Project, for the administration of certain funds and accounts for the benefit of the Owners and, under the circumstances contemplated in such Trust Agreement and in this Lease Agreement, the exercise by the Trustee of certain remedies for the benefit of the Owners;
- (e) the Construction Contract, pursuant to which the Department, the Corporation and the Developer agree to the acquisition, construction and installation of the Project by the Developer; and
- (f) the Operations Contract, pursuant to which the Department and the Operator agree to the operation of the Project by the Operator.

2.05 CONSTRUCTION OF THIS LEASE AGREEMENT.

For all purposes of this Lease Agreement, reference to the "assignee of Corporation," "Corporation or its assignee" or "Corporation and its assignee" after assignment of this Lease Agreement pursuant to the Assignment of Leases, shall mean only the Trustee acting on behalf of the Owners of the Certificates issued pursuant to the Trust Agreement, except as otherwise specifically provided herein or in the Trust Agreement or the Assignment of Leases to the contrary.

Notwithstanding the foregoing, any provision contained in this Lease Agreement which grants to the Trustee, by virtue of the Assignment of Leases, the permissive right herein to request documentation, to make inspections or take such other actions, shall not impose on the Trustee a legal or fiduciary duty or obligation to make such request or inspection or take such action. The parties hereto agree that the foregoing limitation on the Trustee's rights herein shall in no way be construed to be a limitation on the absolute nature intended by the Assignment of Leases.

III. ACQUISITION AND CONSTRUCTION OF PROJECT

3.01 DEPOSIT OF MONEYS; LEASE SCHEDULE.

- (a) In order to induce the Department to lease the Project from the Corporation and to assure the Department that the moneys needed to pay the Costs of the Project and Costs of Issuance relating to the Project will be available without delay, the Corporation and the Department, simultaneous with the delivery of this Lease Agreement by the Department, shall cause to be deposited with the Trustee the proceeds of the Certificates which shall finance the acquisition, construction and installation of the Project and the Costs of Issuance related thereto. Such proceeds shall be deposited in the Funds and Accounts created by the Trust Agreement.
- (b) Attached hereto as Exhibit A and incorporated herein by this reference is the Lease Schedule setting forth certain information with respect to the Project. The Maximum Lease Term shall be a term that commences on the Commencement Date hereof and terminates on October 1, 2025.

3.02 RIGHT OF ENTRY.

In order to enable the Corporation to carry out the terms of this Lease Agreement, to provide for the acquisition, construction and installation of the Project and to facilitate the exercise of remedies upon an Event of Default or Event of Non-Appropriation hereunder, the Department hereby grants a right of entry to the Project to the Corporation, its agents and assignees, including, without limitation, the Trustee and its agents and assignees. The Department represents that it is empowered to grant such right of entry to the Corporation and the Trustee.

3.03 ACQUISITION AND CONSTRUCTION OF THE PROJECT.

- (a) The Corporation shall provide for the acquisition, construction and installation of the Project pursuant to the Construction Contract, applicable State law and Section 3.08 hereof. Amounts on deposit in the Project Account held by the Trustee pursuant to the Trust Agreement shall be disbursed by the Trustee to the Developer to pay Costs of the Project. Such disbursements shall be made pursuant to one or more Applications For Payment or related Certifications For Payment, a form of which is attached to the Construction Contract, submitted by the Developer after approval by an Authorized Officer of the Department, to the Trustee in accordance with the procedures set forth in the Trust Agreement and the Construction Contract. Such Applications For Payment or related Certifications For Payment shall be accompanied by such further documentation as set forth herein, in the Construction Contract and in Section 6.03 of the Trust Agreement. The Corporation hereby agrees that the Developer may be reimbursed for expenditures of moneys made by the Developer for Project Costs in anticipation of the issuance of the Certificates by filing Applications For Payment or related Certifications For Payment with the documentation required by Section 6.03 of the Trust Agreement.
- (b) The Corporation and the Department agree that, solely pursuant to the Construction Contract, the Corporation, or the Developer on behalf of the Corporation, will acquire, construct and install the Project in accordance with the Plans and Specifications. The Corporation and the Department further agree that pursuant to the Construction Contract the Corporation will acquire, construct and install the Project in accordance with the Project Budget and the Project Schedule. The Developer may, at any time prior to the Completion Date for the Project, make modifications to the Project and substitute and release items or components constituting a portion of the Project, but only in accordance with the provisions of this Section 3.03(b) and the provisions of the Construction Contract, if (i) the Developer files with the Trustee a certificate of an Authorized Officer of the Developer notifying the Trustee of such modification, addition, substitution or release, identifying the portion of the Project which is modified, added, substituted or released, and certifying that after such modification,

addition, substitution or release amounts on deposit in the Project Account, together with interest earnings thereon and any additional legally available sums of the Department or contribution of the Developer, deposited therein, will be sufficient to pay all remaining Costs of the Project, including Project Costs incurred in connection with such modification, addition, substitution or release and the Project Costs which shall have accrued but remain unpaid as of such date, (ii) if the modification, addition, substitution or release involves Equipment, either the items of substituted Equipment have a useful life equal to or greater than the useful life of the items of Equipment for which they have been substituted or the Department shall approve of a shorter useful life for such substituted Equipment in writing, (iii) the Plans and Specifications, the Project Description, the Project Budget, the Project Schedule and, if necessary, the Estimated Completion Date for the Project are each amended, as necessary, to take into account the portion of the Project that is modified, added, substituted or released, and (iv) no change shall be made in the schedule of Basic Rent Payments. Notwithstanding the foregoing, the Project Budget, Project Schedule and Estimated Completion Date for the Project shall not be amended or modified without the written consent of the Department. If the total Costs of the Project exceed the amount estimated therefor, the Department or the Developer shall take the actions set forth in Section 3.05 hereof as a condition precedent to such modification, addition or substitution.

- (c) For purposes of this Lease Agreement, all materials and services in respect of which amounts are paid by the Trustee for the acquisition, construction and installation of the Project (including moneys disbursed pursuant to Section 6.04 of the Trust Agreement for Costs of Issuance) shall be accepted by the Department in accordance with the provisions of the Construction Contract and the Department hereby agrees that it will, subject to the provisions of Section 7.01 hereof, pay the Lease Payments in respect of same. The provisions of the Construction Contract relating to acceptance of components of the Project and timely approval of Applications For Payment or related Certifications For Payment, including the provisions thereof providing for the approval of the Department to be deemed to have been given in the case of inaction by the Department are hereby incorporated by reference thereto as if fully rewritten herein, provided, however, that no such presumption or deeming of acceptance shall be effective if and to the extent that the Department shall disallow all or a part of any one or more Applications For Payment or related Certifications For Payment, from time to time or at time. The Corporation, the Developer and the Department hereby agree and acknowledge that time is of the essence and that the Construction Contract contains remedies for failure to perform in a timely manner according to the Project Schedule. Nonetheless, the Corporation, the Developer and the Department acknowledge and agree that the acquisition, construction and equipping of the Project in strict conformance with the Plans and Specifications and strictly in accordance with the provisions of the Construction Contract are of equal importance insofar as the performance by the parties hereto of their respective obligations hereunder. To that end, the failure of the Department to approve deviations from the Plans and Specifications or portions thereof as provided in the Construction Contract shall constitute and be deemed approval of such deviations in accordance with the Construction Contract and this Lease Agreement, shall not, in and of itself, constitute grounds for the imposition of remedies hereunder or under the Construction Contract with respect to such approvals or deviations. The provisions of this Section 3.03(c) shall not in any way limit or affect the Corporation's or the Department's rights to pursue warranty or other claims arising therefrom against any contractor, vendor or supplier of labor or materials of the Project, or any portion thereof. Execution of a Application For Payment or related Certification For Payment by the Department in accordance with the Construction Contract and the Trust Agreement shall constitute approval and acceptance by the Department, in the manner provided in the Construction Contract and the Trust Agreement, of the items or portions of the Project identified therein for all purposes hereunder. Failure to execute, or rejection of, a Application For Payment or related Certification For Payment shall be governed by the applicable provisions of the Construction Contract.

- (d) The Corporation and the Department further agree to assure that, where applicable and in accordance with the Construction Contract, the Contractors and the Developer of the Project shall be required to carry appropriate performance bonds, agree to liquidated damages on a daily basis for construction and delivery delays and comply with workers' compensation laws.
- (e) The Department shall take possession of the Project, or portion thereof, upon Substantial Completion, and subject to Final Completion, thereof in accordance with the Construction Contract. Once Substantial Completion has been achieved, no delay in the Final Completion of the Project, or any portion thereof, shall relieve the Department of its obligation to pay the Lease Payments to the extent provided herein; provided, however, nothing contained herein shall be construed to alter or modify the Construction Contract and the provisions of the Construction Contract shall prevail and take precedence over the provisions hereof.
- (f) The Corporation and the Department shall at all times keep title to their respective interests in the Project free and clear of all liens and encumbrances of every kind whatsoever, except Permitted Encumbrances.
- (g) In the event that construction of the Project has not commenced by the Construction Commencement Deadline, the Series 2005 Certificates shall be subject to Special Prepayment, in whole on the Special Prepayment Date, as provided in Section 5.01 (b) of the Trust Agreement.

3.04 PAYMENT OF COSTS OF ISSUANCE.

Payment of Costs of Issuance for the Certificates shall be made pursuant to a Application For Payment or related Certification For Payment in substantially the form required by the Trust Agreement, from moneys deposited with the Trustee in the Costs of Issuance Account. Costs of Issuance shall be disbursed in accordance with and upon compliance with Section 6.04 of the Trust Agreement.

3.05 LIMITATIONS ON ACQUISITION AND CONSTRUCTION.

The amount of moneys available under the Trust Agreement to pay for Project Costs and Costs of Issuance for the Project is limited to an aggregate dollar amount of not more than the Maximum Cost provided in the Lease Schedule for the Project. If the Department agrees to an increase in the cost with respect to any portion of the Project or there is a cost overrun or change order as a result of a substitution or modification in the Project as described in Section 3.03(b) hereof, and in either case, the amount in the Project Account, together with interest earnings thereon, is not sufficient to pay such Project Costs and complete the acquisition, construction and installation of the Project, then either (a) the Developer or, in the case of a change order, the Department shall deposit to the credit of the Project Account the additional funds necessary to reduce such deficiency to zero (as certified to the Trustee in writing by an Authorized Officer of the Developer), or (b) the Developer shall provide to the Corporation an amended Project Budget showing such changes to the Project (as have been approved by the Department) the result of which is no cost deficiency and such amended Project Budget and changes shall be certified to the Trustee as accurate in writing by an Authorized Officer of the Developer.

3.06 WARRANTIES

The execution, delivery and submission of an Application For Payment or related Certification For Payment to the Department by the Developer shall constitute and be deemed to be an affirmative representation and warranty that such Application For Payment or related Certification For Payment is being submitted in strict conformity with the provisions of the Construction Contract, that no earlier Application For Payment or related Certification For Payment has been submitted to the Department for the same items to the extent that such Application For Payment or related Certification For Payment or portion thereof has been paid or approved by the Department for payment and that the materials or work and services have been furnished or performed in accordance with the provisions hereof and of the Plans and Specifications and the Construction Contract. The execution by the Department of a Application For Payment or related Certification For Payment in accordance with the Construction Contract and the Trust Agreement for any portion of the Project, thereby shall constitute a representation by the Department,

without further act, that it has (a) thoroughly inspected such portion of the Project described therein, and (b) satisfied itself that such portion of the Project is suitable for its purposes.

3.07 UNEXPENDED MONEYS IN COST OF ISSUANCE ACCOUNT.

The Corporation and the Department agree that unexpended moneys remaining in the Costs of Issuance Account funded from the Certificates shall be applied in accordance with Section 6.04(b) of the Trust Agreement.

3.08 COMPLETION OF PROJECT.

- (a) The Department and the Corporation have entered into the Construction Contract with the Developer for acquisition, construction and installation of the Project on a turn-key basis, upon being assured that moneys sufficient for the payment thereof are then on deposit in the Project Account related thereto.
- (b) Prior to the Completion Date for the Project, the Developer shall have the right to make any changes in the description of the Project or modify or substitute components thereof, or of any component or portion thereof, whenever the Developer deems such changes to be necessary and appropriate; provided, however, that the Developer must comply with the provisions of Section 3.03(b) hereof and all applicable provisions of the Construction Contract relating to the modification of the Project or components thereof or substitution therefor.
- (c) The Developer shall have sole responsibility for, and shall supervise, the acquisition, construction and installation of the Project in accordance with the Plans and Specifications, the Project Budget, the Project Schedule and the Construction Contract. The Developer shall monitor the performance by each Vendor or Contractor to the extent the Developer deems appropriate. The Developer shall permit the Corporation and the Department, or their assignees, to inspect the Project as provided in the Construction Contract. The Corporation or its assignee shall comply with all reasonable rules and regulations established by the Developer with respect to personal safety and security during such inspections.
- (d) The Corporation hereby assigns to the Developer, as Contractor under the Construction Contract, all rights and powers to enforce and execute in its own name or the name of the Corporation such purchase orders, agreements or contracts as are required for the Project which enforcement may be at law or in equity; provided, however, that the assignment made by the Corporation herein shall not prevent the Corporation, or its assignee, from asserting said rights and powers in its own behalf following written notice to the Developer.
- (e) The Corporation shall not be responsible for payment of, nor shall it pay nor permit to be paid by the Trustee pursuant to the Trust Agreement, any amount for the Project in excess of the amount available therefor in the Project Account held by the Trustee pursuant to the Trust Agreement.
- (f) The Corporation, or its assignee, shall have the right to inspect periodically the books and records of the Developer relating to the Project, and the Developer shall permit the Corporation, or its assignee, to make such inspections thereof at all reasonable times as the Developer shall deem appropriate.
- (g) The Department agrees that, as between the Developer and the Corporation, it will be the sole responsibility of the Developer that the Project will be acquired, constructed and installed in accordance with the Plans and Specifications. The terms and conditions of the Construction Contract, including specifically, but not limited to, the provisions thereof relating to amendments to or modifications of the Project and liquidated damages shall govern the completion and final acceptance of the Project as between the Developer and the Department. The Department shall be obligated, subject to the conditions stated in the Trust Agreement, to pay in full the Lease Payments regardless of whether the Project is acquired, constructed or installed in accordance with the Plans and Specifications.

IV. LEASE OF PROJECT; LEASE PAYMENTS

4.01 LEASE OF PROJECT.

In consideration of the payment by the Department to the Corporation, or its assignee, of the Lease Payments and for other valuable consideration, the Corporation hereby leases the Project to the Department upon the terms and conditions contained herein, as supplemented by the Lease Schedule. The Department may modify the Project or may substitute or dispose of components or portions of the Project as provided in Sections 3.03(b), 5.13 and 5.14 hereof and in accordance with the provisions of the Construction Contract; provided, that the Land and the Project will be occupied and used by the Department or its agents solely for governmental purposes.

4.02 TERM OF AGREEMENT.

Effective as of the Commencement Date described in the Lease Schedule, the Corporation agrees to rent and lease to the Department and the Department agrees to rent and lease from the Corporation the Project for the Initial Lease Term. The Initial Lease Term of the Project shall commence on the Commencement Date and terminate on the Initial Lease Termination Date. Unless this Lease Agreement is terminated pursuant to Section 4.06, 7.01 or 7.03 hereof, this Lease Agreement will automatically be renewed on the Initial Lease Termination Date and each succeeding Renewal Term Termination Date for the next succeeding Renewal Lease Term until all Lease Payments in regard to the Project shall be made and the Certificates are no longer Outstanding. Each Renewal Lease Term shall be for a period of one (1) year. The number of Renewal Lease Terms plus the Initial Lease Term for the Project shall not exceed the Maximum Lease Term.

4.03 LEASE PAYMENTS.

- (a) For the right to use and possession of the Project, the Department shall, subject to the provisions of Sections 4.06 and 7.01 hereof, pay to the Trustee, as assignee of the Corporation, the Basic Rent and the Supplemental Rent as hereinafter described.
- (b) The Department agrees to pay as lease rental hereunder for the Project, the Basic Rent no later than the Basic Rent Payment Dates as set forth in the Lease Schedule, as the same may be modified or amended from time to time following any prepayment of Basic Rent for the lease of the Project. Basic Rent Payments consist of a Principal Component and an Interest Component which shall be stated in each Lease Schedule (although only an Interest Component may be payable on certain Basic Rent Payment Dates). The portion of Basic Rent attributable to the Interest Component shall not exceed the maximum rate permitted by Section 215.84, Florida Statutes. The Department hereby agrees that it shall make all Basic Rent Payments coming due on each Basic Rent Payment Date subject to the provisions of Sections 4.06 and 7.01 hereof. All Basic Rent Payments shall be paid in arrears on the Basic Rent Payment Dates. The Department shall pay the Basic Rent due hereunder to the Trustee at its Principal Office and the Trustee shall apply such payments as provided in the Trust Agreement. Subject to the prepayment provisions of Section 6.06 of the Trust Agreement, to the extent that moneys have been deposited and are available with the Trustee from the proceeds of Certificates or otherwise for the purpose of paying Basic Rent pursuant to Section 6.01 of the Trust Agreement, the Department shall receive a credit against its obligation to pay such Basic Rent for such amounts on deposit with the Trustee.
- (c) To assure timely payment of each Basic Rent Payment, the Department shall deposit with the Trustee, on the fifteenth (15th) day preceding each Payment Date after the commencement of the Department's obligation to pay Basic Rent Payments from Available Revenues as set forth in Section 4 of the Lease Schedule, an amount of Available Revenues equal to the Basic Rent Payment coming due on the next Basic Rent Payment Date. Provided, however, that no deposits of Available Revenues need be made by the Department with the Trustee prior to the next Basic Rent Payment Date when the moneys held in the Interest Account in the Lease Payment Fund are equal to the Interest Component of the Basic Rent Payment

coming due on the next Basic Rent Payment Date on which the Interest Component becomes due, and the moneys held in the Principal Account in the Lease Payment Fund are equal to the Principal Component of the Basic Rent Payment coming due on the next Basic Rent Payment Date on which the Principal Component becomes due.

- (d) Each payment of Basic Rent due hereunder shall be for the right to possess, or to provide for possession by the Operator of, the Project for each Fiscal Year in which moneys have been appropriated by the State to pay the Basic Rent coming due in such Fiscal Year, provided that the Basic Rent for the period for which a portion of the proceeds of the Certificates or other funds have been deposited with the Trustee shall be paid from such proceeds or other funds, it being hereby acknowledged that said moneys constitute special funds held by the Trustee pursuant to the Trust Agreement to be applied for such purpose.
- (e) Beginning with the first Basic Rent Payment Date for the Project and on each Basic Rent Payment Date thereafter during which the Project is leased hereunder, there shall be applied as a credit (provided there are no delinquent Basic Rent Payments) against the aggregate amount of Basic Rent payable on such date an amount which shall be stated in a report of the Trustee given to the Department pursuant to Section 6.13 of the Trust Agreement, which amount shall be equal to the sum of (i) the amount of interest and other income deposited in the Interest Account pursuant to Section 6.12 of the Trust Agreement since the date of the previous report made by the Trustee pursuant to Section 6.13 of the Trust Agreement, (ii) the amount of moneys, if any, transferred to the Interest Account and Principal Account pursuant to Section 6.05 of the Trust Agreement since the date of the previous report made by the Trustee pursuant to Section 6.13 of the Trust Agreement, (iii) the amount of moneys, if any, transferred to the Interest Account pursuant to Section 6.07(f) of the Trust Agreement since the date of the previous report made by the Trustee pursuant to Section 6.13 of the Trust Agreement, plus (iv) the amount if any, on deposit in the Principal Account and Interest Account on the date of the report made by the Trustee pursuant to Section 6.13 of the Trust Agreement which is not derived from the sources described in clauses (i), (ii) and (iii) above. In the event that the total amount of credit exceeds the Basic Rent due on any Basic Rent Payment Date, the amount of said excess shall be applied as a credit against subsequent Basic Rent Payments. In addition, the Basic Rent may be reduced if the Department chooses to prepay any or all of the Basic Rent. Whenever moneys in the Lease Payment Fund, including the Reserve Account, shall be sufficient to pay all of the remaining outstanding principal of, Amortization Installments, and interest coming due on the Certificates, moneys in the Reserve Account shall be deposited in the Interest Account and the Principal Account as required to pay the Certificates, and no further Basic Rent Payments shall be required hereunder. Should any Basic Rent be paid later than the Basic Rent Payment Date to which such Basic Rent pertains, such Basic Rent shall bear interest at the Overdue Rate from such Basic Rent Payment Date to and inclusive of the date of actual payment. The Trust Agreement shall provide that the Trustee will invest the amounts in the Reserve Account as directed in writing by the Corporation or the Department, as the case may be, and any income received thereon, to the extent such income does not exceed the yield (as defined in Section 148(h) of the Code) on the Certificates and the balance in the Reserve Account equals the Reserve Requirement, shall be deposited in the Interest Account in the Lease Payment Fund pursuant to Section 6.12 of the Trust Agreement.
- (f) In addition to the Basic Rent, the Department hereby agrees to pay as provided herein, Supplemental Rent (which amounts shall be specifically set forth in the Lease Schedule). The term "Supplemental Rent" shall include any prepayment premium attributable to the Certificates, all payments required by the Trust Agreement and this Lease Agreement to be payable for Extraordinary Prepayment not covered by insurance or condemnation proceeds pursuant to Section 5.08 (b), (c) and (d) hereof, payment of taxes, assessments or other governmental charges pursuant to Section 5.09 hereof, payments required pursuant to section 6.04 hereof, and payments required pursuant to Section 6.10 of the Trust Agreement. The Supplemental Rent shall be paid to the Trustee for application in accordance with the terms hereof and of the Trust Agreement.

- (g) The Department 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, (ii) to deposit in the Reserve Account either a portion of the proceeds from the sale of the Certificates or a Reserve Account Surety Bond equal to the Reserve Requirement or combination thereof, and (iii) to use such amounts or amounts drawn on the Reserve Account Surety Policy deposited in the Reserve Account as set forth in Section 6.07 of the Trust Agreement. In the event the aggregate amount of any cash, the value of any Permitted Investments and the stated amount of any Reserve Account Surety Policy in the Reserve Account shall be less than the Reserve Requirement provided therefor, (1) if such deficiency is due to a transfer from the Reserve Account, the Department shall pay to the Trustee from Available Revenues an amount necessary to cause the moneys in the Reserve Account, together with the face amount of any Reserve Account Surety, to equal the Reserve Requirement provided therefor, or (2) if such deficiency is due to a draw upon a Reserve Account Surety, the Department shall pay to the Trustee from Available Revenues the amount necessary to reimburse the Reserve Account Surety provider and the amount which the Trustee can draw upon such Reserve Account Surety Policy shall be reinstated to equal the Reserve Requirement for such Certificates (or its original stated amount, if the Department shall have deposited into the Reserve Account a combination of cash and a Reserve Account Surety Policy pursuant to this Section). In the event a Reserve Account Surety Policy on deposit in the Reserve Account expires or is terminated, the Department shall, simultaneously with such expiration or termination, either replace such Reserve Account Surety Policy with a subsequent Reserve Account Surety Policy with a stated amount equal to that of the expired or terminated Reserve Account Surety Policy or transfer to the Trustee, for deposit in the Reserve Account in which such Reserve Account Surety Policy had been deposited, an amount of cash equal to the stated amount of such expired or terminated Reserve Account Surety Policy.
- (h) The Corporation and the Trustee are entitled to accept, receive and cash or deposit any payment made by or on behalf of the Department for any reason or purpose in any amount whatsoever. No endorsement or statement on any check or letter of the Department shall be deemed an accord and satisfaction or otherwise recognized for any purpose whatsoever. The acceptance of any such payment shall be without prejudice to the Corporation's and Trustee's right to recover any and all amounts owed by the Department hereunder and the Corporation's and Trustee's right to pursue any other available remedy but in all events payable only from Available Revenues lawfully appropriated to the payment of amounts coming due under this Lease Agreement.

4.04 PAYMENT IN LAWFUL MONEY; NO SETOFF.

Each Lease Payment shall be paid by the Department in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, to or upon the order of the Corporation at the Principal Office of the Trustee or at such other place as the Corporation and the Trustee shall designate. Notwithstanding any dispute between the Department and the Corporation, but in all events subject to Sections 4.06 and 7.01 hereof, the Department shall make or cause to be made each and all Lease Payments when due and shall not withhold or permit to be withheld any Lease Payments pending the final resolution of such dispute nor shall the Department assert or permit to be asserted any right of setoff, abatement or counterclaim against the obligation to make Lease Payments as set forth herein.

4.05 SOURCE OF LEASE PAYMENTS.

- (a) The Department represents and warrants that, for the Initial Lease Term and upon the renewal hereof for any Renewal Lease Term for the Project, the obligation of the Department to make Lease Payments hereunder, for such Fiscal Year of the Department, shall constitute a current expense of the Department and shall not in any way be construed to be a debt of the Department in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the Department. The payments

due hereunder are to be made only from available revenues lawfully appropriated by the State for such purpose and neither the Department, the State of Florida, nor any political subdivision or agency thereof shall be obligated to pay any sums due to the Corporation or the Trustee hereunder from sources other than appropriated revenues, and the faith and credit of neither the Department, nor the State of Florida nor any political subdivision or agency thereof is pledged for payment of such sums due hereunder and the obligations arising hereunder do not constitute an indebtedness of the Department, or the State of Florida or any political subdivision or agency thereof within the meaning of any constitutional or statutory provision or limitation.

- (b) All payments of Basic Rent required to be made by the Department under this Lease Agreement shall be made when due without notice or demand, and, subject to Section 7.01 hereof, shall be absolute and unconditional and without any setoff, counterclaim, abatement, deduction or defense (other than satisfaction and discharge of the Certificates to which such payment relates) whatsoever. The Department shall not make partial payment of the Basic Rent coming due on any Basic Rent Payment Date, except in a case in which funds are on deposit or being transferred from another source for the account or on behalf of the Department.
- (c) Subject to the State's right of Non-Appropriation pursuant to Section 7.01 hereof, the Department hereby covenants that it will, after the Completion Date and, if sufficient funds are not available to pay Basic Rent Payments prior to the Completion Date, prior to the Completion Date, direct its Authorized Representative to provide for the Lease Payments in each annual preliminary and final Budget Request which shall be submitted annually to the State Legislature and the Governor of the State or such other department or agency as may be appropriate or required by law for submission to the State Legislature, in accordance with Section 216.023, Florida Statutes, as amended from time to time and other applicable provisions of law. Except as otherwise provided in Section 7.01 hereof, the Department agrees to take such action as may be necessary to include all Lease Payments (other than Lease Payments to the extent paid from Certificate proceeds or other funds then on deposit in the Lease Payment Fund) due hereunder as a separately stated line item in its Budget Request and to request the State Legislature to appropriate in each Fiscal Year an amount necessary to make the Lease Payments due in such Fiscal Year.
- (d) The Department further covenants that if acceptance or occupancy of the Project is delayed or hindered because of reasons not within the control of the Department, including failure to complete the Project on or before the Construction Completion Deadline or any damage from any casualty or condemnation event, the Department will request that any appropriation include language authorizing the Department to make Lease Payments in advance of acceptance or occupancy in the event that acceptance or occupancy of the Project is delayed because of reasons not within the control of the Department.
- (e) During the term of this Lease Agreement, the Department will furnish to the Trustee, as assignee of the Corporation, a copy of the portion of each official Budget Request and each proposed and enacted Appropriation Act relating to such line item as soon as available after it is printed. The Department further covenants to take any and all appropriate steps to ensure that the appropriate department or agency of the State certifies the validity of all bills and requisitions submitted to the Comptroller of the State or such other appropriate department or agency of the State for the payment from time to time of the Lease Payments in accordance with this Lease Agreement. Any provision in this Lease Agreement or the Trust Agreement to the contrary notwithstanding, the Department and the Corporation agree that this Lease Agreement, the Trust Agreement and all of the Department's obligations to make the Lease Payments are subject to, and can be terminated by the Department upon the happening of an Event of Non-Appropriation as described in Section 7.01 hereof; provided, however, that the Department shall not be released from or subject to relief with respect to any obligations on its part arising or accruing prior to such termination provided such obligation shall be payable only from Available Revenues.

- (f) The Department hereby agrees that, within three Business Days after the adoption or approval of the final Appropriation Act which does not include the full amount of the Lease Payments, it will give notice of that fact to the Trustee.

4.06 OPTIONAL PREPAYMENT; DEFEASANCE.

- (a) The Department shall have the option, so long as no Event of Default or Event of Non-Appropriation hereunder has occurred and is continuing, from any moneys then available for such purpose, on any Optional Prepayment Date to prepay all or a portion of the Basic Rent relating to the Project upon not less than forty-five (45) days written notice given prior to such Optional Prepayment Date to the Trustee accompanied by the deposit of the amount of such prepaid Basic Rent with the Trustee not less than thirty-five (35) days prior to the applicable Optional Prepayment Date. Any prepayment notice delivered pursuant to this Section 4.06(a) shall state (i) that the Department is exercising its right of prepayment pursuant to Section 4.06(a) of the Lease Agreement, (ii) the amount of such prepayment, (iii) the Optional Prepayment Date to which such prepayment applies, (iv) the amount of prepayment applicable to the Certificates and maturities of such Certificates, and (v) that the deposit with the Trustee of such prepaid amount constitutes an irrevocable option of the Department to prepay Basic Rent in the amount of such prepayment. Each prepayment shall be in an amount equal to the Prepayment Price of Certificates (in denominations of \$5,000 or any whole multiple thereof) to be prepaid on such Optional Prepayment Date designated by the Department in such notice of prepayment, all as provided in the Trust Agreement. Interest on Certificates to be prepaid pursuant to an optional prepayment under this Section accrued to the Optional Prepayment Date set forth in the notice of prepayment above shall be paid by the Trustee from moneys on deposit in the Prepayment Fund and the Interest Account.
- (b) In the event of a prepayment, in part, of Basic Rent Payments, such Basic Rent Payments provided in the Lease Schedule shall be adjusted downward by the Trustee to reflect the reduction in the Principal Component and Interest Component of the remaining Basic Rent resulting from such prepayment. Such adjustment shall be done in such manner as to match remaining payments of Basic Rent provided in the Lease Schedule with principal and interest coming due on Certificates which remain Outstanding.
- (c) So long as no Event of Default or Event of Non-Appropriation has occurred and is continuing, the Department may secure the payment of Basic Rent by a deposit with the Trustee, as provided in, and subject to the terms and provisions of, Section 12.01 of the Trust Agreement, of either (i) an amount of moneys which is sufficient to pay such Basic Rent, including the Principal Component, Interest Component and Prepayment Premium, if any, on the Basic Rent Payment Dates or Optional Prepayment Dates, if applicable, and any Supplemental Rent which may be due, or (ii) Refunding Securities, together with cash, if required, in such amount as will, together with interest to accrue thereon, be fully sufficient to pay such Basic Rent, including the Principal Component, Interest Component and Prepayment Premium, if any, on their Basic Rent Payment Dates or Optional Prepayment Dates, if applicable, and any Supplemental Rent which may be due. Upon the Department meeting the requirement of this Section 4.06(c), the Corporation and its assignee shall be entitled to payment of such Basic Rent Payments solely from such cash and/or Refunding Securities.
- (d) In the event Refunding Certificates are issued which refund only a portion of Outstanding Certificates, the schedule of Basic Rent Payments affected by such Refunding Certificates will remain the same but a credit will be given to the Department by the Trustee to take into account that payment of a portion of the Principal Component and the Interest Component has been provided for by such refunding or defeasance of such portion of the Certificates from the issuance of said Refunding Certificates.
- (e) In the event of a deposit with the Trustee of moneys and/or Refunding Securities for the purpose of paying or providing for payment of Certificates in accordance with Article XII of the Trust Agreement, all covenants, agreements and other obligations of the Department under

this Lease Agreement with respect to such Certificates shall be deemed performed except (i) those provisions hereof which by their express terms survive any such payment and defeasance and (ii) the obligation of the Department to make or cause to be made Basic Rent Payments and Supplemental Rent payments on or for such Certificates from the moneys and/or Refunding Securities deposited pursuant to said Article XII of the Trust Agreement.

4.07 OWNERSHIP.

Ownership of the improvements to the Land shall initially vest in Corporation. At such time as payment, or provision for payment as provided in Section 4.06(c) hereof, of all Lease Payments and all Certificates has been made in full, the leasehold estate in the Project created by the terms hereof and pursuant to the Sublease shall terminate and be released and fee simple title to the Project shall vest in the Board of Trustees of the Internal Improvement Trust Fund for the benefit of the Department, subject to the satisfaction of such policies and procedures as may be required by law. The Corporation and its assignee shall deliver any and all documents required to assure vesting of title to the Project in the Trustees of the Internal Improvement Trust Fund for the benefit of the Department when required by the terms hereof. The Corporation hereby appoints the Department as its agent to prepare and file or record in appropriate offices such documents as may be necessary to cause record title to the Project to be in the Board of Trustees of the Internal Improvement Trust Fund.

4.08 REFUNDING RENT.

With respect to any series of Refunding Certificates, all or a portion of the proceeds of the Refunding Certificates shall be deposited in an Escrow Account to provide for the defeasance of the Refunded Certificates pursuant to the provisions of the Trust Agreement. Commencing on the execution and delivery of such Refunding Certificates, the Department hereby agrees to pay Refunding Rent on the dates and in the amounts set forth in a subsequent Schedule to the Lease Schedule designated therein as "Refunding Rent," provided, however, that by depositing into the Escrow Account cash and/or Refunding Securities sufficient to pay, when due, all such Refunding Rent, the Department shall be deemed to have paid in full such Refunding Rent and further payments of such Refunding Rent shall in no event thereafter be due and owing hereunder by the Department. Pursuant to the terms of the Escrow Deposit Agreement establishing the Escrow Account, the Escrow Agent shall be irrevocably directed in writing by the Department to use and apply the cash and maturing principal, interest and investment earnings of the Refunding Securities on deposit in the Escrow Account to the payment, when due, to the Trustee for the benefit of the principal of, interest on, and prepayment premium, if any, with respect to the Refunded Certificates as the same come due. Such payments from the Escrow Account to the Trustee for payment to the holders of the Refunded Certificates shall be deemed to constitute payments by the Department to such holders of Refunding Rent pursuant to this Lease Agreement. The obligation to pay Refunding Rent in the manner aforesaid from the Escrow Account shall, any provision of this Lease Agreement to the contrary notwithstanding, survive the termination of this Lease Agreement. Refunding Rent shall be deemed, for all purposes of the Refunded Certificates and the Trust Agreement, as Basic Rent payable under this Lease Agreement.

V. COVENANTS, REPRESENTATIONS AND WARRANTIES

5.01 GENERAL COVENANTS, REPRESENTATIONS AND WARRANTIES.

- (a) The Department agrees that this Lease Agreement shall continue in full force and effect, subject to the provisions of Section 7.01 hereof, regardless of the inability or unwillingness of the Department to use the Project because of any reason whatsoever, including, but not limited to, wear, act of God, war, strike, condemnation, loss or damage, defect, failure of title or consideration, obsolescence or breach of warranty. The Department covenants and represents that this Lease Agreement, the Sublease, the State Lease, the Construction Contract, the Operations Contract and each and every document or certificate executed and delivered by the Department in connection therewith (the "Department Documents") and the performance of the Department's obligations hereunder and thereunder have been duly approved, authorized, executed and delivered with all proper procedures fully complied with, and that each of the Department Documents is a valid, legal and binding obligation of the Department enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and equitable principles. The Department further covenants and represents as follows:
- (1) The Department is a duly created agency of the State existing under the laws of the State of Florida with the full power, right and authority to enter into each of the Department Documents.
 - (2) Except as set forth in the Official Statement for the Series 2005 Certificates, there are no pending or threatened lawsuits or administrative or other proceedings contesting the authority for, authorization or performance of, or expenditure of funds pursuant to, any of the Department Documents.
 - (3) The Department has an immediate need and expects to make immediate use of the Project, which need is not temporary or expected to diminish during the Maximum Lease Term.
 - (4) There are no circumstances presently known to the Department affecting the Department that could reasonably be expected to alter its foreseeable need for the Project or adversely affect the State's ability or willingness to budget and appropriate Available Revenues for the payment of all sums due hereunder.
 - (5) Subject to the provisions of Section 7.01 of this Lease Agreement, the Department intends to make payments for each Fiscal Year from Available Revenues.
 - (6) All procedures required by applicable law regarding the award or negotiation of contracts relating to the acquisition, construction and installation of the Project will be complied with by the Department.
 - (7) At the Corporation's or the Trustee's request, the Department shall execute and deliver to the Corporation or the Trustee all instruments and do all other acts reasonably necessary to effectuate the intent of the Department Documents.
 - (8) The Department shall give the Trustee prompt written notice of any material litigation or proceedings concerning the Department or the Project and of any dispute concerning the Department or the Project, if the dispute may substantially interfere with the timely acquisition, construction and installation of the Project or the Department's utilization thereof or with the Department's ability to meet its obligations under any of the Department Documents.
 - (9) If an Event of Default or an Event of Non-Appropriation hereunder has occurred, at the Trustee's option, the Trustee, as assignee of the Corporation, may make, but is not required to make, any or all subsequent disbursements from the Project Account directly

to the Vendors, Contractors or the Developer of the Project. The Department's execution of this Lease Agreement and the related Lease Schedule(s) constitutes an irrevocable authorization for the Trustee to make disbursements directly to such Vendors, Contractors or the Developer in accordance with the provisions of the Trust Agreement. In the absence of negligence or misconduct on the part of the Trustee, the Department agrees that all disbursements made to the Vendors, Contractors or the Developer shall constitute full performance of the Trustee's obligations to the Department under this Lease Agreement. The Trustee's decision to make a disbursement shall not constitute a waiver of any of the provisions of this Lease Agreement and the Lease Schedule. If the Department is in default under this Lease Agreement and the Department is unable to cure its default, the Trustee's decision to make a disbursement shall not preclude the Trustee, as assignee of the Corporation, from declaring the Department in default under this Lease Agreement.

- (10) There is no action, suit, proceeding, or investigation at law or in equity, or before or by any court, public board or body, pending or, to the knowledge of the Department, threatened against or affecting the Department, or, to the knowledge of the Department, is there any basis therefor, wherein an unfavorable decision, rule or finding would restrain or enjoin the issuance and sale of the Certificates, or which, in any way would adversely affect the validity of any of the Department Documents.
 - (11) The Department is not in violation of any provision of, or in default under any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which the Department is a party or by which it or its property is subject or bound.
 - (12) The consummation of the transactions contemplated by the Department Documents and the carrying out of the terms thereof will not result in violation of any provisions of, or in default under, any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which the Department is a party or by which it or its property is subject or bound.
 - (13) The Department is not required to obtain the approval, authorization, consent or any other order of any public board or body in connection with the transactions contemplated by the Department Documents other than those approvals, authorizations, consents or orders already obtained, except for permits or approvals to be obtained from departments of the State other than the Department, from Miami-Dade County, Florida and from the South Florida Water Management District.
 - (14) The Department has not been in default as to the payment of principal or interest since December 31, 1975 on any obligation with respect to which it has acted either as obligor or guarantor.
- (b) The Corporation covenants and represents that this Lease Agreement, the Sublease, the Assignment of Leases, the Trust Agreement, the State Lease, the Construction Contract, the Operations Contract and each and every document or certificate executed and delivered by the Corporation in connection therewith (the "Corporation Documents") and the performance of the Corporation's obligations hereunder and thereunder have been duly approved, authorized, executed and delivered with all proper procedures fully complied with, and that each of the Corporation Documents is a valid, legal and binding obligation of the Corporation enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and equitable principles. The Corporation further covenants and represents as follows:
- (1) The Corporation is a duly created not-for-profit corporation organized and existing under the laws of the State of Florida with the full power, right and authority to enter into each of the Corporation Documents.
 - (2) Except as set forth in the Official Statement for the Series 2005 Certificates, there are no pending or threatened lawsuits or administrative or other proceedings contesting the

authority for, authorization or performance of, or expenditure of funds pursuant to, any of the Corporation Documents.

- (3) All procedures required by applicable law regarding the award or negotiation of contracts relating to the acquisition, construction and installation of the Project will be complied with by the Corporation.
- (4) At the Department's or the Trustee's request, the Corporation shall execute and deliver to the Department or the Trustee all instruments and do all other acts reasonably necessary to effectuate the intent of the Corporation Documents.
- (5) The Corporation shall give the Department and the Trustee prompt written notice of any material litigation or proceedings concerning the Corporation or the Project and of any dispute concerning the Corporation or the Project, if the dispute may substantially interfere with the timely acquisition, construction and installation of the Project or the Department's utilization thereof or with the Corporation's ability to meet its obligations under any of the Corporation Documents.
- (6) There is no action, suit, proceeding, or investigation at law or in equity, or before or by any court, public board or body, pending or, to the knowledge of the Corporation, threatened against or affecting the Corporation, or, to the knowledge of the Corporation, is there any basis therefor, wherein an unfavorable decision, rule or finding would restrain or enjoin the issuance and sale of the Certificates, or which, in any way would adversely affect the validity of any of the Corporation Documents.
- (7) The Corporation is not in violation of any provision of, or in default under any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which the Corporation is a party or by which it or its property is subject or bound.
- (8) The consummation of the transactions contemplated by the Corporation Documents and the carrying out of the terms thereof will not result in violation of any provisions of, or in default under, any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which the Corporation is a party or by which it or its property is subject or bound.
- (9) The Corporation is not required to obtain the approval, authorization, consent or any other order of any public board or body in connection with the transactions contemplated by the Corporation Documents other than those approvals, authorizations, consents or orders already obtained, except for permits or approvals to be obtained from departments of the State other than the Department, from Miami-Dade County, Florida and from the South Florida Water Management District.

5.02 ADDITIONAL COVENANTS, REPRESENTATIONS AND WARRANTIES

- (a) The Department represents and warrants that the execution by the Department of each Application For Payment or related Certification For Payment in accordance with the Trust Agreement and Section 7.02(c) of the Construction Contract shall constitute an affirmation by the Department of the completeness and accuracy of the following representations and warranties (which may be given in good faith reliance on written opinions, certificates, statements and affidavits) as of the date of such execution:
 - (1) The Department has caused to be delivered to the Trustee a complete, fully executed copy of the Construction Contract, purchase orders and agreements for the acquisition, construction and installation of the Project, and such contracts, purchase orders and agreements are presently in full force and effect according to their respective terms; the Department is not in default under such contracts, purchase orders and agreements; and the Department has no knowledge of any violation of such contracts, purchase orders and agreements.

- (2) Except as set forth in the Official Statement for the Series 2005 Certificates, there are no governmental actions or proceedings (except actions or proceedings that are fully covered by insurance) pending or, to the Department's knowledge, threatened affecting the Department or, to the Department's knowledge, pending or threatened affecting the Project, which, if adversely determined, would materially adversely impair the Department's ability to perform its obligations under this Lease Agreement or the Trust Agreement.
 - (3) The Department knows of no violation and has no notice of a violation of any court order or of any law, regulation, ordinance, rule, order, code or requirement of any governmental authority having jurisdiction over all or any portion of the Project that may materially detrimentally affect the development and operation of the Project as planned.
 - (4) The Land is appropriately zoned for construction, installation and operation of the Project as contemplated by the Construction Contract and Operations Contract.
 - (5) All utility services necessary for the construction of the Project and the operation of the Project have been extended to the Project site, including, but not limited to, water, storm and sanitary sewer facilities, electricity and telephone service or sufficient amounts have been deposited in the Project Fund for such purpose.
 - (6) All representations, warranties, covenants and agreements made by the Department in connection with this Lease Agreement may be relied upon by the Corporation and the Trustee notwithstanding any independent investigation made on behalf of the Corporation or the Trustee.
 - (7) The rights of way for all roads necessary for the proposed utilization of the Project have either been acquired by the appropriate governmental authority or dedicated to and accepted by the appropriate governmental authority or the Department shall use its best efforts to assist the Developer in securing such rights of way.
- (b) The Corporation represents and warrants as follows:
- (1) The Corporation shall cause the Developer to promptly correct any defect in the acquisition, construction and installation of the Project or departure from the Plans and Specifications.
 - (2) The Corporation shall cause the Developer to commence construction of the Project and diligently pursue construction to completion of the Project on or before the Estimated Completion Date without permitting any lien, claim, or assessment (actual or contingent) to be asserted or filed against the Project for any material, labor, or other item furnished in connection with the construction, which claim, lien, or assessment is not satisfied or transferred to bond within twenty (20) days after it is asserted or filed. At all times during the acquisition and construction of the Project, and to the extent required by law, the Corporation shall cause the Developer to comply with the Florida Mechanics' Lien Law, Chapter 713, Florida Statutes, and Section 255.05, Florida Statutes, to the extent each shall be applicable, and with all requirements imposed by all governmental authorities having jurisdiction over the acquisition and construction and by all insurance underwriters providing insurance for the Project. The Corporation shall cause each Contractor or the Developer to obtain and deliver to the Corporation performance and payment bonds covering one hundred percent (100%) of the value or costs under the Construction Contract for the construction of the Project pursuant to the Construction Contract and applicable law.
 - (3) The Corporation shall cause the Developer to provide the Trustee the following additional assurances, provided, however, that the Trustee is not obligated to make such requests:
 - (A) If requested and applicable, but only as and when available, all certificates of occupancy, footing or foundation surveys, "as built" surveys, certificates, appraisals, reports, endorsements, and agreements, the names of all Persons with whom the Developer has contracted or intends to contract with in connection with the

acquisition, construction and installation of the Project, schedules of all statements for labor and materials for the acquisition, construction and installation of the Project together with copies of all statements, copies of all budget revisions concerning the acquisition, construction and installation of the Project-indicating the funds required at any given time to complete such acquisition, construction and installation, and any other documents reasonably required to be furnished.

- (B) If requested, during the acquisition, construction and installation of the Project and upon completion of such acquisition, construction and installation, an Architect's or Engineer's written opinion to the effect that the Project, as constructed, complies with all restrictions recorded and with all applicable governmental laws, regulations, rules, ordinances, orders and codes relating to the construction thereof.
- (C) When available, a certificate of occupancy and all other similar certificates required to be issued by any governmental agency in connection with the acquisition, construction, installation or occupancy of the Project.
- (4) The Corporation shall cause the Developer to employ a licensed Architect to supervise the acquisition, construction and installation of the Project.
- (5) The Corporation shall cause the Developer to employ a licensed Engineer to supervise the acquisition, construction and installation of the Project.

5.03 QUIET ENJOYMENT.

The parties hereto mutually covenant that the Department, by keeping and performing the covenants and agreements herein contained, or by causing the Operator to keep and perform such covenants and agreements, shall at all times, prior to an Event of Default or an Event of Non-Appropriation during the term of this Lease Agreement, peaceably and quietly have, hold and enjoy the Project without suit, trouble or hindrance from the Corporation and free from any claims by the Corporation and the Trustee and all persons claiming thereunder.

5.04 PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE.

The Department shall cause to be maintained by the Operator, so long as the Project is operated pursuant to a Operations Contract, or shall maintain, in the event there is no Operations Contract in place, throughout the Lease Term, subject to the requirements of State law and if reasonably available from a commercial carrier, a standard comprehensive general liability insurance policy or policies in protection of the Department, the Operator and the Corporation, their members, officers, agents and employees. Said policy or policies shall at a minimum provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by the acquisition, installment or operation of the Project. Said policy or policies shall at a minimum provide coverage equal to the liability limits set forth in Section 768.28, Florida Statutes, as the same may be amended from time to time, and in a minimum amount of \$500,000 for damage to property (subject, in each case, to a deductible clause of not to exceed \$25,000). Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage that the Department is required to carry or cause to be carried pursuant to the Operations Contract. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

5.05 FIRE AND EXTENDED COVERAGE INSURANCE AND FLOOD INSURANCE.

- (a) The Department shall, so long as the Project is operated pursuant to the Operations Contract, cause the Operator to procure and maintain, or in the event there shall be no Operations Contract in place, cause to be procured and maintained, throughout the Lease Term, subject to the requirements of State law, insurance against loss or damage to any part of the Project by fire or lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, also cover loss or damage by explosion, windstorm (including hurricane), riot, aircraft, vehicle

damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of the Project, or the aggregate coverage of all such policies on the Project shall at least equal the aggregate of the Principal Components of the Basic Rent Payments then remaining unpaid, whichever is greater (except that such insurance may be subject to deductible clauses not to exceed \$100,000 in the aggregate for any one loss). Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Department, and may be maintained in whole or in part in the form of self-insurance by the Department, provided such self-insurance complies with the provisions of Section 5.07 hereof. The Net Proceeds of such insurance shall be applied as provided in Section 5.06 hereof. The Department agrees to cooperate with the Operator, the Corporation and the Trustee to provide such coverage in the form of self-insurance in compliance with Section 5.07 hereof if such insurance is not available at commercially reasonable cost from a commercial carrier.

- (b) The Department shall so long as the Project is operated pursuant to a Operations Contract, cause the Operator to maintain, or in the event there shall be no Operations Contract in place, cause to be maintained, flood insurance to be separately maintained for any property included in the Project that is located in a federally designated flood plain in such amounts per occurrence as are available at commercially reasonable costs and in a minimum amount equal to \$500,000 unless not so available at commercially reasonable rates and, in any event, in minimum amounts necessary to qualify for federal disaster relief programs. In the event the Operator considers flood insurance to be unavailable at commercially reasonable rates, it shall so notify the Trustee. If the Trustee identifies insurance for such coverage at commercially reasonable rates, the Operator or the Department, as the case may be, shall be obligated to cause such insurance to be obtained and maintained. If such insurance is not obtainable by the Operator but is obtainable by the Department, the Department shall be obligated to cause such insurance to be obtained or maintained. In the event that the Operator determines that flood insurance is unavailable at commercially reasonable rates, the Operator shall maintain or cause to be maintained such flood insurance in whole in the form of self-insurance that complies with the provisions of Section 5.07 hereof.
- (c) The insurance that the Operator or the Department, as the case may be, is required to maintain or cause to be maintained pursuant to this Section 5.05 shall be provided by a commercial insurer rated "A" by A.M. Best or in one of the two highest rating categories of S&P and Moody's.

5.06 NET PROCEEDS OF INSURANCE; FORM OF POLICIES.

Each policy of insurance obtained pursuant to or required by Section 5.05 hereof which relates to the Project shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners of the Certificates. The Department shall pay or cause to be paid proceeds of self-insurance maintained pursuant to Sections 5.05 and 5.07 hereof to the Trustee for the benefit of the Owners of the Certificates. The Operator or the Department, as the case may be, shall deliver or cause to be delivered fully executed copies of all policies of insurance required by this Lease Agreement, including the Lease Schedule, to the Trustee and the Department, if applicable, annually within 30 days of purchase or renewal. The Department or the Operator, as the case may be, shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement, and shall promptly furnish or cause to be furnished to the Trustee and the Department, if applicable, evidence of such payments. All such policies shall provide that the Trustee and the Department, if applicable, shall be given not less than thirty (30) days notice of each expiration, any intended cancellation and any intended reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Department.

5.07 SELF-INSURANCE.

Any self-insurance maintained or caused to be maintained by the Department pursuant to the foregoing provisions, shall comply with the following terms:

- (a) Except with respect to general liability reserves, the self-insurance program shall be approved by the Insurance Consultant;
- (b) The self-insurance program shall include a sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated on an annual basis by the Insurance Consultant; and any deficiencies in the fund shall be remedied in accordance with the recommendations of the Insurance Consultant;
- (c) The self-insurance program must be maintained on an actuarially sound basis and the Department shall annually cause the Trustee to be provided with a certified actuarial statement attesting to the sufficiency of the program's assets;
- (d) The self-insurance fund must be held in a separate trust fund by an independent trustee;
- (e) 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 Department and may be commingled with other Department moneys;
- (f) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund shall be maintained;
- (g) The Department may obtain the required insurance coverages through a self-insured governmental pool which meets the criteria described above;
- (h) Amounts deposited into the self-insurance claims reserve fund shall not be subject to appropriation by the Department in order to apply such funds to pay claims; and
- (i) No self-insurance will be permitted with respect to title insurance required by the Lease Agreement or the Trust Agreement.

5.08 RISK OF LOSS; STIPULATED LOSS VALUES; USE OF PROCEEDS.

- (a) As between the Corporation and the Department, the Department hereby assumes the entire risk of loss, from any and every cause whatsoever to the Project; provided, however, that nothing in the foregoing shall operate to change, alter, modify, diminish or eliminate any allocation of the risks of loss to or the assumption of the risk of loss by the Operator/Developer as set forth in the Operations Contract or the Construction Contract.
- (b) Except as provided in Section 5.08(c) hereof, the Department shall cause the Net Proceeds relating to the Project of any insurance or condemnation award or of any appropriation made in connection with a self-insurance election received pursuant to Sections 5.05 and 5.07 hereof and of any title insurance award equal to or in excess of the amount required to repair, restore or replace the Project (the "Replacement Amount") for the Project to be applied first to the prompt repair, restoration or replacement of such destroyed, damaged, lost or condemned Project (which repair, restoration or replacement property shall become part of the Project). Except as otherwise provided herein, any such Net Proceeds shall be deposited with the Trustee in the Project Account and shall be disbursed by the Trustee in accordance with the Trust Agreement; provided, however, that any amounts remaining after completion of such repair, restoration or replacement shall be applied in accordance with Section 6.03(h) of the Trust Agreement. Subject to the provisions of the Operations Contract and Construction Contract, if such Net Proceeds are insufficient to pay for such repair, restoration or replacement, the Department shall (from the Department's Available Revenues) simultaneously deposit the amount of such deficiency with the Trustee, which deficiency shall constitute Supplemental Rent. Any Net Proceeds of insurance or condemnation award or of any appropriation made in connection with self-insurance election that is equal to or less than the Replacement Amount for the Project may, at the option of the Department, be applied in accordance with Section 6.03(h) of the Trust Agreement.

- (c) The Department may elect not to repair, restore or replace the Project or any portion of the Project which has been destroyed, damaged, lost or condemned, with the Net Proceeds of any insurance or condemnation award or of any appropriation made in connection with a self-insurance election, by filing a certificate with the Trustee stating that (i) it has made such election, (ii) it is not in the best interests of the Department to repair, restore or replace the Project, or such portion thereof, and (iii) the Department intends to abandon and cease to operate the Project, or portion thereof, damaged, destroyed, lost or condemned; provided, further, there shall be an Extraordinary Prepayment in accordance with Section 5.01 of the Trust Agreement in the amount of the Stipulated Loss Value (as hereinafter described) of the Project, or portion thereof, which is not repaired, restored or replaced, and subject to the provisions of the Operations Contract and the Construction Contract, if the Net Proceeds are insufficient therefor, the deficiency shall constitute Supplemental Rent hereunder and shall be immediately due and payable from the Department's Available Revenues.
- (d) The Stipulated Loss Value attributable to a loss of all of the Project shall be computed as the amount necessary to pay the Principal Component of and Interest Component on the Certificates on the next succeeding Extraordinary Prepayment Date. In the event that less than all of the Project then subject to this Lease Agreement suffers such a loss, damage or destruction, the Stipulated Loss Value shall be the product of (i) the result computed by the foregoing sentence multiplied by (ii) a fraction, the numerator of which is the original Cost of the portion of the Project suffering such loss, damage or destruction and the denominator of which is the aggregate Project Cost for the entire Project then subject to this Lease Agreement, including those items suffering such loss, damage or destruction. In each case, the Stipulated Loss Value shall also include any Supplemental Rent or portion thereof, as the case may be, then due hereunder. Upon payment of such Stipulated Loss Value by the Department, such Stipulated Loss Value shall be deposited to the credit of the Prepayment Fund for the sole benefit of the Owners of the Certificates. In the event of payment of the Stipulated Loss Value of a portion of the Project and the Certificates relating thereto, the schedule of Basic Rent Payments in the Lease Schedule for the Project shall be adjusted downward by the Trustee to reflect the reduction in the Principal Component and Interest Component and the remaining Basic Rent resulting from such Extraordinary Prepayment. Such adjustment shall be done in such manner as to match remaining aggregate payments of Basic Rent with principal of and interest coming due on the Certificates that remain Outstanding, the proceeds of which were used to finance or refinance the acquisition and construction of such portion of the Project as shall remain.

5.09 PAYMENT OF TAXES.

In the event of a change of law which results in the levying of ad valorem taxes, assessments, or other governmental changes on the Project or the Land or sales tax or other governmental changes with respect to this Lease Agreement, the Department or the Operator, respectively, shall promptly provide a copy of any notice relating to any taxes, assessments or other governmental charges, if any, that may be levied, assessed or charged upon the Project to the Trustee. The Department will pay or cause to be paid all taxes, assessments and other governmental charges, if any, relating to the Project or the Land, that may be levied, assessed or charged upon the Project, or any part thereof, promptly as and when the same shall become due and payable but only from Available Revenues appropriated therefor; provided, however, that the Department shall not be required to pay any such tax, assessment or charge, if the validity thereof shall concurrently be contested in good faith by appropriate proceedings, the interest of the Corporation and the Trustee shall not be in immediate jeopardy and if the Department shall set aside, or cause to be set aside, reserves deemed by it to be adequate with respect thereto; and, provided, further, that the Department, upon the commencement of any proceedings to foreclose the lien of any such tax, assessment, or charge, will forthwith pay, or cause to be paid, any such tax, assessment or charge, but only from Available Revenues appropriated therefor unless contested in good faith as aforesaid. The Department will not suffer, to the extent of Available Revenues appropriated therefor, or will cause the Operator under the Operations Contract not to suffer the Project or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor. The Department will also pay or cause to be paid all taxes, assessments and other governmental charges that

may be imposed on the Corporation or its operations as a result of the transactions contemplated by this Lease Agreement but only from Available Revenues appropriated therefor. Notwithstanding any actions taken by the Corporation or Trustee hereunder, the Department shall have the right (as provided by law) to contest in good faith by appropriate proceeding any taxes, assessments or charges, that may be levied, assessed or charged upon the Project. In the event of the absence or inadequacy of Available Revenues for the Department to make any of the foregoing payments, the Department agrees to use its best efforts to obtain a supplemental appropriation in an amount sufficient to make such payments not otherwise paid or provided for. The Department further agrees to request increased funding in subsequent budget requests to cover the payment of such taxes or charges.

5.10 CARE AND USE OF PROJECT.

- (a) The Department, pursuant to the Operations Contract or otherwise, shall cause the Operator to maintain the Project in good operating condition, repair and appearance, and protect same from deterioration other than normal wear and tear; shall cause the Project to be used in compliance with the requirements of applicable laws, ordinances and regulations and the requirements of any policy of insurance required under Sections 5.04 and 5.05 hereof; shall cause the Project to be operated by the Operator and shall, or cause the Operator to, obtain all permits and licenses, if any, required by law for the operation of the Project. The Department agrees that neither the Corporation nor the Trustee shall be responsible for latent defects, wear and tear or gradual deterioration or loss of service or use of the Project or any part thereof. As between the Corporation and the Department, the Department shall have the benefit of all warranties, contracts and rights against any Vendor, Contractor, Developer, Operator, materialmen or supplier. Neither the Corporation nor the Trustee shall be liable to the Department or anyone else for any liability, injury, claim, loss, damage or expense of any kind or nature caused directly or indirectly by the inadequacy of the Project or any item supplied by any Vendor, Contractor, Developer, Operator, materialmen or supplier or any other party, any interruption of use or loss of service or use or performance of the Project, any loss of business or other consequence or damage, whether or not resulting directly or indirectly from any of the foregoing.
- (b) As between the Corporation and the Department, all obligations of the Department and the Operator, as the agent of the Department pursuant to the Operations Contract, under this Section shall be at the Department's sole cost and expense, and all costs of operation of the Project and all costs of repair and replacement of the Project resulting from ordinary wear and tear or want of care on the part of the Department shall be the sole responsibility of the Department. The Corporation acknowledges that such costs and expenses shall be borne by the Operator, as agent of the Department, pursuant to the Operations Contract.

5.11 INVENTORY.

The Department shall, or shall cause the Developer or Operator as its agent to, maintain a written inventory of the Equipment leased from the Corporation hereunder, which inventory may describe the Equipment by category or type or other general description.

5.12 OTHER LIENS.

- (a) The Department shall keep the Project (or cause it to be kept) and all parts thereof free from judgments and, except for Permitted Encumbrances, free from all liens, claims, demands and encumbrances of whatsoever nature or character, to the end that the Project may at all times be maintained and preserved, and the Department shall keep the Project (or cause it to be kept) free from any claim or liability which might impair or impede the operation of the Project or the security granted in the Trust Estate to Certificate Owners by the Trust Agreement; provided, however, that neither the Department nor the Developer or Operator shall be required to pay any such liens, claims or demand if the validity thereof shall concurrently be contested in good faith by appropriate proceedings, the interest of the Corporation and the Trustee shall not be in immediate jeopardy and if the Department or the Developer or Operator shall set aside or cause to be set aside reserves deemed by it to be adequate with

respect thereto; and, provided, further, that the Department or the Developer or Operator, as the case may be, upon the commencement of any proceedings to foreclose the lien of any such charge or claim, will forthwith pay or cause to be paid any such charge or claim unless contested in good faith as aforesaid.

- (b) The Department shall never, under any circumstances, have the power to subject the interest of the Corporation or its assignee in the Project to any mechanic's or materialman's lien or liens of any kind.
- (c) The Department covenants and agrees with the Corporation that the Department will not permit or suffer the Developer or Operator to permit or suffer to be filed or claimed against the interests of the Corporation and its assignee in the Project during the Lease Term any lien or claim of any kind and, if such lien be claimed or filed, it shall be the duty of the Department or the Developer or Operator on behalf of the Department, if applicable, within thirty (30) days after the Department shall have been given written notice of such claim being filed in the Public Records of Miami-Dade County, Florida to cause the Project to be released from such claim, either by payment or by posting of a bond or by the payment into a court of competent jurisdiction the amount necessary to relieve and release the Project from such claim or in any other manner which, as a matter of law, will result within such period of thirty (30) days in releasing the Project and Corporation's and its assignee's interest or interests therein from such claim.

5.13 ENCUMBRANCES OR SALES.

Except as permitted in this Lease Agreement and except for Permitted Encumbrances, the Department will not create or suffer to be created or permit the Developer or Operator to create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Project or any portion thereof, or upon any real or personal property (which is not a portion of the Project) essential to the operation of the Project. The Department will not sell or otherwise dispose, or permit the Developer or Operator to sell or otherwise dispose of any portion of the Project or any such property essential to the proper operation of the Project, except as provided in Section 5.14 hereof.

5.14 SUBSTITUTION OF EQUIPMENT.

Subsequent to the Completion Date of the Project, the Operator may, with the prior written consent of the Department, which consent shall not be unreasonably withheld, or the Department, if there is no Operator, substitute for an item of Equipment which constitutes a part of the Project other equipment by filing with the Trustee, as assignee of the Corporation, a certificate of an Authorized Officer of the Operator or the Department, if there is no Operator, stating that such substitute equipment (a) has the same or a greater remaining useful life than the Equipment to be substituted (determined at the time of substitution), (b) has a fair market value equal to or greater than the fair market value of the item of Equipment for which it is substituted (determined at the time of substitution), (c) is free and clear of all liens and encumbrances, except the Permitted Encumbrances, (d) has been titled in the name of the Corporation (e) constitutes "Equipment" under this Lease Agreement, (f) is essential to the operation of the Project, and (g) performs the same or substantially the same (as determined by the Operator or the Department, if there is no Operator, in its sole discretion) function as the Equipment to be substituted and has the same or better performance qualities and capabilities as measured by appropriate third party testing or as determined by the Operator in its sole discretion. The Operator or the Department, if there is no Operator, may substitute Equipment that does not meet any of the foregoing provisions if it receives the prior written consent of the Department, which consent may be granted or withheld in the sole discretion of the Department, to make any such substitution.

5.15 PROSECUTION AND DEFENSE OF SUITS.

- (a) The Department shall promptly, upon request of the Corporation, or its assignee, from time to time, take or cause to be taken by the Developer or Operator, as the case may be, such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the 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 general law and only from Available Revenues, indemnify or cause to be indemnified the Corporation, and its assigns, for all loss, cost, damage and expense, including reasonable attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceedings.

- (b) The Department shall defend, or cause to be defended by the Developer or the Operator, against every suit, action or proceeding at any time brought against the Corporation, or its assignee, or its or their directors, officers and employees upon any claim arising out of the receipt, application or disbursement of any moneys held by the Trustee or arising out of the construction of the Project involving the rights of the Corporation, or its assignee, or its or their directors, officers and employees under this Lease Agreement or any act or omission of such 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 willful misconduct or gross negligence by such parties: provided, that the Corporation, and its assignee, at their election and their expense (which shall not be recoverable as Supplemental Rent), may appear in and defend any such suit, action or proceeding. To the extent permitted and limited by applicable general law and only from Available Revenues, the Department shall indemnify or cause to be indemnified the Corporation, and its assignee, against any and all claims, demands, costs or liability claimed or asserted by any person, arising out of such receipt, application or disbursement.

5.16 FURTHER ASSURANCES.

Whenever and so often as requested so to do by the Corporation, the Department, or the Developer or Operator as the agent of the Department, will promptly execute and deliver or cause to be delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully to vest in the Corporation all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon the Corporation by this Lease Agreement.

5.17 REPORTING REQUIREMENTS.

Upon request with respect to any Fiscal Year during the Lease Term, the Department will furnish, or cause to be furnished, to the Corporation, or its assignee, the Florida Comprehensive Annual Financial Report for said Fiscal Year, or such other similarly detailed reports of audit covering the operations of the Department for said Fiscal Year as the Department may reasonably select, showing the general funds, revenues and expenses with respect to the Project for such period.

5.18 CORPORATION NOT LIABLE.

Neither the Corporation nor its members, officers, agents, employees, nor its assignee, shall be liable to the Department or to any other party whomever for any death, injury or damage that may result to any Person or property by or from any cause whatsoever in, on or about the Project. To the extent permitted and limited by applicable general law and solely from Available Revenues, the Department shall indemnify or cause to be indemnified and hold the Corporation, its members, officers, agents, employees, and its assignee, harmless from, and defend or cause to be defended each of them against, any and all claims, liens and judgments for death of or injury to any Person or damage to property whatsoever occurring in, on or about the Project.

5.19 INDEMNIFICATION DUE TO TRUSTEE AND CORPORATION.

The Department shall pay, or cause to be paid, to the Corporation and to the Trustee, solely from Supplemental Rent and other amounts held under the Trust Agreement, the ordinary fees, compensation and expenses due under the Trust Agreement in the amounts set forth in the Lease Schedule. In addition, to the extent permitted and limited by applicable general law and solely from Available Revenues, the Department shall and hereby agrees to indemnify, or cause indemnification of, and hold, or cause to be held, the Corporation and the Trustee, as assignee of the Corporation, harmless from and

against all claims, losses and damages, including reasonable legal fees and expenses, arising out of (a) the use, maintenance, condition or operation of the Project by the Department, (b) any breach or default on the part of the Department in the performance of any of its obligations under this Lease Agreement, (c) any act of negligence of the Department, or of any of its agents, contractors, servants, employees or licensees with respect to the Project, (d) the authorization of payment of Project Costs by the Department, (e) the defense against actions or proceedings in which the validity of this Lease Agreement is or might be questioned and the payment or compromise of claims or demands asserted in any such actions or proceedings, or (f) the issuance of the Certificates. No indemnification will be made under this Section or elsewhere in this Lease Agreement for willful misconduct or gross negligence by the Corporation or the Trustee, or their officers, agents, employees, successors or assigns.

5.20 NO RECOURSE UNDER AGREEMENT.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Lease Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for the payment of Lease Payments pursuant to Section 4.03 hereof or for any claim based thereon under this Lease Agreement against any member, officer, employee or agent of the parties hereto.

5.21 RESTRICTION AGAINST PLEDGE.

The Corporation shall not pledge, assign or encumber Lease Payments or other amounts derived from the Project or from rights of the Corporation under this Lease Agreement nor shall the Corporation sell, encumber or place any lien upon the Project, except as otherwise provided in the Sublease, this Lease Agreement, the Trust Agreement, and the Assignment of Leases.

5.22 ASSIGNMENT BY CORPORATION.

Except pursuant to the Assignment of Leases and except as set forth herein, the Corporation shall not assign this Lease Agreement, its rights to receive Lease Payments or its duties and obligations hereunder.

5.23 NO VIOLATION OF OTHER AGREEMENTS.

- (a) The Department hereby represents that neither the execution and delivery of this Lease Agreement, and the Trust Agreement, nor the fulfillment of and compliance with the terms and conditions hereof and thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of terms or violation of any other agreement to which the Department is a party or by which the Department is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Department, or upon the Project, except Permitted Encumbrances.
- (b) The Corporation hereby represents that neither the execution and delivery of this Lease Agreement, the Sublease, the Assignment of Leases, or the Trust Agreement, nor the fulfillment of and compliance with the terms and conditions hereof and thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of terms or violation of any other agreement to which the Corporation is a party or by which the Corporation is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Project, except Permitted Encumbrances.

5.24 DEBT NOT ASSUMED BY CORPORATION.

The parties hereto expressly acknowledge and agree that the Corporation, by the entering into the Sublease, this Lease Agreement, the Trust Agreement and the Assignment of Leases, does not

assume or guarantee, or otherwise obligate itself for, or become liable for, the payment of, or contingently agree to purchase, any debt of any Person.

5.25 CONSENT TO DISMISS.

The Department acknowledges that the Corporation is a third party lease purchase financing source for the Project and the Department hereby agrees to consent to, and to refrain from objection to, a motion made by the Corporation to be dismissed from any lawsuit brought by a third party arising out of or in any way relating to this Lease Agreement with respect to the Project or the ownership, rental, possession, operation, condition, sale or return of the Project. This covenant by the Department to consent to and refrain from objection to such a motion to dismiss shall include the Corporation's assigns and their respective agents, employees, officers and directors. It is understood by and between the Corporation and the Department that this covenant is not intended to be and is not an indemnity.

5.26 WAIVER OF LAWS.

The Department shall not at any time insist upon or plead in any manner whatsoever, or claim or suffer or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may adversely affect the covenants and agreements contained in this Lease Agreement and the benefit and advantage of any such law or laws is hereby expressly waived by the Department to the extent that the Department may legally make such waiver.

5.27 LIMITATION OR INDEMNIFICATION.

The amount of indemnification provided by the Department to the Corporation in Sections 5.15, 5.18 and 5.19 shall not exceed the liability limits set forth in Section 768.28, Florida Statutes, provided that such indemnification shall be further limited as being payable solely from Available Revenues appropriated therefor.

5.28 VEHICLES.

The Department and the Corporation agree not to lease-purchase any vehicles or rolling stock under the terms of this Lease Agreement.

5.29 WAIVER OF DAMAGES.

Neither the Corporation nor the Trustee, nor their respective agents and employees, shall be liable for, and the Department waives, for each of their benefit, all claims for, damages, including but not limited to consequential damages, to person, property or otherwise, sustained by the Department or any person claiming through the Department resulting from any accident or occurrence in or upon any part of the Project including, but not limited to, claims for damage resulting from: (a) any equipment or appurtenances becoming out of repair; (b) the Department's failure to keep any part of the Project in repair; (c) injury done or caused by wind, water or other natural element; (d) any defect in or failure of plumbing, heating or air conditioning equipment, electric wiring or installation thereof, gas, water and steam pipes, stairs, porches, railings or walks; (e) broken glass; (f) the backing up of any sewer pipe or downspout; (g) the bursting, leaking or running of any tank, tub, washstand, water closet, waste pipe, drain or any other pipe or tank upon or about the Project; (h) the escape of steam or hot water; (i) water, snow or ice upon the Project; (j) the failing of any fixture, plaster or stucco; (k) damage to or loss by theft or otherwise of property of the Department or others; (l) acts or omissions of persons in the Project, other tenants in the Project, occupants of nearby properties, or any other persons; and (m) any act or omission of owners of adjacent or contiguous property, or of the Corporation and the Trustee, and their respective agents or employees. All property of the Department kept in the Project shall be so kept at the Department's risk only, as between the Department on the one hand and the Trustee and the Corporation on the other, and the Department shall save the Corporation and the Trustee, and their respective agents and employees harmless from claims arising out of damage to the same, including subrogation claims by the Department's insurance carrier.

5.30 OFFSET STATEMENT.

Within ten (10) days after written request by either the Corporation or the Department the other party shall deliver, executed in recordable form, a declaration to any Person designated by the requesting party and to the extent that such statements shall be true, (a) ratifying this Lease Agreement and Lease Schedule; (b) stating the commencement and termination dates; and (c) certifying (i) that this Lease Agreement and all Lease Schedules are in full force and effect and have not been assigned, modified, supplemented or amended (except by such writings as shall be stated); (ii) that all conditions under this Lease Agreement and the Lease Schedule to be performed by the other parties have been satisfied (stating exceptions, if any), to the extent known; (iii) that no defenses or offsets against the enforcement of this Lease Agreement and the Lease Schedule by the requesting party exist (or stating those claimed); (iv) as to advance Lease Payments, if any, paid by the Department; and (v) the date to which Supplemental Rent has been paid, and such other information as the requesting party reasonably requires. Persons receiving such statements shall be entitled to rely upon them.

5.31 RESERVED.

5.32 CONTINUING DISCLOSURE COVENANTS.

- (a) *Disclosure of Annual Information.* The Department hereby agrees, in accordance with the provisions of Rule 15c2-12 in effect from time to time and applicable to the Certificates (the "Rule"), promulgated by the Securities and Exchange Department (the "SEC") pursuant to the Securities Exchange Act of 1934, to provide or cause to be provided, (1) to each nationally recognized municipal securities information repository ("NRMSIR") and to the State of Florida information depository ("SID"), if any, in each case as designated and approved by the SEC and the State of Florida, respectively, or (2) in lieu thereof, solely to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org>, unless the United States Securities Exchange Commission has withdrawn the interpretative advice in respect thereof, and any additional central filing location hereafter designated as such by the SEC (collectively, the "Central Post Office"), within 180 Days following the end of each fiscal year of the State of Florida, commencing with the fiscal year ended June 30, 2006, annual financial information and operating data concerning the State of Florida, consistent with the financial information and operating data included in the offering statement prepared with respect to the Certificates, and, when available, audited financial statements prepared in accordance with generally accepted accounting principles applicable to the State of Florida from time to time. A copy of such annual financial information and operating data will be provided by the Department to Banc of America Securities LLC, as representative of the underwriters for the Certificates, and to the Trustee for such Certificates as designated by the Department from time to time. If audited financial statements are not available at the time of required filing as set forth immediately above, unaudited financial statements shall be filed pending the availability of audited financial statements. (The information required to be disclosed in this subsection (a) shall be hereinafter referred to as the "Annual Report.")
- (b) *Disclosure of Material Events.* The Department agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and the SID, if any, or (ii) each Central Post Office, notice of the occurrence of any of the following events with respect to the Department, if such event is material:
 - (1) delinquencies in the payment of Lease Payments or of principal and interest on the Certificates;
 - (2) non-payment related defaults;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) substitution of credit or liquidity providers, or their failure to perform;

- (6) adverse tax opinions with respect to or events affecting the tax-exempt status of the Certificates;
 - (7) modifications to rights of the holders of the Certificates;
 - (8) any call of the Certificates for prepayment or redemption (other than scheduled mandatory prepayment or redemption) or any acceleration of the maturity thereof;
 - (9) defeasance in whole or in part of the Certificates;
 - (10) release, substitution, or sale of property securing repayment of the Certificates;
 - (11) rating changes; and
 - (12) an Event of Non-Appropriation.
- (c) *Notice of Failure.* The Department agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and the SID, if any, or (ii) to each Central post office, notice of a failure by the Department to provide the Annual Report described in subsection (a) above on or prior to the date set forth therein.
- (d) *Termination.* The Department reserves the right to terminate its obligation to provide the Annual Report and notices of material events, as set forth above, if and when the Department no longer remains an obligated person with respect to the Certificates within the meaning of the Rule (either by the prepayment or redemption in full or legal defeasance of all such Certificates). If the Department believes such condition exists, the Department shall provide notice of such termination to each NRMSIR, the MSRB and the SID or to each Central Post Office.
- (e) *Undertaking for Benefit of Holders and Beneficial Owners.* The Department agrees that its undertaking pursuant to the Rule set forth in this Section is intended to be for the benefit of the holders and beneficial owners of the Certificates and shall be enforceable by any holder or beneficial owner; provided; that the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Department's obligations hereunder and any failure by the Department to comply with the provisions of this undertaking shall not be an event of default with respect to the Certificates under the Trust Agreement or under this Lease Agreement.
- (f) *Voluntary Disclosure Shall Not Bind Department.* Any voluntary inclusion by the Department of information in its Annual Report of supplemental information that is not required hereunder shall not expand the obligations of the Department hereunder and the Department shall have no obligation to update such supplemental information or include it in any subsequent report.
- (g) *Third Parties.* The covenants contained herein are solely for the benefit of the holders and beneficial owners of the Certificates and shall not create any rights in any other parties.
- (h) *Amendment; Waiver.* Notwithstanding any other provision of this Lease Agreement or the Trust Agreement, the Department may amend this section and any provision of this section may be waived, provided that the following conditions are satisfied:
- (1) If the amendment or waiver relates to the provisions of subsections (a), (b), or (c), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates, or the type of business conducted;
 - (2) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

- (3) The amendment or waiver does not materially impair the interests of holders and beneficial owners of the Certificates as determined either by parties unaffiliated with the Department or an obligated person (such as the Trustee or bond counsel), or by an approving vote of holders pursuant to the terms of the Trust Agreement.

The Trustee shall have no responsibility to determine if the conditions for an amendment or waiver of this section have been satisfied or whether the Department is in compliance with the terms and provisions of this section or the Rule.

In the event of any amendment or waiver of a provision of this section, the Department shall describe such amendment or waiver in a notice to the holders of the Certificates, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of annual financial information or operating data being presented by the Department.

VI. ASSIGNMENT; SUBLEASING; NET LEASE; AMENDMENT

6.01 ASSIGNMENT AND SUBLEASING BY THE DEPARTMENT.

- (a) Except as provided herein, this Lease Agreement may not be assigned or subleased by the Department without the written consent of the Corporation and without an opinion of Special Counsel delivered to the Trustee that no such assignment or sublease shall cause the Interest Component of the Basic Rent Payments received by the Owners of the Certificates (other than Taxable Certificates) to become includable in gross income of such Owners for purposes of federal income taxation.
- (b) Nothing herein shall prohibit the Department from permitting temporary use of the Project, or portion thereof, by third parties.
- (c) If an Event of Default occurs under this Lease Agreement, all proceeds of any assignment or sublease entered into by the Department pursuant to this Section shall be remitted to the Trustee and shall be credited against Basic Rent Payments to be made by the Department. Any sublease agreement must be made cancelable in the event of the occurrence of an Event of Default hereunder or if the Lease Agreement is terminated for any reason, including an Event of Non-Appropriation.

6.02 TRANSFER OF TAX BENEFITS.

Nothing herein shall be deemed to prevent the Department from entering into any agreement or making any disposition for the sole purpose of transferring to one or more corporations, partnerships or individuals federal or state income tax benefits which would be available for the Project, or portion thereof, if owned by a private person, subject, however, to each of the following conditions:

- (a) no such agreement or disposition shall in any way adversely affect or release the Department from any of its duties, obligations and covenants under this Lease Agreement and the obligation of the Department to make Lease Payments hereunder; and
- (b) no such agreement or disposition shall, in the written opinion of Special Counsel delivered to the Trustee, cause the Interest Component of the Basic Rent Payments received by the Owners of the Certificates (other than Taxable Certificates) to become includable in gross income of such Owners for purposes of federal income taxation.

6.03 TAX COVENANTS.

- (a) The Department and the Corporation hereby covenant that, notwithstanding any other provision of this Lease Agreement to the contrary, neither of them will make any use nor permit or direct the Trustee to make any use of the proceeds of the Certificates which will

cause any of the Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of Section 148 of the Code.

- (b) The Department and the Corporation hereby agree that neither will make use of nor permit any use to be made of the proceeds of the Certificates, Lease Payments or, prior to an Event of Default or an Event of Non-Appropriation, the Project, or any portion thereof, which would cause any of the Certificates or the Lease Agreement to be "private activity bonds" within the meaning of Section 141(a) of the Code.
- (c) Except for the exercise by the State of its right to Non Appropriate as set forth in Section 7.01 hereof, the Department and the Corporation hereby covenant that, prior to an Event of Default or an Event of Non-Appropriation, each will comply with all provisions of the Code necessary to maintain the exclusion of the Interest Component of the Basic Rent Payments from gross income for purposes of federal income taxation, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.
- (d) Notwithstanding the foregoing provisions contained in this Section, the Department and the Corporation may agree to entering into a Lease Schedule relating to all or a portion of the Project which may provide for the Issuance of Certificates in one or more series (the "Taxable Certificates") for which the Interest Component on the Basic Rent Payments allocable to such Taxable Certificates shall not be excluded from gross income for purposes of federal income taxation; provided, however, that fact shall be clearly stated on such Taxable Certificates. Provisions herein relating to the requirement to maintain the exclusion of such Interest Component from gross income for federal income taxation purposes shall not apply to the Basic Rent Payments allocable to such Taxable Certificates.
- (e) The Trustee's only responsibilities with respect to the foregoing covenants shall be to comply with the provisions of the Trust Agreement applicable to the Trustee.

6.04 NET LEASE.

The Department intends the Lease Payments hereunder to be net to the Corporation. Subject to Section 5.09 hereof, the Department shall pay, or cause to be paid, in accordance with the Operations Contract and the Construction Contract, all liabilities, all required local, state and federal taxes, including without limitation, income, franchise, gross receipts, sales, use, documentary stamp, excise, and personal property taxes, Real Estate Taxes, assessments, licenses, registration fees, and any other charges imposed or liabilities incurred with respect to the ownership, possession or use of the Project, payment of Lease Payments or any other payments by the Department hereunder, and any penalties, fines or interest imposed on the Department hereunder, and any penalties, fines or interest imposed on any of the foregoing, during the term of this Lease Agreement, but only from Available Revenues appropriated therefor. The Corporation, the Operator and the Trustee shall have the right, after reasonable written notice to the Department, to make any of the payments required of the Department under this Section with respect to the Project, but shall not be obligated to pay the same, and may charge such payment with interest at the Overdue Rate from the date of payment, as Supplemental Rent to be paid by the Department, but only from Available Revenues appropriated therefor. In the event Available Revenues are insufficient therefor, the Department shall seek a supplemental appropriation as set forth in Section 5.09 hereof.

6.05 AMENDMENT.

Any amendment or modification of this Lease Agreement shall be made in accordance with Article XI of the Trust Agreement

VII. NON-APPROPRIATION, DEFAULTS AND REMEDIES

7.01 EVENT OF NON-APPROPRIATION.

- (a) The Department's performance and obligation to pay any amounts under this Lease Agreement are contingent upon an annual appropriation by the State legislature. As provided herein, this Lease Agreement shall initially terminate at the end of the Initial Lease Term but shall automatically be renewed for all Renewal Lease Terms; provided, that such automatic renewal shall not occur and this Lease Agreement shall terminate as of the end of the current Initial or Renewal Lease Term, as the case may be, if the State enacts an Appropriation Act in accordance with State law which does not provide sufficient funds (after taking into account any amounts credited or available for credit pursuant to Section 4.03(e) hereof) to continue making Lease Payments in full for the next succeeding Renewal Lease Term beyond the end of the Initial Lease Term or the last Renewal Lease Term for which Lease Payments had been budgeted and appropriated (an "Event of Non-Appropriation"); provided however, that, in the event the Appropriation Act for such ensuing Renewal Lease Term is not enacted prior to expiration of the then current Initial Lease Term or Renewal Lease Term, the Lease Term relating thereto shall be deemed renewed and the occurrence of the Event of Non-Appropriation shall be deemed suspended pending the current legislative and executive process of enactment of such Appropriation Act and the Department shall be liable for any Lease Payments coming due during such period from Available Revenues. For each day that the Department remains in possession of said Project beyond the date of expiration of the current Initial Lease Term or Renewal Lease Term, the Department shall pay damages in an amount equal to the Lease Payments which would have accrued hereunder, calculated on a daily basis, for any such period during which the Department fails to vacate or surrender the Project, provided that such payments shall be payable solely from Available Revenues. Upon the occurrence of an Event of Non-Appropriation, the Department will not be obligated to pay Lease Payments accruing or arising beyond the then current Fiscal Year but will not be relieved of any obligations arising or accruing prior to such Event of Non-Appropriation, provided that such payment shall be payable solely from Available Revenues. The Department must deliver notice of the Event of Non-Appropriation to the Corporation and the Trustee within three Business Days thereof.
- (b) If an Event of Non-Appropriation shall occur, the Department shall peaceably vacate and return possession of the Project to the Corporation, or its assignee or designee, no later than the end of the then current Lease Term. The obligation to vacate and return the Project shall survive the termination of this Lease Agreement. Under no circumstances shall the failure of the State to appropriate sufficient moneys to pay Lease Payments constitute a Default or Event of Default hereunder or require payment of a penalty, or in any way limit the right of the Department to purchase or utilize buildings, facilities or equipment similar in function to the property leased hereunder.

7.02 EVENTS OF DEFAULT.

The following shall be "Events of Default" under this Lease Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in this Lease Agreement any one or more of the following events:

- (a) Failure by the Department to pay any Basic Rent Payment required to be paid hereunder on the Basic Rent Payment Date to which such Basic Rent Payment pertains, other than as a result of an Event of Non-Appropriation; or
- (b) Failure by the Department to pay any Supplemental Rent required to be paid hereunder at the time specified herein other than as a result of an Event of Non-Appropriation; or
- (c) The Department fails to vacate and return possession of the Project to the Corporation, or its designee or assignee, subsequent to an Event of Non-Appropriation as required by Section 7.01 hereof; or

- (d) Failure by the Department to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Sections 7.02(a), (b) or (c) hereof, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Department by the Corporation, or its assignee, unless the Corporation, or its assignee, have agreed in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, or its assignee, will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Department within the applicable period and diligently pursued until the default is corrected; or
- (e) Any representation of the Department hereunder or in a Lease Schedule shall prove to have been false in any materially adverse respect at the time same was made, subject to the right of the Department to cure such misrepresentation in the manner set forth in Section 7.02(d) hereof.

7.03 REMEDIES ON DEFAULT.

Upon the happening of an Event of Default as described in Section 7.02 hereof, the Corporation, or its assignee, may exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement, including, without limitation:

- (a) Except in the case of an Event of Default under Section 7.02(c) hereof, without terminating this Lease Agreement, re-enter and take possession of the Project, or any portion thereof, and exclude the Department from using the same until the Default is cured; or
- (b) Except in the case of an Event of Default under Section 7.02(c) hereof, without terminating this Lease Agreement, re-enter and take possession of the Project, or any portion thereof, and sublease the Project, or any portion thereof, in accordance with applicable law for the remaining term of the Sublease, for the account of the Department, holding the Department liable for the difference between (i) the rent and other amounts paid by the sublessee pursuant to such sublease, and (ii) the Lease Payments and other amounts then payable by the Department under and pursuant to this Lease Agreement; or
- (c) Except in the case of an Event of Default under Section 7.02(c) hereof, take whatever action at law or in equity that may appear necessary or desirable to collect the Lease Payments then due and thereafter to become due during the term of this Lease Agreement, or enforce performance and observance of any obligation, agreement or covenant of the Department under this Lease Agreement; or
- (d) Terminate this Lease Agreement, if it has not been previously terminated pursuant to Section 7.01 hereof, and require the Department to vacate, surrender and transfer possession of the Project to the Corporation or its assignee, in which event the Department shall take all actions necessary to authorize, execute and deliver to the Corporation or its assignee all documents necessary to vest in the Corporation or its assignee all of the Department's interest in and to the Project, and to discharge any lien created by or pursuant to this Lease Agreement in order that the Corporation or its assignee may re-lease the Project in accordance with applicable law for the remaining term of the Sublease; and shall upon request by the Corporation or its assignee, transfer any Equipment to such location within the State of Florida as is specified by the Corporation or its assignee.

In each case, Department 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 Department fails to vacate and surrender the Project or for any other loss suffered by the Corporation or its assignee as a result of the Department's failure to vacate and surrender the Project, 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 Department's covenants herein contained, payable only from Available Revenue appropriated therefor.

7.04 PROCEEDS OF RE-LETTING.

Moneys received by the Corporation, or its assignee, from the re-letting of the Project, or any portion thereof, as a result of an Event of Non-Appropriation or an Event of Default shall be the absolute property of the Corporation, or its assignee, and the Department shall have no right thereto. In the event that moneys received by the Corporation or its assignee, from the re-letting or other disposition of the Project, exceed the amount necessary to pay the principal of and interest due on the Certificates to the date of payment thereof, together with all other amounts owing under the Trust Agreement and in regard to the Project, including Trustee fees and expenses, then the Corporation, or its assignee, shall pay such surplus to the Department. Neither notice to pay rent or to deliver up possession of the Project given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation, or its assignee, shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of an Event of Default by the Department shall be or become effective by operation of law, or otherwise, unless and until the Corporation, or its assignee, shall have given written notice to the Department of the election on the part of the Corporation, or its assignee, to terminate this Lease Agreement as a result of such Event of Default.

7.05 APPOINTMENT OF CORPORATION AS AGENT.

The Department hereby irrevocably appoints the Corporation, and its assignee, as the agent and attorney-in-fact of the Department to enter upon and re-let the Project in accordance with the terms hereof upon the happening of an Event of Default or an Event of Non-Appropriation. To the fullest extent permitted by applicable law and only from Available Revenues, the Department hereby exempts and agrees to save harmless, the Corporation, and its assignee, from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and the letting of the Project. The Department hereby waives any and all claims for damages caused, or which may be caused, by the Corporation, or its assignee, in taking possession of the Project, for all claims for damages that may result from the destruction of or injury to the Project, and all claims for damages to or loss of any property belonging to the Department that may be in or upon the Project. The Department agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation, or its assignee, to enter and re-let the Project in accordance with the terms hereof.

7.06 NON-WAIVER.

Nothing in this Article VII or in any other provision of this Lease Agreement shall affect or impair the obligation of the Department to pay the Lease Payments, to the extent herein provided. No delay or omission of the Corporation, or its assignee, to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or any acquiescence therein, and every power and remedy given by this Article VII to the Corporation, and its assignee, may be exercised from time to time and as often as shall be deemed expedient by the Corporation, or its assignee.

7.07 REMEDIES NOT EXCLUSIVE.

No remedy herein or by law conferred upon or reserved to the Corporation, and its assignee, is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy, and every remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise may be exercised without exhausting and without regard to any other remedy conferred or by any law.

7.08 STATUS QUO ANTE.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and then discontinued or abandoned, then, and in every such case, the Corporation, and its assignee, and the Department shall be restored to its and their former position and rights and remedies as if no such suit, action or proceedings had been brought or taken.

VIII. ADMINISTRATIVE PROVISIONS

8.01 PRESERVATION AND INSPECTION OF DOCUMENTS.

All documents received by the Corporation, or its assignee, or the Department under the provisions of this Lease Agreement shall be retained in their respective possessions and shall be subject at all reasonable times to the inspection of the other party hereto and its assigns, agents and representatives, any of whom may make copies thereof.

8.02 PARTIES IN INTEREST.

Nothing in this Lease Agreement, expressed or implied, is to or shall be construed to confer upon or to give to any person or party other than the Corporation, and its assignee, the Trustee, the Department and the Developer any rights, remedies or claims under or by reason of this Lease Agreement or any covenants, condition or stipulation hereof; and all covenants, stipulations, promises and agreements in this Lease Agreement contained by or on behalf of the Corporation or the Department shall be for the sole and exclusive benefit of the Corporation, and its assignee, and the Department, the Trustee and the Developer.

8.03 NO RECOURSE UNDER AGREEMENT.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Lease Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for the payment of the Lease Payments or for any claim based thereon under this Lease Agreement against any member, officer, employee or agent of the parties hereto.

8.04 NOTICES.

All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail with postage fully prepaid.

If to the Corporation: South Florida Evaluation Treatment Center Financing Corporation
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: Secretary

If to the Department: Florida Department of Children and Family Services
1317 Winewood Blvd.
Tallahassee, FL 32399-0700
Attention: Assistant Secretary for Mental Health

If to the Trustee: SunTrust Bank,
225 E. Robinson Street, Suite 250,
Orlando, FL 32801
Attention: Corporate Trust Department

If to the Operator: GEO Care, Inc.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

If to the Developer: GEO Care, Inc.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

The parties hereto, by notice given hereunder, may, respectively, designate different addresses to which subsequent notices, certificates or other communications will be sent. A copy of all notices to one party to this Lease Agreement shall be transmitted to the other party to this Lease Agreement, and to the Trustee.

8.05 BINDING EFFECT.

This Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation and the Department and their respective successors and assigns.

8.06 SEVERABILITY.

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this Lease Agreement on the part of the Corporation or the Department to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant, stipulation, promise, agreement or obligation shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this Lease Agreement.

8.07 HEADINGS.

Any headings preceding the text of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Lease Agreement, nor shall they affect its meaning, construction or effect.

8.08 APPLICABLE LAW.

This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

8.09 AUTHORIZED REPRESENTATIVES.

Whenever under the provisions of this Lease Agreement the approval of the Corporation, the Department or the Developer is required or the Corporation, the Department or the Developer is required to take some action at the request of the other, such approval of such request may be given for the Corporation by an Authorized Officer of the Corporation, for the Department by an Authorized Officer of the Department and for the Developer by an Authorized Officer of the Developer, and any party hereto shall be authorized to rely upon any such approval or request.

8.10 FURTHER ASSURANCES.

The Corporation and the Department agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby leased or for carrying out the expressed intention of this Lease Agreement.

8.11 CERTIFICATE OF OFFICERS.

Every certificate with respect to compliance with a condition or covenant provided for in this Lease Agreement may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless the Person providing the Certificate knows that the Certificate or representations with respect to the matters upon which the Certificate may be based are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

8.12 BUSINESS DAYS.

Any act or thing required to be done or exist on any date set forth herein which does not constitute a Business Day in any year shall be deemed to be done or to exist on such date if such act or thing is done or exists on the next date which constitutes a Business Day.

8.13 EFFECT OF DISSOLUTION OF CORPORATION.

In the event the Corporation for any reason shall be dissolved or its legal existence shall otherwise be terminated, all of the covenants, stipulations, obligations and agreements contained in this Lease Agreement by or on behalf of or for the benefit of the Corporation shall bind or inure to the benefit of the successor or successors of the Corporation from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law, and the term "Corporation" as used in this Lease Agreement shall include such successor or successors.

8.14 MEMORANDUM.

Simultaneously with the execution of this Lease Agreement, the Corporation and the Department may each execute, acknowledge and deliver a Memorandum of Lease Agreement with respect to this Lease Agreement for recording in the Public Records of Miami-Dade County, Florida. 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 Lease Agreement.

8.15 RADON GAS.

Section 404.056, Florida Statutes, requires that the following notification be given: "RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit."

8.16 COUNTERPARTS.

This Lease Agreement may be executed in several counterparts, each of which together with a counterpart executed by each of the other parties hereto shall constitute a single original and shall constitute but one and the same agreement.

8.17 RESERVED.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Agreement to be executed in their respective names by their duly Authorized Officers as of the date first above written.

(SEAL)

**SOUTH FLORIDA EVALUATION TREATMENT CENTER
FINANCING CORPORATION, as Lessor**

By: _____

Dale W. Frick, President

**STATE OF FLORIDA
COUNTY OF _____**

The foregoing instrument was acknowledged before me this ____ day of November, 2005, by Dale W. Frick, as President of South Florida Evaluation Treatment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

Witnesses:

Name: _____
Address: _____

Name: _____
Address: _____

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES OF
THE STATE OF FLORIDA, as Lessee**

By: _____

Lucy Hadi, Secretary

**STATE OF FLORIDA
COUNTY OF _____**

The foregoing instrument was acknowledged before me this ____ day of November, 2005, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

EXHIBIT A LEASE SCHEDULE

Schedule to the
Lease-Purchase Agreement,
dated as of October 1, 2005
between

South Florida Evaluation Treatment Center Financing Corporation
(the "Corporation")

and

Florida Department of Children and Family Services
(the "Department")

THIS LEASE SCHEDULE (the "Lease Schedule") is hereby entered into under and pursuant to that certain Lease-Purchase Agreement, dated as of October 1, 2005 (the "Lease Agreement"), pursuant to which the Corporation has agreed to lease-purchase to the Department and the Department has agreed to lease-purchase from the Corporation, subject to the terms and conditions of the Lease Agreement, the Project as herein described. All defined terms not otherwise defined herein shall have the respective meanings therefor set forth in the Lease Agreement. Reference to "Lease Agreement" herein shall include the terms of this Lease Schedule.

1. Project. The leased property, which is described in Section 7 of this Lease Schedule (the "Project"), and has a maximum cost of *\$37,000,000, shall be constructed and installed by the Developer pursuant to the terms of the Construction Contract, and lease-purchased by the Department from the Corporation pursuant to the terms of the Lease Agreement.

2. Commencement Date; Lease Term. For purposes of this Lease Schedule and the Lease Agreement:

(a) The Commencement Date for the Project is October 1, 2005.

(b) The Initial Lease Termination Date of the lease of the Project shall be October 1, 2006. The Maximum Lease Term shall be a term that commences on the Commencement Date hereof and terminates on October 1, 2025.

3. Certificates of Participation.

(a) The Certificates of Participation issued under the Trust Agreement and related to this Lease Schedule are identified as "Certificates of Participation (South Florida Evaluation Treatment Center Project), Series 2005 Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be made under a Lease-Purchase Agreement issued by the Florida Department of Children and Family Services" (the "Series 2005 Certificates").

(b) The Reserve Requirement for the Reserve Account under the Trust Agreement for the Series 2005 Certificates upon issuance shall be \$3,413,387.50.

4. Basic Rent. The Basic Rent payable to the Corporation under the Lease Agreement is described in Schedule A attached hereto. The Department shall commence accruing Rent Payments payable from Available Revenues on the later of January 1, 2008 or the date that Substantial Completion (as that term is defined in the Construction Contract) of the Project is attained in accordance with the Construction Contract. On the fifteenth (15th) day preceding each Payment Date the Department shall make Basic Rent payments in the amount indicated on the attached Payment Schedule for such Payment Date.

5. Supplemental Rent. The Supplemental Rent payable pursuant to Section 6.10 of the Trust Agreement shall be those amounts incurred by the Corporation or the Department in accordance with the terms hereof and shall be payable on each Payment Date commencing April 1, 2006.

6. Use of Certificate Proceeds. The net proceeds of the Series 2005 Certificates shall be disbursed as follows:

Principal Amount	\$41,940,000.00	
Plus Net Original Issue Premium	1,424,144.95	
Less Underwriters' Discount	<u>(370,520.00)</u>	
Net Proceeds	\$42,993,624.95	
Deposit to Project Account		\$35,308,100.65
Deposit to Costs of Issuance Account		\$ 488,600.00
Deposit to Capitalized Interest Account		\$ 3,783,536.80
Deposit to Reserve Account		<u>\$ 3,413,387.50</u>
Total Disbursements		\$42,993,624.95

7. The Project. The Project Description is the description of the Project set forth in the Construction Contract.

8. The Land. A description of the Land is attached hereto as Schedule B.

9. Assignment of Leases. The Corporation and the Department each hereby acknowledges that all Lease Payments and the Corporation's rights, title and interest in this Lease Schedule and, with certain exceptions, the Lease Agreement have been simultaneously assigned to the Trustee pursuant to the Assignment of Leases.

10. Other Permitted Encumbrances. The encumbrances listed on Schedule C attached hereto shall constitute Permitted Encumbrances with respect to the parcels of Land affected thereby as indicated.

IN WITNESS WHEREOF, each of the parties hereto has caused this Lease Schedule to be executed by its proper corporate officers, all as of October 1, 2005.

(SEAL)

**SOUTH FLORIDA EVALUATION TREATMENT CENTER
FINANCING CORPORATION, as Lessor**

By: _____

Dale W. Frick, President

**STATE OF FLORIDA
COUNTY OF _____**

The foregoing instrument was acknowledged before me this ____ day of November, 2005, by Dale W. Frick, as President of South Florida Evaluation Treatment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

Witnesses:

Name: _____
Address: _____

**DEPARTMENT OF CHILDREN AND FAMILY SERVICES OF
THE STATE OF FLORIDA, as Lessee**

By: _____

Lucy Hadi, Secretary

Name: _____
Address: _____

**STATE OF FLORIDA
COUNTY OF _____**

The foregoing instrument was acknowledged before me this ____ day of November, 2005, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

LEASE SCHEDULE – SCHEDULE A - PAYMENT SCHEDULE

<u>Payment Date *</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total Basic Rent Payment</u>
Apr-01-2006	\$ -	\$ 766,335.76	\$ 766,335.76
Oct-01-2006		1,029,406.25	1,029,406.25
Apr-01-2007		1,029,406.25	1,029,406.25
Oct-01-2007		1,029,406.25	1,029,406.25
Apr-01-2008		1,029,406.25	1,029,406.25
Oct-01-2008	680,000.00	1,029,406.25	1,709,406.25
Apr-01-2009	685,000.00	1,015,806.25	1,700,806.25
Oct-01-2009	710,000.00	1,001,250.00	1,711,250.00
Apr-01-2010	715,000.00	986,162.50	1,701,162.50
Oct-01-2010	745,000.00	970,075.00	1,715,075.00
Apr-01-2011	745,000.00	953,312.50	1,698,312.50
Oct-01-2011	780,000.00	934,687.50	1,714,687.50
Apr-01-2012	780,000.00	915,187.50	1,695,187.50
Oct-01-2012	820,000.00	895,687.50	1,715,687.50
Apr-01-2013	820,000.00	875,187.50	1,695,187.50
Oct-01-2013	865,000.00	854,687.50	1,719,687.50
Apr-01-2014	860,000.00	833,062.50	1,693,062.50
Oct-01-2014	905,000.00	811,562.50	1,716,562.50
Apr-01-2015	905,000.00	788,937.50	1,693,937.50
Oct-01-2015	1,925,000.00	766,312.50	2,691,312.50
Apr-01-2016		718,187.50	718,187.50
Oct-01-2016	2,025,000.00	718,187.50	2,743,187.50
Apr-01-2017		667,562.50	667,562.50
Oct-01-2017	2,130,000.00	667,562.50	2,797,562.50
Apr-01-2018		614,312.50	614,312.50
Oct-01-2018	2,240,000.00	614,312.50	2,854,312.50
Apr-01-2019		558,312.50	558,312.50
Oct-01-2019	2,355,000.00	558,312.50	2,913,312.50
Apr-01-2020		499,437.50	499,437.50
Oct-01-2020	2,475,000.00	499,437.50	2,974,437.50
Apr-01-2021		437,562.50	437,562.50
Oct-01-2021	2,600,000.00	437,562.50	3,037,562.50
Apr-01-2022		372,562.50	372,562.50
Oct-01-2022	2,725,000.00	372,562.50	3,097,562.50
Apr-01-2023		311,250.00	311,250.00
Oct-01-2023	2,860,000.00	311,250.00	3,171,250.00
Apr-01-2024		239,750.00	239,750.00
Oct-01-2024	3,005,000.00	239,750.00	3,244,750.00
Apr-01-2025		164,625.00	164,625.00
Oct-01-2025	6,585,000.00	164,625.00	6,749,625.00

* Basic Rent Payments will be made by the Department on the fifteenth (15th) day preceding each Payment Date. All or a portion of Basic Rent Payments due and payable on or before October 1, 2008 may be paid from funds derived from the Capitalized Interest Account or, in certain instance, the Letter of Credit.

LEASE SCHEDULE - SCHEDULE B - DESCRIPTION OF THE LAND

The North ½ of the Northwest ¼ of the Northwest ¼ of Section 1, Township 58 South, Range 38 East; and the South ½ of the Southwest ¼ of the Southwest ¼ of Section 36, Township 57 South, Range 38 East, Dade County, Florida.

LEASE SCHEDULE - SCHEDULE C - PERMITTED ENCUMBRANCES

1. Covenants recorded in Official Records Book 16880, page 4316, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin to the extent such covenants, conditions or restrictions violate 42 USC 3604(c).
2. Unity of Title recorded in Official Records Book 16880, page 4321.
3. Terms and conditions of that certain Agreement for Water and Sanitary Sewage Facilities between Metropolitan Dade County and Florida Department of Corrections recorded in Official Records Book 16880, page 4325 as affected by Addendum Number one to the Agreement for the Construction of the Water and Sanitary Sewage Facilities as recorded in Official Records Book 16977, page 502.
4. Terms and provisions of that certain Lease Agreement between the State of Florida Board of Trustees of the Internal Improvement Trust Fund, as lessor to the Florida Department of Children and Family Services, an agency of the State of Florida, as lessee and any notice or memorandum of same hereafter recorded among the public records of Miami-Dade County, Florida.
5. Terms and provisions of that certain Sublease Agreement dated as of October 1, 2005 by and between the Florida Department of Children and Family Services, an agency of the State of Florida to South Florida Evaluation Treatment Center Financing Corporation, a Florida not-for-profit corporation, conveying a leasehold estate in subject property as affected by that certain Lease Purchase Agreement dated as of October 1, 2005 entered into between the above-named parties to the Sublease Agreement and any notice or memorandum of same hereafter recorded among the public records of Miami-Dade County, Florida.
6. Terms and provision of that certain Assignment of Leases dated as of October 1, 2005 given by South Florida Evaluation Treatment Center Financing Corporation in favor of SunTrust Bank, as Trustee as affected by that certain Trust Agreement dated as of October 1, 2005 by and among The Florida Department of Children and Family Services, South Florida Evaluation Treatment Center Financing Corporation, and SunTrust Bank, as Trustee and any notice or memorandum of same hereafter recorded among the public records of Miami-Dade County, Florida.
7. Lack of legal right of access to the Property such as would be provided by a publicly dedicated right-of-way.
8. Matters disclosed by that certain Survey prepared by Fortin, Leavy, Skiles, Inc., under Drawing No. 2005-169, Job No. 051492 dated August 17, 2005.

ALL RECORDING REFERENCES SET FORTH ABOVE REFER TO THE PUBLIC RECORDS OF MIAMI-DADE COUNTY, FLORIDA.

LEASE SCHEDULE NO. 2021A

**Schedule to the
First Supplement to Lease-Purchase Agreement,
Dated as of February 1, 2021
Between
South Florida Evaluation Treatment Center Financing Corporation
(the "Corporation")
And
Florida Department of Children and Families,
formerly Florida Department of Children and Family Services
(the "Department")**

THIS LEASE SCHEDULE (the "Lease Schedule") is hereby entered into under and pursuant to that certain Lease-Purchase Agreement, dated as of October 1, 2005 (the "Lease Agreement"), as supplemented by that certain First Supplement to Lease-Purchase Agreement, dated as of February 1, 2021, pursuant to which the Corporation has agreed to lease-purchase to the Department and the Department has agreed to lease-purchase from the Corporation, subject to the terms and conditions of the Lease Agreement, the Project as herein described. All defined terms not otherwise defined herein shall have the respective meanings therefor set forth in the Lease Agreement. Reference to "Lease Agreement" herein shall include the terms of this Lease Schedule.

1. Project. The leased property, which is described in Section 7 of this Lease Schedule (the "Project"), has been lease-purchased by the Department from the Corporation pursuant to the terms of the Lease Agreement.

2. Commencement Date; Lease Term. For purposes of this Lease Schedule and the Lease Agreement:

- (a) The Commencement Date for the Project is February 1, 2021.
- (b) The Initial Lease Termination Date of the lease of the Project shall be October 1, 2021. The Maximum Lease Term shall be a term that commences on the Commencement Date hereof and terminates on October 1, 2025.

3. Certificates of Participation.

- (a) The Certificates of Participation issued under the Trust Agreement and related to this Lease Schedule are identified as "Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the Florida Department of Children and Families, (South

Florida Evaluation Treatment Center Project), Series 2021A" (the "2021A Certificates").

- (b) The Reserve Requirement for the Reserve Account under the Trust Agreement for the 2021A Certificates upon issuance shall be \$0.

4. Basic Rent. The Basic Rent payable to the Corporation under the Lease Agreement is described in Schedule A attached hereto. The Department shall commence accruing Rent Payments payable from Available Revenues on March 1, 2021. On the fifteenth (15th) day preceding each Payment Date the Department shall make Basic Rent payments in the amount indicated on the attached Payment Schedule for such Payment date.

5. Supplemental Rent. The Supplemental Rent payable pursuant to Section 6.10 of the Trust Agreement shall be those amounts incurred by the Corporation or the Department in accordance with the terms hereof and shall be payable on each Payment Date commencing April 1, 2021.

6. Use of Certificate Proceeds. The net proceeds of the 2021A Certificates shall be disbursed as follows:

Principal Amount	\$
Plus Net Original Issue Premium	
Less Underwriters' Discount	
Net Proceeds	\$
Deposit to Escrow Fund	\$
Deposit to Costs of Issuance Account	
Total Disbursements	\$

7. The Land. A description of the Land is attached hereto as Schedule B.

8. Assignment of Leases. The Corporation and the Department each hereby acknowledges that all Lease Payments and the Corporation's rights, title and interest in this Lease Schedule and, with certain exceptions, the Lease Agreement have been simultaneously assigned to the Trustee pursuant to the Assignment of Leases.

9. Other Permitted Encumbrances. The encumbrances listed on Schedule C attached hereto shall constitute Permitted Encumbrances with respect to the parcels of Land affected thereby as indicated.

IN WITNESS WHEREOF, each of the parties hereto has caused this Lease Schedule to be executed by its proper corporate officers, all as of February 1, 2021.

SOUTH FLORIDA EVALUATION TREATMENT
CENTER FINANCING CORPORATION, as Lessor

(SEAL)

By: _____
Jeremy Barr, President

Witnesses:

Name: _____
Address: _____

FLORIDA DEPARTMENT OF CHILDREN AND
FAMILIES, as Lessee

By: _____
Chad Poppell, Secretary

Name: _____
Address: _____

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was acknowledged before me by means of ☐ physical presence or ☐ online notarization, this ____ day of _____, 2021 by JEREMY BARR, President of the FLORIDA CIVIL COMMITMENT CENTER FINANCE CORPORATION, on behalf of the corporation. He is personally known to me or has produced _____ as identification.

(SEAL)

(Signature of person taking acknowledgment)

(Name typed, printed or stamped)

(Title or rank)

(Serial number, if any)

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was acknowledged before me by means of ☐ physical presence or ☐ online notarization, this ____ day of _____, 2021 by CHAD POPPELL, Secretary of the FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES, on behalf of the Department. He is personally known to me or has produced _____ as identification.

(SEAL)

(Signature of person taking acknowledgment)

(Name typed, printed or stamped)

(Title or rank)

(Serial number, if any)

LEASE SCHEDULE – SCHEDULE A – PAYMENT SCHEDULE

Date*	Principal or Amortization Installment	Interest	Total
04/01/2021			
10/01/2021			
04/01/2022			
10/01/2022			
04/01/2023			
10/01/2023			
04/01/2024			
10/01/2024			
04/01/2025			
10/01/2025			

* Basic Rent Payments will be made by the Department on the fifteenth (15th) day preceding each Payment Date.

LEASE SCHEDULE – SCHEDULE B – DESCRIPTION OF THE LAND

That part of Section 6, Township 38 South, Range 27 East and Section 31, Township 37 South, Range 27 East, Desoto County, Florida, described as follows:

Commence at the northeast corner of the west half of Section 6, Township 38 South, Range 27 East; thence S01°27'03"E along the east line of said west half; a distance of 654.70 feet to an iron pipe marking the southeast corner of Less and Except parcel described in Official Record Book 249, Page 79, Public Records of Desoto County, Florida and the Point of Beginning; thence continue S01°27'03"E along said east line of west half, a distance of 3317.04 feet; thence S89°51'41"W, a distance of 1782.27 feet; thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 2678.76 feet; thence S89°53'23"E, a distance of 895.01 feet thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 1296.90 feet to the north line of Section 6, also being the south line of said Section 31; thence continue N01°27'03"W, a distance of 68.19 feet to the south right of way line of State Road 70 (per FDOT R/W map, Section No. 0404-(151)175); thence S01°27'38"E, a distance of 68.22 feet to the north line of said Section 6 and the northwest corner of the aforesaid Less and Except parcel described in Official Record Book 249, Page 79; thence continue S01°27'38"E along the west line of said Less and Except parcel, a distance of 654.52 feet to an iron pipe marking the southwest corner of said Less & Except parcel; thence N89°52'40"E along the south line of said Less and Except parcel, a distance of 722.77 feet to the Point of Beginning.



CFN 2005R1202948
OR Bk 23975 Pgs 1981 - 1988; (8pgs)
RECORDED 11/18/2005 12:45:01
HARVEY RUVIN, CLERK OF COURT
MIAMI-DADE COUNTY, FLORIDA

10

Prepared by and after recording, return to:

Garry W. Johnson, Esq.
Tripp, Scott, P.A.
110 Southeast Sixth Street, 15th Floor
Fort Lauderdale, Florida 33301

(Space reserved for Clerk of Court)

ASSIGNMENT OF LEASES

BY AND BETWEEN

SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION

AND

**SUNTRUST BANK,
AS TRUSTEE**

DATED AS OF OCTOBER 1, 2005

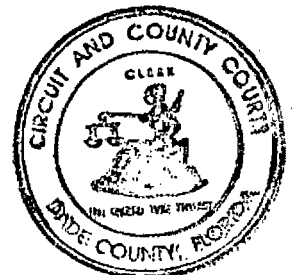


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EXHIBIT A – DESCRIPTION OF LAND

ASSIGNMENT OF LEASES

THIS ASSIGNMENT OF LEASES (this "Assignment of Leases"), is made and entered into as of October 1, 2005, by and between SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION, a not-for-profit corporation duly organized and validly existing under the laws of the State of Florida (the "Corporation"), and SUNTRUST BANK, a Georgia corporation with corporate trust powers duly qualified to enter into this Assignment of Leases, not in its individual capacity but solely as trustee (the "Trustee"). Capitalized terms used and not otherwise defined herein shall have the meaning set forth therefor in the Trust Agreement described herein.

WITNESSETH:

In the joint exercise of their powers, in consideration of the mutual covenants herein contained, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto recite and agree as follows:

1. RECITALS.

(a) The Florida Department of Children and Family Services (the "Department") and the Corporation have entered into the Sublease dated as of October 1, 2005 (the "Sublease") whereby the Department has agreed to sublease to the Corporation, certain real property (the "Land") on which the Project will be constructed. The Land is described in Exhibit A attached hereto.

(b) The Corporation and the Department have entered into the Lease-Purchase Agreement, dated as of October 1, 2005 (which, together with all amendments and the Lease Schedule thereto, shall be referred to herein as the "Lease Agreement"), whereby the Corporation has agreed to lease to the Department, and the Department has agreed to lease from the Corporation, the Project (including the Land) as described in the Lease Agreement.

(c) The Certificates shall be issued in order to finance the acquisition, construction and installation of the Project and the proceeds of the Certificates shall be deposited with the Trustee and shall be held and applied in accordance with the Trust Agreement dated as of October 1, 2005, among the Corporation, the Department and the Trustee (the "Trust Agreement").

(d) Pursuant to the Lease Agreement, the Department is obligated to make certain Lease Payments to the Corporation. In order to secure the Certificates, the Corporation is willing to absolutely and irrevocably assign and transfer its rights and interests under the Sublease and Lease Agreement to the Trustee for the benefit of the Owners of the Certificates.

(e) Each of the parties hereto has authority to enter into this Assignment of Leases, and has taken all actions necessary to authorize its officers to enter into it.

2. ASSIGNMENT.

The Corporation, for good and valuable consideration received, does hereby absolutely and irrevocably sell, assign and transfer to the Trustee, for the benefit of the Owners of the Certificates, all of its right, title and interest in the Sublease and Lease Agreement (other than the right to receive indemnification pursuant to the Lease Agreement, the right to enter into amendments to the Lease Schedule with respect to the issuance of Completion Certificates and Refunding Certificates from time to time and its obligations under the Lease Agreement, including its obligations with respect to the tax covenants set forth in Section 6.03 of the Lease Agreement), including its right to receive Lease Payments from the Department under the Lease Agreement and its right to use and relet the Project and dispose of any proceeds of such reletting (as contemplated by the Lease Agreement), and the right to exercise such rights and remedies as are conferred on the Corporation by the Sublease and Lease Agreement. All rights of the Corporation in the Lease Schedule are hereby assigned to the Trustee. The Lease Payments shall be applied, and the rights so assigned shall be exercised, by the Trustee as

provided in the Trust Agreement. Except for any amendments of the Sublease, Lease Agreement or the Lease Schedule with respect to the issuance of Completion Certificates or Refunding Certificates which are hereafter adopted and assigned by the Corporation to the Trustee pursuant to an amendment to this Assignment of Leases, the sale, assignment and conveyance of the rights, title and interest of the Corporation under and to the Sublease and the Lease Agreement are immediately complete and effective for all purposes.

3. ACCEPTANCE.

The Trustee hereby accepts such assignment in trust for the purpose of securing payment of the Certificates and securing the rights of the Owners of the Certificates issued pursuant to the Trust Agreement.

4. CONDITIONS.

This Assignment of Leases shall confer no rights and impose no duties upon the Trustee beyond those expressly provided in the Trust Agreement.

5. REPRESENTATIONS AND AGREEMENTS.

(a) With respect to the sale, assignment and conveyance of the rights, title and interest of the Corporation under the Sublease and the Lease Agreement, the Corporation represents, warrants and covenants to and with the Trustee, for the benefit of the Owners of the Certificates, that:

(i) The Corporation is a not-for-profit corporation duly organized, validly existing and in active status under the laws of the State of Florida, with corporate powers and authority to own its property and carry on its business as now being conducted.

(ii) The Corporation is duly qualified to transact business and hold property and is in good standing in the State of Florida and wherever necessary to perform its obligations under the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases.

(iii) The Corporation has full power, authority and legal right to enter into and perform its obligations under the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases; and the execution, delivery and performance of the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases by the Corporation have been duly authorized by all necessary corporate actions on the part of the Corporation, do not require any approval or consent of any trustee or holder of any indebtedness or obligations of the Corporation or any other Person or such required approvals and consents have heretofore been duly obtained.

(iv) The execution, delivery and performance of the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases do not contravene any provision of any Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any contract, agreement or instrument to which the Corporation is a party or by which it or any of its property is bound or any constitutional or statutory provision, or order, rule, regulation, decree or ordinance of any federal or state court, government or governmental body having jurisdiction over the Corporation or any of its properties and by which the Corporation or any of its property is bound.

(v) To the Corporation's knowledge, the Sublease, the Lease Agreement and the Trust Agreement, are in full force and effect and the Corporation is not in default thereunder; and, the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases are legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms, all such enforcement being subject to certain laws relating to bankruptcy, reorganizations, moratoriums and creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity.

(vi) The Corporation has complied, and will at all times hereafter comply, with and duly perform its obligations under the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases.

(vii) There is no pending, or to the knowledge of the Corporation, threatened action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency in any way affecting the ability of the Corporation to perform its obligations under the Sublease, the Lease Agreement, the Trust Agreement, or this Assignment of Leases.

(viii) The Sublease and the Lease Agreement and the lease rights thereunder being herein assigned have not previously been assigned and are free and clear of all claims, liens, mortgages, security interests and encumbrances arising through any act or omissions of the Corporation or any Person claiming by, through or under it, except the rights of the Department under the Lease Agreement and encumbrances permitted thereunder, including the Permitted Encumbrances.

(b) From and after the date of delivery to the Trustee of this Assignment of Leases, the Corporation shall have no further rights or interest under the Sublease or the Lease Agreement or in any Lease Payments (except any rights of indemnification of the Corporation under the Sublease or the Lease Agreement, the Corporation's right to enter into amendments to the Lease Schedule from time to time and the Corporation's obligations under Section 6.03 of the Lease), the Project or other moneys due with respect thereto or to become due under the Lease Agreement but shall remain liable for all of the obligations under the Lease Agreement.

(c) The Corporation agrees to execute and deliver to the Trustee, upon request by the Trustee or the Owners of a majority in principal amount of the Certificates, any documents deemed necessary by the Trustee or such Owners to evidence further the assignment and conveyance herein made with respect to the Sublease or the Lease Agreement including, without limitation, any amendments hereto necessary or desirable to assign to the Trustee any amendments to the Lease Schedule executed and delivered after the date hereof.

(d) The Corporation hereby irrevocably constitutes and appoints the Trustee, or its successors or assigns, as its lawful attorney, with full power of substitution and resubstitution, to collect and to sue on behalf of the Corporation in the name of the Corporation or otherwise in any court for any Lease Payments or other amounts due under the Lease Agreement, or any part thereof, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Sublease or the Lease Agreement or pertaining to the Project upon any terms, all without the assent of the Corporation; and, further, to take possession of and to endorse in the name of the Corporation any instrument for the payment of moneys received on account of the Lease Payments or other amounts due under the Lease Agreement.

(e) The Corporation has authorized and directed the Department to pay to the Trustee, its successors and assigns, all Lease Payments and all other amounts due and payable under the Lease Agreement.

(f) In order to secure payment of the Certificates, the Corporation hereby authorizes the Trustee to take possession of the Land and the Project, and title thereto in accordance with the provisions of the Trust Agreement, the Sublease and the Lease Agreement, and relet such Project, or any portion thereof, in the circumstances described in the Trust Agreement and the Sublease.

6. NON-RECOURSE.

The parties hereto agree that the assignment contained in this Assignment of Leases shall be non-recourse with respect to the Corporation, and the Corporation shall have no liability hereunder to the Trustee or the Owners of any Certificates with respect to the occurrence of an Event of Default or Event of Non-Appropriation under the Lease Agreement.

7. NO INDIVIDUAL LIABILITY.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Assignment of Leases shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, director, employee or

agent of the parties hereto in an individual capacity, and no recourse shall be had for the assignment effected by Section 2 hereof or for any claim based thereon under this Assignment of Leases against any member, officer, director, employee or agent of the parties hereto.

8. AMENDMENTS TO LEASE SCHEDULE.

The Corporation hereby agrees to deliver to the Trustee upon the execution and delivery of any amendment to the Lease Schedule after the date hereof, an amendment to this Assignment of Lease Agreement which provides for the assignment of the rights of the Corporation in and to said amended Lease Schedule in accordance with the terms hereof and confirms the representations and agreements of the Corporation set forth in Section 5 hereto as of the date thereof.

9. SEVERABILITY.

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this Assignment of Leases should be determined by a court of competent jurisdiction to be contrary to law, then such covenant, stipulation, promise, agreement or obligation shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this Assignment of Leases.

10. HEADINGS.

Any headings 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 or reference and shall not constitute a part of this Assignment of Leases, nor shall they affect its meaning, construction or effect.

11. COUNTERPARTS.

This Assignment of Leases may be executed in counterparts, and each of said counterparts shall be deemed an original for all purposes of this Assignment of Leases. All of such counterparts taken together shall be deemed to be one and the same instrument.

12. LAW.

This Assignment of Leases shall be construed under the laws of the State of Florida.

13. AMENDMENTS.

Any amendment or modification of this Assignment of Leases shall be made in accordance with Article XI of the Trust Agreement.

IN WITNESS WHEREOF, the parties have executed this Assignment of Leases by their officers thereunto duly authorized as of the day and year first written above.

(SEAL)

**SOUTH FLORIDA EVALUATION TREATMENT
CENTER FINANCING CORPORATION, as Lessor**

By: *Dale W. Frick*
Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF Deer

The foregoing instrument was acknowledged before me this 16TH day of November, 2005, by Dale W. Frick, as President of South Florida Evaluation Treatment Center Financing Corporation, who is personally known to me or ~~has produced~~ _____ as identification.

Terrie L. Ream
My commission expires: _____
Name: _____

(Notary Seal)



Terrie L. Ream
MY COMMISSION # DD109506 EXPIRES
May 9, 2006
BONDED THRU TROY FAIR INSURANCE, INC.

(SEAL)

SUNTRUST BANK, as Trustee

By: *D.D. Kooker*
David D. Kooker, Vice President

STATE OF FLORIDA
COUNTY OF Deer

The foregoing instrument was acknowledged before me this 16TH day of November, 2005, by David D. Kooker, as a Vice President of SunTrust Bank, who is personally known to me or ~~has produced~~ _____ as identification.

Terrie L. Ream
My commission expires: _____
Name: _____

(Notary Seal)



Terrie L. Ream
MY COMMISSION # DD109506 EXPIRES
May 9, 2006
BONDED THRU TROY FAIR INSURANCE, INC.

SUBLEASE AGREEMENT

BY AND BETWEEN

**FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AS SUBLESSOR**

AND

**SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION,
AS SUBLESSEE**

DATED AS OF OCTOBER 1, 2005

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EXHIBIT A – DESCRIPTION OF SUBLEASED PREMISES

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (this "Sublease") is made and entered into as of October 1, 2005 between the **FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES**, hereinafter referred to as "SUBLESSOR", and **SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCING CORPORATION**, a Florida not-for-profit corporation, its successors and assigns, hereinafter referred to as "SUBLESSEE".

WITNESSETH:

In consideration of the covenants and conditions set forth herein SUBLESSOR subleases the below described premises to SUBLESSEE on the following terms and conditions:

1. ACKNOWLEDGMENTS AND TITLE DISCLAIMER.

The parties acknowledge that title to the Subleased Premises (described herein) is held by the Board of Trustees of the Internal Improvement Trust Fund (the "TRUSTEES"). The TRUSTEES have leased the Subleased Premises to SUBLESSOR pursuant to that certain Lease between the TRUSTEES and SUBLESSOR dated as of September 26, 2005 (the "State Lease"). SUBLESSOR does not warrant or guarantee any title, right or interest in or to the Subleased Premises.

2. DESCRIPTION OF SUBLEASED PREMISES.

The property subject to this Sublease, is situated in the County of Miami-Dade, State of Florida and is more particularly described in Exhibit "A" attached hereto and hereinafter referred to as the "Subleased Premises".

3. DEFINITIONS AND RULES OF CONSTRUCTION.

The capitalized terms used herein shall have the meanings ascribed to them in that certain Trust Agreement, dated as of October 1, 2005 (the "Trust Agreement") between SunTrust Bank, as trustee, SUBLESSOR and SUBLESSEE, unless the Contract clearly requires some other meaning. For all purposes of this Sublease, reference to the "assignee of Corporation," "Corporation or its assignee" or "Corporation and its assignee" after assignment of this Sublease pursuant to the Assignment of Leases, shall mean only the Trustee acting on behalf of the Owners of the Certificates issued pursuant to the Trust Agreement, except as otherwise specifically provided herein or in the Trust Agreement or the Assignment of Leases to the contrary.

4. SUBLEASE TERM.

The term of this Sublease shall be for a period of twenty (20) years commencing on October 1, 2005 and ending on September 30, 2025 with no option for renewal, unless sooner terminated pursuant to the provisions of this Sublease.

5. PURPOSE.

SUBLESSEE shall manage the Subleased Premises only for the establishment and operation of a mental health treatment facility, along with other related uses necessary for the accomplishment of this purpose as designated in the Operational Report required by Section 24 of this Sublease.

6. CONFORMITY.

This Sublease shall conform to all terms and conditions of the State Lease, and SUBLESSEE shall through its agents and employees prevent the unauthorized use of the Subleased Premises or any use thereof not in conformance with this Sublease.

7. QUIET ENJOYMENT AND RIGHT OF USE.

SUBLESSEE shall have the right of ingress and egress to, from and upon the Subleased Premises for all purposes necessary to the full quiet enjoyment by said SUBLESSEE of the rights conveyed herein.

8. ASSIGNMENT.

This Sublease shall not be assigned in whole or in part without the prior written consent of SUBLESSOR and the TRUSTEES. Any assignment made either in whole or in part without the prior written consent of SUBLESSOR and the TRUSTEES shall be void and without legal effect.

9. RIGHT OF INSPECTION.

The TRUSTEES and SUBLESSOR, or their duly authorized agents, representatives or employees, shall have the right at any and all times to inspect the Subleased Premises and the works and operations of SUBLESSEE in any matter pertaining to this Sublease, subject to any confidentiality rights with respect thereto under any applicable laws, rules or regulations.

10. PLACEMENT AND REMOVAL OF IMPROVEMENTS.

All buildings, structures, improvements, and signs shall be constructed at the expense of SUBLESSEE in accordance with plans prepared by professional designers and shall require the prior written approval of SUBLESSOR as to purpose, location and design. Further, no trees, other than non-native species, shall be removed or major land alterations done by SUBLESSEE without the prior written approval of SUBLESSOR. Removable equipment and removable improvements placed on the Subleased Premises by SUBLESSEE and which do not become a permanent part of the Subleased Premises will remain the property of SUBLESSEE and may be removed by SUBLESSEE upon termination of this Sublease.

11. INSURANCE REQUIREMENTS.

During the term of this Sublease SUBLESSEE shall procure and maintain, or cause to be procured and maintained, policies of fire, extended risk, and liability insurance coverage. The extended risk and fire insurance coverage shall be in an amount equal to the full insurable replacement value of any improvements or fixtures located on the Subleased Premises. The liability insurance coverage shall be in amounts not less than \$100,000 per occurrence and \$200,000 per accident for personal injury, death, and property damage on the Subleased Premises. Such policies of insurance shall name SUBLESSEE, SUBLESSOR, the TRUSTEES, and the State of Florida as co-insureds. SUBLESSEE shall submit written evidence of having procured or caused procurement of all insurance policies required herein prior to the effective date of this Sublease and shall submit annually thereafter written evidence of maintaining such insurance policies to SUBLESSOR and the Bureau of Public Land Administration, Division of State Lands, Department of Environmental Protection, Nail Station 130, 3900 Commonwealth Boulevard, Tallahassee, Florida 32399-3000. SUBLESSEE shall purchase or cause the purchase of all policies of insurance from a financially-responsible insurer duly authorized to do business in the State of Florida. SUBLESSEE shall immediately notify SUBLESSOR, the TRUSTEES and the insurer of any erection or removal of any building or other improvement on the Subleased Premises and any changes affecting the value of any improvements and shall request the insurer to make adequate changes in the coverage to reflect the changes in value. SUBLESSEE shall be financially responsible for any loss due to

failure to obtain adequate insurance coverage, and SUBLESSEE'S failure to maintain such policies in the amounts set forth shall constitute a breach of this Sublease.

12. INDEMNITY.

SUBLESSEE hereby covenants and agrees to investigate all claims of every nature at its own expense, and to indemnify, protect, defend, save and hold harmless SUBLESSOR, the TRUSTEES and the State of Florida from all claims, actions, lawsuits and demands of any kind or nature arising out of this Sublease.

13. ATTORNEYS' FEES.

SUBLESSEE shall pay all costs, charges and expenses, including attorneys' fees and appellate attorneys' fees, in connection with any dispute arising out of this Sublease, including without limitation, any costs and fees incurred or paid by SUBLESSOR because of the failure on the part of SUBLESSEE to comply with and abide by each and every one of the stipulations, agreements, covenants and conditions of this Sublease, or incurred by SUBLESSOR in seeking any remedy available to SUBLESSOR as a result of such failure by SUBLESSEE.

14. PAYMENT OF TAXES AND ASSESSMENTS.

SUBLESSEE shall assume full responsibility for and shall pay or cause to be paid all liabilities that accrue to the Subleased Premises or to the improvements thereon, including any and all drainage and special assessments or taxes of every kind and all mechanic's or materialman's liens which may be hereafter lawfully assessed and levied against the Subleased Premises.

15. NO WAIVER OF BREACH.

The failure of SUBLESSOR to insist in any one or more instances upon strict performance of any one or more of the covenants, terms and conditions of this Sublease shall not be construed as a waiver of such covenants, terms and conditions, but the same shall continue in full force and effect, and no waiver of SUBLESSOR of any of the provisions hereof shall in any event be deemed to have been made unless the waiver is set forth in writing, signed by SUBLESSOR.

16. TIME.

Time is expressly declared to be of the essence of this Sublease.

17. BINDING EFFECT AND INUREMENT.

This Sublease shall be binding on and shall inure to the benefit of the heirs, executors, administrators and assigns of the parties hereto, but nothing contained in this paragraph shall be construed as a consent by the TRUSTEES and SUBLESSOR to any assignment of this Sublease or any interest therein by SUBLESSEE.

18. NON-DISCRIMINATION.

SUBLESSEE shall not discriminate against any individual because of that individual's race, color, religion, sex, national origin, age, handicap, or marital status with respect to any activity occurring within the Subleased Premises or upon lands adjacent to and used as an adjunct of the Subleased Premises.

19. VENUE.

SUBLESSEE agrees that SUBLESSOR has venue privileges as to any litigation arising from matters relating to this Sublease. Any such litigation between SUBLESSOR and SUBLESSEE shall be initiated and maintained only in Leon County, Florida.

20. UTILITY FEES.

SUBLESSOR shall not be required to furnish to SUBLESSEE any services of any kind whatsoever during the term of this Sublease. SUBLESSEE shall be responsible for the payment of all charges for the furnishing of gas, electricity, water and other public utilities to the Subleased Premises and for having all utilities turned off when the Subleased Premises are surrendered.

21. MINERAL RIGHTS.

This Sublease does not cover petroleum or petroleum products or minerals and does not give the right to SUBLESSEE to drill for or develop the same. However, SUBLESSEE shall be fully compensated for any and all damages that might result to the subleasehold interest of SUBLESSEE by reason of any such exploration and recovery operations.

22. RIGHT OF AUDIT.

SUBLESSEE shall make available to the TRUSTEES and SUBLESSOR all financial and other records relating to this Sublease, and the TRUSTEES and SUBLESSOR shall have the right to audit such records at any reasonable time. This right shall be continuous until this Sublease expires or is terminated. This Sublease may be terminated by SUBLESSOR should SUBLESSEE fail to allow public access to all documents, papers, letters or other materials made or received in conjunction with this Sublease, pursuant to the provisions of Chapter 119, Florida Statutes.

23. CONDITION OF PROPERTY.

SUBLESSOR assumes no liability or obligation to SUBLESSEE with reference to the condition of the Subleased Premises or the suitability of the Subleased Premises for any improvements. The Subleased Premises herein are subleased by SUBLESSOR to SUBLESSEE in an "as is" condition, with SUBLESSOR assuming no responsibility for bidding, contracting, permitting, construction, and the care, repair, maintenance or improvement of the Subleased Premises for the benefit of SUBLESSEE.

24. RESERVED.

25. NOTICES.

All notices given under this Sublease shall be in writing and shall be served by certified mail including, but not limited to, notice of any violation served pursuant to Section 253.04, Florida Statutes, to the last address of the party to whom notice is to be given, as designated by such party in writing. SUBLESSOR and SUBLESSEE hereby designate their address as follows:

SUBLESSOR: Department of Children and Family Services
of the State of Florida
1317 Winewood Avenue
Tallahassee, Florida 32399-0700
Attention: Asst. Secretary for Mental Health

SUBLESSEE: South Florida Evaluation Treatment Center
Financing Corporation
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: Secretary

26. DAMAGES TO THE PREMISES.

- (a) SUBLESSEE shall not do, or suffer to be done, in, on or upon the Subleased Premises or as affecting said Subleased Premises or adjacent properties, any act which may result in

damage or depreciation of value to the Subleased Premises or adjacent properties, or any part thereof.

- (b) SUBLESSEE shall not generate, store, produce, place, treat, release or discharge any contaminants, pollutants or pollution, including, but not limited to, hazardous or toxic substances, chemicals or other agents on, into, or from the Subleased Premises or any adjacent lands or waters in any manner not permitted by law. For the purposes of this Sublease, "hazardous substances" shall mean and include those elements or compounds defined in 42 USC Section 9601 or which are contained in the list of hazardous substances adopted by the United States Environmental Protection Agency (EPA) and the list of toxic pollutants designated by the United States Congress or the EPA or defined by any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance, material, pollutant or contaminant. "Pollutants" and "pollution" shall mean those products or substances defined in Chapters 376 and 403, Florida Statutes and the rules promulgated thereunder, all as amended or updated from time to time. In the event of SUBLESSEE'S failure to comply with this paragraph, SUBLESSEE shall, at its sole cost and expense, promptly commence and diligently pursue any legally required closure, investigation, assessment, cleanup, decontamination, re-mediation, restoration and monitoring of (1) the Subleased Premises, and (2) all off-site ground and surface waters and lands affected by SUBLESSEE'S such failure to comply, as may be necessary to bring the Subleased Premises and affected off-site waters and lands into full compliance with all applicable federal, state or local statutes, laws, ordinances, codes, rules, regulations, orders, and decrees, and to restore the damaged property to the condition existing immediately prior to the occurrence which caused the damage. SUBLESSEE'S obligations set forth in this paragraph shall survive the termination or expiration of this Sublease. This paragraph shall not be construed as a limitation upon SUBLESSEE'S obligations regarding indemnification and payment of costs and fees as set forth in sections 12 and 13 of this Sublease, nor upon any other obligations or responsibilities of SUBLESSEE as set forth herein. Nothing herein shall relieve SUBLESSEE of any responsibility or liability prescribed by law for fines, penalties and damages levied by governmental agencies, and the cost of cleaning up any contamination caused directly or indirectly by SUBLESSEE'S activities or facilities. Upon discovery of a release of a hazardous substance or pollutant, or any other violation of local, state or federal law, ordinance code, rule, regulation, order or decree relating to the generation, storage, production, placement, treatment, release or discharge of any contaminant, SUBLESSEE shall report such violation to all applicable governmental agencies having jurisdiction, and to SUBLESSOR, all within the reporting periods of the applicable agencies.

27. SURRENDER OF PREMISES.

Upon termination or expiration of this Sublease, SUBLESSEE shall surrender the Subleased Premises to SUBLESSOR. In the event no further use of the Subleased Premises or any part thereof is needed, SUBLESSEE shall give written notification to SUBLESSOR and the Bureau of Public Land Administration, Division of State Lands, Department of Environmental Protection, Mail Station 130, 3900 Commonwealth Boulevard, Tallahassee, Florida 32399-3000 at least six months prior to the release of any or all of the Subleased Premises. Notification shall include a legal description, this Sublease number and an explanation of the release. The release shall only be valid if approved by SUBLESSOR and the TRUSTEES through the execution of a release of sublease instrument with the same formality as this Sublease. Upon release of all or any part of the Subleased Premises or upon termination or expiration of this Sublease, all improvements, including both physical structures and modifications to the Subleased Premises, shall become the property of SUBLESSOR and the TRUSTEES unless SUBLESSOR gives written notice to SUBLESSEE to remove any or all such improvements at the expense of SUBLESSEE. The decision to retain any improvements upon termination of this Sublease shall be at SUBLESSOR'S sole discretion. Prior to surrender of all or any part of the Subleased Premises, SUBLESSOR shall perform an on-site inspection and the keys to any building on the Subleased Premises shall be turned

over to SUBLESSOR. If the improvements do not meet all conditions as set forth in sections 20 and 39 herein, SUBLESSEE shall pay all costs necessary to meet the prescribed conditions.

28. BREACH OR DEFAULT AND FORFEITURE.

Should SUBLESSEE breach any of the covenants, terms, or conditions of this Sublease, SUBLESSOR shall give SUBLESSEE written notice to remedy such breach within sixty days of such notice. In the event SUBLESSEE fails to remedy the breach to the reasonable satisfaction of SUBLESSOR within sixty days of receipt of written notice, SUBLESSOR may terminate this Sublease and recover from SUBLESSEE all damages SUBLESSOR may incur by reason of the breach including, but not limited to, the cost of recovering the Subleased Premises and attorneys' fees. Should SUBLESSEE, at any time during the term of this Sublease, suffer or permit to be filed against it an involuntary, or voluntary, petition in bankruptcy or institute a composition or an arrangement proceeding under Chapter X or XI of the Bankruptcy Act, or make any assignments for the benefit of its creditor, or should a receiver or trustee be appointed for SUBLESSEE'S property because of SUBLESSEE'S insolvency, and the said appointment not vacated within thirty days thereafter; or should SUBLESSEE'S subleasehold interest be levied on and the lien thereof not discharged within thirty days after said levy has been made; or should SUBLESSEE fail promptly to make the necessary returns and reports required of it by state and federal law; or should SUBLESSEE fail promptly to comply with all governmental regulations, both state and federal; or should SUBLESSEE fail to comply with any of the terms and conditions of this Sublease and such failure shall in any manner jeopardize the rights of SUBLESSOR; then, in such event, and upon the happening of either or any of said events, SUBLESSOR shall have the right, at its discretion, to consider the same a default on the part of SUBLESSEE of the terms and provisions hereof, and, in the event of such default, SUBLESSOR shall have the option of either declaring this Sublease terminated, and the interest of SUBLESSEE forfeited, or maintaining this Sublease in full force and effect and exercising all rights and remedies herein conferred upon SUBLESSOR. The pendency of bankruptcy proceedings or arrangement proceedings to which SUBLESSEE shall be a party shall not preclude SUBLESSOR from exercising either option herein conferred upon SUBLESSOR. In the event SUBLESSEE, or the trustee or receiver of SUBLESSEE'S property, shall seek an injunction against SUBLESSOR'S exercise of either option herein conferred, such action on the part of SUBLESSEE, his trustee or receiver, shall automatically terminate this Sublease as of the date of the making of such application, and in the event the Court shall enjoin SUBLESSOR from exercising either option herein conferred, such injunction shall automatically terminate this Sublease.

29. BEST MANAGEMENT PRACTICES.

SUBLESSEE shall implement applicable Best Management Practices for all activities conducted under this Sublease in compliance with Paragraph 18-2.018 (2) (h), Florida Administrative Code, which have been selected, developed, or approved by TRUSTEES, SUBLESSOR, or other land managing agencies for the protection and enhancement of the Subleased Premises.

30. SOVEREIGNTY SUBMERGED LANDS.

This Sublease does not authorize the use of any lands located waterward of the mean or ordinary high water line of any lake, river stream, creek, bay, estuary, or other water body or the waters or the air space thereabove.

31. PROHIBITIONS AGAINST LIENS OR OTHER ENCUMBRANCES.

Fee title to the Subleased Premises is held by the TRUSTEES. SUBLESSEE shall not do or permit anything to be done which purports to create a lien or encumbrance of any nature against the real property contained in the Subleased Premises including, but not limited to, mortgages or construction liens against the Subleased Premises or against any interest of the TRUSTEES and SUBLESSOR therein.

32. CONDITIONS AND COVENANTS.

All of the provisions of this Sublease shall be deemed covenants running with the land included in the Subleased Premises, and construed to be "conditions" as well as "covenants" as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

33. PARTIAL INVALIDITY.

If any term, covenant, condition or provision of this Sublease shall be ruled by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

34. ENTIRE UNDERSTANDING.

This Sublease sets forth the entire understanding between the parties and shall only be amended with the prior written approval of the TRUSTEES and SUBLESSOR.

35. CONVICTION OF FELONY.

If SUBLESSEE is convicted of a felony during the term of this Sublease, such conviction shall constitute, at the option of the TRUSTEES and SUBLESSOR, grounds for termination of this Sublease.

36. EASEMENTS.

All easements including, but not limited to, utility easements are expressly prohibited without the prior written approval of the TRUSTEES and SUBLESSOR. Any easement not approved in writing by the TRUSTEES and SUBLESSOR shall be void and without legal effect.

37. SUB-SUBLEASES.

This Sublease is for the purposes specified herein and any sub-subleases of any nature are expressly prohibited, without the prior written approval of the TRUSTEES and SUBLESSOR. Any sub-sublease not approved in writing by the TRUSTEES and SUBLESSOR shall be void and without legal effect.

38. MAINTENANCE OF IMPROVEMENTS.

SUBLESSEE shall maintain the real property contained within the Subleased Premises and any improvements located thereon, in a state of good condition, working order and repair including, but not limited to, maintaining the planned improvements as set forth in the approved Operational Report, keeping the Subleased Premises free of trash or litter, meeting all building and safety codes in the location situated and maintaining any and all existing roads, canals, ditches, culverts, risers and the like in as good condition as the same may be on the effective date of this Sublease.

39. COMPLIANCE WITH LAWS.

SUBLESSEE agrees that this Sublease is contingent upon and subject to SUBLESSEE obtaining all applicable permits and complying with all applicable permits, regulations, ordinances, rules, and laws of the State of Florida or the United States or of any political subdivision or agency of either.

40. ARCHAEOLOGICAL AND HISTORIC SITES.

Execution of this Sublease in no way affects any of the parties' obligations pursuant to Chapter 267, Florida Statutes. The collection of artifacts or the disturbance of archaeological and historic sites on state-owned lands is prohibited unless prior authorization has been obtained from the Department of State, Division of Historical Resources. The Operational Report prepared pursuant to Section 18-2.006,

Florida Administrative Code, may be reviewed by the Division of Historical Resources to insure that adequate measures have been planned to locate, identify, protect and preserve the archaeological and historic sites and properties on the Subleased Premises.

41. GOVERNING LAW.

This Sublease shall be governed by and interpreted according to the laws of the State of Florida.

42. ADMINISTRATIVE FEE.

SUBLESSEE shall pay SUBLESSOR an annual administration fee \$300.00 or such other fee as may be assessed by the TRUSTEES against leases and subleases of state-owned property. The initial annual administrative fee shall be payable within 30 days from the date of execution of this Sublease, and shall be prorated based on the number of months or the fraction thereof remaining in the fiscal year of execution. For the purposes of this Sublease, the fiscal year shall be the period extending from July 1 to June 30. Each annual payment thereafter shall be due and payable on July 1 of each subsequent year.

43. ENVIRONMENTAL AUDIT.

At SUBLESSOR'S discretion, SUBLESSEE, at its expense, shall provide SUBLESSOR with a current Phase I environmental site assessment conducted in accordance with the Department of Environmental Protection, Division of State Lands' standards prior to termination of this Sublease, and if necessary a Phase II environmental site assessment. Should SUBLESSEE, at its discretion, have an environmental assessment of the Subleased Premises conducted at any time during the term of this Sublease, a copy of the assessment report shall be provided to SUBLESSOR and the TRUSTEES.

44. SECTION CAPTIONS.

Articles, subsections and other captions contained in this Sublease are for reference purposes only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Sublease or any provisions thereof.

45. SPECIAL CONDITIONS.

The following special conditions shall apply to this Sublease.

(A) PURPOSE OF SUBLEASE.

Pursuant to Florida Statutes, Section 287.057(14)(b) (the "Act"), SUBLESSOR may enter into agreements with a private provider to finance, design, and construct a forensic treatment facility, as defined in Florida Statutes, Section 916.106(8), of at least 200 beds and to operate all aspects of daily operations within the forensic treatment facility. The Act specifically provides that 1) SUBLESSOR may enter into agreements for the financing, design and construction of a forensic facility having up to 200 beds (the "Project"), 2) SUBLESSOR may enter into a lease purchase agreement with respect to such Project, and 3) that the financing of the Project may be accomplished through the issuance of tax exempt bonds, certificates of participation, or other securities.

To accomplish the purposes of the Act, SUBLESSOR has entered into an Operations Contract dated as of October 1, 2005 with GEO Care, Inc., as operator (the "Operator"), for the operation of South Florida Evaluation Treatment Center. In addition, SUBLESSOR has entered into a Construction Contract dated as of October 1, 2005 with GEO Care, Inc., as developer (the "Developer"), for the construction of the Project to be located on the Subleased Premises. In order to finance the Project, it is necessary to enter into this Sublease. SUBLESSEE will construct the Project on the Subleased Premises and lease such facility back to SUBLESSOR pursuant to a Lease Purchase Agreement to be dated as of October 1, 2005 (the "Lease Agreement"). Upon termination of the Lease Agreement and this Sublease, all rights of SUBLESSEE in the Project shall cease. In order to finance the construction of the Project, Certificates of Participation (the "Certificates") will be issued and sold to investors pursuant to the Trust Agreement,

which Certificates shall be payable from rental payments to be made by SUBLESSOR pursuant to the Lease Agreement.

(B) PAYMENTS UNDER THIS SUBLEASE.

So long as no Event of Default or Event of Non-Appropriation (each as defined in the Lease Agreement) shall have occurred under the Lease Agreement, SUBLESSEE shall pay to SUBLESSOR as rental for the Subleased Premises the sum of One Dollar (\$1.00) per annum, which sum shall be due in advance on the date of execution of the Lease Agreement and annually thereafter on October 1 (the "Ground Rent"). At the option of SUBLESSEE, SUBLESSEE may prepay all or a portion of the Ground Rent payable hereunder for the entire term of this Sublease from the proceeds of sale of the Certificates or otherwise.

(C) POSSESSION OF LAND.

Notwithstanding any provision of this Sublease:

(i) SUBLESSEE shall at all times during this Sublease have a valid and enforceable leasehold estate in the Subleased Premises and the Project with full right to vest the use, enjoyment and possession of such leasehold interest therein in the Certificate Trustee. The Certificate Trustee shall have the right to vest such estate in a Permitted Transferee (as hereinafter defined in this Sublease), subject to the consent of the TRUSTEES.

(ii) SUBLESSEE shall provide free access over roadways within the Subleased Premises to SUBLESSOR and its clients, customers and visitors.

(iii) SUBLESSEE shall preserve and maintain all existing roadways and utility lines (gas, water, sewer, electricity, etc.) within the Subleased Premises during the sublease term. Any construction that conflicts with existing utility systems and roadways shall either be relocated or replaced in a manner acceptable to SUBLESSOR, at no cost to SUBLESSOR.

(iv) Possession and use of the Subleased Premises, together with all improvements thereon shall, upon the last day of the sublease term automatically revert to SUBLESSOR free and clear of liens and encumbrances, other than Permitted Encumbrances, without necessity of any act by SUBLESSEE or any Permitted Transferee. Upon such expiration of this Sublease term or any other earlier termination thereof, SUBLESSEE shall peaceably and quietly surrender to SUBLESSOR the Subleased Premises together with any improvements located in or upon the Subleased Premises. Upon such surrender of the Subleased Premises, SUBLESSEE, at the reasonable request of SUBLESSOR, shall execute instruments in recordable form evidencing such surrender and shall deliver to SUBLESSOR all books, records, construction plans, surveys, permits and other documents in the possession of SUBLESSEE relating to and necessary or convenient for, the operation of the Subleased Premises and the Project.

(v) Any personal property of SUBLESSEE or any person which shall remain on the Subleased Premises after expiration or earlier termination of this Sublease and for thirty (30) days after request by SUBLESSOR for removal, shall, at the option of SUBLESSOR, be deemed to have been abandoned and may be retained by SUBLESSOR and the same may be disposed of, without accountability, in such manner as SUBLESSOR may see fit.

(vi) If SUBLESSEE holds over or refuses to surrender possession of the Subleased Premises after expiration or earlier termination of this Sublease, SUBLESSEE shall be a tenant at sufferance and shall pay rent equal to the fair market rental of the Subleased Premises.

(D) USE OF SUBLEASED PREMISES, ASSIGNMENTS, SUBLEASES AND MORTGAGES.

(i) The parties agree that unless there shall have occurred an Event of Default or an Event of Non-Appropriation under the Lease Agreement, the Subleased Premises shall be used solely for the purposes of providing a "forensic facility" pursuant to Section 916.106(8), Florida Statutes, and shall not be used for a purpose that would subject the interest component of the Certificates to be included in gross income for Federal income tax purposes. Unless there shall have occurred an Event of Default or Event of Non-Appropriation under the Lease Agreement, no assignment of this Sublease or subletting of the Subleased Premises may be made except as provided in the Assignment of Leases, the Lease Agreement, the Trust Agreement and this Sublease. In the event that there shall have occurred an Event

of Default or Event of Non-Appropriation under the Lease Agreement, then SUBLESSEE'S interest in this Sublease may be assigned or sublet by the Certificate Trustee to a third party (a "Permitted Transferee"), upon receipt of the written consent of the TRUSTEES and SUBLESSOR; provided, however, the fee title to the Subleased Premises shall not be encumbered by, or subject to, any mortgage of SUBLESSEE'S interest herein, and any assignment or sublease shall not relieve SUBLESSEE of any of its duties and obligations hereunder without SUBLESSOR'S and the TRUSTEES' prior written consent.

(ii) SUBLESSOR represents and covenants that the Subleased Premises are presently zoned to allow SUBLESSEE to utilize the Subleased Premises for their intended use, as contemplated by the Operations Contract, the Construction Contract and the Act. SUBLESSOR shall take no action with respect to rezoning the property or file any application which would otherwise alter, modify or affect any other land use regulation presently governing the use of the Subleased Premises unless SUBLESSOR obtains the prior written consent of SUBLESSEE. If requested by, and at the expense of SUBLESSEE, SUBLESSOR shall assist SUBLESSEE in obtaining any and all necessary building permits, subdivision approvals, zoning changes, variances and special exceptions as are necessary or as SUBLESSEE may reasonably deem necessary or desirable. If requested by, and at the expense of SUBLESSEE, SUBLESSOR shall assist SUBLESSEE in filing an application with the appropriate governmental body to obtain such other permits, licenses, approvals or other actions which are necessary or which SUBLESSEE may reasonably deem necessary or desirable in order to enable SUBLESSEE to use the Subleased Premises for the purposes as provided herein, if such governmental body requires that such application be executed by SUBLESSOR. Provided, however, that SUBLESSEE shall not use or permit the Subleased Premises to be used in violation of any valid present or future laws, ordinances, rules or regulations of any public or governmental authority at any time applicable thereto.

(iii) Notwithstanding the provisions of Sections 8, 17 and 37 hereof, it is understood that all right, title and interest of SUBLESSEE in and to this Sublease is to be assigned without recourse by SUBLESSEE to the Certificate Trustee pursuant to the Assignment of Leases. SUBLESSOR agrees that upon such assignment the Certificate Trustee shall have all of the rights of SUBLESSEE hereunder whatsoever (whether arising from a breach of this Sublease or otherwise) that SUBLESSOR may from time to time have against SUBLESSEE or any person or entity associated or affiliated therewith. SUBLESSOR acknowledges that the Certificate Trustee is acting on behalf of the Certificate holders, and may under certain circumstances assign this Sublease to a Permitted Transferee.

(iv) Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Sublease or any of the transactions contemplated hereby, the parties hereto acknowledge and agree that upon the assignment by SUBLESSEE of its rights hereunder to the Certificate Trustee pursuant to the Assignment of Leases, to the extent the Certificate Trustee assumes the rights and obligations of SUBLESSEE, SUBLESSEE shall have no further obligation, liability or responsibility hereunder and no party hereto nor its successors or assigns shall look to SUBLESSEE for any damages, expenses, fees, charges or claims with respect to the failure of any obligations hereunder to be performed.

(vi) Notwithstanding the provisions of Section 38 hereof, SUBLESSEE shall be required to meet only such building and safety codes as are applicable to the Project.

(E) AMENDMENTS.

The terms of this Sublease shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by SUBLESSEE, Certificate Trustee and SUBLESSOR. Copies of amendments shall be provided to the Rating Agencies. Notwithstanding the foregoing, this Sublease and the rights and obligations of SUBLESSOR hereunder and of SUBLESSEE and its successors and assigns may also be modified or amended from time to time and at any time by an agreement which SUBLESSOR, SUBLESSEE and the Certificate Trustee may enter into but only to the extent not prohibited by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of SUBLESSOR, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the obligations of SUBLESSOR hereunder, or to surrender any right or power herein reserved to or conferred upon SUBLESSOR; and

(ii) to provide for any additional or alternative procedures, covenants or agreements necessary to maintain the exclusion from gross income for Federal income tax purposes of the interest portion of the Basic Rent Payments (as defined in the Trust Agreement)

(F) NO MERGER OF LEASEHOLD ESTATES.

There shall be no merger of this Sublease or of the leasehold estate hereby created with the interest created by the Lease Agreement 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 Sublease or leasehold estate hereby created or any interest herein or therein, and the leasehold interest created by the Lease Agreement.

(G) NOTICES.

In addition to the notice provisions set forth in Section 25 hereof, copies of any notices required hereunder shall be provided to the following:

Certificate Trustee: SunTrust Bank
225 E. Robinson Street, Suite 250
Orlando, FL 32801
Attention: Corporate Trust Department

Operator: GEO Care, Inc.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

Developer: GEO Care, Inc.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

(H) RELATED DOCUMENTS

By approving this Sublease, the TRUSTEES and SUBLESSOR also hereby approve the related Lease Agreement and the Assignment of Leases dated as October 1, 2005 from SUBLESSEE to the Certificate Trustee and no further approvals shall be required with respect to such documents notwithstanding the provisions of Sections 8, 17 and 37 hereof and the TRUSTEES and SUBLESSOR acknowledge the encumbrances created by the Trust Agreement, the Lease Agreement, the Assignment of Leases and this Sublease notwithstanding the provisions of Section 31.

(I) ASSUMPTION OF CERTAIN OBLIGATIONS.

SUBLESSOR acknowledges that certain of the obligations of SUBLESSEE under this Sublease have been or shall be assumed by the Operator, the Developer or SUBLESSOR through the Operations Contract, Construction Contract, the Lease Agreement or otherwise, but that such assumption shall not relieve SUBLESSEE from any of its obligations hereunder.

(J) PROPERTY TAX EXEMPTIONS.

SUBLESSOR acknowledges that it is anticipated that the Subleased premises shall remain exempt from real property taxes throughout the term of this Sublease; If the Subleased Premises shall become subject to real property taxes, payment of such taxes shall be provided for through a request for additional appropriation by SUBLESSOR as set forth in Section 5.09 of the Lease Agreement. As set forth in the Lease Agreement, the Construction Contract and the Operations Contract, the Developer, the Operator or SUBLESSOR, as the case may be, shall be responsible for any mechanic's or materialmen's liens or drainage and special assessments. Notwithstanding the foregoing, such assumption by such parties shall not relieve the SUBLESSEE of its obligations hereunder.

(K) FURTHER ASSURANCES.

The parties hereto will execute and deliver such further instruments and do such further acts and things as may be reasonably required to carry out the intent and purposes of this Sublease.

IN WITNESS WHEREOF, SUBLESSEE has caused this Sublease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers and SUBLESSOR has caused this Sublease 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.

Witnesses:

Name: _____
Address: _____

Name: _____
Address: _____

DEPARTMENT OF CHILDREN AND FAMILY SERVICES OF
THE STATE OF FLORIDA, as Sublessor

By: _____

Lucy Hadi, Secretary

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of November, 2005, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

(SEAL)

SOUTH FLORIDA EVALUATION TREATMENT CENTER
FINANCING CORPORATION, as Sublessee

By: _____

Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of November, 2005, by Dale W. Frick, as President of South Florida Evaluation Treatment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

EXHIBIT A – DESCRIPTION OF SUBLEASED PREMISES

The North $\frac{1}{2}$ of the Northwest $\frac{1}{4}$ of the Northwest $\frac{1}{4}$ of Section 1, Township 58 South, Range 38 East:
and the South $\frac{1}{2}$ of the Southwest $\frac{1}{4}$ of the Southwest $\frac{1}{4}$ of Section 36, Township 57 South, Range 38
East, Dade County, Florida.

Inst:2006013893 Date:11/20/2006 Time:15:08
CN DC,Miltzie McGavic,Desoto County B:589 P:1708

TRUST AGREEMENT

BY AND AMONG

**U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE**

AND

**FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION,
AS CORPORATION**

AND

**FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AS DEPARTMENT**

DATED AS OF OCTOBER 1, 2006

**SECURING
CERTIFICATES OF PARTICIPATION
(FLORIDA CIVIL COMMITMENT CENTER PROJECT), SERIES 2006,
EVIDENCING FRACTIONAL UNDIVIDED
INTERESTS OF THE OWNERS THEREOF IN BASIC RENT PAYMENTS
TO BE MADE UNDER A LEASE-PURCHASE AGREEMENT
BY THE FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AN AGENCY OF THE STATE OF FLORIDA**

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EXHIBIT A - DEFINITIONS

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TRUST AGREEMENT

THIS TRUST AGREEMENT, is made and entered into as of October 1, 2006, by and among **U.S. BANK NATIONAL ASSOCIATION**, a national association with corporate trust powers qualified to accept trusts of the type herein set forth (the "Trustee"), the **FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION**, a not-for-profit corporation duly organized and existing under the laws of the State of Florida (the "Corporation"), and the **FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES**, an agency of the State duly organized and existing under the laws of the State of Florida (the "Department").

WITNESSETH:

WHEREAS, the State of Florida Board of Trustees of the Internal Improvement Trust Fund (the "Board of Trustees") and the Department entered into a Lease, dated October 20, 2006 (the "State Lease"), with respect to certain real property including particularly, the Land (as described herein), and

WHEREAS, the Department deems it in the best interests of the State to enter into (a) that certain Sublease dated as of October 1, 2006 (the "Sublease") from the Department to the Corporation as lessee under the Sublease, and (b) that certain Lease-Purchase Agreement, dated as of October 1, 2006 (the "Lease Agreement"), between the Corporation, as lessor, and the Department, as lessee, to lease-purchase certain real and/or personal property described in the Lease Schedule to the Lease Agreement (the "Lease Schedule") (which items of property are collectively referred to herein as the "Project"); and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing the Project will be made by the issuance and sale of Certificates of Participation issued hereunder (the "Certificates"), which shall be secured by and be payable from the right of the Corporation to receive Basic Rent Payments (as defined herein) to be made by the Department pursuant to the Lease Agreement and the Lease Schedule; and

WHEREAS, the Trustee has agreed to deliver the Certificates pursuant to and upon receipt of a Request and Authorization from the Corporation and the Department; and

WHEREAS, as of the date hereof, the Corporation will assign to the Trustee, by absolute assignment, all of its right, title and interest in and to the Sublease, the Lease Agreement and the Lease Payments (as defined herein), other than its rights of indemnification, its right to enter into amendments to the Lease Schedule from time to time and its obligations provided in Section 6.03 of the Lease Agreement, pursuant to an Assignment of Leases, dated as of October 1, 2006, between the Corporation and the Trustee (the "Assignment of Leases"); and

WHEREAS, the proceeds of the sale of the Certificates will be deposited with the Trustee and such funds shall be held and disbursed pursuant to the terms of this Trust Agreement in order to, among other things, fund the acquisition, construction and installation of the Project; and

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged the parties hereto agree as follows:

I. DEFINITIONS AND RULES OF CONSTRUCTION

1.01 DEFINITIONS.

The capitalized terms used herein shall have the meanings, for the purpose of this Trust Agreement ascribed to them in Exhibit A attached hereto unless the context clearly requires some other meaning. The term "Agreement" or "Trust Agreement" as used herein shall mean this Trust Agreement unless the context clearly requires some other meaning.

1.02 RULES OF CONSTRUCTION.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

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

II. RECITALS AND REPRESENTATIONS

2.01 SUBLEASE AND LEASE AGREEMENT.

The Corporation and the Department have entered into (a) the Sublease whereby the Department leases the Land to the Corporation and (b) the Lease Agreement and the Lease Schedule, whereby the Corporation has agreed to lease the Project to the Department and the Department has agreed to lease the Project from the Corporation and to make Lease Payments therefore in accordance with the terms thereof.

2.02 ASSIGNMENT OF LEASES.

The Corporation has absolutely assigned and transferred to the Trustee all its rights, title and interest under the Sublease and the Lease Agreement, other than (i) its rights of indemnification thereunder, (ii) its right to enter into amendments of the Sublease, the Lease Agreement and the Lease Schedule from time to time, pursuant to the terms and provisions of the Assignment of Leases and (iii) its obligations under Section 6.03 of the Lease Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed herein to authenticate and deliver the Certificates each evidencing an interest in the Basic Rent Payments, as set forth in such Certificates.

2.03 REPRESENTATIONS.

In the Lease Agreement, the Corporation and the Department have agreed to cause the acquisition, construction and installation of the Project pursuant to the Plans and Specifications as provided in the Construction Contract, and the Developer will be responsible for the letting of contracts and agreements for the acquisition, construction and installation of the Project and for supervising the acquisition, construction and installation of the Project pursuant to the Construction Contract.

2.04 DESCRIPTION AND ESTIMATED COST OF THE PROJECT.

The description of the Project to be acquired and constructed by the Developer pursuant to the Construction Contract and the Operations Contract and leased by the Department from the Corporation pursuant to the terms and provisions of the Lease Agreement and the estimated Cost of such Project shall be as set forth in the Lease Schedule relating thereto.

2.05 CONDITIONS PRECEDENT SATISFIED.

Each party hereto represents with respect to itself that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and delivery of this Trust Agreement have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto each represents as to itself that it is now duly empowered to execute and deliver this Trust Agreement.

III. APPOINTMENT OF TRUSTEE; DECLARATION OF TRUST

3.01 APPOINTMENT OF TRUSTEE.

In consideration of the recitals hereinabove set forth and for other valuable consideration, the Corporation and the Department hereby appoint the Trustee to receive, hold, invest and disburse the Trust Estate and to perform certain other functions, all as hereinafter provided and subject to the terms and conditions of this Trust Agreement.

3.02 DECLARATIONS OF TRUST.

- (a) The Corporation, the Department and the Trustee hereby create this trust for the purpose of facilitating the lease purchase financing of the Project and the Trustee agrees to (i) accept the assignment and transfer of the rights of the Corporation in and to the Sublease; (ii) accept the assignment and transfer of the rights of the Corporation in and to the Lease Agreement (other than the right of the Corporation to be indemnified by the Department upon the occurrence of various events described therein, its right to enter into amendments to the Lease Schedule from time to time and its obligations under Section 6.03 of the Lease Agreement) pursuant to the terms and provisions of the Assignment of Leases, (iii) execute, authenticate and deliver the Certificates against receipt of the proceeds from the sale thereof, deposit such proceeds hereunder and disburse same, together with earnings thereon, in accordance with the terms and provisions hereof and of this Trust Agreement, and (iv) do all other things necessary or incidental to the purposes hereof.
- (b) The Trustee hereby declares that it holds and will hold the Trust Estate upon the trusts and apply the moneys held hereunder as hereinafter set forth for the use and benefit of the Owners of the Certificates as set forth herein.

3.03 TRUST ESTATE.

The Trust Estate, which shall be held for the benefit of the Owners of the Certificates from time to time Outstanding hereunder, consists of the following:

- (a) All right, title and interest in the funds and accounts established under this Trust Agreement (other than the Rebate Fund, the Costs of Issuance Fund and the Supplemental Rent Fund) and the cash, securities and investments of which they are comprised;
- (b) All rights and interest of the Corporation in, to and under the Sublease;
- (c) All right, title and interest of the Corporation in, to and under the Lease Agreement and the right to receive the Lease Payments under the Lease Agreement but excluding any rights of indemnification set forth therein, its right to enter into amendments to the Lease Schedule from time to time and its obligations provided in Section 6.03 of the Lease Agreement;
- (d) All right, title and interest of the Trustee under the Assignment of Leases;
- (e) Any moneys received by the Trustee which are derived from the exercise by the Trustee, as assignee of the Corporation, of any of the remedies under this Trust Agreement, the Sublease, and the Lease Agreement; and

- (f) All property which by the express provisions of this Trust Agreement or the Lease Agreement is required to be subject to the lien hereof, and any additional property that may from time to time hereafter expressly be made subject to the lien hereof by the Trustee, the Corporation or the Department or anyone authorized to act on their behalf;

PROVIDED, HOWEVER, that in each case any portion of the Trust Estate which is derived from the sale, re-letting or other disposition of the Project, moneys and damages received in relation to the Project and any cash, securities and investments in any Pledged Accounts shall be utilized solely for the benefit of the Owners of Certificates and for whose benefit such Pledged Accounts were established, subject to certain rights of the Trustee as set forth herein.

3.04 TRUST ESTATE FOR BENEFIT OF CERTIFICATE OWNERS.

- (a) Subject only to the provisions of this Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, the Corporation and the Department hereby declare, and the Trustee acknowledges, that the Trust Estate shall secure the payment of the principal of, Prepayment Premium, if any, and interest on the Outstanding Certificates, which represent an undivided proportionate interest in the Basic Rent Payments under the Lease Agreement.
- (b) The Trustee shall be entitled to and shall, subject to the provisions of Article IX hereof and after being provided with indemnity reasonably acceptable to it, take all steps, actions and proceedings necessary, in its judgment, to enforce all of the rights of the Corporation in and under the Sublease and the Lease Agreement for the benefit of the Owners of the Certificates.
- (c) If the Certificates shall be paid, or provision for payment shall be made in accordance with the terms and provisions of Section 12.01 hereof, and all other payments due hereunder shall be made as provided in Article XII hereunder, the Trust Estate shall terminate and the Owners of the Certificates shall have no right thereto, except as otherwise provided herein.

IV. ISSUANCE OF CERTIFICATES

4.01 AUTHORIZATION OF CERTIFICATES.

- (a) The aggregate principal amount (irrespective of any original issue premium or discount) of Certificates that may be issued is hereby expressly limited to \$68,730,000; provided, however, that Completion Certificates and Refunding Certificates may additionally be issued in additional amounts in the manner provided in Sections 4.12 and 4.13, respectively, hereof. The Series 2006 Certificates shall bear interest (subject to Section 13.13 hereof) from their dated date and shall be issuable as fully registered Certificates without coupons in denominations of \$5,000 and integral multiples thereof. The Series 2006 Certificates shall be lettered and numbered R-1 and upward.
- (b) The Series 2006 Certificates issuable under this Trust Agreement shall be designated "Certificates of Participation (Florida Civil Commitment Center Project), Series 2006 Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be made under a Lease-Purchase Agreement by the Florida Department of Children and Family Services, an agency of the State of Florida."
- (c) The Certificates shall be issued for the purposes of (a) funding the Costs of the Project, or completing the Project as provided in Section 4.12 hereof, (b) funding the Reserve Account in an amount equal to the Reserve Requirement, (c) funding capitalized interest on the Series 2006 Certificates, and (d) paying the Costs of Issuance of the Series 2006 Certificates.
- (d) The Certificates shall be substantially in the form set forth in Exhibit B hereto, with such appropriate variations, omissions and insertions as may be necessary or appropriate to conform to the provisions of this Trust Agreement. All Certificates may have endorsed

thereon such legends or text as may be necessary or appropriate to conform to any applicable rules and regulations of any governmental authority or of any securities exchange on which the Certificates may be listed or any usage or requirement of law with respect thereto.

- (e) The Series 2006 Certificates shall be dated as of their date of delivery. Interest on the Certificates shall be payable on each Payment Date, commencing April 1, 2007.
- (f) The Series 2006 Certificates shall bear interest at the respective rates and shall mature on April 1 or October 1 of each of the years in the respective amounts set opposite each date in the following schedule:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
10/1/2009	\$ 900,000	4.00%	3.60%	101.082
4/1/2010	895,000	4.00	3.61	101.227
10/1/2010	930,000	4.00	3.61	101.397
4/1/2011	935,000	4.00	3.63	101.482
10/1/2011	970,000	4.00	3.63	101.638
4/1/2012	970,000	4.00	3.66	101.643
10/1/2012	1,010,000	5.00	3.68	106.918
4/1/2013	1,015,000	5.00	3.71	107.265
10/1/2013	1,060,000	5.00	3.73	107.640
4/1/2014	1,065,000	5.00	3.75	107.989
10/1/2014	1,115,000	5.00	3.77	108.314
4/1/2015	1,120,000	5.00	3.80	108.539
10/1/2015	1,175,000	5.00	3.82	108.811
4/1/2016	1,175,000	5.00	3.86	108.896
10/1/2016	2,500,000	5.00	3.87	109.201
10/1/2017	2,625,000	5.00	3.94	108.601*
10/1/2018	2,760,000	5.00	3.98	108.261*
10/1/2019	2,900,000	5.00	4.02	107.921*
10/1/2020	3,050,000	5.00	4.06	107.583*
10/1/2021	3,210,000	5.00	4.09	107.331*
10/1/2022	3,370,000	5.00	4.11	107.163*
10/1/2023	3,545,000	5.00	4.14	106.911*
10/1/2024	3,725,000	5.00	4.16	106.744*
10/1/2025	3,920,000	5.00	4.18	106.577*
10/1/2026	4,120,000	5.00	4.20	106.410*
10/1/2029	3,000,000	5.00	4.22	106.244*

\$15,670,000 4.55% Term Certificates due October 1, 2029- Price 100%

* Callable premium Certificates. Yield calculated to the first optional redemption date of October 1, 2016.

- (g) The Series 2006 Certificates maturing in the years 2009 through 2026 and the \$3,000,000 Series 2006 Certificates maturing in the year 2029 shall be Serial Certificates and the \$15,670,000 Series 2006 Certificates maturing October 1, 2029 shall be Term Certificates.
- (h) The principal of the Certificates shall be payable from the Principal Component of the Basic Rent Payments on April 1 and October 1 of each year, except as otherwise provided by a Supplemental Trust Agreement. The interest on the Certificates shall be payable semiannually from the Interest Component of Basic Rent Payments on the Payment Dates, except as otherwise provided by a Supplemental Trust Agreement. Interest on the Certificates shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months, except as otherwise provided by a Supplemental Trust Agreement. Except as

otherwise provided in Section 4.01 (a) hereof, the Certificates shall be numbered in such manner as the Trustee deems appropriate.

- (i) Except as provided in Section 4.11 hereof, the principal of all Certificates shall be payable at the Principal Office of the Trustee. Payment of the principal of all Certificates shall be made upon the presentation and surrender of such Certificates as the same shall become due and payable. Payment of interest on the Certificates shall be by check or draft mailed on the Interest Payment Date to the Owner as of the close of business on the Record Date at his address as it appears on the Certificate Register maintained by the Trustee; except that, if and to the extent that there shall be a default in payment of interest due on such Payment Date, such defaulted interest payment shall be paid to the Owners in whose name any such Certificates are registered at the close of business on the fifteenth day preceding the date of payment of such defaulted interest payment; provided, however, that at the request and expense of any Owner of \$1,000,000 or more in aggregate principal amount of Outstanding Certificates as of the applicable Record Date, interest shall be paid by wire transfer on the Interest Payment Date to a bank account located in the continental United States and designated in writing to the Trustee by said Owner at least five days prior to such Interest Payment Date.
- (j) Subject to the foregoing provisions of this Section, each Certificate delivered under this Trust Agreement upon transfer of or in exchange for or in lieu of any other Certificate shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Certificate and each such Certificate shall bear interest from such date, so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

4.02 DELIVERY OF CERTIFICATES.

- (a) The Certificates, other than Completion Certificates and Refunding Certificates, shall be executed substantially in the form and in the manner set forth herein, but before such Certificates shall be delivered by the Trustee, there shall be filed or deposited with the Trustee the following:
 - (1) A copy, certified by the President or Secretary of the Corporation, or his or her designee, of the resolution or resolutions of the Board of Directors of the Corporation approving the form of and authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule, the Assignment of Leases, the Construction Contract and this Trust Agreement;
 - (2) A certified copy of the Act and other actions of the Department authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule, the Construction Contract, the Operations Contract and this Trust Agreement and a statement of the Department approving the form of, and execution and delivery by the Corporation, of the Assignment of Leases;
 - (3) An executed copy of the Request and Authorization relating to the Certificates;
 - (4) A fully executed counterpart of this Trust Agreement;
 - (5) A fully executed counterpart of the Sublease together with a certified copy of the State Lease;
 - (6) A fully executed counterpart of the Lease Agreement and the Lease Schedule;
 - (7) A fully executed counterpart of the Assignment of Leases;
 - (8) A fully executed counterpart of the Construction Contract;
 - (9) A fully executed counterpart of the Operations Contract;
 - (10) A fully executed counterpart of the Payment and Performance Bonds;
 - (11) A Survey of the Land;

- (12) A Phase I Environmental Audit of the Land;
- (13) A mortgagee title insurance policy, or a commitment with respect thereto, on ALTA forms, dated the Closing Date, with a reputable title insurance company authorized to write title insurance in the State, indicating the Corporation and the Trustee as named insureds, which shall insure the leasehold interest of the Corporation and the Trustee in the Land under the Sublease in an amount equal to the par amount of the Series 2006 Certificates, to be free and clear of all liens and encumbrances, except Permitted Encumbrances;
- (14) An opinion of counsel for the Corporation to the effect that (A) the Corporation has been duly organized and is validly existing as a not-for-profit corporation in good standing under the laws of the State, and the Corporation has the power and authority to execute and deliver this Trust Agreement, the Sublease, the Lease Agreement, the Assignment of Leases and the Construction Contract, (B) this Trust Agreement, the Sublease, the Lease Agreement, the Lease Schedule, the Assignment of Leases and the Construction Contract, have each been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of the Corporation enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by principles of equity;
- (15) An opinion of counsel to the Department to the effect that (A) the Department is a duly organized and validly existing department of the State and has all necessary power and authority to execute and deliver the State Lease, the Sublease, the Lease Agreement, the Lease Schedule, the Construction Contract, the Operations Contract and this Trust Agreement and (B) the State Lease, the Sublease, the Lease Agreement, the Lease Schedule, the Construction Contract, the Operations Contract and this Trust Agreement has each been duly authorized, executed and delivered by the Department and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Department enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by the usual equitable principles;
- (16) Reserved;
- (17) An opinion of Special Counsel to the effect that, except for Taxable Certificates, the Interest Component of such series of Certificates is excluded from the gross income of the Owners thereof for purposes of federal income taxation;
- (18) An opinion of counsel for THE GEO GROUP, INC. ("GEO") to the effect that (A) GEO has been duly organized and is validly existing as a for-profit corporation in good standing under the laws of the State, and GEO has the power and authority to execute and deliver and the Construction Contract and the Operations Contract, (B) the Construction Contract and the Operations Contract have each been duly authorized, executed and delivered by GEO and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of GEO enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by principles of equity;
- (19) The Letter of Credit, together with agreements, certificates and opinions of counsel in relation thereto satisfactory to the Department, the Corporation, the Trustee, GEO, or their counsel;
- (20) The Policy, together with agreements, certificates and opinions of counsel in relation thereto satisfactory to the Department, the Corporation, the Trustee, GEO, or their counsel;

- (21) Any Reserve Account Surety Bond, together with agreements, certificates and opinions of counsel in relation thereto satisfactory to the Department, the Corporation, the Trustee, GEO, or their counsel; and
 - (22) Such certificate, opinions and other items as may be required pursuant to Section 13.13 hereof; and
 - (23) Such other documents, certificates and opinions as the Department, the Corporation, the Trustee, GEO, or their counsel, may reasonably request.
- (b) When the documents described in Section 4.02(a) hereof shall have been filed with the Trustee, and when the Certificates shall have been executed and authenticated as required by this Trust Agreement, the Trustee shall deliver the Certificates at one time to, or upon the order of, the Purchasers of the Certificates, but only upon payment to the Trustee of the purchase price of such Certificates and the accrued interest thereon, if any. The Trustee shall be entitled to rely upon the resolutions described in paragraphs (1) and (2) of Section 4.02(a) hereof as to all matters stated therein. The Trustee shall be entitled to rely upon the opinions described in paragraphs (14), (15), (16) and (17) of Section 4.02(a) hereof as to all matters stated therein.

4.03 EXECUTION OF CERTIFICATES

The Certificates shall be executed with the manual or facsimile signature of an authorized officer of the Trustee. In case any officer whose signature or a facsimile of whose signature shall appear on any Certificates shall cease to be such officer before the delivery of such Certificates, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Any Certificates may bear the facsimile signature of, or may be signed by, such officer as at the actual time of the execution of such Certificates shall be the proper officer to sign such Certificates although at the dated date of such Certificates such officer may not have been such officer.

4.04 AUTHENTICATION OF CERTIFICATES.

Only such Certificates as shall have endorsed thereon a certificate of authentication substantially in the form set forth in Exhibit B hereto, manually executed by the Trustee, shall be entitled to any benefit or security under this Trust Agreement. No Certificate shall be valid or obligatory for any purpose unless and until such certificate of authentication on the Certificate shall have been duly executed by the Trustee, and such certificate of the Trustee upon any such Certificate shall be conclusive evidence that such Certificate has been duly authenticated and delivered under this Trust Agreement. The Trustee's certificate of authentication on any Certificate shall be deemed to have been duly executed if signed by an authorized officer of the Trustee, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Certificates that may be issued hereunder at any one time.

4.05 EXCHANGE OF CERTIFICATES.

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

4.06 NEGOTIABILITY, REGISTRATION AND TRANSFER OF CERTIFICATES.

- (a) The Trustee shall keep or cause to be kept a Certificate Register, which shall at all times be open to inspection by the Department, the Corporation and the Owners of ten percent (10%) or more of the aggregate principal amount of Certificates then Outstanding to which such Certificate Register relates; and, upon presentation for such purpose, the Trustee shall, under

such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on the Certificate Register, of Certificates as provided herein.

- (b) The transfer of any Certificate may be registered only upon the Certificate Register upon surrender thereof to the Trustee together with an assignment duly executed by the Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such registration of transfer the Trustee shall authenticate and deliver in exchange for such Certificate a new registered Certificate or Certificates, registered in the name of the transferee, of any denomination or denominations authorized by this Trust Agreement in the aggregate principal amount equal to the principal amount of such Certificate surrendered or exchanged, of the same maturity and series and bearing interest at the same rate.
- (c) In all cases in which Certificates shall be exchanged or the transfer of Certificates shall be registered hereunder, the Trustee shall authenticate and deliver at the earliest practicable time Certificates in accordance with the provisions of this Trust Agreement. All Certificates surrendered in any such exchange or registration of transfer shall forthwith be cancelled by the Trustee. If the Certificates are physical, upon the cancellation of any Certificates by the Trustee, the Trustee shall execute a certificate of cancellation in duplicate by the signature of one of its authorized officers describing the Certificates so cancelled, and executed cancellation certificates shall be filed with the Department and the other executed cancellation certificate shall be retained by the Trustee. No service charge shall be made for any registration, transfer, or exchange of Certificates, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Certificates as a condition precedent to such registration, transfer or exchange. The Trustee shall not be required to transfer or exchange Certificates (i) during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of prepayment of Certificates and ending at the close of business on the day of such mailing, (ii) so selected for prepayment in whole or in part, or (iii) during a period beginning at the opening of business on the Record Date next preceding a date set for payment of interest and ending on such Interest Payment Date.

4.07 OWNERSHIP OF CERTIFICATES.

The Trustee shall deem and treat the Person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute Owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and interest payments with respect to such Certificate and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effective to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the Corporation, the Department nor the Trustee shall be affected by any notice to the contrary.

4.08 MUTILATED, DESTROYED, STOLEN OR LOST CERTIFICATES.

- (a) In case any Certificate secured hereby shall become mutilated or be destroyed, stolen or lost, the Trustee shall cause to be executed, shall authenticate and deliver, a new Certificate of like date and tenor in exchange and substitution for and upon the cancellation of such mutilated Certificate or in lieu of and in substitution for such Certificate destroyed, stolen or lost, and the Owner shall pay the reasonable expenses and charges of the Trustee in connection therewith and, in case of a Certificate destroyed or lost, the Owner shall file with the Trustee evidence satisfactory to the Trustee that such Certificate was destroyed or lost, and of his ownership thereof, and as a condition precedent to delivery of such new Certificate the Trustee may require indemnity satisfactory to it.
- (b) Every Certificate issued pursuant to the provisions of this Section in exchange or substitution for any Certificate which is mutilated, destroyed, lost or stolen shall constitute an additional contractual obligation pursuant to the terms hereof, whether or not the destroyed, lost or stolen Certificate shall be found at any time, or be enforceable by anyone, and shall be

entitled to all the benefits hereof equally and proportionately with any and all other Certificates duly issued under this Trust Agreement. All Certificates shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Certificates, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

4.09 TEMPORARY CERTIFICATES.

- (a) Until definitive Certificates are ready for delivery, there may be executed, and upon request of the Department, the Trustee shall authenticate and deliver, in lieu of definitive Certificates and subject to the same limitations and conditions, typewritten temporary Certificates, in the form of fully registered Certificates in denominations of \$5,000 or any whole multiple thereof, substantially of the tenor of the Certificates set forth in this Trust Agreement and with such appropriate omissions, insertions and variations as may be required.
- (b) If temporary Certificates shall be issued, the Trustee, upon preparation of the definitive Certificates and presentation to it at its designated office of any temporary Certificate, shall cancel the same and authenticate and deliver to the Owner, without charge to such Owner, a definitive Certificate or Certificates of an equal aggregate principal amount, of the same maturity and series and bearing interest at the same rate as the temporary Certificate surrendered. Until so exchanged, the temporary Certificates shall in all respects be entitled to the same benefit and security of this Trust Agreement as the definitive Certificates to be issued and authenticated hereunder.

4.10 EVIDENCE OF SIGNATURES OF CERTIFICATE OWNERS AND OWNERSHIP OF CERTIFICATES.

- (a) Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Certificate Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:
 - (1) The fact and date of the execution by any Certificate Owner or his attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions that the Persons signing such instruments acknowledged before him the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his authority.
 - (2) The fact of the ownership of Certificates by any Certificate Owner and the amount, the principal Payment Date and the numbers of such Certificates and the date of his ownership of the same shall be proved by the Certificate Register held by the Trustee pursuant to this Trust Agreement.
- (b) Nothing contained in this Article IV shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which may seem sufficient. Any request or consent of the Owner of any Certificate shall bind

every future Owner of the same Certificate in respect of anything done or suffered to be done by the Department or the Trustee in pursuance of such request or consent.

4.11 BOOK ENTRY.

Notwithstanding the provisions in this Trust Agreement, the Certificates will be issued initially as one fully registered Certificate for each maturity in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and deposited in the custody of DTC. The Beneficial Owners will not receive physical delivery of the Certificates. Individual purchases of the Certificates may be made in book-entry form only in principal amounts equal to Authorized Denominations thereof. Payments of principal and premium, if any, and interest on the Certificates will be made to DTC or its nominee as holder of the Certificates.

DTC shall pay interest to the Beneficial Owners of record through its participants (the "Participants") as of the close of business on the Record Date. DTC shall pay the prepayment price of the Certificates called for prepayment to the Beneficial Owners of record through its Participants in accordance with its customary procedures. Transfer of ownership interests in the Certificates shall be made by DTC and its Participants, acting as nominees of the Beneficial Owners, in accordance with rules specified by DTC and its Participants.

Neither the Department nor the Corporation nor the Trustee shall have any responsibility or obligations to the Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by DTC or any Participant of any amount due to any Beneficial Owner in respect of the Basic Rent evidenced by the Certificates; (c) the delivery or timeliness of delivery by DTC or any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Trust Agreement to be given to Certificate holders; (d) the timely delivery or implementation of any optional or mandatory notices or payments to, among, or between the Department, the Corporation, the Trustee, DTC, the Participants or the Beneficial Owners; (e) the selection of the Beneficial Owners to receive payments in the event of any partial prepayment of the Certificates; or (f) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Certificate holder.

The Department, the Corporation and the Trustee may treat and consider the Person in whose name each Certificate is registered in the registration books kept by the Trustee as the Holder and absolute owner of such Certificate for the purpose of payment of principal, prepayment premium, if any, and interest with respect to such Certificate, for the purpose of giving notices of prepayment and other matters with respect to such Certificate, for the purpose of registering transfers with respect to such Certificate, and for all other purposes whatsoever. The Trustee shall pay all Basic Rent received as evidenced by the Certificates only to or upon the order of the respective Holders, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Department's obligations with respect to payment of Basic Rent evidenced by the Certificates to the extent of the sum or sums so paid. No Person other than a Holder, as shown in the registration books kept by the Trustee, shall receive a certificated Certificate evidencing the obligation of the Department to make payments of Basic Rent pursuant to the provisions hereof.

Certificates in certificated form will be issued directly to owners of the Certificates other than DTC, or its nominee, upon the occurrence of the following events (subject, however, to operation of the two sentences following clause (c) below):

- (a) DTC determines not to continue to act as securities depository for the Certificates; or
- (b) the Department and the Corporation have advised DTC of their determination that DTC is incapable of discharging its duties; or
- (c) the Department and the Corporation have determined that it is in the best interest of the holders of the Certificates not to continue the book-entry system of transfer or that interests of the Beneficial Owners of the Certificates might be adversely affected if the book-entry system of transfer is continued.

Upon occurrence of the event described in (a) or (b) above, the Department and the Corporation shall attempt to locate another qualified Securities Depository. If the Department and the Corporation fail to locate another qualified Securities Depository to replace DTC, the Trustee shall authenticate and deliver Certificates in certificated form. In the event the Department and the Corporation make the determination noted in (b) or (c) above (as to which the Department and the Corporation undertake no obligation to make any investigation to determine the occurrence of any events that would permit the Department and the Corporation to make any such determination), and has made provisions to notify the Beneficial Owners of the Certificates of the availability of certificated Certificates by mailing an appropriate notice to DTC, the Department and the Corporation shall cause the Trustee to authenticate and deliver Certificates in certificated form pursuant to Exhibit B to Participants (as requested by DTC) in appropriate amounts. Principal of and interest on the Certificates shall be payable as otherwise provided in this Article IV.

4.12 COMPLETION CERTIFICATES.

- (a) Subject to Section 13.13 hereof, Completion Certificates may be issued to provide necessary funds to complete payment of the Costs of the Project previously financed hereunder or to finance additional property which shall be added to the Project or which shall be substituted for a portion of the Project. Except for the purposes of Section 6.03 of the Lease Agreement, such Completion Certificates, for purposes of this Trust Agreement and the Lease Agreement, shall constitute a part of the same series of Certificates as the Certificates issued to pay the original Costs of the Project. Such Completion Certificates shall be executed substantially in the form and in the manner set forth herein, but before such Completion Certificates shall be delivered by the Trustee, there shall be filed or deposited with the Trustee the following:
- (1) A copy, certified by the Secretary of the Corporation, or his designee, of the resolution or resolutions of the Board of Directors of the Corporation approving the form of and authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule as amended, to take into account the Completion Certificates, the Assignment of Leases, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates;
 - (2) A certified copy of the Act and other actions of the Department authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule relating to the original Project as amended, if necessary, to take into account the Completion Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates and approving the execution and delivery by the Corporation of the Assignment of Leases;
 - (3) An executed copy of the Request and Authorization relating to such Completion Certificates;
 - (4) A fully executed counterpart of this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates;
 - (5) A fully executed counterpart of the State Lease, the Sublease, the Lease Agreement and the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, the change, if any, to such Project and the additional Basic Rent Payments that would have to be made thereunder;
 - (6) A fully executed counterpart of the Assignment of Leases, if amended;
 - (7) A fully executed counterpart of the Construction Contract, if amended;
 - (8) A fully executed counterpart of the Operations Contract, if amended;
 - (9) A fully executed counterpart of the Payment and Performance Bonds, if amended;
 - (10) A Survey of the additional Land, if any;

- (11) An Environmental Audit of the additional Land, if any;
- (12) A commitment for title insurance policy, on ALTA forms, dated the Closing Date, with a reputable title insurance company authorized to write title insurance in the State, indicating the Corporation and the Trustee as named insureds, which shall insure the leasehold interest of the Corporation in the Land under the Sublease in an amount equal to the amount which reflects any modifications thereto for which Completion Certificates were issued, to be free and clear of all liens and encumbrances, except Permitted Encumbrances;
- (13) An opinion of counsel for the Corporation to the effect that (A) the Corporation has been duly organized and is validly existing as a not-for-profit corporation in good standing under the laws of the State, and the Corporation has the power and authority to execute and deliver this Trust Agreement, the Supplemental Trust Agreement relating to such Completion Certificates, the Sublease, the Lease Agreement, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates and the Assignment of Leases, (B) this Trust Agreement, the Supplemental Trust Agreement relating to such Completion Certificates, the Sublease, the Lease Agreement, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, and the Assignment of Leases has each been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of the Corporation enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or by usual equity principles;
- (14) An opinion of counsel to the Department to the effect that (A) the Department is a duly organized and validly existing agency of the State and has all necessary power and authority to execute and deliver the Sublease, the Lease Agreement, the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates, (B) the Sublease, the Lease Agreement and the Lease Schedule relating to the original Project as amended to take into account the Completion Certificates, this Trust Agreement and the Supplemental Trust Agreement relating to such Completion Certificates has each been duly authorized, executed and delivered by the Department and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Department enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by the usual equitable principles and (C) all approvals required to be issued by the State pursuant to Section 255.25, Florida Statutes, have been obtained and, to such counsel's knowledge after due investigation, all State permits or approvals required for the lease, construction and operation of the Project, if any, have been obtained;
- (15) An opinion of Special Counsel to the effect that (A) except for Taxable Certificates, the Interest Component of such series of Certificates is excluded from the gross income of the Owners thereof for purposes of federal income taxation and (B) the issuance of such Certificates will not, in and of itself, adversely affect the exclusion from gross income of the Interest Component of all other Outstanding Certificates, to the extent then excluded;
- (16) Reserved;
- (17) An opinion of counsel for GEO to the effect that (A) GEO has been duly organized and is validly existing as a for-profit corporation in good standing under the laws of the State, and GEO has the power and authority to execute and deliver and the Construction Contract and the Operations Contract relating to the original Project as amended to take into account the Completion Certificates, (B) the Construction Contract and the Operations Contract relating to the original Project as amended to take into account the

Completion Certificates have each been duly authorized, executed and delivered by GEO and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of GEO enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by principles of equity; and

- (18) Such other documents, certificates and opinions as the Department, the Corporation, the Trustee, GEO, or their counsel, may reasonably request.
- (b) When the documents described in Section 4.12(a) hereof shall have been filed with the Trustee and when the Completion Certificates shall have been executed and authenticated as required by this Trust Agreement, the Trustee shall deliver the Completion Certificates at one time to, or upon the order of, the Purchasers of such Completion Certificates, but only upon payment to the Trustee of the purchase price of the Completion Certificates and the accrued interest thereon, if any. The Trustee shall be entitled to rely upon the resolutions described in paragraphs (1) and (2) of Section 4.12(a) hereof as to all matters stated therein. The Trustee shall be entitled to rely upon the opinions described in paragraphs (13), (14), (15) and (16) of Section 4.12(a) hereof as to all matters stated therein.
- (c) The proceeds of the Completion Certificates may also be used to fund a Reserve Requirement, capitalize interest on such Completion Certificates and/or pay Costs of Issuance, and shall be deposited in the Pledged Accounts established for the Certificates which financed the original Project in such manner and in such amounts as determined by the Supplemental Trust Agreement relating to authorization of such Completion Certificates. The Completion Certificates shall be secured on a parity with the Certificates in accordance with the terms hereof.

4.13 REFUNDING CERTIFICATES.

- (a) Subject to Section 13.13 hereof, Refunding Certificates may be issued under and secured by this Trust Agreement, subject to the conditions hereinafter provided in this Section, at any time or times, for the purposes of (i) providing funds for refunding part or all of the Certificates at or prior to their maturity or maturities, including the payment of any Prepayment Premium thereon and interest which will accrue on such Certificates to their dates of payment, (ii) making a deposit, if necessary, to the subaccount of the Reserve Account which shall secure such Refunding Certificates, and (iii) paying the Costs of Issuance relating to said Refunding Certificates. Such Refunding Certificates shall be executed substantially in the form and manner set forth herein, but before the Refunding Certificates shall be delivered by the Trustee, there shall be filed or deposited with the Trustee the following:
 - (1) A copy, certified by the Secretary of the Corporation, or his or her designee, of the resolution or resolutions of the Board of Directors of the Corporation approving the form of and authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule), the Assignment of Leases, this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates;
 - (2) A certified copy of the Act and other actions of the Department authorizing the execution and delivery of the Sublease, the Lease Agreement, including the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule), this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates and approving the execution and delivery by the Corporation of the Assignment of Leases;
 - (3) An executed copy of the Request and Authorization relating to such Refunding Certificates;

- (4) A fully executed counterpart of this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates;
- (5) A fully executed counterpart of the Sublease and the State Lease;
- (6) A fully executed counterpart of the Lease Agreement and the Lease Schedule as amended to take into account the Refunding Certificates;
- (7) A fully executed counterpart of the Assignment of Leases;
- (8) A fully executed counterpart of an Escrow Deposit Agreement;
- (9) A commitment for title insurance policy, on ALTA forms, dated the Closing Date, with a reputable title insurance company authorized to write title insurance in the State, indicating the Corporation and the Trustee as named insureds, which shall insure the leasehold interest of the Corporation and the Trustee in the Land under the Sublease in an amount equal to the amount which reflects any modifications thereto for which Refunding Certificates were issued, to be free and clear of all liens and encumbrances, except Permitted Encumbrances;
- (10) An opinion of counsel for the Corporation to the effect that (A) the Corporation has been duly organized and is validly existing as a not-for-profit corporation in good standing under the laws of the State, and the Corporation has the power and authority to execute and deliver this Trust Agreement, the Supplemental Trust Agreement relating to such Refunding Certificates, the Sublease, the Lease Agreement, the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule), and the Assignment of Leases, and (B) this Trust Agreement, the Supplemental Trust Agreement relating to such Refunding Certificates, the Sublease, the Lease Agreement, the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule), and the Assignment of Leases has each been duly authorized, executed and delivered by the Corporation and, assuming due authorization, execution and delivery thereof by the other parties thereto, constitute valid and binding agreements of the Corporation enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally or by usual equity principles;
- (11) An opinion of counsel to the Department to the effect that (A) the Department is a duly organized and validly existing agency of the State and has all necessary power and authority to execute and deliver the Sublease, the Lease Agreement, the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule), this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates, (B) the Sublease, the Lease Agreement and the Lease Schedule relating to the Refunding Certificates (which may be in the form of amendments to the Lease Schedule relating to the Certificates to be refunded), this Trust Agreement and the Supplemental Trust Agreement relating to such Refunding Certificates has each been duly authorized, executed and delivered by the Department and, assuming due authorization, execution and delivery thereof by the other parties thereto and subject to the terms and conditions thereof, constitute the valid and binding agreements of the Department enforceable in accordance with their terms, except to the extent that the enforceability of the same may be limited by bankruptcy, insolvency or other laws affecting creditors' rights generally and by the usual equitable principles;
- (12) An opinion of Special Counsel to the effect that (A) except in the case of Taxable Certificates, the Interest Component of the Refunding Certificates and the Refunded Certificates is or will remain excluded from the gross income of the Owner thereof for purposes of federal income taxation and (B), in the case of an advance refunding, the Refunded Certificates have been defeased in accordance with the terms hereof;

- (13) A report of a certified public accountant or firm of certified public accountants verifying the mathematical accuracy of calculations supplied by the Department, or its designee, that the proceeds of such Refunding Certificates plus any other moneys available for such purpose, including investment earnings, shall be not less than an amount sufficient to pay the principal of and the Prepayment Premium, if any, on the Certificates to be refunded and the Interest Component of Basic Rent represented by the Certificates which will accrue thereon to the prepayment date or maturity dates applicable thereto; and
- (14) Such other documents, certificates and opinions as the Department, the Corporation, the Trustee, GEO, or their counsel, may reasonably request.
- (b) When the documents described in Section 4.13(a) hereof shall have been filed with the Trustee and when the Refunding Certificates shall have been executed and authenticated, the Trustee shall deliver such Refunding Certificates to or upon the order of the Purchasers thereof, but only upon payment to the Trustee of the purchase price of such Refunding Certificates, plus accrued interest, if any. The Trustee shall be entitled to rely upon the resolutions described in paragraphs (1) and (2) of Section 4.13(a) hereof as to all matters stated herein. The Trustee shall be entitled to rely upon the opinions described in paragraphs (10), (11) and (12) of Section 4.13(a) hereof as to all matters stated therein.
- (c) Other than for amounts required to pay Costs of Issuance or to make deposits to the Reserve Account, the proceeds of such Refunding Certificates and any other moneys received by the Trustee or other escrow agent acceptable to the Department for such purpose, shall be held by the Trustee or such other escrow agent in a special fund appropriately designated, to be held in trust for the sole and exclusive purpose of paying the principal of, Prepayment Premium, if any, and interest on the Certificates to be refunded, all as provided in Section 12.01 hereof.
- (d) The Trustee is hereby authorized, at the written direction of the Department, to remove moneys from the Principal Account, the Interest Account and the Reserve Account pledged to the payment of the Certificates to be refunded and apply the same in the manner required by the Supplemental Trust Agreement authorizing the issuance of the Refunding Certificates.
- (e) Subject to the provisions of Section 4.13(d) hereof, the Refunding Certificates shall be secured in the same manner and from the same Pledged Accounts as were the Certificates to be refunded in accordance with the terms hereof.

4.14 PAYMENTS FROM TRUST ESTATE ONLY; DISTRIBUTION OF TRUST ESTATE.

- (a) Each Certificate executed and delivered pursuant to this Trust Agreement shall rank pari passu and be equally and ratably secured under this Trust Agreement with each other Certificate issued pursuant to this Trust Agreement and Outstanding, without preference, priority or distinction of any such Certificate over any other such Certificate.
- (b) Except as otherwise expressly provided in Section 4.14(a) above, and elsewhere herein, all amounts payable by the Trustee with respect to the Certificates pursuant to this Trust Agreement shall be paid only from the Trust Estate or from any other amounts derived from the Project and only to the extent that the Trustee shall have actually received sufficient income or proceeds from the Trust Estate to make such payments. Each Certificate Holder agrees, except as otherwise expressly provided herein, to look solely to the income of and the proceeds from the Trust Estate to the extent available for distribution to such holder as herein provided and that the Trustee is not personally liable to any Certificate Holder for any amounts payable under this Trust Agreement or subject to any liability whatsoever under this Trust Agreement except as a result of gross negligence or willful misconduct by the Trustee.

V. PREPAYMENT

5.01 PREPAYMENT.

- (a) The Series 2006 Certificates are subject to Extraordinary Prepayment, in whole, on any date, or in part, on any Extraordinary Prepayment Date (if in part, in any order of maturity as directed by the Department or, in the absence of such direction, in inverse order of maturity and by lot within a maturity as may be designated by the Trustee), without prepayment premium, at the principal amount, together with accrued interest to the Extraordinary Prepayment Date, from the Net Proceeds of insurance or condemnation or other amounts deposited with the Trustee pursuant to Section 5.08(c) of the Lease Agreement. The Extraordinary Prepayment Date with respect to any partial Extraordinary Prepayment shall be the next succeeding Payment Date following the receipt by the Trustee of the moneys to be used for such prepayment; provided, however, if such Payment Date occurs within forty (40) days of receipt by the Trustee of the moneys to be used for such prepayment, the Extraordinary Prepayment Date shall be the second succeeding Payment Date.
- (b) The Series 2006 Certificates are subject to Special Prepayment, in whole on the Special Prepayment Date, without prepayment premium, at a prepayment price equal to the original issue price paid by the original purchaser of each Certificate, together with accrued interest to the Special Prepayment Date, from amounts on deposit in the Project Account, the Capitalized Interest Account and the Reserve Account deposited into the Prepayment Fund pursuant to Section 3.03(g) of the Lease Agreement for failure to commence construction prior to the Construction Commencement Deadline; provided, however, the Department may elect not to prepay the Series 2006 Certificates so long as the then-current ratings on the Series 2006 Certificates will not be withdrawn, downgraded or adversely impacted if the Series 2006 Certificates are not prepaid. The Special Prepayment Date with respect to any Special Prepayment shall be a date selected by the Department by written direction to the Trustee not less than thirty (30) days, nor more than sixty (60) days, after the Construction Commencement Deadline.
- (c) The Series 2006 Certificates maturing on or before October 1, 2016 shall not be subject to prepayment at the option of the Department. Any of the Series 2006 Certificates maturing on or after October 1, 2017 may be prepaid, from optional prepayments of Basic Rent made by the Department pursuant to the Lease Agreement, in whole on October 1, 2016 or any date thereafter, or in part on October 1, 2016 or any Payment Date thereafter and in such order of maturities as may be designated by the Department, or if not so designated, in the inverse order of maturities, and by lot within a maturity in such manner as may be designated by the Trustee, at the Prepayment Price of par, plus accrued and unpaid interest thereon to the prepayment date. The moneys necessary to fund such optional prepayment shall be deposited with the Trustee not less than thirty-five (35) days prior to such date of prepayment.
- (d) The Series 2006 Term Certificates maturing on October 1, 2029 shall be subject to mandatory prepayment, without prepayment premium, commencing on October 1, 2027 from Amortization Installments in the amounts and in the years set forth below (the Trustee shall select such Certificates by lot in such manner as it deems appropriate):

<u>Payment Date</u>	<u>Amortization Installment</u>
October 1, 2027	\$4,320,000
October 1, 2028	4,520,000
October 1, 2029 (Final Maturity)	6,830,000

5.02 SELECTION OF CERTIFICATES TO BE PREPAID.

- (a) When Certificates are selected for prepayment by lot, selection of Certificates for prepayment shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in the principal amount of \$5,000 or any whole multiple thereof, and that in selecting portions of Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount with respect to such Certificate by \$5,000.
- (b) Upon any partial prepayment pursuant to this Article V, the Trustee shall provide the Department with, or cause to be provided, a revised schedule of Basic Rent Payments which schedule shall take into account such prepayment and shall be and become for all purposes part of the Lease Agreement.

5.03 NOTICE OF PREPAYMENT.

- (a) When prepayment of Certificates is authorized or required pursuant to the provisions hereof and of any Supplemental Trust Agreement relating to such Certificates, the Trustee shall give to the Owners of Certificates to be prepaid notice, at the expense of the Department, of the prepayment of the Certificates. Such notice shall state: (i) the CUSIP numbers of all Certificates being prepaid, (ii) the original issue date of such Certificates, (iii) the maturity date, series and rate of interest borne by each Certificate being prepaid, (iv) the prepayment date, (v) the Prepayment Price, (vi) the date on which such notice is mailed, (vii) if less than all Outstanding Certificates are to be prepaid, the certificate number (and, in the case of a partial prepayment of any Certificate, the principal amount) of each Certificate to be prepaid, (viii) that on such prepayment date there shall become due and payable upon each Certificate to be prepaid the Prepayment Price thereof, or the Prepayment Price of the specified portions of the principal thereof in the case of Certificates to be prepaid in part only, together with interest accrued thereon to the prepayment date, and that from and after such date interest thereon shall cease to accrue and be payable, (ix) that the Certificates to be prepaid, whether as a whole or in part, are to be surrendered for payment of the Prepayment Price at the designated corporate trust office of the Trustee at an address specified, and (x) the name and telephone number of a person designated by the Trustee to be responsible for such prepayment.
- (b) Notice of such prepayment shall be given by first class mail, postage prepaid, not more than sixty (60) days or fewer than thirty (30) days prior to said date of prepayment, to the Owners of any Certificates to be prepaid. Any defect in such notice as mailed shall not affect the validity of the proceedings for the prepayment of the Certificates for which proper notice has been given.
- (c) In addition to the mailing of the notice described above, further notice of prepayment shall be provided as set forth in the following paragraph provided, however, that failure to provide such further notice of prepayment to comply with the terms of this paragraph shall not in any manner defeat the effectiveness of a call for prepayment if notice thereof is given as prescribed in Sections 5.03(a) and 5.03(b) hereof:

Each further notice of prepayment shall be sent on the second Business Day prior to the date regular notice of prepayment is given by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Certificates and on the date notice of prepayment is given, notice of prepayment shall be mailed to four or more national information services which disseminate notices of prepayment of obligations such as the Certificates.

5.04 DEPOSIT OF PREPAYMENT AMOUNTS; EFFECT OF CALLING FOR PREPAYMENT.

- (a) On or before the date on which a notice of prepayment is mailed pursuant to Section 5.03 hereof, there shall be deposited with the Trustee moneys or Refunding Securities or a

combination thereof in an amount sufficient, together with the interest earnings thereon, to pay the principal of and the Prepayment Premium, if any, and interest accruing thereon to the prepayment date of the Certificates called for prepayment.

- (b) On the date fixed for prepayment, notice having been given in the manner and under the conditions hereinabove provided, the Certificates or portions thereof called for prepayment shall be due and payable at the Prepayment Price provided therefore, plus accrued interest to such date. If money or Refunding Securities, or a combination of both, sufficient to pay the Prepayment Price of the Certificates to be prepaid, plus accrued interest thereon to the date fixed for prepayment, are held by the Trustee in trust for the Owners of Certificates to be prepaid, interest on the Certificates called for prepayment shall cease to accrue as of the date set for prepayment; such Certificates shall cease to be entitled to any benefits or security under this Trust Agreement or to be deemed Outstanding; and the Owners of such Certificates shall have no rights in respect thereof except to receive payment of the Prepayment Price thereof, plus accrued interest to the date fixed for prepayment from the moneys and/or Refunding Securities held therefore. Certificates and portions of Certificates for which irrevocable instructions to pay on one or more specified dates or to call for prepayment at the earliest prepayment date have been given to the Trustee in form satisfactory to it shall not thereafter be deemed to be Outstanding under this Trust Agreement and shall cease to be entitled to the security of or any rights under this Trust Agreement, other than rights to receive payment of the Prepayment Price thereof and accrued interest thereon to the date fixed for prepayment, to be given notice of prepayment in the manner provided in Section 5.03 hereof, and, to the extent hereinafter provided, to receive Certificates for any unpaid portions of Certificates if money or Refunding Securities, or a combination of both, sufficient to pay the Prepayment Price of such Certificates or portions thereof, together with accrued interest thereon to the date upon which such Certificates are to be prepaid, are held in separate accounts by the Trustee in trust for the Owners of such Certificates.

5.05 PREPAYMENT OF A PORTION OF CERTIFICATES.

If a portion of an Outstanding Certificate shall be selected for prepayment, the Owner thereof or his attorney or legal representative shall present and surrender such Certificate to the Trustee for payment of the principal amount thereof so called for prepayment and the Prepayment Premium, if any, on such principal amount, and the Trustee shall authenticate and deliver to or upon the order of such Owner or his legal representative, without charge therefore, for the unpaid portion of the principal amount of the Certificate so surrendered, a Certificate of the same maturity and series and bearing interest at the same rate; provided, however, that if the Owner is a securities depository nominee, the securities depository, in its discretion, (a) may surrender such Certificate to the Trustee and request that the Trustee authenticate and deliver a new Certificate for the portion of the principal amount of the Certificate so surrendered which was not prepaid, or (b) shall make an appropriate notation on the Certificate indicating the dates and amounts of such reduction in principal.

5.06 CANCELLATION.

Certificates so prepaid, presented and surrendered shall be cancelled upon the surrender thereof.

VI. ESTABLISHMENT AND ADMINISTRATION OF FUNDS AND ACCOUNTS

6.01 APPLICATION OF CERTIFICATE PROCEEDS.

On the date of delivery of the Certificates, the Trustee agrees to deposit the proceeds of the Certificates as provided in the Request and Authorization relating to the Certificates, which shall be in substantially the form provided in Exhibit C attached hereto.

6.02 CREATION OF FUNDS AND ACCOUNTS.

- (a) There is hereby established with the Trustee the following funds and accounts:
- (1) The "Florida Civil Commitment Center Financing Corporation Lease Project Fund." The Trustee shall maintain three separate accounts in the Project Fund: the "Project Account," the "Costs of Issuance Account" and the "Capitalized Interest Account."
 - (2) The "Florida Civil Commitment Center Financing Corporation Lease Payment Fund" or "Lease Payment Fund". The Trustee shall maintain three separate accounts in the Lease Payment Fund: the "Principal Account," the "Interest Account" and the "Reserve Account."
 - (3) The "Florida Civil Commitment Center Financing Corporation Prepayment Fund" or "Prepayment Fund".
 - (4) The "Florida Civil Commitment Center Financing Corporation Lease Rebate Fund" or "Rebate Fund".
 - (5) The "Florida Civil Commitment Center Financing Corporation Earnings Fund" or "Earnings Fund".
 - (6) The "Florida Civil Commitment Center Financing Corporation Supplemental Rent Fund" or "Supplemental Rent Fund".
- (b) Moneys in the aforementioned funds and accounts (other than the Rebate Fund, the Costs of Issuance Account and the Supplemental Rent Fund) (the "Pledged Accounts"), until applied in accordance with the provisions hereof, shall be subject to an exclusive first lien and charge in favor of the Owners of the Certificates and for the further security of such Owners in accordance with the terms hereof. The Trustee shall keep and hold moneys in the funds and accounts established pursuant to this Section separate and apart from all other funds and moneys held by it.

6.03 PROJECT ACCOUNT.

- (a) The Trustee shall deposit into the Project Account (i) a portion of the proceeds from the Certificates in accordance with the Request and Authorization, (ii) any additional amounts deposited with the Trustee by the Department for the purpose of paying additional Project Costs in accordance with Section 3.05 of the Lease Agreement, (iii) any proceeds of Liquidated Damages required to be deposited into the Project Account pursuant to Section 3.03(g) of the Lease Agreement, (iv) any unexpended moneys remaining in the Costs of Issuance Account required to be deposited into the Project Account in accordance with Section 3.07 of the Lease Agreement, and (v) any Net Proceeds deposited with the Trustee by the Department pursuant to Section 5.08(b) of the Lease Agreement. Amounts in the Project Account shall be disbursed for Costs of the Project and for no other purpose except as provided in Sections 6.03(g), (h) and (i) hereof. Disbursements from the Project Account shall be made by the Trustee upon receipt of a completed Application for Payment and the related Certification for Payment, in substantially the form required by the Construction Contract, requesting disbursement, duly executed in accordance with the Construction Contract. The Corporation has delegated to the Department the authority under the Construction Contract to review and approve the Application for Payment and the related Certifications for Payment on behalf of the Corporation. The Trustee may conclusively and exclusively rely on such Applications for Payment and Certifications for Payment for purposes of disbursing money from the Project Account.
- (b) The Trustee shall make payment for each item or portion of the Project to the Developer or the written designee of the Developer (which may include the Vendor or Contractor of any portion of the Project) in the amount therefore by transferring such amount (less any retainage as provided in the Construction Contract and noted in the Application For Payment and related Certification For Payment) from the Project Account by check made payable to,

or by wire transfer into an account of the Vendor, Developer or Contractor designated in the Application For Payment and related Certification For Payment in advance by the Developer within two Business Days of the receipt of a Application For Payment and related Certification For Payment from the Developer (provided the Application For Payment and related Certification For Payment are in compliance with the terms hereof and the Construction Contract). The parties acknowledge that the Trustee, pursuant to a certificate of an Authorized Officer of the Developer, shall, with the prior written direction of the Department, waive any noncompliance with the requirements for the disbursement of Project Account moneys. The Trustee shall have no responsibility to determine if any Application For Payment and related Certification For Payment is in compliance with the Construction Contract other than to confirm that such Application For Payment and related Certification For Payment expressly states that it is so in compliance properly executed by the Department as its designee.

- (c) The Trustee shall make payment for each item of Equipment in the amount of the purchase price therefore from the Project Account by transferring such amount in accordance with the procedures described in Section 6.03(b) hereof within two Business Days of the receipt of (i) an Application For Payment and related Certification For Payment, and (ii) an invoice or bill of sale from a Vendor.
- (d) (1) Before the Trustee is authorized to make any disbursements for the construction (except for the payment of Architect's or Engineer's fees or other costs or deposits prior to the Construction Commencement Deadline as described in Section 6.03(d)(3) below), the Trustee shall have received from the Developer the following instruments and documents:
 - (A) A copy of all permits or government approvals obtained by the Department, the Corporation or the Developer for the construction and operation of such Building, if any, including, without limitation, building permits and the approvals required to be issued by the State pursuant to Section 255.25, Florida Statutes.
 - (B) The payment and performance bond as required by the Construction Contract.
 - (C) A copy of the Plans and Specifications certified by the Architect of record.
 - (D) An opinion of counsel to the Department addressed to the Trustee and the Corporation to the effect that all State permits or approvals required for the lease, construction and operation of the Project, if any, including, without limitation, the approvals required to be issued by the State pursuant to Section 255.25, Florida Statutes, have been obtained.

The Developer shall certify to the Trustee that each of the items filed with the Trustee pursuant to this Section 6.03(d)(1) hereof are in conformity with the requirements of this Trust Agreement, the Lease Agreement and the Construction Contract. The Trustee may conclusively rely on such certifications. Nothing hereinabove shall be interpreted to require that the items mentioned in clauses (A) through (D), inclusive, be filed with each Application For Payment and related Certification For Payment so long as such items are on file with the Trustee.

- (2) Each Application For Payment and related Certification For Payment submitted for payment of Project Costs constituting construction costs (except for the payment of Architect's or Engineer's fees or other costs or deposits prior to the Construction Commencement Deadline as described in Section 6.03(d)(3) below) must be approved pursuant to Section 7.02 of the Construction Contract and must include certificates and/or affidavits from the Architect, Engineer, Department, Contractor or Developer (as is appropriate under the circumstances), certifying with respect to the portion of the Project to which such Application For Payment and related Certification For Payment relates to the matters required by the Construction Contract.
- (3) Each Application For Payment and related Certification For Payment submitted for payment of Project Costs constituting Architect's or Engineer's fees or other costs or deposits prior to

the Construction Commencement Deadline must be accompanied by the invoice for the amount of such fees or other costs or deposits and, for each disbursement prior to the Construction Commencement Deadline, a certificate of the Developer certifying that the amount of disbursement requested thereunder, together with all prior disbursements from the proceeds of the Series 2006 Bonds (including disbursements for costs of issuance and capitalized interest) and together with the Basic Rent Payments due on all succeeding Payment Dates prior to the date sixty (60) days after the Construction Commencement Deadline and less the interest or earnings through the date of such request on any proceeds of the Series 2006 Bonds, does not exceed the amount then available to be drawn under the Letter of Credit for liquidated damages in the event of a failure to commence construction on or before the Construction Commencement Deadline.

- (e) Execution and submission of an Application For Payment and related Certification For Payment completed in accordance with the Construction Contract shall, solely for purposes of this Trust Agreement, constitute approval and acceptance by the Department of the items or portions of the Project identified therein for purposes of disbursements hereunder and under the Lease Agreement.
- (f) Upon the receipt by the Trustee of an Application For Payment and related Certification For Payment, the Trustee shall disburse moneys from the Project Account in the manner required in this Section to reimburse the Developer for Project Costs paid by the Developer prior to the Commencement Date relating to the Project in anticipation of the issuance of the Certificates.
- (g) Upon the receipt of a certificate executed by an Authorized Officer of the Developer and the Department (a copy of which shall be provided to the Insurer pursuant to Section 13.13 hereof) stating that all the Costs of the Project have been paid and acquisition, construction and installation of the Project has progressed to Final Completion and Final Acceptance of the Project has occurred (as those terms are defined in the Construction Contract), all in accordance with the Construction Contract, amounts remaining in the Project Account (the "Remaining Project Account Funds") shall be deposited into the Lease Payment Fund in accordance with Section 6.06(a) hereof. If the Department provides a certificate of an Authorized Officer of the Department that all or a portion of moneys then on deposit in the Project Account are required to pay Project Costs for items which have been or will be ordered or contracted, or Project Costs constituting sales or use taxes of items installed if such sales or use taxes are or will be payable but have not yet been paid, then such Remaining Project Account Funds or portions thereof shall not be deemed excess amounts within the meaning of this Section 6.03(g) and shall be retained in the Project Account for the purpose of payment of said Project Costs described in said certificate.
- (h) Upon the receipt of a certificate executed by an Authorized Officer of the Developer stating that all the Project Costs with respect to repair, restoration, or acquisition of replacement property of the Project in accordance with Section 5.08(b) of the Lease Agreement have been paid and the repair, restoration or acquisition of replacement property of the Project has been completed and approved and accepted by the Department in accordance with Section 5.08(b) of the Lease Agreement, the funds derived from Net Proceeds deposited with the Trustee pursuant to Section 5.08(b) of the Lease Agreement and remaining in the Project Account (the "Remaining Net Proceeds Funds") shall be deposited into the Lease Payment Fund in accordance with Section 6.06(a) hereof. If the Department provides a certificate of an Authorized Officer of the Department that all or a portion of moneys then on deposit in the Project Account are required to pay costs of repair, restoration or acquisition of replacement property of the Project for items which have been or will be ordered or contracted, or sales or use taxes of such items if such sales or use taxes are or will be payable but have not yet been paid, then such Remaining Net Proceeds Funds or portions thereof shall be retained in the Project Account for the purpose of payment of said costs described in said certificate.
- (i) Notwithstanding anything herein to the contrary, interest and other income earned from the investment of moneys in the Project Account ("Project Account Income") shall be transferred and deposited as follows: (1) upon the Trustee's receipt of written notice from the

Corporation or the Rebate Analyst stating that Project Account Income exceeds the yield (as defined in Section 148(h) of the Code) on the Certificates and stating the amount of such excess yield, then the Project Account Income constituting such excess yield shall be transferred and deposited into the Earnings Fund as set forth in Section 6.08 hereof; and (2) except as provided in the foregoing (1), all Project Account Income shall be (A) prior to making the final payment under the Construction Contract, retained in the Project Account, and (B) after making final payment under the Construction Contract, transferred and deposited first, into the Reserve Account to the extent funds on deposit therein are less than the Reserve Requirement, and second, into the Lease Payment Fund.

- (j) Notwithstanding anything herein to the contrary, the Trustee shall not disburse amounts in the Project Account if the amount requested, when added to the prior disbursements from such account, exceeds the cumulative amounts permitted as of such date as shown on Exhibit E.

6.04 COSTS OF ISSUANCE ACCOUNT.

- (a) Amounts in the Costs of Issuance Account may be disbursed for Costs of Issuance no more than twelve months from the date of delivery of Certificates. Disbursements from the Costs of Issuance Account shall be made by the Trustee upon receipt of an Application For Payment and related Certification For Payment, in substantially the form attached hereto as Exhibit D, executed in accordance with Section 3.04 of the Lease Agreement.
- (b) All interest and other income earned from the investment of moneys in the Costs of Issuance Account ("Costs of Issuance Account Income") shall be transferred and deposited as follows: (1) upon the Trustee's receipt of written notice from the Corporation or the Rebate Analyst stating that Costs of Issuance Account Income exceeds the yield (as defined in Section 148(h) of the Code) on the Certificates and stating the amount of such excess yield, then the Costs of Issuance Account Income constituting such excess yield shall be transferred and deposited into the Earnings Fund as set forth in Section 6.08 hereof, and (2) except as provided in the foregoing (1), all Costs of Issuance Account Income shall be transferred and deposited into the Project Account.
- (c) Upon receipt of a certificate executed by an Authorized Officer of the Department stating that all Costs of Issuance relating to the Certificates have been paid or provision for payment thereof has been made, the Trustee shall transfer any amounts remaining in the Costs of Issuance Account to the Project Account and the Costs of Issuance Account shall be closed. If such certificate is not received by the Trustee within six months after the last date upon which funds were on deposit in the Costs of Issuance Account, the Trustee may, upon 15 days' written notice to the Corporation and the Department, close the Costs of Issuance Account.

6.05 CAPITALIZED INTEREST ACCOUNT.

- (a) Funds in the Capitalized Interest Account shall be transferred to the Interest Account in the Lease Payment Fund on each Payment Date in an amount necessary to pay the interest coming due on the Certificates on such Payment Dates. Such transfer shall be made on the Business Day prior to each Payment Date for the Certificates until the Capitalized Interest Account is closed.
- (b) All interest and other income earned from the investment of moneys in the Capitalized Interest Account ("Capitalized Interest Account Income") shall be transferred and deposited as follows: (1) upon the Trustee's receipt of written notice from the Corporation or the Rebate Analyst stating that Capitalized Interest Account Income exceeds the yield (as defined in Section 148(h) of the Code) on the Certificates and stating the amount of such excess yield, then the Capitalized Interest Account Income constituting such excess yield shall be transferred and deposited into the Earnings Fund as set forth in Section 6.08 hereof, and (2)

except as provided in the foregoing (1), all Capitalized Interest Account Income shall be transferred and deposited into the Project Account.

6.06 DISPOSITION OF BASIC RENT PAYMENTS; DEPOSITS TO LEASE PAYMENT FUND.

- (a) Deposits of Available Revenues made by the Department pursuant to Section 4.03(c) of the Lease Agreement with the Trustee, as assignee of the Corporation pursuant to the Lease Agreement and pursuant to the Assignment of Leases, any amounts required to be deposited into the Lease Payment Fund in accordance with Section 5.08(b) of the Lease Agreement, any amounts required to be deposited into the Lease Payment Fund in accordance with Sections 6.03(g) and (h) and Section 6.05 hereof and any amounts required to be deposited into the Lease Payment Fund pursuant to Section 6.17 hereof shall be deposited as received by the Trustee in the Lease Payment Fund in the following manner and in the following order of priority:
 - (1) Subject to the provisions of Section 6.05 hereof, there shall be deposited to the Interest Account from the Interest Component of Basic Rent and other amounts so deposited (including accrued interest), an amount which shall be sufficient to pay the interest becoming due on the Certificates on the next succeeding Payment Date and any other amounts required to be deposited to the credit of the Lease Payment Fund. Moneys in the Interest Account shall be used to pay the interest on the Certificates as and when the same becomes due, whether by prepayment or otherwise, and for no other purpose. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on all Outstanding Certificates on the next succeeding Payment Date.
 - (2) There shall be deposited to the Principal Account from the Principal Component of Basic Rent and other amounts so deposited, an amount which shall be sufficient to pay the principal and the Amortization Installment becoming due on such Certificates on the next succeeding principal Payment Date and any other amounts required to be deposited to the credit of the Lease Payment Fund. Moneys in the Principal Account shall be used to pay the principal and the Amortization Installment of the Certificates as and when the same shall mature or are prepaid, and for no other purpose. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal and the Amortization Installment coming due on all Outstanding Certificates on the next succeeding date on which principal or amortization becomes due.
- (b) Whenever there has been a prepayment of Basic Rent Payments, for any reason, the Trustee shall prepare, or cause to be prepared, and transmit to the Department a revised Basic Rent Payment schedule for the Lease Schedule reflecting such prepayment.

6.07 RESERVE ACCOUNT.

Subject to Section 13.13 hereof, the Reserve Account shall be initially funded by deposit of moneys from the proceeds from the sale of the Certificates or a Reserve Account Surety Bond, or a combination of both, in a total amount which equals the Reserve Requirement.

- (a) If on any Payment Date, the amounts in the Interest Account or the Principal Account are less than the interest, principal and Amortization Installment then due in relation to the Certificates, the Trustee shall transfer, from the Reserve Account, to such account or accounts, an amount sufficient to make up any deficiency therein. In the event of any such transfer, the Trustee, except subsequent to an Event of Non-Appropriation, shall, within five (5) days after making such transfer, provide written notice to the Department of the amount and date of such transfer and the Department shall, within twelve (12) months of receipt of such written notice, pay to the Trustee from moneys budgeted and appropriated as Basic Rent, for deposit into the Reserve Account, an amount necessary to cause the moneys in the Reserve Account to be equal to the Reserve Requirement applicable thereto.

- (b) Subject to Section 13.13 hereof, the Trustee is hereby authorized at any time to accept a Reserve Account Surety Bond and any subsequent Reserve Account Surety Bond in satisfaction of the Reserve Requirement for the Reserve Account pursuant to Section 4.03(g) of the Lease Agreement. To the extent necessary to comply with this Section, the Trustee is hereby directed to take any and all actions required to draw on the Reserve Account Surety Bond and any subsequent Reserve Account Surety Bond deposited in the Reserve Account.
- (c) Moneys in the Reserve Account shall only be used for the purpose of making up for deficiencies in the Interest Account or Principal Account in the event that moneys therein are less than the Interest Component and Principal Component of Basic Rent Payments then due on any Payment Date.
- (d) If on any Payment Date, the amount of all payments due and payable on the Certificates exceeds the amount on hand in the Interest Account and the Principal Account, taking into account any transfers made from the Reserve Account pursuant to Sections 6.07(a) and 6.07(b) hereof, the Trustee shall apply the moneys on hand therein first to the payment of all past due interest with respect to such Certificates, and, second, to the payment of that portion of the unpaid principal or Amortization Installment of such Certificate which is then past due, pro rata if necessary.
- (e) Whenever the moneys, if any, in the Lease Payment Fund, including the Reserve Account, if any, shall be sufficient to pay all of the remaining principal of, Amortization Installments and interest coming due on such Certificates, moneys in the Reserve Account shall be deposited to the Interest Account and Principal Account as required to pay such Certificates, and no further Basic Rent Payments shall be required under the Lease Agreement.
- (f) If the amounts in the Reserve Account exceed the Reserve Requirement applicable thereto then in effect, as the same may be adjusted from time to time, the Trustee shall deposit such excess amounts in the Reserve Account (1) upon the Trustee's receipt of written notice from the Corporation or the Rebate Analyst stating that excess amounts in the Reserve Account exceed the yield (as defined in Section 148(h) of the Code) on the Certificates and stating the amount of such excess yield, then such amount shall be transferred and deposited to the Earnings Fund as set forth in Section 6.08 hereof, and (2) except as provided in the foregoing (1), all amounts in the Reserve Account exceeding the then applicable Reserve Requirement shall be transferred and deposited to the Interest Account.

6.08 EARNINGS FUND.

- (a) All interest and other income earned from the investment of moneys in (i) the Capitalized Interest Account, (ii) the Project Account, (iii) the Costs of Issuance Account and (iv) the Reserve Account, to the extent such interest and other income earned from the investment of moneys in such accounts exceed the yield (as defined in Section 148(h) of the Code) on the Certificates, shall be transferred and deposited into the Earnings Fund upon the Trustee's receipt of appropriate notice. The Corporation or the Rebate Analyst shall provide written notice to the Trustee of the amount and disposition of any interest and other income earned from the investment of moneys in such accounts which exceeds the yield (as defined in Section 148(h) of the Code) on the Certificates.
- (b) Moneys on deposit in the Earnings funds shall be applied in the following manner:
 - (1) Upon receipt of any written notice from the Corporation or the Rebate Analyst pursuant to Section 6.14 hereof, the Trustee shall transfer to the Rebate Fund an amount equal to that required to pay Rebate Requirements under Section 6.14 hereof; and
 - (2) Promptly after making such required transfer to the Rebate Fund (or after receipt of such notification if no amount is required to be transferred), the Trustee shall deposit the balance remaining in the Earnings Fund (A) prior to making the final payment under the Construction Contract, to the Project Account, and (B) after making final payment under

the Construction Contract, first, to the Reserve Account to the extent funds on deposit therein are less than the Reserve Requirement, and second, to the Lease Payment Fund.

- (c) Transfers to the Earnings Fund of interest and income from investments shall be made by the Trustee prior to each Payment Date, and shall be applied as set forth herein. At the time of deposit of said moneys in the Earnings Fund, the Trustee shall report the amount of said deposit to the Department.

6.09 PREPAYMENT FUND.

The Trustee shall deposit to the Prepayment Fund for prepayment of Certificates in accordance with Article V hereof (a) any amounts deposited by the Department for the purpose of paying the Prepayment Price of all or a portion of such Certificates on an Optional Prepayment Date or Mandatory Prepayment Date in accordance with this Trust Agreement, (b) any amounts required to be deposited by the Department to the Prepayment Fund pursuant to Section 3.03(g) of the Lease Agreement, and (c) any Net Proceeds required to be transferred to the Prepayment Fund pursuant to Section 5.08(c) of the Lease Agreement. Said moneys shall be set aside in the Prepayment Fund solely for the purpose of prepaying the Certificates in advance of their maturity and shall be applied to the prepayment at the applicable Prepayment Price of such Certificates being prepaid on such prepayment date. Interest on such prepaid Certificates shall be paid from the Interest Account, except to the extent moneys for payment of interest were deposited to the Prepayment Fund, in which case it shall be paid from the Prepayment Fund.

6.10 SUPPLEMENTAL RENT FUND.

There shall be deposited to the Supplemental Rent Fund all supplemental rent payments made by the Department pursuant to the Lease Agreement. Amounts deposited to the Supplemental Rent Fund shall be applied as follows:

- (a) to the Trustee, on each Payment Date, the amount due for services under this Trust Agreement;
- (b) to the Rebate Analyst, on each October 1, the amount due for services in connection with the Series 2006 Certificates;
- (c) to the Corporation, on each Payment Date, the amount due for administrative expenses including annual fees payable to the State of Florida, legal fees of the Corporation, costs associated with compliance with Section 13.03 of this Trust Agreement and Section 5.32 of the Lease Agreement; and
- (d) to such other Persons in payment of such other amounts as the Corporation may direct.

6.11 DEPOSIT AND INVESTMENT OF MONEYS IN ACCOUNTS.

All moneys held by the Trustee in any of the funds or accounts established pursuant to this Trust Agreement shall be deposited or invested in Permitted Investments. The Department, prior to termination of the Lease Agreement, and the Corporation thereafter, each through an Authorized Officer, shall provide the Trustee written instructions with respect to investment of the moneys held hereunder in Permitted Investments and the Trustee shall make investments in accordance with said instructions. In the event the Department or the Corporation, as the case may be, does not provide the Trustee with written instructions with respect to investments, the Trustee shall invest such funds in Permitted Investments described in clause 5 of the definition of such term (clause 4 of the definition of such term in Section 13.13 when applicable) and the Trustee shall notify the Department and the Corporation thereof.

6.12 EARNINGS ON FUNDS AND ACCOUNTS.

Except as otherwise provided herein, Investment Earnings on the funds and accounts held hereunder shall be retained in such fund or account.

6.13 CREDIT AGAINST LEASE PAYMENTS.

Not earlier than thirty (30) days and not later than fifteen (15) days prior to each Payment Date, the Trustee shall report to the Department the amount of the credit against Basic Rent Payments available to the Department under the Lease Agreement. Such credit shall be an amount equal to the sum of (a) the amount of interest and other income deposited in the Interest Account pursuant to Section 6.12 hereof since the date of the previous report made by the Trustee pursuant to this Section, (b) the amount of moneys, if any, transferred to the Interest Account and Principal Account pursuant to Section 6.05 hereof since the date of the previous report made by the Trustee pursuant to this Section, (c) the amount of moneys, if any, transferred to the Interest Account pursuant to Section 6.07(f) hereof since the date of the previous report made by the Trustee pursuant to this Section, plus (d) the amount, if any, on deposit in the Principal Account and the Interest Account on the date of the report made by the Trustee pursuant to this Section which is not derived from the sources described in clauses (a), (b) and (c) above. In addition to the credit referenced in the preceding sentence, the Trustee and the Corporation acknowledge that there shall be applied as a credit against Basic Rent Payments payable on a Payment Date an amount equal to the amount then on deposit in the Interest Account representing accrued interest and that the amount in the Reserve Account shall be applied as a credit against the last Basic Rent Payments as provided in Section 6.07(e) hereof. In the event that the total amount of the credit exceeds the Basic Rent Payment due on the Payment Date following said report, the amount of said excess shall be applied as a credit against the next subsequent Basic Rent Payments.

6.14 APPLICATION OF MONEYS IN THE REBATE FUND.

- (a) At the written direction of the Corporation, the Trustee shall pay to the United States, out of amounts in the Rebate Fund, the rebate requirement, in the amounts and at the times described in each Tax Regulatory Agreement or any letters of instructions given in connection therewith.
- (b) In the event that, prior to the time of any required payment out of the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Department shall deposit with the Trustee for application to the Rebate Fund an amount equal to such deficiency in the Rebate Fund prior to the time such payment is due. Each payment required to be made pursuant to this subsection shall be made in the manner described in each Tax Regulatory Agreement or any letters of instructions given in connection therewith.
- (c) Any Tax Regulatory Agreement shall be amended from time to time as, in the opinion of Special Counsel, shall be necessary to reflect the current status of the Code in regard to the rebate requirement.
- (d) Any funds remaining in the Rebate Fund, after prepayment and payment of all of the Certificates and any amounts required to be paid to the United States, or provision made therefore satisfactory to the Trustee, including accrued interest and payment of any applicable fees or other amounts to the Trustee and satisfaction of the rebate requirement described in the Tax Regulatory Agreement, shall be withdrawn by the Trustee and remitted to the Department.
- (e) Each Supplemental Trust Agreement authorizing the issuance of Certificates shall have attached thereto or executed in connection therewith a Tax Regulatory Agreement relating to the rebate requirement described herein, unless Special Counsel determines such Tax Regulatory Agreement is unnecessary.

6.15 METHOD OF VALUATION AND FREQUENCY OF VALUATION.

In computing the amount in any fund or account, Permitted Investments in which money in such fund or account is invested shall be valued at one hundred per centum (100%) of the principal or face amount thereof; provided, that Permitted Investments in which money in the Reserve Account is invested shall be valued at fair market value and marked to market at least once per year on October 1 except as otherwise required by Section 13.13 hereof. With respect to all funds and accounts, valuation shall be

determined by the Trustee annually; provided that, in the event of a withdrawal from the Reserve Account, the Reserve Account shall be valued by the Trustee immediately after such withdrawal and monthly thereafter until the amount on deposit in the Reserve Account equals the Reserve Requirement. If amounts on deposit in the Reserve Account shall be less than the applicable Reserve Requirement as a result of a failure by the Department to make any Basic Rent Payments, such deficiency shall be made up immediately from first available moneys after required deposits to the Lease Payment Fund.

6.16 INVESTMENT OF AMOUNTS REPRESENTING CAPITALIZED INTEREST.

All amounts representing capitalized interest shall be held by the Trustee, pledged solely to the payment of the Interest Component of the Basic Rent Payments under the Lease Purchase Agreement or for Special Prepayment of Certificates in accordance with the provisions hereof and invested only in Permitted Investments maturing at such time and in such amounts as are necessary to match the interest payments to which they are pledged.

6.17 LETTER OF CREDIT.

- (a) Pursuant to Section 4.02 (a), upon issuance of the Series 2006 Certificates, the Letter of Credit shall be deposited with the Trustee.
- (b) In the event that Substantial Completion of the Project has not been achieved prior to the Construction Completion Date, the Trustee shall draw upon the Letter of Credit (1) on the date two Business Days before April 1, 2009 and each Payment Date thereafter and (2) on the date of Substantial Completion, in amounts equal to the Liquidated Damages then payable under the Construction Contract for each day from and including March 1, 2009 through the date of Substantial Completion or, if not completed, through such Payment Date. The Trustee shall deposit such amount to the Lease Payment Fund to be used for the payment of Basic Rent Payments. The Corporation or the Department shall confirm in writing to the Trustee at least five Business Days prior to April 1, 2009 and each Payment Date thereafter the date of Substantial Completion or, if not yet completed, that Substantial Completion has not been completed and the Trustee shall calculate the amount to be drawn on the Letter of Credit based thereon.
- (c) In the event that the Trustee receives written notice from the Department that construction of the Project has not commenced by the Construction Commencement Deadline and the Series 2006 Certificates are to be prepaid in accordance with Section 5.01(b) hereof, the Trustee shall draw on the Letter of Credit on the date two Business Days before the Special Prepayment Date the amount equal to the Liquidated Damages then payable under the Construction Contract equal to an amount determined by the Department to be necessary to pay the original issue price paid by the original purchaser of each Certificate, together with accrued interest to the Special Prepayment Date, after applying the moneys on deposit in the Project Fund and the Lease Payment Fund to the Special Prepayment of such Series 2006 Certificates, and deposit such amount to the Prepayment Fund to be used for the Special Prepayment of the Series 2006 Certificates.

6.18 NO UNAUTHORIZED TRANSFERS.

No amount shall be withdrawn or transferred from or paid out of any fund or account except as expressly provided in this Trust Agreement.

VII. GENERAL COVENANTS AND REPRESENTATIONS

7.01 DEPARTMENT TO PERFORM AGREEMENTS.

The Department covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the State Lease, Sublease, the Lease Agreement and the

Construction Contract, to the extent so imposed, except to the extent that such obligations and duties have been assigned to other parties pursuant to the Sublease, the Lease Agreement, the Operations Contract, the Construction Contract and this Trust Agreement.

7.02 CORPORATION TO PERFORM AGREEMENTS.

The Corporation covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Sublease, the Lease Agreement, the Assignment of Leases and the Construction Contract, to the extent so imposed.

7.03 NO OBLIGATION WITH RESPECT TO PERFORMANCE BY TRUSTEE.

The Corporation and the Department shall not have any obligation or liability to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

7.04 NO LIABILITY TO OWNERS FOR PAYMENT.

Except as provided in this Trust Agreement, neither the Corporation nor the Trustee shall have any obligation or liability to the Owners of the Certificates with respect to the payment of the Lease Payments by the Department when due or with respect to the performance by the Department of any other covenants made by it in the Lease Agreement.

7.05 COVENANT NOT TO IMPAIR TAX STATUS OF CERTIFICATES.

Prior to an Event of Default or an Event of Non-Appropriation, neither the Corporation nor the Department shall take nor permit nor suffer to be taken nor fail to take any action within their control, or direct the Trustee to take or fail to take any action, which action or failure to act would impair the exclusion, if applicable, from gross income for federal income tax purposes of the Interest Component of the Basic Rent Payment, including the calculation and payment of any rebate necessary to preserve the exclusion. Prior to an Event of Default or an Event of Non-Appropriation, neither the Corporation nor the Department shall permit or direct the investment of any proceeds of the Certificates or the Lease Payments by the Trustee in such a manner that would result in the Certificates (other than Taxable Certificates) being characterized as "arbitrage bonds" under Section 148 of the Code. Prior to an Event of Default or an Event of Non-Appropriation, the Corporation and the Department will comply with the provisions of the arbitrage certificate and the exhibits thereto executed by the Department which relates to the Certificates. This Agreement shall not be construed to constrain in any manner the ability of the Trustee to sublease, sell or dispose of the Project following an Event of a Default or Event of Non-Appropriation under the Lease Agreement. With respect to the obligations of the Trustee pursuant to this Section, the Trustee shall use its best efforts and shall be liable only as a result of negligence or willful misconduct.

7.06 NO PERSONAL LIABILITY.

No recourse shall be had for the obligations specified hereunder, under the Certificates or under the Lease Agreement or for any claim based hereon or thereon or upon any representation, obligation, covenant or agreement in this Trust Agreement or the Certificates or the Lease Agreement against any past, present or future officer, vendor, employee, director or agent of the Trustee, the Corporation, the Department or the Developer as such, either directly or through the Trustee, the Corporation, the Department or the Developer, or any successor thereto under any statute or rule of law or equity, constitution or by the enforcement or any assessment or penalty or otherwise, and all such liability of any such officers, members, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Trust Agreement, the Sublease, the Lease Agreement and the issuance of the Certificates.

7.07 CORPORATION OBLIGATIONS FOR PROJECT.

- (a) The Corporation holds a leasehold interest to the Land and the Project, subject to the rights of the Department under the Lease Agreement. In consideration of the issuance of the Certificates, the Corporation agrees that if an Event of Default described in Section 8.01(d) hereof or an Event of Non-Appropriation occurs, it shall, at the request of the Trustee, take all actions necessary in order to fully transfer its leasehold interest in all or a portion of the Project to the Trustee. In accordance with the terms of Section 8.03 hereof and except as provided in Section 7.03 of the Lease Agreement, the Trustee may exercise such remedies with respect to the leasehold interest in and to the Project if an Event of Default described in Section 8.01(d) or an Event of Non-Appropriation occurs. The proceeds from the exercise of any such remedies shall be used as provided in Section 8.04 hereof. If the Department relinquishes possession of the Project pursuant to the Lease Agreement subsequent to an Event of Default described in Section 8.01(d) or an Event of Non-Appropriation hereof, the Corporation hereby agrees that the Trustee may, subject to the provisions of Sections 8.14 and 9.02 hereof, take possession of the Project and shall have complete authority over the disposition of the Project for the remaining term of the Sublease in accordance with the terms hereof and of the Lease Agreement. The Corporation will promptly comply with all directions of the Trustee in regard to such disposition. As a condition to the acceptance by the Trustee of possession of the Project, the Trustee shall have the right to receive from the Department such assurances, reports and opinions as to the absence of hazardous substances and such other environmental matters with respect to the Project as the Trustee may reasonably request.
- (b) The Department and Corporation each agrees that it shall not place, or permit the placement of, any lien or encumbrance on the Project, except Permitted Encumbrances. In addition, the Corporation shall not join in or consent to the sale or re-letting of the Project, or any portion thereof, except as may be directed by the Trustee or as shall be required by the terms of the Lease Agreement.

7.08 PROJECT ESSENTIAL.

The Department represents that it has an immediate need for the Project and expects to make immediate use of the Project, which need is not temporary or expected to diminish during the Maximum Lease Term.

7.09 RESERVED.

VIII. EVENTS OF DEFAULT AND REMEDIES

8.01 EVENTS OF DEFAULT.

Each of the following events is hereby declared an Event of Default under the Trust Agreement:

- (a) Payment of any installment of interest on any Certificate shall not be made when the same shall become due and payable; or
- (b) Payment of the principal, Amortization Installment or the Prepayment Premium, if any, of any Certificate shall not be made when the same shall become due and payable, whether at maturity or by proceedings for mandatory prepayment or otherwise; or
- (c) Default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in this Trust Agreement or any Supplemental Trust Agreement and such default shall continue for thirty (30) days after receipt by the Department and the Corporation of a written notice from the Trustee specifying such default and requiring the same to be remedied unless the Trustee has agreed in writing to an extension of such

time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Department or the Corporation, or its assignee, within the applicable period and diligently pursued until the default is corrected; or

- (d) An "Event of Default" shall have occurred under the Lease Agreement, and it shall not have been remedied or waived.

8.02 ACCELERATION OF MATURITIES.

Upon the happening and continuance of any Event of Default specified in Section 8.01 hereof, or an Event of Non-Appropriation specified in Section 7.01 of the Lease Agreement, the Trustee may, and shall, upon the written request of the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding, by notice in writing to the Department and the Corporation, declare the principal of all Certificates then Outstanding (if not then due and payable) to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Certificates or in this Trust Agreement to the contrary notwithstanding; provided, further, that if at any time after the principal of the Certificates shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Trust Agreement, moneys shall have accumulated in or shall have been paid into the Lease Payment Fund sufficient to pay the principal of all matured Certificates and all arrears of interest, if any, upon all Certificates then Outstanding (except the principal of any Certificate not then due and payable by its terms and the interest accrued on such since the last interest Payment Date), and the charges, compensations, expenses, disbursements, advances and liabilities of the Trustee and all other; amounts then payable by the Department under the Lease Agreement shall have been paid or a sum sufficient to pay the same shall have been deposited with the Trustee, and every other default known to the Trustee in the observance or performance of any covenant, condition or agreement contained in the Certificates or in this Trust Agreement (other than a default in the payment of the principal of such Certificates then due only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee, then and in every such case the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of Certificates not then due and payable by their terms (Certificates then due and payable only because of a declaration under this Section shall not be deemed to be due and payable by their terms) and then Outstanding, shall, by written notice to the Department and the Corporation, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent Event of Default hereunder or impair any right consequent thereon.

8.03 ENFORCEMENT OF REMEDIES.

- (a) Upon the happening and continuance of any Event of Default specified in Section 8.01 hereof, or an Event of Non-Appropriation specified in Section 7.01 of the Lease Agreement, then and in every such case the Trustee may, and shall, upon the written request of the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding, proceed, subject to the provisions of Sections 9.02 and 8.14 of this Trust Agreement, to protect and enforce its rights and the rights of the Owners under the laws of the State, under this Trust Agreement, the Sublease or the Lease Agreement by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid of execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee, being advised by counsel chosen by the Trustee, shall deem most effectual to protect and enforce such rights. Subject to the terms hereof, the Trustee may also exercise all remedies it or the Corporation may have under law and under the Trust Agreement, the Sublease and the Lease Agreement.

- (b) In the enforcement of any remedy under this Trust Agreement, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any Event of Default hereunder becoming and remaining due from the Department for principal, interest or otherwise under any of the provisions of this Trust Agreement or of the Certificates, together with interest on overdue payments of principal at the rate of interest equal to the then current weighted average interest rate of the Outstanding Certificates and all reasonable costs and expenses of collection and of all proceedings hereunder, without prejudice to any other right or remedy of the Trustee or of the Owners and to recover and enforce any judgment or decree against the Department, but solely as provided herein, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from money available for such purposes), in any manner provided by law, the money adjudged or decreed to be payable.
- (c) As provided in Section 7.07 hereof and subject to the limitations thereof, the Trustee, upon an Event of Default described in Section 8.01(d) hereof or an Event of Non-Appropriation, may take possession of the Project, and it shall, if the Department relinquishes possession of the Project pursuant to the Lease Agreement subsequent to an Event of Default described in Section 8.01(d) hereof, take possession of the Project, in accordance with the provisions of Section 7.07 hereof. Upon taking possession of the Project, the Trustee is authorized to re-let or otherwise dispose of the Corporation's interest in the Project, or any portion thereof, for the benefit of the Owners of the Certificates. The rights of the Trustee under this Section 8.03 are subject to the rights and approval of the Board of Trustees pursuant to the State Lease.

8.04 PRO-RATA APPLICATION OF FUNDS.

- (a) Anything in this Trust Agreement to the contrary notwithstanding, if at any time the money in the Lease Payment Fund shall not be sufficient to pay the interest on or the principal of the Certificates as the same shall become due and payable (either by their terms or by acceleration of maturities under the provisions of Section 8.02 hereof), the Trustee, subsequent to payment of all reasonable costs and expenses relating to collection of such moneys and reasonable fees and expenses of the Trustee including reasonable legal fees, shall deposit all moneys derived from the re-letting or other disposition of the Project, including moneys and damages collected in connection therewith, and all moneys in the Pledged Accounts (amounts in the Project Account may, at the discretion of the Trustee, be retained in such account to continue payment of the acquisition and construction of the Project) into a special account established for the sole benefit of the Owners of the Certificates and shall apply moneys in such special account as follows:

First: to the payment to the Persons entitled thereto of all installments of interest on such Certificates then due and payable in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Certificates;

Second: to the payment to the Persons entitled thereto of the unpaid principal of any Certificates that shall have become due and payable whether at maturity or upon acceleration, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of Certificates due and payable on any particular date, then to the payment ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference;

Third: to the payment of the interest on and the principal of such Certificates, to the purchase and retirement of such Certificates, and to the prepayment of such Certificates, all in accordance with the provisions hereof; and

Fourth: to the payment of any surplus moneys to the Department.

- (b) Whenever money is to be applied by the Trustee pursuant to the provisions of this Section, such money shall be applied by the Trustee at such times and from time to time, as the Trustee in its sole discretion shall determine, having due regard for the amount of such money available for such application and the likelihood of additional money becoming available for such application in the future; the setting aside of such money, in trust for the proper purpose, shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Corporation, the Department, to any Owner or to any other Person for any delay in applying any such money so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such money, it shall fix the date (which shall be a Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give notice by first class mail, postage prepaid, to all Owners of the fixing of any such date, and shall not be required to make payment to the Owner of any Certificates until such Certificates shall be surrendered to the Trustee for cancellation if fully paid.

8.05 EFFECT OF DISCONTINUANCE OF PROCEEDINGS.

If any proceeding taken by the Trustee or Owners on account of any Event of Default hereunder shall have been discontinued or abandoned for any reason, then and in every such case, the Corporation, the Department, the Trustee and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no proceeding had been taken.

8.06 CONTROL OF PROCEEDINGS BY OWNERS.

The Owners of a majority in aggregate principal amount of the Certificates then Outstanding shall have the right, subject to the provisions of Sections 8.14 and 9.02 of this Trust Agreement, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder in regard to such Certificates, provided that such direction shall be in accordance with law and the provisions of this Trust Agreement and the Lease Agreement.

8.07 RESTRICTIONS UPON ACTIONS BY INDIVIDUAL OWNERS.

Except as provided in Section 8.13 of this Trust Agreement, no Owner shall have any right to institute any suit, action or proceeding in equity or at law on any Certificate or for the execution of any trust hereunder or for any other remedy hereunder unless such Owner previously shall have given to the Trustee written notice of the Event of Default or Event of Non-Appropriation on account of which such suit, action or proceeding is to be instituted, and unless also the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding shall have made a written request of the Trustee after the right to exercise such powers or right of action as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceedings in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Trust Agreement or to any other remedy hereunder. It is understood and intended that, except as otherwise above provided, no one or more Owners shall have any right in any manner whatsoever by his or their action to affect, disturb or prejudice the security of this Trust Agreement, or to enforce any right hereunder except in the manner provided, that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit

of all Owners and that any individual rights of action or other right given to one or more of such Owners by law are restricted by this Trust Agreement to the rights and remedies herein provided and are further subject to the provisions of Section 8.14 below.

8.08 APPOINTMENT OF A RECEIVER.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners under this Trust Agreement, the Trustee shall be entitled to the appointment of a receiver or receivers for the Project with such powers as the court making such appointments shall confer.

8.09 ENFORCEMENT OF RIGHTS OF ACTION.

All rights of action (including the right to file proof of claim) under this Trust Agreement or under any Certificates may be enforced by the Trustee without the possession of any Certificates or the production thereof in any proceedings relating thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name as Trustee, without the necessity of joining as plaintiffs or defendants any Owners hereby secured, and any recovery of judgment shall be for the equal benefit of the Owners.

8.10 NO REMEDY EXCLUSIVE.

No remedy herein conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

8.11 WAIVERS.

No delay or omission by the Trustee or of any Owner in the exercise of any right or power occurring upon any Event of Default hereunder shall impair any such right or power or shall be construed to be a waiver of any such Event of Default hereunder or any acquiescence therein; and every power or remedy given by this Trust Agreement to the Trustee and to the Owners may be exercised from time to time and as often as may be deemed expedient. The Trustee may, and upon written request of the Owners of not less than a majority in principal amount of the Certificates then Outstanding, shall, waive any Event of Default which shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Trust Agreement or before the completion of the enforcement of any rights of the Trustee hereunder, but such waiver shall not waive any subsequent Event of Default hereunder or impair any rights or remedies consequent thereon.

8.12 NOTICE OF DEFAULT.

The Trustee shall mail to all Owners, at their addresses as they appear on the Certificate Register, written notice of the occurrence of any Event of Default set forth in Section 8.01 hereof, or an Event of Non-Appropriation specified in Section 7.01 of the Lease Agreement, within thirty (30) days after the Trustee shall have notice of the same; provided that, except upon the happening of an Event of Default specified in clauses (a) and (b) of Section 8.01 of this Trust Agreement, the Trustee may withhold such notice to the Owners if in its opinion such withholding is in the interest of the Owners; and provided, further, that the Trustee shall not be subject to any liability to any Owner by reason of its failure to mail any such notice.

8.13 RIGHT TO ENFORCE PAYMENT OF CERTIFICATES UNIMPAIRED.

If the Trustee shall fail to take actions required of it pursuant to this Article, nothing in this Article shall affect or impair the right of any Owner to enforce the payment of the principal of and interest on his Certificate or the obligation to pay the principal of and interest on each Certificate to the Owner thereof at the time and place in said Certificate expressed.

IX. THE TRUSTEE

9.01 ACCEPTANCE OF DUTIES.

- (a) The Trustee by execution hereof accepts and agrees to fulfill the trusts imposed upon it by this Trust Agreement, but only upon the terms and conditions set forth in this Article and subject to the provisions of this Trust Agreement. Prior to the occurrence of any Event of Default hereunder or Event of Non-Appropriation and after the curing of any Events of Default that may have occurred, the Trustee shall perform such duties and only such duties of the Trustee as are specifically set forth in this Trust Agreement. During the existence of any such Event of Default that has not been cured or upon the Event of Non-Appropriation, the Trustee shall exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.
- (b) No provision of this Trust Agreement, any Certificate, the Sublease, the Lease Agreement, or the Assignment of Leases shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that:
 - (1) Unless an Event of Default shall have occurred and be continuing and following an Event of Non-Appropriation:
 - (A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Trust Agreement, the Sublease, the Lease Agreement, and the Assignment of Leases, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Agreement, the Sublease, the Lease Agreement, and the Assignment of Leases, and no implied covenants or obligations shall be read into this Trust Agreement, the Sublease, the Lease Agreement, or the Assignment of Leases against the Trustee, and
 - (B) the Trustee may conclusively rely, as to the accuracy of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to it by the Department and the Corporation conforming to the requirements of this Trust Agreement, the Sublease, the Lease Agreement, and the Assignment of Leases, and
 - (2) At all times, regardless of whether or not any such Event of Default or Event of Non-Appropriation shall exist:
 - (A) the Trustee shall not be liable for any error of judgment made by a responsible officer or officers of the Trustee unless it shall be proved that the Trustee actions in ascertaining the pertinent facts constitute gross negligence or willful misconduct;
 - (B) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners as provided in Article VIII hereof (subject to Section 8.14 hereof), relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any power conferred upon the Trustee under this Trust Agreement, the Sublease and the Lease Agreement; and
 - (C) the Trustee may consult with counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.
- (c) None of the provisions contained in this Trust Agreement, the Sublease, the Lease Agreement, and the Assignment of Leases as applicable shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers.

9.02 INDEMNIFICATION AS CONDITION FOR REMEDIAL ACTION.

The Trustee shall be under no obligation to institute any suit or to take any remedial proceeding in the Event of a Default under this Trust Agreement or an Event of Non-Appropriation 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, 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 which may reasonably arise out of the remedial proceeding proposed to be taken. The Trustee nevertheless may, in its sole-discretion, but is not required to, begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without indemnity, and in such case the Trustee shall be entitled to reimbursement from any money in its possession under the provisions of this Trust Agreement and shall be entitled to a preference therefore over any Certificates Outstanding hereunder.

9.03 LIMITATIONS ON OBLIGATIONS AND RESPONSIBILITIES.

The Trustee shall be under no obligation to effect or maintain insurance or to renew any policies of insurance or to inquire as to the sufficiency of any policies of insurance carried by the Department or the Corporation, or to report, or make or file claims or proof of loss for, any loss or damage insured against or that may occur, or to keep itself informed or advised as to the payment of any taxes or assessments, or to require any such payment to be made. Except as to the acceptance of the trusts by its execution of this Trust Agreement, the Trustee shall have no responsibility in respect of the validity, sufficiency, due execution or acknowledgment of this Trust Agreement, or in respect of the validity of Certificates or the due execution or issuance thereof. The Trustee shall be under no obligation to see that any duties herein imposed upon the Corporation, the Department, any depositary other than a Trustee as depositary, or any party other than itself, or any covenants herein contained on the part of any party other than itself to be performed, shall be done or performed, and the Trustee shall be under no obligation for failure to see that any such duties or covenants are so done or performed.

9.04 FAILURE OF CORPORATION OR DEPARTMENT TO ACT.

The Trustee shall not be liable or responsible because of the failure of the Corporation or the Department 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 Department or because of the loss of any money arising through the insolvency or the act or default or omission of any depositary other than a Trustee depositary in which such money shall have been deposited under the provisions of this Trust Agreement. The Trustee shall not be responsible for the application of any of the proceeds of Certificates or any other money deposited with it and paid out, withdrawn or transferred hereunder if such application, payment, withdrawal or transfer shall be made in accordance with the provisions of this Trust Agreement. The immunities and exemptions from liability of the Trustee hereunder shall extend to its directors, officers, employees and agents.

9.05 COMPENSATION AND INDEMNIFICATION OF TRUSTEE.

Subject to the provisions of any contract between the Corporation, the Department and the Trustee relating to the compensation of the Trustee, the Corporation shall, promptly upon demand, pay or cause the Department to pay to the Trustee reasonable compensation for all services performed by it hereunder and also all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees incurred in and about the administration and the performance of its powers and duties hereunder and shall, to the extent permitted by applicable law, indemnify and save the Trustee harmless against any liabilities that it may incur in the proper exercise and performance of its powers and duties hereunder and under the Lease Agreement. During the continuance of an Event of Default referred to in Section 8.01(a) or (b) or an event of Non-Appropriation, or the Trustee shall have a first charge against the Trust Estate for its fees and expenses.

9.06 STATEMENTS FROM TRUSTEE.

- (a) It shall be the duty of the Trustee, on a quarterly basis, to file with the Corporation and Department a statement setting forth in respect of the preceding one-month period:
 - (1) the amount withdrawn or transferred by it and the amount deposited with it on account of each fund or account held by it under the provisions of this Trust Agreement,
 - (2) the amount on deposit with it at the end of such period in each such fund or account,
 - (3) a brief description of all obligations held by it as an investment of money in each such fund or account,
 - (4) the amount applied to the purchase or prepayment of Certificates under the provisions of Article V of this Trust Agreement and a description of the Certificates or portions thereof so purchased or prepaid, and
 - (5) any other information that the Department may reasonably request.
- (b) In addition, on each anniversary date of the issuance of the Certificates, the Trustee shall file with the Corporation the information in its possession necessary to determine the rebatable arbitrage as set forth in Letters of Instructions.
- (c) All records and files pertaining to Certificates, the Corporation and the Department in the custody of the Trustee shall be open at all reasonable times to the inspection of the Department, the Corporation and their agents and representatives:

9.07 TRUSTEE MAY RELY ON CERTIFICATES.

If at any time it shall be necessary or desirable for the Trustee to make any investigation respecting any fact preparatory to taking or not taking any action or doing or not doing anything as such Trustee, and in any case in which this Trust Agreement provides for permitting or taking any action, the Trustee may rely upon any certificate required or permitted to be filed with it under the provisions of this Trust Agreement, and any such certificate shall be evidence of such fact or protect the Trustee in any action that it may or may not take or in respect of anything it may or may not do, in good faith, by reason of the supposed existence of such fact. Except as otherwise provided in this Trust Agreement, any request, notice, certificate or other instrument from the Corporation, the Department or the Developer to the Trustee shall be deemed to have been signed by the purported proper party or parties if signed by any Authorized Officer of the Corporation, the Department or the Developer, as the case may be, and the Trustee may accept and rely upon a certificate signed by any such representative as to any action taken by the Corporation, the Department or the Developer.

9.08 TRUSTEE MAY PAY TAXES AND ASSESSMENTS.

It is the expectation of the Parties hereto that the Land and the Project shall remain exempt from real property taxes throughout the term hereof. In the event that such taxes shall become payable and the Corporation or the Department shall fail to pay or cause to be paid any tax, assessment or governmental or other charge payable on the part of the Department or the Corporation relating to the Lease Agreement to the extent, if any, that the Department or the Corporation may be deemed by the Trustee liable for same, and the Trustee has received notice of foreclosure or sale of tax certificates with respect to such taxes, assessments, governmental or other charges, the Trustee, subject to Section 9.01(c) hereof, may pay such tax, assessment or governmental charge (unless such tax, assessment or governmental charge is being contested in accordance with Section 5.09 of the Lease Agreement), without prejudice, however, to any rights of the Trustee or the Owners hereunder arising in consequence of such failure; and any amount at any time so paid under this Section shall be repaid upon demand by the Trustee from funds made available by the Department, but the Trustee shall be under no obligation to make any such payment from sources provided in the Trust Agreement unless it shall have available or be provided with adequate funds for the purpose of such payment.

9.09 CERTAIN RIGHTS OF THE TRUSTEE.

Subject to the provisions of Section 9.01 hereof, the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys.

9.10 RESIGNATION AND REMOVAL OF TRUSTEE SUBJECT TO APPOINTMENT OF SUCCESSOR.

No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 9.13.

9.11 RESIGNATION OF TRUSTEE.

Subject to the provisions of Section 9.10, the Trustee may resign and thereby become discharged from the trusts hereby created, by notice in writing given to the Department and the Corporation, and mailed, postage prepaid, at the Trustee's expense, to each Owner, not less than sixty (60) days before such resignation is to take effect, but such resignation shall take effect immediately upon the appointment of a new Trustee hereunder if such new Trustee shall be appointed before the time limited by such notice and shall then accept the trusts hereof. No resignation shall take effect until a successor Trustee has been appointed pursuant to the terms hereof.

9.12 REMOVAL OF TRUSTEE.

- (a) The Trustee may be removed at any time by the Corporation (provided an Event of Default described in Section 8.01(d) hereof or an Event of Non-Appropriation has not occurred and remains uncured), or by an instrument or concurrent instruments in writing, executed by the Owners of not less than a majority in aggregate principal amount of Certificates then Outstanding and filed with the Department, not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments. A photostatic copy of any instrument or instruments filed with the Department under the provisions of this paragraph, duly certified by an Authorized Representative of the Department as having been received by the Department, shall be delivered promptly to the Trustee.
- (b) The Trustee may also be removed at any time for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Certificates then Outstanding.
- (c) The removal of a Trustee shall not become effective until a successor Trustee has been appointed pursuant to the terms hereof.

9.13 APPOINTMENT OF SUCCESSOR TRUSTEE.

- (a) If at any time hereafter the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as Trustee shall be taken over by any governmental official, agency, department or commission, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any reason, the Corporation shall appoint a Trustee to fill such vacancy. A successor Trustee shall not be required if the Trustee shall sell or assign substantially all of its corporate trust business and the vendee or assignee shall continue in the trust business, or if a transfer of the trust department of the Trustee is required by operation of law, provided that such vendee, assignee or transferee is (i) a bank or trust company which is duly authorized to exercise corporate trust powers in the State and subject to examination by federal or State authority, (ii) of good standing, and (iii) having, or its parent having, a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000).

The Corporation shall mail notice of any such appointment made by it, postage prepaid, to all Owners.

- (b) At any time within one (1) year after any such vacancy shall have occurred, the Owners of not less than twenty-five percent (25%) in principal amount of Certificates then Outstanding, by an instrument or concurrent instruments in writing, executed by such Owners and filed with the Corporation, may nominate a successor Trustee, which the Corporation shall appoint and which shall supersede any Trustee theretofore appointed by the Corporation. Photostatic copies, duly certified by the Authorized Representative of the Corporation as having been received by the Corporation, of each such instrument shall be delivered promptly by the Department to the predecessor Trustee and to the Trustee so appointed by the Owners.
- (c) If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section, any Owner hereunder or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.
- (d) Any successor Trustee hereafter appointed shall be (i) a bank or trust company which is duly authorized to exercise corporate trust powers in the State and subject to examination by federal or State authority, (ii) of good standing, and (iii) having, or its parent having, a combined capital, surplus and undivided profits aggregating not less than Fifty Million Dollars (\$50,000,000).
- (e) Any successor Trustee must be approved by the Insurer in writing pursuant to Section 13.13 hereof.

9.14 VESTING OF DUTIES IN SUCCESSOR TRUSTEE.

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor, and also to the Corporation, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, shall become fully vested with all the rights, immunities and powers, and subject to all the duties and obligations, of its predecessor; but such predecessor shall nevertheless, on the written request of its successor or of the Corporation and upon payment of the expenses, charges and other disbursements of such predecessor that are payable pursuant to the provisions of Section 9.05 hereof, execute and deliver an instrument transferring to such successor Trustee all the rights, immunities and powers of such predecessor hereunder; and every predecessor Trustee shall deliver all property and money held by it hereunder to its successor. Should any instrument in writing from the Corporation be required by any successor Trustee for more fully and certainly vesting in such Trustee the rights, immunities, powers and trusts hereby vested or intended to be vested in the predecessor Trustee, any such instrument in writing shall and will, on request, be executed, acknowledged and delivered by the Corporation.

X. EXECUTION OF INSTRUMENTS BY OWNERS, PROOF OF OWNERSHIP

10.01 EXECUTION OF INSTRUMENTS BY OWNERS.

- (a) Any request, direction, consent or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by any Owner may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners or their attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement and

shall be conclusive in favor of the Trustee, the Department and the Corporation with regard to any action taken by either under such instrument if made in the following manner:

- (1) The fact and date of the execution by any Person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a Person other than an individual, such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.
- (2) The ownership of Certificates shall be proved by the registration books kept under the provisions of this Trust Agreement.
- (b) Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of any Owner shall bind every future Owner of the same Certificate in respect of anything done by the Trustee in pursuance of such request or consent.
- (c) Notwithstanding any of the foregoing provisions of this Section, the Trustee shall not be required to recognize any Person as an Owner or to take any action at his request unless such Certificates shall be deposited with it.

XI. SUPPLEMENTAL TRUST AGREEMENTS; AMENDMENT OF FINANCING DOCUMENTS

11.01 SUPPLEMENTAL TRUST AGREEMENTS AND MODIFICATION OF RELATED CERTIFICATE DOCUMENTS WITHOUT CONSENT OF OWNERS.

Subject to Section 13.13 hereof, the Corporation, the Department and the Trustee, from time to time and at any time, may enter into Supplemental Trust Agreements and modifications and amendments of the Related Certificate Documents, without the consent of the Owners of the Certificates, for the following purposes.

- (a) To cure any ambiguity or formal defect or omission, to correct or supplement any provision herein or in any of the Related Certificate Documents that may be inconsistent with any other provision herein or in any of the Related Certificate Documents, to make any other provisions with respect to matters or questions arising under this Trust Agreement or in any of the Related Certificate Documents, or to modify, alter, amend, add to or rescind, in any particular, any of the terms or provisions contained in this Trust Agreement or in any of the Related Certificate Documents; provided, that any such modification, alteration, amendment, addition or replacement does not materially adversely affect the interests of the Owners, or
- (b) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee, or
- (c) To add to the provisions of this Trust Agreement or any of the Related Certificate Documents other conditions, limitations and restrictions thereafter to be observed, or
- (d) To add to the covenants and agreements of the Corporation or the Department in this Trust Agreement or in any of the Related Certificate Documents, other covenants and agreements thereafter to be observed by the Corporation or the Department or to surrender any right or power herein reserved to or conferred upon the Corporation or the Department, or
- (e) To permit the qualification of this Trust Agreement under any federal statute now or hereafter in effect or under any state Blue Sky law, and, in connection therewith, if the Corporation and the Department so determine, to add to this Trust Agreement, any Supplemental Trust

Agreement or any of the Related Certificate Documents such other terms, conditions and provisions as may be permitted or required by such federal statute or Blue Sky law, or

- (f) To provide for the issuance of Taxable Certificates or for the issuance of Certificates in bearer form, or
- (g) To provide for the issuance of Completion Certificates and Refunding Certificates or
- (h) To make any other modifications hereto or thereto which in the opinion of the Trustee, who may rely upon a written opinion of Special Counsel, shall not materially adversely affect the Owners.

11.02 MODIFICATION OF TRUST AGREEMENT AND RELATED CERTIFICATE DOCUMENTS WITH CONSENT OF OWNERS.

- (a) Subject to the terms and provisions contained in this Section and in Section 13.13 hereof, and not otherwise, the Owners of not less than a majority of the aggregate principal amount of Certificates then Outstanding shall have the right, from time to time, anything contained in this Trust Agreement or any of the Related Certificate Documents to the contrary notwithstanding, to consent to and approve the execution by the Corporation, the Department and the Trustee of such Supplemental Trust Agreement or such modification of or amendment to any of the Related Certificate Documents as shall be deemed necessary or desirable by the Corporation and the Department for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Trust Agreement or such Related Certificate Documents; provided, however, that nothing herein contained shall permit, or be construed as permitting (i) an extension of the maturity of the principal of or the interest on any Certificates issued hereunder, or (ii) a reduction in the principal amount of any Certificates or the prepayment premium or the rate of interest thereon, or (iii) a preference or priority of any Certificate over any other Certificate, except as provided herein, or (iv) a reduction in the aggregate principal amount of Certificates required for consent to such Supplemental Trust Agreement without the consent of the Owners of all of the Certificates then Outstanding. For purposes of making amendments made pursuant to this Section 11.02, Owners of Certificates which will no longer be Outstanding at the time the Supplemental Trust Agreement or modification of or amendment to the Related Certificate Document takes effect shall not have any rights of consent hereunder. Nothing contained in this Section 11.02, however, shall be construed as making necessary the approval by the Owners of the adoption and acceptance of any Supplemental Trust Agreement or any modification of or amendment to any of the Related Certificate Documents as authorized in Sections 11.01 and, except as to those matters that require the consent of the Owners of all Certificates then Outstanding, 13.13 hereof.
- (b) Subject to Section 13.13 hereof, if at any time the Corporation and the Department shall request the Trustee to enter into any Supplemental Trust Agreement or any modification of or amendment to any of the Related Certificate Documents pursuant to this Section, the Trustee shall, at the expense of the Department, cause notice of the proposed execution of such Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents to be mailed, postage prepaid, to all affected Owners and to each rating agency which shall rate the Certificates. Such notice shall briefly set forth the nature of the proposed Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents and shall state that copies thereof are on file at the Principal Office of the Trustee for inspection by all Owners. The Trustee shall not, however, be subject to any liability to any Owner by reason of its failure to mail the notice required by this Section, and any such failure shall not affect the validity of such Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents when approved and consented to as provided in this Section.
- (c) Subject to Section 13.13 hereof, whenever, at any time within three years after the date of the mailing of such notice, the Corporation or the Department shall deliver to the Trustee an

instrument or instruments in writing purporting to be executed by the Owners of not less than a majority of the aggregate principal amount of Certificates then Outstanding as required hereunder, which instrument or instruments shall refer to the proposed Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents described in such notice and shall, specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Trustee may execute such Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents in substantially such form, without liability or responsibility to any Owner, whether or not such Owner shall have consented thereto.

- (d) Subject to Section 13.13 hereof, if the Owners of not less than a majority in aggregate principal amount of Certificates Outstanding as required hereunder at the time of the execution of such Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents shall have consented to and approved the execution thereof as herein provided, no Owner shall have any right to object to the adoption of such Supplemental Trust Agreement and proposed modification of and amendment to the Related Certificate Documents, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Corporation, the Department and the Trustee from executing the same or from taking any action pursuant to the provisions thereof.
- (e) Subject to Section 13.13 hereof, upon the execution of any Supplemental Trust Agreement or any modification or amendment to the Related Certificate Documents pursuant to the provisions of this Section, this Trust Agreement shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Trust Agreement of the Corporation, the Department, the Trustee and all Owners shall thereafter be determined, exercised and enforced in all respects pursuant to the provisions of this Trust Agreement as so modified and amended.

11.03 RESERVED.

11.04 RESPONSIBILITIES OF TRUSTEE, DEPARTMENT AND CORPORATION UNDER THIS ARTICLE.

The Trustee, the Department and the Corporation shall be entitled to exercise their discretion in determining whether or not any proposed Supplemental Trust Agreement or any amendment to any Related Certificate Document or any term or provision therein contained is desirable, after considering the purposes of such instrument, the needs of the Corporation and the Department, the rights and interests of the Owners, and the rights, obligations and interests of the Trustee, and the Trustee shall not be under any responsibility or liability to the Corporation, the Department or to any Owner or to anyone whomsoever for its refusal in good faith to execute any such Supplemental Trust Agreement or Related Certificate Document if such amendment is deemed by it to be contrary to the provisions of this Article. The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Corporation or the Department or Special Counsel, as conclusive evidence that any such proposed Supplemental Trust Agreement does or does not comply with the provisions of this Trust Agreement, and that it is or is not proper for it, under the provisions of this Article, to accept such Supplemental Trust Agreement.

11.05 CONSENT OF DEPARTMENT NOT REQUIRED.

Anything herein to the contrary notwithstanding, no such Supplemental Trust Agreement or amendment to any Related Certificate Document need be consented to or executed by the Department if the Department is in default hereunder, under the Lease Agreement or an Event of Non-Appropriation has occurred.

11.06 NOTICE TO RATING AGENCIES.

Copies of any proposed Supplemental Trust Agreement or any other proposed modification or amendment of this Trust Agreement, the Sublease, the Lease Agreement, or the Assignment of Leases shall be mailed or otherwise sent to the Rating Agencies at least 15 days prior to the effective date thereof.

XII. DEFEASANCE

12.01 DEFEASANCE.

- (a) If the principal, Prepayment Premium, if any, and interest due or to become due on the Certificates shall be paid at the times and in the manner stipulated therein, and if all other sums of money due or to become due according to the provisions hereof shall be paid or provision for payment shall be made, including any amounts owing to the issuer of a Reserve Account Surety Bond, then these presents and the Trust Estate and rights hereby granted shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien of this Trust Agreement and execute and deliver to the Corporation and the Department such instruments in writing as shall be requisite to cancel and discharge the lien hereof and all surplus in, and balances remaining in, all funds and accounts, other than moneys held for the prepayment or payment of Certificates and money held for the United States Treasury in the Rebate Fund, shall be delivered to the Department.
- (b) Any Certificate shall be deemed to be paid within the meaning of this Article when payment of the principal of and Prepayment Premium, if any, on such Certificate, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon prepayment as provided in this Trust Agreement, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided by irrevocably depositing with the Trustee, in trust and irrevocably set aside exclusively for such payment (A) moneys sufficient to make such payment and/or (B) Refunding Securities verified by an independent certified public accountant selected by the Corporation as to principal and interest in such amounts and at such times as will provide sufficient moneys to make such payment, and all necessary and proper fees and expenses of the Trustee pertaining to the Certificate with respect to which such deposit is made. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with the Trustee nor any moneys received by the Trustee on account of principal of or Prepayment Price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Prepayment Price, if applicable, of the Certificate or Certificates for the payment or prepayment of which they were deposited and the interest accruing thereon to the date of maturity for prepayment; provided, however, new Refunding Securities and moneys may be substituted for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of or Prepayment Price, if applicable, and interest on the Refunded Certificate or Certificates as verified by an independent certified public accounting firm. At such time as a Certificate shall be deemed to be paid hereunder as aforesaid such Certificate shall no longer be deemed to be Outstanding hereunder and shall no longer be secured by or entitled to the benefits of this Trust Agreement, except for the purposes of any such payment from such moneys or Refunding Securities. Notwithstanding the foregoing, the provisions of this Trust Agreement relating to the maturity of the Certificates, interest payments and interest Payment Dates, prepayment provisions, exchange, transfer and registration of Certificates, replacement of mutilated, destroyed, lost or stolen Certificates, the safekeeping and cancellation of Certificates, non-presentment of Certificates, the holding of moneys in trust, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Owners notwithstanding the release and discharge of the lien of the Trust

Agreement. Prepayments received pursuant to Section 4.06(c) of the Lease Agreement shall be applied in accordance with Section 4.06 of the Lease Agreement and shall be held for the benefit of the Certificates described in the notice given by the Corporation pursuant to such Section.

- (c) If Certificates for which Refunding Securities have been set aside are to be called for prepayment, irrevocable instructions to call the Certificates for prepayment shall be given by the Corporation to the Trustee.
- (d) The Trustee, within thirty (30) days after any Refunding Securities shall have been deposited with it, shall cause a notice, signed by the Trustee, to be mailed, postage prepaid, to all Owners for which Refunding Securities have been set aside, setting forth (i) the date or dates, if any, designated for the prepayment of the Certificates, (ii) a description of the Refunding Securities so held by it, and (iii) that such Certificates have been defeased as provided in this Trust Agreement.
- (e) Notwithstanding anything to the contrary set forth in this Article XII, the obligations of the Department under Section 6.03 of the Lease Agreement with respect to any Certificate (other than Taxable Certificates) defeased pursuant to this Article XII shall survive any such defeasance.

XIII. MISCELLANEOUS PROVISIONS

13.01 EFFECT OF DISSOLUTION OF CORPORATION.

In the event the Corporation for any reason shall be dissolved or its legal existence shall otherwise be terminated, all of the covenants, stipulations, obligations and agreements contained in this Trust Agreement by or on behalf of or for the benefit of the Corporation shall bind or inure to the benefit of the successor or successors of the Corporation from time to time and any officer, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law, and the term "Corporation" as used in this Trust Agreement shall include such successor or successors.

13.02 NOTICES.

- (a) All written notices, certificates, reports or statements to be given under this Trust Agreement shall be given by mail, personal delivery or telephone facsimile to the party entitled thereto, with a copy to each of the other parties to this Trust Agreement, at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States mail, postage prepaid or, in the case of personal delivery or telephone facsimile, upon delivery, to the address or facsimile number set forth below.

If to the Corporation: Florida Civil Commitment Center Financing Corporation
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: Secretary

If to the Department: Florida Department of Children and Family Services
1317 Winewood Blvd.
Tallahassee, FL 32399-0700
Attention: Assistant Secretary for Mental Health

If to the Trustee: U.S. Bank National Association
225 E. Robinson Street, Suite 250
Orlando, Florida 32801
Attention: Trust Department

If to the Operator: THE GEO GROUP, INC.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

If to the Developer: THE GEO GROUP, INC.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

In addition to the notice provisions set forth herein, copies of any notices to any party required hereunder shall be provided to the following in accordance with Section 13.13 hereof:

Insurer: MBIA INSURANCE CORPORATION
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management

- (b) Any of such addresses may be changed at any time upon written notice of such change sent by United States registered mail, postage prepaid, to the other parties by the party effecting the change.
- (c) All documents received by the Trustee under the provisions of this Trust Agreement, or photostatic copies thereof, shall be retained in its possession until this Trust Agreement shall be released under the provisions of Section 12.01 of this Trust Agreement, subject at all reasonable times to the inspection of the Corporation, the Department and the agents and representatives thereof.

13.03 UNDERTAKINGS TO PROVIDE ONGOING DISCLOSURE.

The Department and the Corporation have undertaken to provide ongoing disclosure for the benefit of the Owners pursuant to Section (b)(5)(i) of Securities and Exchange Department Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240 § 240.15c2-12) as set forth in Section 5.32 of the Lease Agreement. Section 5.32 of the Lease Agreement shall be enforceable by any Owner.

13.04 SUBSTITUTE MAILING.

If, because of the temporary or permanent suspension of postal service, the Corporation, the Department or the Trustee shall be unable to mail any notice required to be given by the provisions of this Trust Agreement, the Corporation, the Department or the Trustee shall give notice in such other manner as in the judgment of the Corporation, the Department or the Trustee shall most effectively approximate mailing, and the giving of notice in such manner shall for all purposes of this Trust Agreement be deemed to be in compliance with the requirement for the mailing thereof.

13.05 PARTIES AND OWNERS ALONE HAVE RIGHTS UNDER TRUST AGREEMENT.

Except as herein otherwise expressly provided, nothing in this Trust Agreement, express or implied, is intended or shall be construed to confer upon any Person, other than the Trustee, the Corporation, the Department and the Owners, any right, remedy or claim, legal or equitable, under or by reason of this Trust Agreement or any provision being intended to be and being for the sole and exclusive benefit of the Trustee, the Corporation, the Department and the Owners.

13.06 EFFECT OF PARTIAL INVALIDITY.

In case any one or more of the provisions of this Trust Agreement or the Certificates shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Trust Agreement or the Certificates, but this Trust Agreement and the Certificates shall be construed

and enforced as if such illegal or invalid provisions had not been contained therein. In case any covenant, stipulation, obligation or agreement contained in the Certificates or this Trust Agreement shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the Department or the Corporation to the full extent permitted by law.

13.07 NO RECOURSE AGAINST MEMBERS, OFFICERS OR EMPLOYEES.

No recourse under, or upon, any statement, obligation, covenant, or agreement contained in this Trust Agreement, or in any Certificate hereby secured, or in any document or certification whatsoever, or under any judgment obtained against the Corporation, the Department or the Developer or by the enforcement of any assessment or by any legal or equitable proceeding by virtue of any constitution or statute or otherwise or under any circumstances, shall be had against any member, officer or employee, as such, of the Corporation, the Department or the Developer. Any and all personal liability of every nature, whether at common law or in equity or by statute or by constitution or otherwise, of any such member, officer or employee of the Corporation, the Department or the Developer, as such, to respond by reason of any act or omission on his or her part or otherwise, for the payment of any sum that may remain due and unpaid upon the Certificates hereby secured is hereby expressly waived and released as an express condition of, and in consideration for, the execution of this Trust Agreement and the issuance of the Certificates.

13.08 EXPENSES PAYABLE UNDER TRUST AGREEMENT.

All expenses incurred in carrying out this Trust Agreement shall be payable solely from funds derived from the Department as Supplemental Rent.

13.09 DEALING IN CERTIFICATES.

The Trustee, its directors, officers, employees or agents, and any officer, employee or agent of the Corporation or the Department, may in good faith, buy, sell, own, hold and deal in any Certificates issued under the provisions of this Trust Agreement and may join in any action which any Owner may be entitled to take with like effects as if such Trustee were not a Trustee under this Trust Agreement or as if such officer, employee or agent of the Corporation or the Department did not serve in such capacity.

13.10 MULTIPLE COUNTERPARTS.

This Trust Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

13.11 HEADINGS.

Any heading preceding the text of the several articles hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Trust Agreement, nor shall they affect its meaning, construction or effect.

13.12 LAWS.

This Trust Agreement shall be construed and governed in accordance with the laws of the State.

13.13 BOND INSURANCE PROVISIONS.

The Department has obtained and delivered to the Trustee a financial guaranty insurance policy (the "Policy") issued by MBIA Insurance Corporation (the "Insurer") in favor of Trustee for the benefit of the Owners of the Series 2006 Certificates, guaranteeing the payment when due of principal of and interest on the Series 2006 Certificates as provided therein.

Notwithstanding anything in the Trust Agreement or the Related Certificate Documents to the contrary, so long as the Series 2006 Certificates remain outstanding, the Policy remains in full force and

effect, and the Insurer is not in default of any of its obligations under the Policy, the following provisions shall apply:

- (a) **Notices to Insurer.** In addition to the notice provisions set forth elsewhere herein and in the Related Certificate Documents, copies of any notices to any party required hereunder or thereunder shall be provided to the Insurer at the address set forth in Section 13.02 hereof, including, without limitation, copies of the following:
 - (1) In connection with Section 6.03(g) hereof, a copy of a certificate executed by an Authorized Officer of the Developer and the Department stating that all the Costs of the Project have been paid and acquisition, construction and installation of the Project has progressed to Final Completion and Final Acceptance of the Project has occurred (as those terms are defined in the Construction Contract), all in accordance with the Construction Contract; and
 - (2) In connection with Sections 11.01 and 11.02 hereof, copies of any amendments, or notices thereof, of this Trust Agreement or any Related Certificate Document pursuant to Section 11.01 or 11.02 hereof.
- (b) **Required Consents of Insurer.** The written consent of the Insurer shall be required for the following actions:
 - (1) In connection with Article 4 hereof, issuance of any variable rate debt by the Corporation in any direct or derivative form;
 - (2) In connection with Sections 4.12 and 4.13 hereof, issuance of any additional Certificates or any obligations on a parity basis with the Certificates, except Refunding Certificates which result in debt service savings or in the establishment of a master lease program for the Project and other facilities of the Department;
 - (3) In connection with Article 8 hereof, the direction or enforcement of any rights or remedies with respect to an Event of Default affecting the Series 2006 Certificates;
 - (4) In connection with Section 11.02 hereof, any amendments and restatements of the Trust Agreement or any Related Certificate Document, except that the Insurer cannot consent to any amendment to any instrument which changes the payment terms contained in the Series 2006 Certificates without the consent of the Owners affected thereby;
 - (5) In connection with Section 5.14 of the Lease, substitution, replacement or release of any portion of the Land or the Buildings, which consent may be withheld in the sole discretion of the Insurer, excluding Equipment which shall not require any consent from the Insurer; and
 - (6) In connection with Section 6.01 of the Lease Agreement, the assignment or sublease of the Lease Agreement or any portion of the Project.
- (c) **Insurer Deemed Owner.** The Insurer shall be deemed the Owner of the Series 2006 Certificates for all purposes of the Trust Agreement and the Related Certificate Documents and the consent of the Insurer shall be required for all purposes of the Trust Agreement and the Related Certificate Documents in lieu of the consent of the Owners of the Series 2006 Certificates, including without limitation, with respect to any amendments and restatements of the Trust Agreement or any Related Certificate Document, except that the Insurer cannot consent to any amendment to any instrument which changes the payment terms contained in the Series 2006 Certificates without the consent of the Owners affected thereby.
- (d) **Direction of Remedies.** The Insurer, acting alone, shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Series 2006 Certificates or the Trustee for the benefit of such Owners under the Trust Agreement, including, without limitation: (i) the right to accelerate the principal of the Series 2006 Certificates as described in the Trust Agreement, (ii) the right to annul any declaration of acceleration of such principal, (iii) the right to waive or consent to the waiver of any Event of Default with respect to the Series 2006 Certificates, and (iv) the right to institute any suit, action or proceeding at law or

in equity. No acceleration of the Series 2006 Certificates, or annulment of any such acceleration, or waiver of any Event of Default with respect to the Series 2006 Certificates shall be made without the prior written consent of the Insurer.

- (e) **Defeasance.** In connection with Article 12 hereof and defeasance of the Series 2006 Certificates, the definition of "Refunding Securities" which sets forth the investments permissible for defeasance shall be modified to include only the following: (1) Cash, (2) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series), (3) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities, (4) Resolution Funding Corp. (REFCORP) - only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable, (5) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition, and (6) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.: (a) U.S. Export-Import Bank (Eximbank), direct obligations or fully guaranteed certificates of beneficial ownership, (b) Farmers Home Administration (FmHA) certificates of beneficial ownership, (c) Federal Financing Bank, (d) General Services Administration, participation certificates, (e) U.S. Maritime Administration, Guaranteed Title XI financing, and (f) U.S. Department of Housing and Urban Development (HUD) Project Notes, Local Authority Bonds, New Communities Debentures - U.S. government guaranteed public housing notes and bonds.

In connection with any defeasance, the Insurer shall be provided with an opinion of counsel acceptable to the Insurer that the Series 2006 Certificates have been legally defeased and that the escrow agreement establishing such defeasance operates to legally defease the Series 2006 Certificates within the meaning of the Trust Agreement. In addition, the Insurer will receive (i) 15 business days notice of any advance refunding of the Series 2006 Certificates and (ii) an accountant's report with respect to the sufficiency of the amounts deposition in escrow to defease the Series 2006 Certificates.

(f) **Reserved.**

- (g) **Closing Deliverables.** In connection with Section 4.02 hereof and the delivery of the Series 2006 Certificates, the Insurer shall receive:

- (1) An opinion of Special Counsel to the effect that the Lease Agreement is a "triple net" lease that requires the Department to pay from Available Revenues all expenses, taxes, fees, insurance, premiums, rebate payments, reserve deposits and costs associated with the Project and the Lease Agreement without the right of offset;
- (2) Reserved.
- (3) Pursuant to Section 2.06 of the Lease Agreement, the Department has acknowledged the essentiality of the Project; and
- (4) See Section 13.13(h) below regarding certain insurance, title insurance and related opinions to be delivered.

(h) **Insurance Provisions.**

- (1) Property and casualty insurance shall be maintained for the Project in the amounts and in the manner as set forth in Sections 5.05, 5.06 and 5.07 of the Lease Agreement.
- (2) Original copies of all insurance policies and/or insurance certificates must be delivered to Insurer's Insured Portfolio Management Department as follows and annually thereafter within 30 days of purchase or renewal:
 - (A) Prior to commencement of construction of the Project, (1) all public liability and property damage insurance with respect to the Project shall be provided by the Department through evidence of its self-insurance program and (2) all fire, extended

coverage or flood insurance with respect to the Project shall not be required until construction is commenced.

- (B) After commencement and during the construction of the Project, (1) all public liability and property damage insurance with respect to the Project shall be provided by the Developer through evidence of builder's risk policies in respect thereof and (2) all fire, extended coverage or flood insurance with respect to the Project shall be provided by the Developer through evidence of builder's risk policies in respect thereof and, to the extent required by the Construction Contract and the Operations Agreement, by the Department (subject to reimbursement as set forth in the Construction Contract and the Operations Agreement) through evidence of its self-insurance program.
 - (C) After completion of construction of the Project and throughout the term of the Operations Agreement, (1) all public liability and property damage insurance with respect to the Project shall be provided by the Developer through evidence of policies in respect thereof and (2) all fire, extended coverage or flood insurance with respect to the Project shall be provided by the Developer through evidence of policies in respect thereof and, to the extent required by the Construction Contract and the Operations Agreement, by the Department (subject to reimbursement as set forth in the Construction Contract and the Operations Agreement) through evidence of its self-insurance program.
- (3) The Insurer shall be provided with (A) a title insurance policy in an amount equal to par value of the Series 2006 Certificates and (B) an opinion of counsel in form and substance satisfactory to the Insurer to the effect that the exceptions set forth in the policy do not materially impair the use of the Project, the existing facilities and the sites thereof for the purposes for which they are, or may reasonably be expected to be, held. No self-insurance will be permitted with respect to these requirements for title insurance.
 - (4) Liability insurance shall be maintained in the amounts and in the manner as set forth in Sections 5.04, 5.06 and 5.07 of the Lease Agreement.
 - (5) All required insurance policies must be provided by a commercial insurer rated "A" by A.M. Best or in the two highest rating categories of S&P and Moody's. All policies shall name the Department, the Corporation and the Trustee as insureds.
 - (6) Self insurance may be provided as set forth in section 5.07 of the Lease Agreement.
- (i) **Successor Trustee.** In connection with Section 9.13 hereof, any successor Trustee must be approved by the Insurer in writing.
 - (j) **Permitted Investments.** "Permitted Investments" shall only include the following investments:
 - (1) Direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.
 - (2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (a) Farmers Home Administration (FmHA), certificates of beneficial ownership, (b) Federal Housing Administration Debentures (FHA), (c) General Services Administration, Participation certificates, (d) Government National Mortgage Association (GNMA or "Ginnie Mae"), GNMA - guaranteed mortgage-backed bonds, GNMA - guaranteed pass-through obligations (participation certificates), (e) U.S. Maritime Administration, Guaranteed Title XI financing, and (f) U.S. Department of Housing and Urban Development (HUD), Project Notes, Local Authority Bonds.

- (3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (a) Federal Home Loan Bank System, Senior debt obligations (Consolidated debt obligations), (b) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac"), Participation Certificates (Mortgage-backed securities), Senior debt obligations, (c) Federal National Mortgage Association (FNMA or "Fannie Mae"), Mortgage-backed securities and senior debt obligations (excluded are stripped mortgage securities which are valued greater than par on the portion of unpaid principal), (d) Student Loan Marketing Association (SLMA or "Sallie Mae"), Senior debt obligations, (e) Resolution Funding Corp. (REFCORP), only interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable, and (f) Farm Credit System, Consolidated systemwide bonds and notes.
- (4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AA-Am-G; AAA-m; or AA-m and if rated by Moody's rated Aaa, Aa1 or Aa2.
- (5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. CD's must have a one year or less maturity. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks whose short term obligations are rated "A-1+" or better by S&P and "Prime-1" by Moody's. The collateral must be held by a third party and the Owners must have a perfected first security interest in the collateral.
- (6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.
- (7) Investment Agreements, including GIC's, acceptable to the Insurer (Investment Agreement criteria is available upon request).
- (8) Commercial paper rated "Prime-1" by Moody's and "A-1+" or better by S&P.
- (9) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.
- (10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1+" by S&P.
- (11) Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the case plus a yield to the municipal entity in exchange for the securities at a specified date. Repurchase Agreements must satisfy the following criteria: (a) Repurchase agreements must be between the municipal entity and (1) Primary dealers on the Federal Reserve reporting dealer list which fall under the jurisdiction of the SIPC and which are rated A or better by Standard & Poor's Ratings Group and Moody's or (2) Banks rated "A" or above by Standard & Poor's Ratings Group and Moody's Investor Services; (b) The written repurchase contract must include the following: (1) Securities which are acceptable for transfer are direct U.S. government obligations and federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC), (2) The term of the repurchase agreement may be up to 30 days, (3) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities), (4) The trustee has a perfected first priority security interest in the collateral, (5) Collateral is free and clear of third-party liens and in the case of SIPC broker was not acquired pursuant to a repurchase agreement or reverse

repurchase agreement, (6) Failure to maintain the requisite collateral percentage, after a two day restoration period, will require the trustee to liquidate collateral, (7)

Valuation of Collateral: (a) The securities must be valued weekly, market-to-market at current market prices plus accrued interest, (b) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%, (c) Legal opinion must be delivered to the municipal entity that the repurchase agreement meets guidelines under state law for legal investment of public funds.

- (12) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If, however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

(k) **Reserve Account.**

- (1) Notwithstanding Section 6.15 hereof, investments in the Reserve Account must be valued at fair market value and marked to market twice each year and their maturity cannot extend beyond five (5) years, except for Guaranteed Investment Contracts and Forward Repurchase Agreements permitted hereunder.
- (2) In connection with Section 6.07 hereof, the following terms shall apply:
 - (A) Any Reserve Account Surety Bond shall be issued by an insurance company rated in the highest rating category by Standard & Poor's and Moody's and shall be approved by the Insurer.
 - (B) When the Reserve Account contains both a Reserve Account Surety Bond and cash, the cash shall be drawn down completely before any demand is made on the Reserve Account Surety Bond and when Reserve Account contains Reserve Account Surety Bonds from different providers, the Reserve Account Surety Bonds shall be drawn pro-rata from each Reserve Account Surety Bond based upon their face amounts.
 - (C) Any Available Revenues applied to replenish the Reserve Account shall be applied first, to reimburse the provider (pro-rata if more than one provider) of any Reserve Account Surety Bond, thereby reinstating such Reserve Account Surety Bond, and second, to replenish the cash in the Reserve Account.
 - (D) The Trustee to deliver a demand for payment required under any Reserve Account Surety Bond at least three days prior to the date on which funds are required therefrom.
 - (E) The Insurer should receive an opinion from counsel to the issuer/obligor that the Financial Guaranty Agreement is a legal, valid and binding obligation of the issuer/obligor and is enforceable against the issuer/obligor in accordance with its terms.
 - (F) Any delinquent Basic Rent payments will be paid to the Trustee for application in accordance with the Trust Agreement, or if a payment has been made under a Reserve Account Surety Bond, to the Trustee for payment to the provider of the Reserve Account Surety Bond as a reimbursement for such payment and shall include interest thereon as required by the underlying financial guaranty agreement or other agreement between the provider thereof and the Department.

- (G) All amounts owed to any provider in connection with any Reserve Account Surety bond shall be paid in full before the Trust Agreement or any Related Certificate Document may be terminated.
- (H) There may be no optional redemption of Series 2006 Certificates or distribution of any funds to the Corporation or the Department unless all amounts owed to the provider of any Reserve Account Surety Bond have been paid in full.

(I) *Payments Under The Policy and Other Required Provisions.*

- (1) In the event that, on the second Business Day, and again on the Business Day, prior to the payment date on the Series 2006 Certificates, the Trustee has not received sufficient moneys to pay all principal of and interest on the Series 2006 Certificates due on the second following or following, as the case may be, Business Day, the Trustee shall immediately notify the Insurer or its designee on the same Business Day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.
- (2) If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Insurer or its designee.
- (3) In addition, if the Trustee has notice that any Owner has been required to disgorge payments of principal or interest on the Series 2006 Certificates to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.
- (4) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the Series 2006 Certificates as follows:
 - (A) If and to the extent there is a deficiency in amounts required to pay interest on the Series 2006 Certificates, the Trustee shall (a) execute and deliver to U.S. Bank Trust National Association, or its successors under the Policy (the "Insurance Trustee"), in form satisfactory to the Insurance Trustee, an instrument appointing the Insurer as agent for such Owners in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Policy payment from the Insurance Trustee with respect to the claims for interest so assigned, and (c) disburse the same to such respective Owners; and
 - (B) If and to the extent of a deficiency in amounts required to pay principal of the Series 2006 Certificates, the Trustee shall (a) execute and deliver to the Insurance Trustee in form satisfactory to the Insurance Trustee an instrument appointing the Insurer as agent for such Owner in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Series 2006 Certificates surrendered to the Insurance Trustee of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Trustee is received), (b) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the Policy payment therefore from the Insurance Trustee, and (c) disburse the same to such Owners.
- (5) Payments with respect to claims for interest on and principal of Series 2006 Certificates disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Department with respect to such Series 2006 Certificates, and the Insurer shall become the owner of such unpaid Series 2006 Certificates and

claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

- (6) Irrespective of whether any such assignment is executed and delivered, the Department and the Trustee hereby agree for the benefit of the Insurer that:
 - (A) The Department and the Trustee recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Series 2006 Certificates, the Insurer will be subrogated to the rights of such Owners to receive the amount of such principal and interest from the Department, with interest thereon as provided and solely from the sources stated in this Trust Agreement and the Series 2006 Certificates; and
 - (B) The Department and the Trustee will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Trust Agreement and the Series 2006 Certificates, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Series 2006 Certificates to Owners, and will otherwise treat the Insurer as the owner of such rights to the amount of such principal and interest.
- (7) In connection with the issuance of additional Certificates, the Department shall deliver to the Insurer a copy of the disclosure document, if any, circulated with respect to such additional Certificates.
- (8) Copies of any amendments made to the Trust Agreement or the related Certificate Documents which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.
- (9) The Insurer shall receive notice of the resignation or removal of the Trustee and the appointment of a successor thereto.
- (10) The Insurer shall receive copies of all notices required to be delivered to Owners and, on an annual basis, copies of the Department's audited financial statements and Annual Budget.
- (11) Any notice that is required to be given to an Owner of the Series 2006 Certificates or to the Trustee pursuant to the Trust Agreement shall also be provided to the Insurer. All notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.
- (12) The Department agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses including attorneys' fees and expenses, incurred by the Insurer in connection with (i) the enforcement by the Insurer of the Department's obligations, or the preservation or defense of any rights of the Insurer, under this Trust Agreement and any other document executed in connection with the issuance of the Series 2006 Certificates, and (ii) any consent, amendment, waiver or other action with respect to the Trust Agreement or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.
- (13) The Department agrees not to use the Insurer's name in any public document including, without limitation, a press release or presentation announcement or forum without the Insurer's prior consent; provided, however, such prohibition on the use of the Insurer's name shall not relate to the use of the Insurer's standard approved form of disclosure in public documents issued in connection with the Series 2006 Certificates to be issued;

and provided further such prohibition shall not apply to the use of the Insurer's name in order to comply with the public notice, public meeting or public reporting requirements.

- (14) The Department shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Series 2006 Certificates are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Series 2006 Certificates without the prior written consent of the Insurer.

[Signature Page To Follow]

IN WITNESS WHEREOF, the parties have executed this Trust Agreement by their officers hereunto duly authorized as of the date and year first written above.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

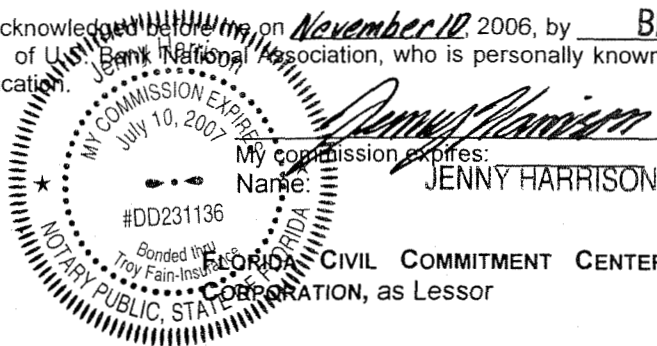
(SEAL)

By: [Signature]
BETH DRIGGS Vice President

STATE OF FLORIDA
COUNTY OF Orange

The foregoing instrument was acknowledged before me on November 10, 2006, by BETH DRIGGS as a Vice President of U.S. Bank National Association, who is personally known to me or has produced N/A, as identification.

(Notary Seal)



By: _____
Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

Witnesses:

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Lessee

Name: _____
Address: _____

By: _____
Lucy Hadi, Secretary

Name: _____
Address: _____

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

IN WITNESS WHEREOF, the parties have executed this Trust Agreement by their officers hereunto duly authorized as of the date and year first written above.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

(SEAL)

By: _____

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by _____, as a _____ of U.S. Bank National Association, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Lessor

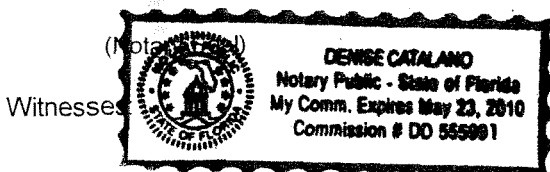
(SEAL)

By: Dale W. Frick

Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF PALM BEACH

The foregoing instrument was acknowledged before me on Nov 9th, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.



Denise Catalano
My commission expires: May 23rd, 2010
Name: DENISE CATALANO

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Lessee

Name: _____
Address: _____

By: _____

Lucy Hadi, Secretary

Name: _____
Address: _____

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

IN WITNESS WHEREOF, the parties have executed this Trust Agreement by their officers hereunto duly authorized as of the date and year first written above.

U.S. BANK NATIONAL ASSOCIATION, as Trustee

(SEAL)

By: _____

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by _____, as a _____ of U.S. Bank National Association, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Lessor

(SEAL)

By: _____

Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

Witnesses:

Laura H. Leonard
Name: Laura Leonard
Address: 1317 W. Kennedy Blvd
Tallahassee, FL 32344-0700
Mark Mustian
Name: MARK MUSTIAN
Address: 2328 CHARLES CT.
TALLAHASSEE, FL 32323

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Lessee

By: _____

Lucy Hadi, Secretary

STATE OF FLORIDA
COUNTY OF LEON

The foregoing instrument was acknowledged before me on the 7th day of Nov, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

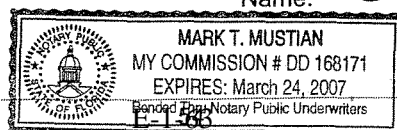


EXHIBIT A - DEFINITIONS

- "Act" means Florida Statutes, Chapter 394, Part V, Florida Statutes, Section 287.057(14)(c) and other applicable provisions of law.
- "Amortization Installment" means an annual amount designated as such by the Trust Agreement, such amount to be included in the Basic Rent Payments and to be deposited by the Trustee to the credit of the Principal Account for the purpose of paying Term Certificates.
- "Application For Payment and related Certification For Payment," with respect to Project Costs, means an Application for Payment and the related Certification for Payment in substantially the form required by the Construction Contract and submitted to the Trustee in accordance with the Trust Agreement and Section 7.02(c) of the Construction Contract to receive amounts from the Project Fund to pay Project Costs and, with respect to Costs of Issuance, means a requisition in substantially the form attached to the Trust Agreement as Exhibit D submitted in accordance with the Lease Agreement and the Trust Agreement.
- "Appropriation Act" means the act of the State Legislature pursuant to State law that appropriates to the Department annually funds to be used by the Department to fulfill its statutory duties and its valid contractual obligations. The failure of the State Legislature to appropriate sufficient funds to the Department to make all payments so as to fulfill completely its statutory duties and its valid contractual obligations shall not result in the non-existence of an Appropriation Act in any Fiscal Year. Further, the failure of the State Legislature to appropriate sufficient funds to the Department to make all payments so as to fulfill completely the Department's statutory duties and valid contractual obligations shall not constitute an Event of Default or an Event of Non-Appropriation hereunder, so long as the State Legislature provides sufficient funds to pay all Lease Payments due hereunder in the following Fiscal Year and such funds are in fact applied by the Department for such purposes in accordance herewith and with the Appropriations Act.
- "Architect" means the architect or firm of architects appointed to perform the duties of the Architect in accordance with Section 5.01 of the Lease Agreement. The Architect may be an employee of the Department, the Developer or the Contractor.
- "Assignment of Leases" means the Assignment of Leases, dated as of October 1, 2006, by and between the Corporation and the Trustee, as now or hereafter amended.
- "Authorized Officer" when used with respect to the Corporation, means the President, Vice President, Secretary or Treasurer of the Corporation or any other officer or employee of the Corporation who is designated by the Board of Directors of the Corporation as an Authorized Officer for purpose of the Lease Agreement and the Trust Agreement in a written certificate signed by the Chairman of the Board of Directors of the Corporation and filed with the Trustee and the Department. The term "Authorized Officer" when used with respect to the Department, means the Secretary, any Assistant Secretary or Deputy Secretary or any other officer or employee of the Department designated by the Department as an Authorized Officer for purposes of the Lease Agreement and the Trust Agreement in a written certificate signed by the Secretary or any Assistant Secretary or Deputy Secretary of the Department and filed with the Trustee and the Corporation. The term "Authorized Officer" when used with respect to the Developer, means the President, Vice President, Secretary or Treasurer of the Developer or any other officer of the Developer who is designated by the Board of Directors of the Developer as an Authorized Officer for purpose of the Lease Agreement and the Trust Agreement in a written certificate signed by the Chairman of the Board of Directors of the Developer and filed with the Trustee.
- "Available Revenues" means the moneys and revenues of the Department legally available in any Fiscal Year under the applicable Appropriation Act to make the Lease Payments.
- "Basic Rent" or "Basic Rent Payment" means the Basic Rent payments set forth in the Lease Schedule, as the same may be adjusted pursuant to the terms of the Lease Agreement.
- "Basic Rent Payment Date" means the dates on which Basic Rent becomes due as described in the Lease Schedule.

- "Budget" or "Budget Request" means the annual budget of revenues and expenses and capital expenditures required to be adopted by the Department for each Fiscal Year and submitted to the State Legislature and the Governor of the State, as chief budget officer of the State pursuant to the laws of the State. "Budget" shall include both the Department's tentative Budget and its final Budget.
- "Buildings" means the structures to be financed or refinanced from a disbursement from the Project Account and leased to the Department as part of the Project pursuant to the terms of the Lease Agreement and Trust Agreement and which is more particularly described in a Lease Schedule, as the same may be modified or changed from time to time in accordance with the terms of the Lease Agreement and the Trust Agreement.
- "Business Day" means any day other than a Saturday or Sunday or a day on which the Trustee is authorized by law to be closed.
- "Capitalized Interest Account" means the account by that name established under Section 6.02 of the Trust Agreement.
- "Certificate" or "Certificates" means the certificates of participation prepared and delivered by the Trustee pursuant to the Trust Agreement, including the Series 2006 Certificates, any Completion Certificates and any Refunding Certificates.
- "Certificate for Payment" means a certificate issued by the Architect or Engineer or approval issued by the Department or the Corporation in accordance with Section 7.02(c) of the Construction Contract.
- "Certificate Payments" means the Principal and Interest Requirements and all other amounts coming due and payable with respect to the Certificates under the Trust Agreement.
- "Certificate Register" means the books of the Trustee for registration of the ownership of the Certificates pursuant to Section 4.06 of the Trust Agreement.
- "Closing Date" means, with respect to a particular series of Certificates, the date of issuance and delivery of such Certificates to the original purchaser or purchasers thereof.
- "Code" means the Internal Revenue Code of 1986, as amended, and all regulations and rules applicable thereto.
- "Commencement Date" means October 1, 2006.
- "Completion Certificates" means Certificates issued for purposes of completing the Project pursuant to Section 4.12 of the Trust Agreement.
- "Completion Date" means the date the Project achieves final completion, as described in Section 6.03 of the Construction Contract, and the Department has approved Final Acceptance (as that term is defined in the Construction Contract).
- "Construction Commencement Deadline" means August 28, 2007.
- "Construction Completion Deadline" means March 15, 2009.
- "Construction Contract" means the Design/Build Contract for the Florida Civil Commitment Center Project dated as of October 1, 2006, among the Department, the Corporation and the Developer providing for the terms upon which the Developer shall construct and install the Project on a "turnkey" basis.
- "Contractor" means, with respect to the Project, the Person or Persons appointed by the Developer, with the consent of the Corporation, to act in such capacity.
- "Corporation" means Florida Civil Commitment Center Financing Corporation, a Florida not-for-profit corporation organized and existing under the laws of the State, and any successor thereto.
- "Costs of Issuance" means all costs and expenses related to the execution, sale and delivery of the Certificates and execution and delivery of the Lease Agreement, including, but not limited to, costs paid or incurred by the Department, the Corporation or the Trustee for filing costs, printing

costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges and reimbursements, financial and other professional consultant fees and charges and reimbursements, auditors fees and charges and reimbursements, costs of rating agencies or credit ratings, fees for execution, registration, transportation and safekeeping of the Certificates, credit enhancement premiums and charges and fees in connection with the foregoing.

"Costs of Issuance Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Department" means the Florida Department of Children and Family Services.

"Developer" means THE GEO GROUP, INC. and any successors thereto.

"Earnings Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Engineer" means the professional engineer or firm of engineers appointed to perform the duties of the Engineer in accordance with Section 5.01 of the Lease Agreement. The Engineer may be an employee of the Department, the Contractor or the Developer.

"Environmental Audit" means an environmental audit of the Land upon which the Project, or portion of the Project, as applicable, is to be constructed, acceptable to the Department, prepared by an independent engineer or other qualified consultant and concluding that such portion of the Land is "environmentally acceptable" and not recommending the performance of more intensive procedures.

"Equipment" means the items of personal property to be financed or refinanced by disbursements from the Project Account and leased to the Department pursuant to the terms and provisions of the Lease Agreement and which are more particularly described in the Lease Schedule, or any substitutions therefore or additions thereto made in accordance with the provisions of the Lease Agreement.

"Escrow Deposit Agreement" means an Escrow Deposit Agreement entered into between the Trustee, the Corporation and the Department pursuant to a Supplemental Trust Agreement providing for deposit of cash or securities for the defeasance of any Certificates.

"Estimated Completion Date" means the Scheduled Completion Date as that term is defined in the Construction Contract.

"Event of Default" or "Default," when referenced to the Lease Agreement, means an event of default or default under the Lease Agreement as set forth in Section 7.02 of the Lease Agreement, and, when referenced to the Trust Agreement, shall mean an event of default or default as set forth in Section 8.01 of the Trust Agreement.

"Event of Non-Appropriation" means the enactment of an Appropriation Act in accordance with State Law which does not provide sufficient funds to continue making Lease Payments in full for the next succeeding Renewal Lease Term beyond the end of the Initial Lease Term or the last Renewal Lease Term for which Lease Payments had been budgeted and appropriated.

"Extraordinary Prepayment" means as to the Certificates, the extraordinary prepayment of all or a portion of the Certificates pursuant to Section 5.01(a) of the Trust Agreement, and as to the Lease Payments, the extraordinary prepayment by the Department of all or a portion of the Lease Payments pursuant to Section 5.08(c) of the Lease Agreement.

"Extraordinary Prepayment Date" means the date on which such Certificates shall be prepaid pursuant to Section 5.01(a) of the Trust Agreement.

"Final Completion" shall have the meaning set forth therefore in the Construction Contract.

"Fiscal Year" means the period commencing on July 1 of each year and continuing through the next succeeding June 30, or such other period as may be prescribed by law as the fiscal year for the State.

"Fitch" means Fitch Ratings, a wholly owned subsidiary of FIMALAC, S.A., or any successor thereto.

- "Initial Lease Term" means the initial term of the lease of the Project from the Corporation to the Department pursuant to the terms of the Lease Agreement, which Initial Lease Term shall commence on the Commencement Date and shall end on October 1, 2007.
- "Initial Lease Termination Date" means the last day of the Initial Lease Term.
- "Insurance Consultant" means a recognized, independent insurance company or broker, selected by the Department, that has actuarial personnel experienced in the area of insurance for which the Department is to be self insured.
- "Insurer " means MBIA Insurance Corporation, or its successor or assigns.
- "Interest Account" means the account by that name established under Section 6.02 of the Trust Agreement.
- "Interest Component" means the portion of each Basic Rent Payment constituting interest as set forth in the Lease Schedule.
- "Land" means, the real property to be leased to the Corporation by the Department pursuant to the terms of the Sublease which is more particularly described in the Lease Schedule.
- "Lease Agreement" means the Lease-Purchase Agreement, dated as of October 1, 2006, by and between the Corporation, as lessor, and the Department, as lessee, including the Lease Schedule, as now or hereafter amended, modified or supplemented.
- "Lease Payment Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.
- "Lease Payments" means, collectively, the Basic Rent, the Supplemental Rent and all other amounts owing under the Lease Agreement which are payable by the Department pursuant to the Lease Agreement; provided, however, such term shall not include Refunding Rent.
- "Lease Schedule" means the Lease Schedule, attached to the Lease Agreement as Exhibit A, which shall authorize the lease of the Project to the Department in accordance with the terms of the Lease Agreement, as the same may be amended in accordance with the Lease Agreement.
- "Lease Term" means the term of the lease of the Project, pursuant to the provisions of the Lease Agreement and Lease Schedule relating thereto, which Lease Term shall commence on the first day of the Initial Lease Term and shall be equal to the Maximum Lease Term unless the Lease Agreement is earlier terminated in accordance therewith in which case the Lease Term shall end on such date of termination.
- "Letter of Credit" means the irrevocable letter of credit of issued by Banque Paribas and provided to the Trustee and the Department to be drawn upon for Liquidated Damages as provided in Section 6.17 hereof in a face amount equal to (a) \$7,200,000 as security for Liquidated Damages payable as a result of failure to commence construction on or before the Construction Commencement Deadline and (b) reducing after commencement of construction to \$2,650,000 as security for Liquidated Damages payable as a result of failure to complete construction on or before the Construction Completion Deadline.
- "Liquidated Damages" means liquidated damage payments paid by the Developer as a result of any delay in Substantial Completion or any failure to commence construction on or before the Construction Commencement Deadline, as such liquidated damages are described in Section 10.04 of the Construction Contract.
- "Mandatory Prepayment Date" means the date on which certain Certificates shall be prepaid pursuant to Section 5.01(d) of the Trust Agreement. .
- "Maximum Cost" means the maximum cost of the Project which shall be stated in the Lease Schedule.
- "Maximum Lease Term" means the maximum term of the lease of the Project as provided in the Lease Schedule.
- "Moody's" or "Moody's Investors Service" means Moody's Investors Service, or any successor thereto.

"Net Proceeds," when used with respect to any insurance or condemnation award, means the amount of gross proceeds from such insurance or condemnation award remaining after payment of all reasonable expenses incurred in the collection of such gross proceeds.

"Operations Contract" means the Operations Contract dated as of October 1, 2006, between the Operator and the Department, as amended or supplemented.

"Operator" means THE GEO GROUP, INC. and its successors.

"Optional Prepayment Date" means the date on which the moneys deposited by the Department pursuant to the exercise of a prepayment option under Section 4.06 of the Lease Agreement shall be applied to the prepayment of Certificates in accordance with the Lease Schedule.

"Outstanding," when used with reference to Certificates means, as of a particular date, all Certificates theretofore issued under the Trust Agreement, except:

- (1) Certificates theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;
- (2) Certificates which have been paid or provision for payment has been made in accordance with Section 12.01 of the Trust Agreement; and
- (3) Certificates in exchange for or in lieu of which other Certificates have been issued.

"Overdue Rate" means a rate of interest equal to the greater of the highest rate of interest allowed by law with respect to the Outstanding Certificates or 18% per annum.

"Owner" or "Certificate Owner" or "Owner of Certificates" or "Certificate Holder" or any-similar term, when used with respect to the Certificates means any Person who shall be the registered owner of any Outstanding Certificate.

"Payment Dates" means April 1 and October 1 of each year; provided that, with respect to the interest due on the Certificates, "Payment Dates" means April 1 and October 1 of each year and, with respect to the principal of the Certificates, "Payment Dates" means April 1 and October 1 of each year; in each case, set forth in Section 4.01 of the Trust Agreement.

"Permitted Encumbrances" means, in regard to the Project:

- (1) the State Lease and any liens and encumbrances created or permitted thereby;
- (2) the Sublease and any liens and encumbrances created or permitted thereby;
- (3) the Lease Agreement and any liens and encumbrances created or permitted thereby;
- (4) the Assignment of Leases and any liens and encumbrances created or permitted thereby;
- (5) subject to the provisions of Section 5.01(a) of the Lease Agreement, any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due under the contract in question or if such lien is being contested in good faith in accordance with the provisions of the Lease Agreement;
- (6) (a) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law; (b) any liens for taxes, assessments, levies, fees, water and sewer rents or charges and other government and similar charges, which are not due and payable or which are not delinquent or the amount or validity of which are being contested in good faith and execution thereon is stayed; (c) easements, rights-of-way, servitudes, restrictions, oil, gas or other mineral reservations and other minor defects, encumbrances and irregularities in the title to any property which do not materially and adversely impair the use of such property or materially and adversely affect the value thereof; 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; and .
- (7) any other liens or encumbrances permitted by the Lease Schedule.

"Permitted Investments" means (subject to Section 13.13 hereof):

- (1) Direct Obligations of the Department of the Treasury of the United States of America.
- (2) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Farmers Home Administration Certificates of Beneficial Interest
 - General Services Administration
 - U.S. Maritime Administration
 - Small Business Administration
 - Government National Mortgage Association (GNMA)
 - U.S. Department of Housing & Urban Development (PHA's)
 - Federal Housing Administration
 - Federal Financing Bank;
- (3) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America;
 - Senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
 - Obligations of the Resolution Funding Corporation (REFCORP)
 - Senior debt obligations of the Federal Home Loan Bank System
 - Senior debt obligations of other Government Sponsored Agencies;
- (4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holdings companies are not considered as the rating of the bank);
- (5) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;
- (6) Pre-funded 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 which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or
- (7) General obligations of states with a rating of at least "A2/A" or higher by both Moody's and S&P.
- (8) Commercial paper which is rated at the time of purchase, A-1 or better by S&P
- (9) Investment agreements, supported by appropriate opinions of counsel, with notice to S&P; and subject to the following:
 - (a) For investment agreements with a term of less than three years, the provider must maintain a long-term rating by S&P of AA- and,
 - (b) For investment agreements with a term of three years or more, the provider must maintain a long-term rating by S & P of AA-. In the event that the provider's ratings fall below AA-, the provider must:
 - (i) Substitute to a provider with a rating of at least AA-;
 - (ii) Secure credit enhancement to the investment agreement from a provider rated at least AA-;
 - (iii) Provide collateral for the agreement in an amount sufficient to maintain the rating of the Series 2006 Certificates; or

- (iv) Terminate the Agreement, but only with the consent of the Department and with payment of all amounts then outstanding, including accrued interest.

(10) Other forms of investments (including repurchase agreements) with notice to S&P.

The value of the above investments on any required valuation date shall be determined as follows:

- (A) As to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, in The New York Times): the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;
- (B) As to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times: the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
- (C) As to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest; and
- (D) As to any investment not specified above: the value thereof established by prior agreement between the Corporation and the Trustee.

"Permitted Transferee" means, in the event that there shall have occurred an Event of Default or Event of Non-Appropriation under the Lease Agreement, the person, to whom the Corporation's interest as sublessee in the Sublease may be assigned or sublet by the Trustee, upon receipt of the written consent of the Board of Trustees and the Department, as sublessor under the Sublease, pursuant to Section 45(D) of the Sublease.

"Person" means an individual, corporation, partnership, association, joint stock company, trust, unincorporated organization, government or political subdivision.

"Plans and Specifications" means the Developer's plans and specifications for the Project, having been accepted in writing by the Authorized Officer of the Department and on file or to be on file with the Department in accordance with the Construction Contract.

"Pledged Accounts" means the Prepayment Fund, the Project Account, Costs of Issuance Account, Capitalized Interest Account, the Reserve Account, the Earnings Fund, the Principal Account and the Interest Account.

"Policy" means the financial guaranty insurance policy issued by the Insurer in favor of Trustee for the benefit of the Owners of the Series 2006 Certificates, guaranteeing the payment when due of principal of and interest on the Series 2006 Certificates as provided therein.

"Prepayment Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Prepayment Premium" means the amount of prepayment premium, if any, due on any Optional Prepayment Date. The amount of such prepayment premium shall be calculated in accordance with the Trust Agreement.

"Prepayment Price" means, with respect to any Certificate or portion thereof, the principal amount or portion thereof, the applicable Prepayment Premium, if any, plus accrued interest to the prepayment date of the Certificates payable upon prepayment thereof pursuant to such Certificate and the Trust Agreement.

"Principal Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Principal Component" means the portion of each Basic Rent Payment constituting principal as set forth in the Lease Schedule.

"Principal and Interest Requirements" means the respective amounts which are required in each Fiscal Year to provide for:

- (1) the interest payable on all Certificates then Outstanding, which is payable on each interest Payment Date in such Fiscal Year,
- (2) the principal on all Serial Certificates then Outstanding, which is payable upon the maturity of the Serial Certificates in such Fiscal Year, and
- (3) the Amortization Installment for all Term Certificates then Outstanding, which is payable in such Fiscal Year.

In determining the amount of the Principal and Interest Requirements for any Fiscal Year, if interest on the Certificates is payable from the proceeds of such Certificates or from other amounts set aside irrevocably for such purpose at the time such Certificates are issued, interest on such Certificates shall be included in Principal and Interest Requirements only in proportion to the amount of interest payable in the then current Fiscal Year from amounts other than amounts so funded to pay such interest (so long as such funded interest is gross funded and invested in investments described in clause (1) of the definition of Permitted Investments, which mature no later than one Business Day prior to the related interest Payment Date).

"Principal Office" means the designated corporate trust office of the Trustee which shall initially be in Orlando, Florida, or the designated corporate trust office of any successor Trustee.

"Project" or "Florida Civil Commitment Center Project" shall mean the Land, the Buildings, and/or the Equipment, as described in the Lease Schedule, as the same may be amended or modified from time to time in accordance with the terms of the Lease Agreement.

"Project Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Project Budget" means the Contract Price, as that term is defined in the Construction Contract, which serves as the budget for expenditure of moneys in the Project Account.

"Project Costs" or "Costs of the Project" means all costs of payment of, or reimbursement for, acquisition, construction and installation of the Project, including but not limited to, architectural and engineering costs and costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs and sales and use taxes and the cost of title insurance, and, in addition, Costs of Issuance to the extent that the amounts on deposit in the Costs of Issuance Account are insufficient to pay all Costs of Issuance in full. Project Costs shall specifically include any portion of the total costs of the Project or any portion thereof paid by the Corporation from funds other than proceeds of the Certificates prior to the Closing Date for which the Corporation seeks reimbursement by filing an Application For Payment and related Certification For Payment with the Trustee in the manner required by Section 6.03 of the Trust Agreement.

"Project Description" means the description of the Project as set forth in the Lease Schedule.

"Project Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Project Schedule" means the Construction Schedule (as that term is defined in the Construction Contract), which sets forth the timetable of performance measures and benchmarks or milestones with respect to the acquisition, construction, delivery and installation of the components of the Project.

"Purchasers" means the original purchasers of the Certificates.

"Qualified Financial Institution" means, subject to Section 13.13 hereof, (1) a bank, a trust company, a national banking association, a corporation subject to registration with the Department of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956 or any successor provisions of law, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States

of America; or (2) the Government National Mortgage Association or any successor thereto or the Federal National Mortgage Association or any successor thereto; provided that, for each such entity delineated in clauses (1) and (2), its unsecured or uncollateralized long-term debt obligations, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such entity, have been assigned a credit rating by Moody's of "Aa" or better or by S&P of "AA" or better.

"Rating Agency" means, as of any date, each of Moody's, if Certificates are then rated by Moody's, Fitch, if Certificates are then rated by Fitch, and S&P, if Certificates are then rated by S&P.

"Real Estate Taxes" means all real estate taxes, public and governmental charges and assessments, including all extraordinary or special assessments, and taxes and assessments against any of the personal property included in the Project, all costs, expenses and attorneys' fees incurred by Corporation in contesting or negotiating with public authorities as to any of same and all sewer and other similar taxes and charges.

"Rebate Fund" means the fund by that name established under Section 6.02 of the Trust Agreement.

"Record Date" means the 15th day of the month preceding any Payment Date (whether or not a Business Day).

"Refunded Certificates" mean any Outstanding Certificates so designated by Schedule A to the Lease Schedule as amended with respect to a series of Refunding Certificates.

"Refunding Certificates" means Certificates issued for purposes of refunding the Refunded Certificates or Outstanding Certificates pursuant to Section 4.13 of the Trust Agreement.

"Refunding Rent" means the Refunding Rent payments set forth in a subsequent Schedule to the Lease Schedule payable with respect to Refunded Certificates pursuant to the Lease Agreement.

"Refunding Securities," except as otherwise provided by the Trust Agreement, means direct obligations of the Department of the Treasury of the United States of America.

"Related Certificate Documents" means the Sublease, the Lease Agreement, the Assignment of Leases, and the Construction Contract.

"Renewal Lease Term" means, in regard to the Project, the period commencing on the day after the last day of the Initial Lease Term and ending on the following October 1. Thereafter, "Renewal Lease Term" shall refer to each succeeding one (1) year term commencing on the day after the last day of the previous Renewal Lease Term and ending on the following October 1.

"Renewal Term Termination Date" means, in regard to the Project, the termination date for the then current Renewal Lease Term which shall be the last day of such Renewal Lease Term.

"Request and Authorization" means a request and authorization from the Corporation and the Department to the Trustee to authenticate and deliver Certificates in accordance with the terms thereof and of the Trust Agreement, and substantially in the form attached to the Trust Agreement as Exhibit C.

"Reserve Account" means the account by that name established under Section 6.02 of the Trust Agreement.

"Reserve Account Surety Bond" means, subject to Section 13.13 hereof, 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 the Reserve Account in order to fulfill the Reserve Requirement.

"Reserve Requirement" means, in regard to the Reserve Account established to secure the Certificates, an amount equal to the least of (1) \$5,087,360.00, (2) the maximum Principal and Interest Requirements on account of the Outstanding Certificates secured by such account in the current or any subsequent Fiscal Year, (3) one hundred twenty-five percent (125%) of the average annual Principal and Interest Requirements on account of the Outstanding Certificates secured by such account in the current or any subsequent Fiscal Years, and (4) ten percent (10%) of the stated principal amount of such Certificates (except that, if such Certificates are issued at an

- original issue discount in excess of two percent, the issue price of the Certificates, net of pre-issuance accrued interest, shall be substituted for the stated principal mount).
- "S&P" or "Standard & Poor's Corporation" means Standard & Poor's Ratings Group, or any successor thereto.
- "Serial Certificates" means the Certificates designated as Serial Certificates pursuant to the Trust Agreement.
- "Series 2006 Certificates" means the Certificates of Participation (Florida Civil Commitment Center Project), Series 2006, Evidencing Fractional Undivided Interests of the Owners Thereof in Basic Rent Payments to be made under a Lease-Purchase Agreement issued by the Florida Department of Children and Family Services, an agency of the State of Florida, authorized pursuant to the Trust Agreement.
- "Special Counsel" shall mean Tripp Scott, P.A., Fort Lauderdale, Florida, or any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the exemption of the interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.
- "Special Prepayment" means the special prepayment of all or a portion of certain of the Certificates pursuant to Section 501(b) and 603(h) of the Trust Agreement.
- "Special Prepayment Date" means the date on which certain of the Certificates shall be prepaid pursuant to Section 5.01(b) of the Trust Agreement.
- "State" means the State of Florida.
- "State Lease" means the Lease, dated as of October 20, 2006, from the State of Florida Board of Trustees of the Internal Improvement Trust Fund to the Department.
- "Stipulated Loss Value" means an amount calculated in accordance with Section 5.08 of the Lease Agreement.
- "Substantial Completion" shall have the meaning set forth therefore in the Construction Contract.
- "Supplemental Rent" shall have the meaning set forth in Section 4.03(f) of the Lease Agreement.
- "Supplemental Rent Fund" means the Fund of that name established pursuant to Section 6.02 of the Trust Agreement.
- "Supplemental Trust Agreement" means any supplement to or amendment to the Trust Agreement entered into in accordance with Article XI of the Trust Agreement.
- "Survey" means a survey plat, satisfying the requirements of the Florida Department of Environmental Protection, of the Land and prepared and certified by an independent registered Florida civil engineer or land surveyor, showing with respect to such Land (i) a legal description of such portion of the Land and certifying the number of acres included in such portion of the Land; (ii) the location, dimensions and boundaries of such Land; (iii) the size and location of the Project and all existing improvements, roads, paths, culverts, drainage ditches, easements, utility lines and encroachments on such portion of the Land; (iv) the size and location of all easements, encroachments, setback lines or other changes affecting such portion of the Land and customarily reflected on land surveys; (v) all means of access to such Land, including the location of the nearest public streets and access of such portion of the Land to those streets; and (vi) the flood hazard designation (if any).
- "Taxable Certificates" means those Certificates for which the Interest Component on the Basic Rent Payments allocable to such Certificates should not be excluded from gross income for purposes of federal income taxation.
- "Tax Regulatory Agreement" means the Tax Regulatory Agreement attached to, or entered into in connection with, each Supplemental Trust Agreement authorizing the issuance of certificates as required by Section 6.14 of the Trust Agreement.

"Term Certificates" means those Certificates designated as Term Certificates pursuant to the Trust Agreement authorizing the issuance thereof which are subject to mandatory prepayment by Amortization Installments.

"Termination Date" means the date on which the Lease Agreement terminates pursuant to the terms thereof.

"Trust Agreement" means the Trust Agreement, dated as of October 1, 2006, among the Corporation, the Department and the Trustee, as now and hereafter amended, modified or supplemented by Supplemental Trust Agreements.

"Trust Estate" means all right, title and interest of the Trustee in and to the property and interests therein described in Section 3.03 of the Trust Agreement.

"Trustee" means U.S. BANK NATIONAL ASSOCIATION, or its successor in interest as the Trustee under the Trust Agreement.

"United States Obligations" means the obligations and securities described in clauses (1) and (2) of the definition of "Permitted Investments."

"Vendor" means, the Person or Persons appointed by the Department to sell Equipment relating to the Project.

EXHIBIT B – FORM OF CERTIFICATE

CERTIFICATE OF PARTICIPATION
(FLORIDA CIVIL COMMITMENT CENTER PROJECT), SERIES 2006,
EVIDENCING FRACTIONAL UNDIVIDED INTERESTS
OF THE OWNERS THEREOF IN BASIC RENT PAYMENTS TO BE
MADE UNDER A LEASE-PURCHASE AGREEMENT BY THE
FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AN AGENCY OF THE STATE OF FLORIDA

Interest Rate	Dated Date	Maturity Date	CUSIP
_____ %	_____	[April or October] 1, _____	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$ _____

This is to certify that the Registered Owner stated above is the registered owner of this Certificate and is entitled to receive on the Maturity Date stated above, the Principal Amount stated above. This Certificate and the "Certificate Principal Amount" and "Certificate Interest Payments" hereunder (as each is defined below) represent a fractional undivided interest in the right to receive the Principal Component and Interest Component of Basic Rent Payments payable under the Lease-Purchase Agreement, dated as of October 1, 2006 (the "Lease Agreement"), between the Florida Civil Commitment Center Financing Corporation, a not-for-profit Florida corporation, as lessor (the "Corporation" or "Corporation") and the Florida Department of Children and Family Services, an agency of the State of Florida, as lessee (the "Department"). Pursuant to the Lease Agreement, the Department has leased from the Corporation the Land and the Project (as such terms are defined in the Lease Agreement). The Corporation's rights under the Lease Agreement (other than certain rights specified in the Lease Agreement) have been assigned by outright assignment, without recourse, to U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Trustee") under the Trust Agreement, dated as of October 1, 2006 (the "Trust Agreement") among the Trustee, the Corporation and the Department, under the Assignment of Leases, dated as of October 1, 2006, between the Corporation and the Trustee.

The Basic Rent Payments under the Lease Agreement are payable solely from the Department's Available Revenues (as defined in the Trust Agreement) and the moneys on deposit with the Trustee under the Trust Agreement. The Lease Agreement is subject to renewal at the end of each fiscal year of the State which renewal will only occur if the State enacts an Appropriation Act for such ensuing fiscal year that appropriates funds for such purpose. The designated corporate trust office of the Trustee is located in Orlando, Florida (the "Principal Office"). The aforesaid Principal Amount represents a fractional undivided interest in the Principal Component of the Basic Rent Payment (the "Certificate Principal Amount") under the Lease Agreement coming due on the Maturity Date. The Owner is also entitled to receive, on April 1, 2007, and semiannually thereafter on each April 1 and October 1 (each such date being referred to herein as a "Payment Date") to and including the Maturity Date or the date of prepayment, whichever is earlier, the Owner's fractional undivided interest in the Interest Component of the Basic Rent Payment (the "Certificate Interest Payments") coming due with respect to such Payment Dates. Interest on the Principal Amount represented by this Certificate shall accrue from the Dated Date at the Interest Rate set forth above. This Certificate is one of a series of certificates of participation in the aggregate principal amount of \$68,730,000 (the "Certificates") issued to finance the acquisition, construction and installation of a secure civil commitment and treatment facility for sexually violent predators (the "Project") for lease to the Department pursuant to the Lease Agreement.

The acquisition, construction and installation of the Project shall be financed by the issuance of the Certificates pursuant to the Trust Agreement. The Department has agreed in the Lease Agreement to seek to have the State budget and appropriate in each fiscal year from Available Revenues sufficient

moneys to make the Lease Payments (as defined in the Trust Agreement) for the Project. The Department may issue Completion Certificates or Refunding Certificates (each as defined in the Trust Agreement) which shall be on parity with the Certificates upon satisfying the conditions described therefore in the Trust Agreement.

Said amounts are payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. The Principal Amount is payable at the Principal Office of the Trustee and interest is payable by check or draft of the Trustee mailed on each Payment Date to the Registered Owner of record on the fifteenth (15th) day of the month preceding the Payment Date (the "Record Date"); provided, however, that at the request and expense of the Registered Owner of \$1,000,000 or more in aggregate principal amount of Certificates, interest shall be paid by wire transfer on the Payment Date to a bank account located in the continental United States and designated in writing to the Trustee by the Registered Owner at least five days prior to said Payment Date.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS CERTIFICATE SET FORTH ON THE REVERSE HEREOF WHICH FURTHER PROVISIONS SHALL, FOR ALL PURPOSES, HAVE THE SAME EFFECT AS IF SET FORTH IN THIS PLACE.

All capitalized terms not otherwise defined herein shall have the meaning set forth in the Trust Agreement.

THE BASIC RENT PAYMENTS AND, CONSEQUENTLY, THE CERTIFICATE PAYMENTS OF PRINCIPAL AND INTEREST ARE PAYABLE SOLELY FROM REVENUES APPROPRIATED FOR SUCH PURPOSE. THE BASIC RENT PAYMENTS ARE SUBJECT TO ANNUAL APPROPRIATION BY THE STATE. THE CERTIFICATE PAYMENTS OF PRINCIPAL AND INTEREST AND THE PAYMENTS DUE FROM THE DEPARTMENT UNDER THE LEASE AGREEMENT AND THE CONTRACTUAL OBLIGATIONS OF THE DEPARTMENT UNDER THE LEASE AGREEMENT DO NOT CONSTITUTE A GENERAL OBLIGATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE DEPARTMENT, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

The Trustee has no obligation or liability to the Registered Owner to make payments of the Certificate Principal Amount or Certificate Interest Payments with respect to this Certificate, other than from the Trust Estate. The Trustee's sole obligations are to administer, for the benefit of the Certificate Owners, the various funds and accounts established under the Trust Agreement and to exercise various responsibilities under the Trust Agreement.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be executed by facsimile signature of an authorized officer as of the date stated above.

U.S. BANK NATIONAL ASSOCIATION,
not in its individual capacity but solely as Trustee

By: _____
Authorized Signature

CERTIFICATE OF AUTHENTICATION

This Certificate is one of the Certificates designated as Certificates of Participation, Series 2006 Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be made under a Lease-Purchase Agreement with the Florida Department of Children and Family Services described in the within-mentioned Trust Agreement.

Date of Authentication:

U.S. BANK NATIONAL ASSOCIATION,
not in its individual capacity but solely as Trustee.

By: _____
Authorized Signature

(Reverse Side of Form of Certificate of Participation)

This Certificate has been executed by the Trustee pursuant to the terms of the Trust Agreement. Copies of the Sublease, the Lease Agreement, the Assignment of Leases, and the Trust Agreement are on file at the Principal Office of the Trustee, and reference to the Sublease, the Lease Agreement, the Assignment of Leases, and the Trust Agreement and any and all amendments to said agreements is made for a description of the covenants of the Department, the nature, extent and manner of enforcement of such covenants, the rights and remedies of the Owners of the Certificates with respect thereto and the terms and conditions upon which the Certificates are delivered thereunder. To the extent and in the manner permitted by the terms thereof, the provisions of the Sublease, the Lease Agreement, the Assignment of Leases, and the Trust Agreement may be amended by the parties thereto.

This Certificate may be transferred only by recording the transfer on the Certificate Register, which shall be kept for that purpose by the Trustee at the Principal Office of the Trustee in Orlando, Florida. A transfer of this Certificate shall be registered and a new Certificate prepared, authenticated and delivered upon surrender of this Certificate for cancellation accompanied by a written instrument of transfer in a form approved by the Trustee and duly executed by the Registered Owner hereof or his or her duly authorized attorney or legal representative. Upon the registration of the transfer and the surrender of this Certificate, the Trustee shall provide in the name of the transferee, a new fully registered Certificate or Certificates of the same aggregate principal amount, maturity and tenor as the surrendered Certificate. No exchange or transfer of any Certificates shall be required of the Trustee (1) during a period beginning at the opening of business 15 days before the day of the mailing of a notice of prepayment of Certificates and ending at the close of business on the day of such mailing, (2) for Certificates called for prepayment, or (3) during a period beginning at the opening of business on the Record Date next preceding a date set for payment of interest and ending on such date set for payment of interest. Interest on the Certificates shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months.

The Certificates are delivered in the form of fully registered Certificates in denominations of \$5,000 each or any whole multiple thereof, and upon surrender thereof at the Principal Office of the Trustee with a written request of exchange satisfactory to the Trustee duly executed by the Registered Owner or his duly authorized attorney or legal representative in writing, may, at the option of the Registered Owner thereof, be exchanged for an equal aggregate Principal Amount of Certificates of any other authorized denominations and of the same Interest Rate and Maturity Date.

The Certificates are subject to Extraordinary Prepayment, in whole, on any date, or in part, on any Extraordinary Prepayment Date (if in part, in any order of maturity as directed by the Department or, in the absence of such direction, in inverse order of maturity and by lot within maturities), without prepayment premium, at the principal amount, together with accrued interest to the Extraordinary Prepayment Date, from the Net Proceeds of insurance or condemnation or other amounts deposited with the Trustee pursuant to Section 5.08(c) of the Lease Agreement. The Extraordinary Prepayment Date shall be the next succeeding Payment Date following the receipt by the Trustee of the moneys to be used for such prepayment; provided, however, if such Payment Date occurs within forty (40) days of receipt by the Trustee of the moneys to be used for such prepayment, the Extraordinary Prepayment Date shall be the second succeeding Payment Date.

The Series 2006 Certificates are subject to Special Prepayment, in whole on the Special Prepayment Date, without prepayment premium, at a prepayment price equal to the original issue price of each Certificate, together with accrued interest to the Special Prepayment Date, from amounts on deposit in the Project Account, the Capitalized Interest Account and the Reserve Account deposited into the Prepayment Fund pursuant to Section 3.03(g) of the Lease Agreement for failure to commence construction prior to the Construction Commencement Deadline; provided, however, the Department may elect not to prepay the Series 2006 Certificates so long as the then-current ratings on the Series 2006 Certificates will not be withdrawn, downgraded or adversely impacted if the Series 2006 Certificates are not prepaid. The Special Prepayment Date with respect to any Special Prepayment shall be a date selected by the Department by written direction to the Trustee not less than thirty (30) days, nor more than sixty (60) days, after the Construction Commencement Deadline.

The Certificates maturing on or before October 1, 2016 shall not be subject to prepayment at the option of the Department. Any of the Certificates maturing on or after October 1, 2017 may be prepaid, from optional prepayments of Basic Rent made by the Department pursuant to the Lease Agreement, so long as no Event of Default or Event of Non-Appropriation has occurred and is continuing under the Lease Agreement, in whole on October 1, 2016 or any date thereafter, or in part on October 1, 2016 or any Payment Date thereafter and in such order of maturities as may be designated by the Department, or if not so designated, in the inverse order of maturities, and by lot within a maturity in such manner as may be designated by the Trustee, at the Prepayment Price of par, plus accrued and unpaid interest thereon to the prepayment date.

The Term Certificates maturing on October 1, 2029 shall be subject to mandatory prepayment commencing on October 1, 2027 from Amortization Installments in the amounts and on the dates set forth below (the Trustee shall select such Certificates by lot in such manner as it deems appropriate):

<u>Payment Date</u>	<u>Amortization Installment</u>
October 1, 2027	\$4,320,000
October 1, 2028	4,520,000
October 1, 2029 (Final Maturity)	6,830,000

When Certificates are prepaid by lot, selection of Certificates for prepayment shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in the principal amount of \$5,000 or any whole multiple thereof, and that in selecting portions of Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount of such Certificates by \$5,000.

When prepayment is authorized or required, the Trustee shall give to the Registered Owner notice, at the expense of the Department, of the prepayment of this Certificate. Such notice shall specify, among other things: (1) that the whole or a designated portion of this Certificate is to be prepaid, (2) the date of prepayment, and (3) the place or places where the prepayment will be made.

Notice of such prepayment shall be mailed, postage prepaid, not more than 60 days or fewer than 30 days prior to said date of prepayment, to the Registered Owner of any Certificate to be prepaid. Such mailing shall not be a condition precedent to such prepayment, and failure to so mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the prepayment of the Certificates.

The following abbreviations, when used in the inscription on the face of the within Certificate, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF TRANS MIN ACT - _____
(Cust.)

Custodian for _____
under Uniform Transfers to Minors Act of _____
(State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

For value received _____, the undersigned do(es) hereby sell, assign and transfer unto _____, whose Social Security or other identifying number is _____, the within registered Certificate and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the Certificate Register of the Trustee with full power of substitution in the premises.

Dated: _____

Note: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank, or trust company.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within registered Certificates in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT C - FORM OF REQUEST AND AUTHORIZATION

1. The undersigned, being, respectively, an authorized officer of Florida Civil Commitment Center Financing Corporation, a Florida not-for-profit corporation (the "Corporation"), and an authorized officer of the Florida Department of Children and Family Services, an agency of the State of Florida (the "Department"), hereby authorize and request U.S. BANK NATIONAL ASSOCIATION, as Trustee under that certain Trust Agreement, dated as of October 1, 2006 (the "Trust Agreement"), among it, the Corporation and the Department, to deliver the \$68,730,000 aggregate principal amount of Certificates of Participation (Florida Civil Commitment Center Project), Series 2006 Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be made under a Lease-Purchase Agreement of the Florida Department of Children and Family Services, an agency of the State of Florida (the "Series 2006 Certificates"), dated as of October 1, 2006, in the respective maturities and at the respective interest rates set forth in Schedule A hereto, as authorized by the Trust Agreement, in fully registered form, to Banc of America Securities LLC (collectively, the "Underwriters"), on the date hereof, upon receipt from the Underwriters of the purchase price for the Series 2006 Certificates, which is computed as follows:

Principal Amount	\$68,730,000.00
Plus Net Original Issue Premium	3,612,420.60
Less Underwriters' Discount	<u>(520,402.40)</u>
Net Purchase Price Proceeds	\$71,822,018.20

2. Said sum shall be immediately deposited by you in the Pledged Accounts relating to such Series 2006 Certificates as follows in accordance with the provisions of the Trust Agreement.

Deposit to Project Account	\$58,647,360.15
Deposit to Costs of Issuance Account	\$ 1,287,630.00
Deposit to Capitalized Interest Account	\$ 6,799,668.05
Deposit to Reserve Account	<u>\$ 5,087,360.00</u>
Total Deposits	\$71,822,018.20

DATED: _____, _____

FLORIDA CIVIL COMMITMENT CENTER
FINANCING CORPORATION

FLORIDA DEPARTMENT OF CHILDREN
AND FAMILY SERVICES

By: _____
_____, _____

By: _____
_____, _____

ACCEPTED: U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: _____
_____, _____

EXHIBIT D - FORM OF INSTRUCTIONS TO TRUSTEE TO PAY COSTS OF ISSUANCE

Pursuant to the provisions of that certain Trust Agreement dated as of October 1, 2006, among U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Trustee"), FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION (the "Corporation") and the FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES (the "Department"), the Corporation and the Department, acting jointly, do hereby direct and instruct the Trustee to pay the Costs of Issuance from moneys in the Costs of Issuance Account in the Project Fund, as set forth in the Schedule attached hereto.

DATED: _____, _____

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION

By: _____
_____, _____

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES

By: _____
_____, _____

EXHIBIT E

As of	Cumulative Draws Not to Exceed
11/14/2006	\$85,060.00
12/1/2006	\$2,523,279.00
1/1/2007	\$2,945,527.00
2/1/2007	\$3,436,400.00
3/1/2007	\$4,438,732.00
4/1/2007	\$7,035,452.18
5/1/2007	\$8,425,775.18
6/1/2007	\$10,059,801.18
7/1/2007	\$12,063,383.18
8/1/2007	\$14,263,639.18
9/1/2007	\$16,921,254.18
10/1/2007	\$21,668,140.68
11/1/2007	\$25,136,561.68
12/1/2007	\$28,896,563.68
1/1/2008	\$32,843,498.68
2/1/2008	\$36,860,499.68
3/1/2008	\$40,825,961.68
4/1/2008	\$46,276,022.18
5/1/2008	\$49,792,076.18
6/1/2008	\$52,938,215.18
7/1/2008	\$55,648,742.18
8/1/2008	\$57,890,649.18
9/1/2008	\$59,671,101.18
10/1/2008	\$63,302,334.68
11/1/2008	\$65,053,205.68
12/1/2008	\$66,509,900.68
1/1/2009	\$67,829,670.68
2/1/2009	\$67,829,670.68
3/1/2009	\$67,829,670.68
4/1/2009	\$69,337,552.74

Deposit Amount

2021B SUPPLEMENTAL TRUST AGREEMENT

by and among

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

and

**FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION,
as Lessor**

and

**FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES,
formerly Florida Department of Children and Family Services,
as Lessee**

Dated as of February 1, 2021

Relating to
Refunding Certificates of Participation
Evidencing Fractional Undivided Interests of the Owners
thereof in Basic Rent Payments to be Made
by the State of Florida Department of Children and Families,
(Florida Civil Commitment Center Financing Corporation Project), Series 2021B

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2021B SUPPLEMENTAL TRUST AGREEMENT

THIS 2021B SUPPLEMENTAL TRUST AGREEMENT, dated as of February 1, 2021 (the "2021B Supplemental Trust Agreement"), supplementing the Trust Agreement, dated as of October 1, 2006 (the "Original Trust Agreement"), by and among **U.S. BANK NATIONAL ASSOCIATION**, a national banking association with corporate trust powers qualified to accept trusts of the type set forth in the Original Trust Agreement (the "Trustee"), the **FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION**, a not-for-profit corporation duly organized and existing under the laws of the State of Florida (the "Corporation"), and **FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES**, formerly Florida Department of Children and Family Services, an agency of the State of Florida (the "Department");

W I T N E S S E T H:

WHEREAS, the Department has heretofore deemed it in its best interests to lease-purchase certain real and/or personal property from time to time and has heretofore entered into a Lease-Purchase Agreement, dated as of October 1, 2006 (the "Lease Agreement"), between the Corporation, as lessor, and the Department, as lessee; and

WHEREAS, provision for the payment of the cost of acquiring, constructing and installing the Project financed through the Lease Agreement was made by the issuance and sale of Certificates of Participation, Series 2006, issued under the Original Trust Agreement (the "Refunded Certificates"), which are secured by and payable from the right of the Corporation to receive Basic Rent Payments (as defined in the Lease Agreement) to be made by the Department pursuant to the Lease Agreement and related Lease Schedule; and

WHEREAS, at the request of the Department and the Corporation, the Trustee has agreed to deliver a series of Refunding Certificates under the Original Trust Agreement (the "2021B Certificates") pursuant to and upon receipt of a Request and Authorization (as defined in the Original Trust Agreement) from the Corporation and the Department and the terms of this 2021B Supplemental Trust Agreement; and

WHEREAS, the Corporation has assigned by absolute outright assignment to the Trustee all of its right, title and interest in and to the Lease Agreement and the Lease Payments (as defined in the Lease Agreement), other than its rights of indemnification and its obligations pursuant to Section 6.03 of the Lease Agreement, pursuant to the Assignment of Leases, dated as of October 1, 2006 (the "Assignment of Lease Agreement"), between the Corporation and the Trustee; and

WHEREAS, the Department and the Corporation agree that the proceeds of the 2021B Certificates shall be used to refund on a current basis all of the outstanding Refunded Certificates pursuant to the terms of the Original Trust Agreement and the Escrow Agreement (as defined below) in order to achieve certain debt service savings; and

WHEREAS, a portion of the proceeds of the 2021B Certificates, together with other legally available funds, shall be deposited into an escrow deposit trust fund established pursuant to the Escrow Deposit Agreement, dated as of February 1, 2021, between the Department and U.S.

Bank National Association, as escrow agent (the "Escrow Agreement") and shall constitute the deposit of prepaid Basic Rent Payments by the Department; and

WHEREAS, the deposit of the prepaid Basic Rent Payments in the escrow deposit trust fund shall be in an amount sufficient to pay the principal of, prepayment premium, if any, and interest on the Refunded Certificates as the same becomes due or are prepaid prior to maturity; and

WHEREAS, the Lease Agreement will continue to secure the payment of Basic Rent Payments and Supplemental Rent (as defined in the Lease Agreement) for the benefit of the 2021B Certificates; and

WHEREAS, in consideration for the deposit of such prepaid Basic Rent Payments to refund the Refunded Certificates, the Department has agreed to enter into a Lease Schedule No. 2021B (the "2021B Lease Schedule"), with the Corporation, whereby the Department will replace the Lease Schedule in its entirety, thereby continuing to lease the Project and agreed to make Basic Rent Payments sufficient to pay the principal of and interest on the 2021B Certificates; and

WHEREAS, the 2021B Certificates shall be secured in the manner provided in the Original Trust Agreement and shall have the terms and provisions contained in this Series 2021B Supplemental Trust Agreement; and

WHEREAS, all things necessary to make the 2021B Certificates, when authenticated by the Trustee and issued as provided herein and in the Original 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 2021B Supplemental Trust Agreement, and the creation, execution and issuance of the 2021B Certificates subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, THIS 2021B SUPPLEMENTAL TRUST AGREEMENT WITNESSETH:

ARTICLE I DEFINITIONS

SECTION 1.01. DEFINITIONS. Capitalized words and terms which are defined in the Original 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 capitalized words and terms elsewhere defined in this 2021B Supplemental Trust Agreement, the following capitalized words and terms as used in this 2021B Supplemental Trust Agreement shall have the following meanings unless the context or use indicates another or different meaning or intent:

"Escrow Agent" means U.S. Bank National Association, and any assignee or successor thereto under the terms of the Escrow Agreement.

"Escrow Agreement" means the Escrow Deposit Agreement, dated as of February 1, 2021, between the Department and the Escrow Agent.

"Original Trust Agreement" means the Original Trust Agreement, as supplemented by this 2021B Supplemental Trust Agreement, among the Trustee, the Corporation and the Department.

"Project" means the Project as described in the Lease Agreement.

"Refunded Certificates" means the Certificates of Participation, Series 2006 referenced above.

"Related Certificate Documents" means the Original Trust Agreement, the Lease Agreement, the First Supplement to Lease-Purchase Agreement, the Assignment of Leases and the Sublease.

"Reserve Requirement" means, with respect to the 2021B Certificates, zero dollars (\$0.00).

"Trustee" means U.S. Bank National Association, and any successor or assignee thereto.

"2021B Certificates" means the \$_____ Refunding Certificates of Participation Evidencing Fractional Interests of the Owners thereof in Basic Rent Payments to be Made by the State of Florida Department of Children and Families, (Florida Civil Commitment Center Financing Corporation Project), Series 2021B, authorized to be issued under Section 4.13 of the Original Trust Agreement and Section 2.01 hereof.

"2021B Lease Schedule" means the Lease Schedule No. 2021B relating to the Project and the 2021B Certificates, which shall be part of the Lease Agreement.

"2021B Supplemental Trust Agreement" means this instrument, as the same may be amended and supplemented.

ARTICLE II
THE 2021B CERTIFICATES

SECTION 2.01. AUTHORIZATION OF 2021B CERTIFICATES. (a) There is hereby created a Series of Certificates to be issued as Refunding Certificates under the Original Trust Agreement and to be known as "Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the State of Florida Department of Children and Families, (Florida Civil Commitment Center Financing Corporation Project), Series 2021B." The aggregate principal amount of 2021B Certificates which may be issued is hereby expressly limited to \$_____. The 2021B Certificates shall be issued for the principal purpose of refunding on a current basis the Refunded Certificates and paying Costs of Issuance of the 2021B Certificates. The 2021B Certificates shall bear interest from their dated date and shall be issuable as fully registered Certificates without coupons in denominations of \$5,000 and integral multiples thereof. The 2021B Certificates shall be lettered and numbered R-1 and upward.

(b) Except as otherwise provided in the Original Trust Agreement, the 2021B Certificates shall be dated as of their date of delivery. Interest on the 2021B Certificates shall be payable on each Payment Date, commencing April 1, 2021. The 2021B Certificates shall be payable in the manner provided in the Original Trust Agreement.

(c) The 2021B Certificates shall bear interest at the respective rates and shall mature on _____ 1 of each of the years in the respective principal amounts set opposite each year in the following schedule:

Year	Principal	Interest
(_____ 1)	Amount	Rate

(d) All of the 2021B Certificates shall be Serial Certificates. The 2021B Certificates shall be substantially in the form set forth in Exhibit B to the Original Trust Agreement.

SECTION 2.02. ISSUANCE OF 2021B CERTIFICATES. The 2021B Certificates shall be issued upon delivery to the Trustee of the documents referred to in Section 4.13(a) of the Original Trust Agreement and the payment of the purchase price therefor.

SECTION 2.03. REFUNDING OF REFUNDED CERTIFICATES. Upon the delivery of the 2021B Certificates, the Refunded Certificates shall be refunded as provided in the Original Trust Agreement and the Escrow Agreement.

SECTION 2.04. LETTER OF INSTRUCTIONS. Attached hereto as Schedule 1 is the Letter of Instructions relating to the 2021B Certificates. The Trustee, the Corporation and the Department agree to abide by the provisions of such Letter of Instructions in accordance with, and to the extent of the terms of, the Original Trust Agreement.

SECTION 2.05. FULL BOOK-ENTRY. Notwithstanding the provisions set forth in Section 2.01 hereof or Section 4.06 of the Original Trust Agreement, the 2021B Certificates shall be initially issued in the form of a separate single certificated fully registered 2021B Certificate for each of the maturities of the 2021B Certificates. Upon initial issuance, the ownership of each such 2021B Certificate shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Except as provided in this Section, all of the outstanding 2021B Certificates shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC. As long as the 2021B Certificates shall be registered in the name of Cede & Co., all payments of interest on the 2021B Certificates shall be made by the Trustee by check or draft or by wire transfer to Cede & Co., as Holder of the 2021B Certificates.

With respect to 2021B Certificates registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, the Department, the Corporation and the Trustee shall have no responsibility or obligation to any participant in the DTC book-entry program or to any indirect participant (collectively, a "Participant"). Without limiting the immediately preceding sentence, the Department, the Corporation and the Trustee shall have no responsibility or obligation with respect to (A) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest on the 2021B Certificates, (B) the delivery to any Participant or any other Person other than a Certificate Owner, as shown in the registration books kept by the Trustee, of any notice with respect to the 2021B Certificates, or (C) the payment to any Participant or any other Person, other than a Certificate Owner, as shown in the registration books kept by the Trustee, of any amount with respect to principal of, premium, if any, or interest on the 2021B Certificates. The Department, the Corporation and the Trustee may treat and consider the Person in whose name each 2021B Certificate is registered in the registration books kept by the Trustee as the Holder and absolute owner of such 2021B Certificate for the purpose of payment of principal of, premium, if any, and interest with respect to such 2021B Certificate, for providing notices with respect to such 2021B Certificate, for the purpose of registering transfers with respect to such 2021B Certificate and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2021B Certificates only to or upon the order of the respective holders, as shown in the registration books kept by the Trustee, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Department's obligations with respect to payment of principal of, premium, if any, and interest on the 2021B Certificates to the extent of the sum or sums so paid. No Person other than a holder, as shown in the registration books kept by the Trustee, shall receive a certificated 2021B Certificate evidencing the obligation of the Department to make payments of principal of, premium, if any, and interest pursuant to the provisions hereof. Upon delivery by DTC to the Department of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in the Original Trust Agreement with respect to transfers during certain time periods, the words "Cede & Co." herein shall refer to such new nominee of DTC; and upon receipt of such notice, the Department shall promptly deliver a copy of the same to the Trustee.

Upon (A) receipt by the Department of written notice from DTC (i) to the effect that a continuation of the requirement that all of the outstanding 2021B Certificates be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the 2021B Certificates or (ii) to the effect that DTC is

unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder and under the Original Trust Agreement can be found which is willing and able to undertake such functions upon reasonable and customary terms, or (B) determination by the Department, in its sole discretion upon compliance with applicable DTC policies and procedures, that such book-entry only system is burdensome to the Department, the 2021B Certificates shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names holders shall designate, in accordance with the provisions hereof. In such event, the Department shall issue and the Trustee shall authenticate, transfer and exchange 2021B Certificates of like principal amount and maturity, in denominations of \$5,000 or any integral multiple thereof to the holders thereof in accordance with the provisions of the Original Trust Agreement. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the Blanket Issuer Letter of Representations to be executed by the Department and delivered to DTC shall apply to the payment of principal of and interest on the 2021B Certificates.

Prior to any transfer of the 2021B Certificates that is outside of the book-entry only system (including, but not limited to, the initial transfer outside the book-entry only system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Section 6045 of the Code. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

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ARTICLE III

APPLICATION OF 2021B CERTIFICATE PROCEEDS

SECTION 3.01. APPLICATION OF 2021B CERTIFICATE PROCEEDS. The proceeds of the 2021B Certificates (net of the underwriters' discount of \$_____) shall be applied by the Trustee as follows:

(a) Deposit to the credit of the Costs of Issuance Account an amount equal to the Costs of Issuance of the 2021B Certificates, \$_____.

(b) Deposit irrevocably in trust to the credit of the escrow deposit trust fund established under the Escrow Agreement an amount equal to \$_____ which, together with \$_____ of other funds deposited in such fund by the Department, shall be applied as set forth in the Escrow Agreement to pay the Refunded Certificates as the same mature or are earlier called for prepayment.

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ARTICLE IV
SECURITY

SECTION 4.01. SECURITY FOR 2021B CERTIFICATES. The 2021B Certificates shall be secured in the manner provided in the Original Trust Agreement and shall receive all the benefits of the Trust Estate created thereunder.

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ARTICLE V

NO PREPAYMENT OF 2021B CERTIFICATES

SECTION 5.01. PREPAYMENT OF 2021B CERTIFICATES. (a) The 2021B Certificates are not subject to Special Prepayment prior to maturity pursuant to Section 5.01(b) of the Original Trust Agreement.

(b) The 2021B Certificates shall not be subject to prepayment at the option of the Department prior to maturity.

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ARTICLE VI
AMENDMENT OF THE ORIGINAL TRUST AGREEMENT

SECTION 6.01. AMENDMENT OF ORIGINAL TRUST AGREEMENT. The Original Trust Agreement is hereby amended, as permitted by Section 11.01 thereof, as follows in connection with the issuance of the 2021B Certificates, and owners of such 2021B Certificates will be deemed to have consented to such amendments:

- (A) The requirement of Section 4.13(9) of the Original Trust Agreement that a commitment for title insurance policy dated the Closing Date be delivered in connection with Refunding Certificates is hereby deleted.
- (B) The definition of "Reserve Requirement" set forth in Exhibit A to the Original Trust Agreement is hereby amended to add an additional sentence to read as follows: "Notwithstanding the foregoing, the Corporation and Trustee, at the direction of the Department, may elect that the Reserve Requirement with respect to a Series of Refunding Certificates is zero." The parties hereto agree that the Reserve Requirement with respect to the 2021B Certificates shall be zero, and the 2021B Certificates shall not be secured by the Reserve Account.
- (C) Section 7.06 of the Original Trust Agreement is hereby amended to read as follows:

The Corporation and the Department acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Corporation and the Department the right to receive individual confirmations of security sanctions at no additional cost, as they occur, the Corporation and the Department specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Corporation and the Department periodic cash transaction statements that include detail for all investment transactions made by the Trustee under the Trust Agreement.

- (D) The following is added as an additional requirement of the Trust Agreement:

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identified each person who opens an account. For a non-individual person such as business entity, a charity, a trust, or other legal entity, the Trustee will ask for documentation to verify such non-individual person's information and existence as a legal entity. The Trustee may also ask to see financial statements, licenses, identification and authorization

documents from individuals claiming authority to represent the entity or other relevant documentation.

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ARTICLE VII

MISCELLANEOUS

SECTION 7.01. PROVISIONS OF ORIGINAL TRUST AGREEMENT NOT OTHERWISE MODIFIED. Except as expressly modified or amended hereby, the Original Trust Agreement shall remain in full force and effect. To the extent of any conflict between the terms of the Original Trust Agreement and this Series 2021B Supplemental Trust Agreement, the terms hereof shall control.

SECTION 7.02. THIRD PARTY BENEFICIARIES. Nothing in this Series 2021B Supplemental Trust Agreement, express or implied, is to or shall be construed to confer upon or to give to any person or party other than the Corporation, and its assignee, the Trustee, and the Department any rights, remedies or claims under or by reason of this Series 2021B Supplemental Trust Agreement or any covenants, condition or stipulation hereof; and all covenants, stipulations, promises and agreements in this Series 2021B Supplemental Trust Agreement contained by or on behalf of the Corporation or the Department shall be for the sole and exclusive benefit of the Corporation, and its assignee, and the Department.

SECTION 7.03. COUNTERPARTS. This Series 2021B 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 7.04. 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 2021B Supplemental Trust Agreement, nor shall they affect its meaning, construction or effect.

SECTION 7.05. LAWS. This Series 2021B Supplemental Trust Agreement shall be construed and governed in accordance with the laws of the State.

SECTION 7.06. BROKER CONFIRMATION STATEMENTS NOT REQUIRED. Although the Corporation and the Department each recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Corporation and the Department each hereby agree that broker confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered, or made available, by the Trustee.

SECTION 7.07. ELECTRONIC DIRECTIONS TO TRUSTEE. The Trustee shall have the right to accept and act upon directions given pursuant to this Series 2021B Supplemental Trust Agreement, the Lease Agreement or any other document reasonably relating to the 2021B Certificates and delivered using Electronic Means (defined below); provided, however, that the Corporation or the Department, as the case may be, shall provide to the Trustee an incumbency certificate listing authorized officers with the authority to provide such directions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Corporation or the Department elects to give the Trustee directions using Electronic Means and the Trustee in its discretion elects to act upon such directions, the Trustee's

understanding of such directions shall be deemed controlling. The Corporation and the Department each understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions notwithstanding that such directions conflict or are inconsistent with a subsequent written direction. Each of the Corporation and the Department agree: (i) to assume all risks arising out of the use of Electronic Means to submit directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions to the Trustee and that there may be more secure methods of transmitting directions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

[Signature page to follow]

IN WITNESS WHEREOF, the parties have executed this Series 2021B Supplemental Trust Agreement by their officers thereunto duly authorized as of the date and year first written above.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Valerie Barreto, Assistant Vice President

**FLORIDA CIVIL COMMITMENT CENTER
FINANCING CORPORATION**, as Lessor

(SEAL)

By: _____
Jeremy Barr, President

ATTEST:

By: _____
David Perry, Secretary

**FLORIDA DEPARTMENT OF CHILDREN
AND FAMILIES**, as Lessee

By: _____
Chad Poppell, Secretary

LETTER OF INSTRUCTIONS

Florida Department of Children and Families
Tallahassee, Florida

U.S. Bank National Association
Orlando, Florida

Florida Civil Commitment Center Financing Corporation
Boca Raton, Florida

Re: \$_____ Refunding Certificates of Participation Evidencing Fractional
Interests of the Owners thereof in Basic Rent Payments to be Made by the State of
Florida Department of Children and Families, (Florida Civil Commitment Center
Financing Corporation Project), Series 2021B

Ladies and Gentlemen:

This letter of instructions is intended to set forth certain duties and requirements regarding the payment of rebatable arbitrage to the United States Treasury in compliance with Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code") to the extent necessary to preserve the tax-exempt treatment of interest on the above-referenced Refunding Certificates of Participation (the "2021B Certificates"). The instructions contained in this letter are based upon said Section 148(f) of the Code and, by analogy, to the Regulations. However, it is not intended to be exhaustive.

The 2021B Certificates have been issued pursuant to a Trust Agreement, dated as of October 1, 2006 (the "Original Trust Agreement"), as amended and supplemented, in particular, as supplemented by the Series 2021B Supplemental Trust Agreement, dated as of February 1, 2021 (collectively, the "Trust Agreement"), among U.S. Bank National Association, as trustee (the "Trustee"), the Florida Civil Commitment Center Financing Corporation, a Florida not-for-profit corporation, as lessor (the "Corporation"), and the Florida Department of Children and Families, formerly Department of Children and Family Services, an agency of the State of Florida, as lessee (the "Department"). The 2021B Certificates represent undivided proportionate interests of Owners of the 2021B Certificates in the Basic Rent Payments to be made under a Lease-Purchase Agreement, dated as of October 1, 2006, as amended and supplemented, in particular supplemented by the First Supplemental Lease-Purchase Agreement, dated as of February 1, 2021 and the 2021B Lease Schedule (collectively, the "Lease Agreement"), between the Corporation and the Department. Pursuant to an Assignment of Leases, dated as of October 1, 2006, as amended, between the Corporation and the Trustee, the Corporation has assigned all of its rights, title and interest in and to the Lease Agreement (other than certain rights and obligations specifically excepted therein), including, without limitation, the right to receive the Basic Rent Payments, when due, to the Trustee for the benefit of the Owners of the 2021B Certificates.

Since the requirements of said Section 148(f) are subject to amplification and clarification, it may be necessary to supplement or modify the instructions contained in this letter from time to time to reflect any additional or different requirements of said Section and the Regulations or to specify that actions set forth in this letter are no longer required or that some further or different action is required to maintain or assure the exemption from federal income tax of the interest on the 2021B Certificates.

For purposes of this letter, any instructions relating to a fund, account or subaccount established under the Trust Agreement shall be deemed to apply only to that portion of such fund, account or subaccount allocable to the 2021B Certificates.

1. Tax Covenants. Pursuant to the Trust Agreement, the Corporation and the Department have made certain covenants designed to assure that the Interest Component of the Basic Rent Payments is and shall remain excludable from gross income for purposes of federal income taxation. In order to preserve this exemption neither the Corporation nor the Department should, directly or indirectly, use or permit the use of any proceeds of the 2021B Certificates or the Lease Payments or any other funds or take or omit to take any action that would cause the 2021B Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code or that would cause the Interest Component of the Basic Rent Payments to be subject to be included in gross income for federal income tax purposes under the provisions of the Code. The Department must comply with all other requirements as shall be determined by Special Counsel to be necessary or appropriate to assure that the Interest Component of the Basic Rent Payments will be excludable from gross income for purposes of federal income taxation. To that end, the Corporation and the Department shall comply with all requirements of Section 148 of the Code to the extent applicable to the 2021B Certificates.

2. Definitions. Capitalized terms used in this letter, but not otherwise defined herein, shall have the same meanings set forth in Exhibit A to the Trust Agreement and in the Department's Certificate as to Arbitrage and Certain Other Tax Matters relating to the 2021B Certificates.

"Certificate Year" means any one-year period (or shorter period from the Issue Date) ending on the close of business on the day preceding the anniversary of the Issue Date; provided, however, that the Department may select any other day as the end of a Certificate Year if such selection is made prior to the earlier of the final maturity date of the 2021B Certificates or the fifth anniversary of the Issue Date.

"Code" means the Internal Revenue Code of 1986, as amended.

"Computation Date" means each date selected by the Department as a computation date pursuant to Section 1.148-3(e) of the Regulations and the Final Computation Date.

"Fair Market Value" means, when applied to a Nonpurpose Investment, the Fair Market Value of such Investment as determined in accordance with Section 4 hereof.

"Final Computation Date" means the date the 2021B Certificates are discharged.

"Gross Proceeds" means, with respect to the 2021B Certificates:

- (1) Amounts constituting Sale Proceeds of the 2021B Certificates.
- (2) Amounts constituting Investment Proceeds of the 2021B Certificates.
- (3) Amounts constituting Transferred Proceeds of the 2021B Certificates.
- (4) Other amounts constituting Replacement Proceeds of the 2021B Certificates.
- (5) Amounts that constitute Pledged Moneys (as defined below) and that are derived directly or indirectly from the Department (or a governmental unit of which the Department is a part) or any other person who substantially benefits from the issuance of the 2021B Certificates.

"Investment Proceeds" means any amounts actually or constructively received from investing proceeds of the 2021B Certificates.

"Investment Property" means any security, obligation or other property held principally as a passive vehicle for the production of income, within the meaning of Section 1.148-1(b) of the Regulations.

"Issue Date" means February ___, 2021.

"Net Proceeds" means Sale Proceeds, less the portion of such Proceeds invested in a reasonably required reserve or replacement fund under the Code.

"Nonpurpose Investment" shall have the meaning ascribed to such term in Section 148 of the Code and shall include any Investment Property in which Gross Proceeds are invested which is not acquired to carry out the governmental purpose of the 2021B Certificates, e.g., obligations acquired with Gross Proceeds that are invested temporarily until needed for the governmental purpose of the 2021B Certificates, that are used to discharge a prior issue, or that are invested in a reasonably required reserve or replacement fund.

"Nonpurpose Payments" shall include the payments with respect to Nonpurpose Investments specified in Section 1.148-3(d)(1)(i)-(v) of the Regulations.

"Nonpurpose Receipts" shall include the receipts with respect to Nonpurpose Investments specified in Section 1.148-3(d)(2)(i)-(iii) of the Regulations.

"Pledged Moneys" means moneys that are reasonably expected to be used directly or indirectly to pay debt service on the 2021B Certificates (or to reimburse a municipal bond insurer) or as to which there is a reasonable assurance that such moneys or the earnings thereon will be available directly or indirectly to pay debt service on the 2021B Certificates (or to reimburse a municipal bond insurer) if the Department encounters financial difficulties.

"Pre-Issuance Accrued Interest" means amounts representing interest that has accrued on an obligation for a period of not greater than one year before its issue date but only if those amounts are paid within one year after the Issue Date.

"Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Certificates.

"Qualified Administrative Costs" means reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage and selling commissions that are comparable to those charged nongovernmental entities in transactions not involving tax-exempt bond proceeds, but not legal and accounting fees, recordkeeping, custody or similar costs. In addition, with respect to a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow, such costs will be considered reasonable if (1) the amount of the fee the Department treats as a Qualified Administrative Cost does not exceed the lesser of (a) \$41,000 (for calendar year 2021), or (b) the greater of (x) .2% of the "computational base," or (y) \$4,000; and (2) the Department does not treat as Qualified Administrative Costs more than \$117,000 (for calendar year 2021) in brokers' commissions or similar fees with respect to all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with Gross Proceeds of the issue. For purposes of this definition only, "computational base" shall mean, with respect to guaranteed investment contracts, the amount of Gross Proceeds the Department reasonably expects, as of the date the contract is acquired, to be deposited in the guaranteed investment contract over the term of the contract and for investments other than guaranteed investment contracts, "computational base" shall mean the amount of Gross Proceeds initially invested in such investments. The above-described safe harbor dollar amounts shall be increased each calendar year for cost-of-living adjustments pursuant to Section 1.148-5(e) of the Regulations.

"Rebatable Arbitrage" means, as of any Computation Date, the excess of the future value of all Nonpurpose Receipts over the future value of all Nonpurpose Payments.

"Rebate Fund" means the Rebate Fund established pursuant to the Trust Agreement and described in Section 3 hereof.

"Regulations" means Treasury Regulations Sections 1.148-0 through 1.148-11, 1.149(b)-1 and (d)-1, and 1.150-0 through 1.150-2, as amended, and any regulations amendatory, supplementary or additional thereto.

"Replacement Proceeds" means amounts that have a sufficiently direct nexus to the 2021B Certificates or to the governmental purpose of the 2021B Certificates to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the 2021B Certificates were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the expected use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus to cause those amounts to be Replacement Proceeds. Replacement Proceeds include, but are not limited to, amounts held in a sinking fund or a pledged fund. For these purposes, an amount is pledged to pay principal of or interest on the 2021B Certificates if there is reasonable assurance that the amount will be available for such purposes in the event that the issuer encounters financial difficulties.

"Sale Proceeds" means any amounts actually or constructively received by the Department from the sale of the 2021B Certificates, including amounts used to pay underwriters'

discount or compensation and interest other than Pre-Issuance Accrued Interest. Sale Proceeds shall also include, but are not limited to, amounts derived from the sale of a right that is associated with a 2021B Certificate and that is described in Section 1.148-4(b)(4) of the Regulations.

"Special Counsel" means Nabors, Giblin & Nickerson, P.A., Tampa, Florida or such other firm of nationally recognized bond counsel as may be selected by the Department.

"Tax-Exempt Investment" means (i) an obligation the interest on which is excluded from gross income pursuant to Section 103 of the Code, (ii) United States Treasury-State and Local Government Series, Demand Deposit Securities, and (iii) stock in a tax-exempt mutual fund as described in Section 1.150-1(b) of the Regulations. Tax-Exempt Investment shall not include a specified private activity bond as defined in Section 57(a)(5)(C) of the Code. For purposes of these Rebate Instructions, a tax-exempt mutual fund includes any regulated investment company within the meaning of Section 851(a) of the Code meeting the requirements of Section 852(a) of the Code for the applicable taxable year; having only one class of stock authorized and outstanding; investing all of its assets in tax-exempt obligations to the extent practicable; and having at least 98 percent of (1) its gross income derived from interest on, or gain from the sale of or other disposition of, tax-exempt obligations or (2) the weighted average value of its assets represented by investments in tax-exempt obligations.

"Transferred Proceeds" shall have the meaning provided therefor in Section 1.148-9 of the Regulations.

"Universal Cap" means the value of all then outstanding 2021B Certificates.

"Value" (of a 2021B Certificate) means with respect to a 2021B Certificate issued with not more than two percent original issue discount or original issue premium, the outstanding principal amount, plus accrued unpaid interest; for any other 2021B Certificate, its present value.

"Value" (of an Investment) shall have the following meaning in the following circumstances:

(1) General Rules. Subject to the special rules in the following paragraph, an issuer may determine the value of an investment on a date using one of the following valuation methods consistently applied for all purposes relating to arbitrage and rebate with respect to that investment on that date:

(a) an investment with not more than two percent original issue discount or original issue premium may be valued at its outstanding stated principal amount, plus accrued unpaid interest on such date;

(b) a fixed rate investment may be valued at its present value on such date; and

(c) an investment may be valued at its Fair Market Value on such date.

(2) Special Rules. Yield restricted investments are to be valued at present value provided that (except for purposes of allocating Transferred Proceeds to an issue, for purposes of

the Universal Cap and for investments in a commingled fund other than a bona fide debt service fund unless it is a certain commingled fund):

(a) an investment must be valued at its Fair Market Value when it is first allocated to an issue, when it is disposed of and when it is deemed acquired or deemed disposed of, and provided further that;

(b) in the case of Transferred Proceeds, the Value of a Nonpurpose Investment that is allocated to Transferred Proceeds of a refunding issue on a transfer date may not exceed the Value of that investment on the transfer date used for purposes of applying the arbitrage restrictions to the refunded issue.

"Yield" means, generally, the discount rate which, when used in computing the present value of all the unconditionally payable payments of principal and interest on an obligation and all the payments for qualified guarantees paid and to be paid with respect to such obligation, produces an amount equal to the present value of the issue price of such obligation. Present value is computed as of the date of issue of the obligation. There are, however, many additional specific rules contained in the Regulations which apply to the calculation and recalculation of yield for particular obligations and such rules should be consulted prior to calculating the yield for the 2021B Certificates on any Computation Date. Yield shall be calculated on a 360-day year basis with interest compounded semi-annually. For this purpose the purchase price of a Nonpurpose Investment or Tax-Exempt Investment is its Fair Market Value, as determined pursuant to Section 4 of this letter, as of the date that it becomes allocated to Gross Proceeds of the 2021B Certificates.

3. Payment of Rebatable Arbitrage.

(a) In order to maintain the exemption from federal income tax of the Interest Component of the Basic Rent Payments, the Trustee, upon the written direction of the Department in accordance with Section 6.14 of the Original Trust Agreement, shall pay the Rebatable Arbitrage to the United States Government at the times and in the amounts determined herein from amounts on deposit in the Rebate Fund. For purposes of determining the Rebatable Arbitrage, the Department should cause the calculations to be made by competent tax counsel or other financial or accounting advisors or persons to ensure correct application of the rules contained in the Code and the Regulations relating to arbitrage rebate and, if the Department fails to retain such advisors for such purpose, the Trustee should retain such advisors for such purpose, but only at the expense of the Department.

(b) Within 30 days after any Computation Date, the Department must calculate or cause to be calculated the Rebatable Arbitrage or any penalty due pursuant to Section 3(d) below. The Department agrees to pay the Trustee the amount of the Rebatable Arbitrage for deposit to the Rebate Fund on or before the same must be remitted by the Trustee. Upon receipt of such Rebatable Arbitrage from the Department, but in no event later than 60 days following the Computation Date, the Trustee must remit (but only from amounts received from the Department) an amount which when added to the future value of previous rebate payments is not less than 90 percent (100 percent with respect to the Computation Date on the final repayment or retirement of the 2021B Certificates plus the income, if any, from the investment of the Rebatable Arbitrage due the United States Government after the final Computation Date) of the Rebatable Arbitrage.

Each payment must be accompanied by Internal Revenue Service Form 8038-T.

(c) The obligation to pay Rebatale Arbitrage to the United States, as described in this letter, shall be treated as satisfied with respect to the 2021B Certificates if (i) Gross Proceeds are expended for the governmental purpose of the 2021B Certificates by no later than the date which is six months after the Issue Date and if it is not anticipated that any other Gross Proceeds will arise during the remainder of the term of the 2021B Certificates and (ii) the requirement to pay Rebatale Arbitrage, if any, to the United States with respect to the portion of the Reserve Account allocable to the 2021B Certificates, if any, is met. For purposes described above, Gross Proceeds do not include (i) amounts deposited in a bona fide debt service fund, so long as the funds therein constitute bona fide debt service funds, or a reasonably required reserve or replacement fund (as defined in Section 1.148-1 of the Regulations and meeting the requirements of Section 1.148-2(f) of the Regulations), (ii) amounts that, as of the Issue Date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the date which is six months after the Issue Date, (iii) amounts representing Sale or Investment Proceeds derived from any Purpose Investment (as defined in Section 1.148-1 of the Regulations) and earnings on those payments, and (iv) amounts representing any repayments of grants (as defined in Section 1.148-6(d)(4) of the Regulations). If Gross Proceeds are in fact expended by such date, then, except as to amounts, if any, on deposit in the Reserve Account, Rebatale Arbitrage with respect to such Gross Proceeds need not be calculated and no payment thereof to the United States Department of Treasury need be made. Use of Gross Proceeds to redeem 2021B Certificates shall not be treated as an expenditure of such Gross Proceeds.

Notwithstanding the foregoing, if Gross Proceeds which were reasonably expected to be Gross Proceeds on the Issue Date actually become available after the date which is six months after the Issue Date, as determined by the Department, then the requirements described herein relating to the calculation of Rebatale Arbitrage and the payment thereof to the United States must be satisfied, except that no such calculation or payment need be made with respect to the initial six-month period. Any other amounts not described in this Section which constitute Gross Proceeds, other than a bona fide debt service fund, will be subject to rebate.

(d) The Department and the Trustee should keep or cause to be kept proper books of records and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the 2021B Certificates, including moneys derived from, pledged to, or to be used to make payments on the 2021B Certificates. Such records shall, at a minimum, be sufficient to enable the Department to calculate the Rebatale Arbitrage and, if necessary, shall specify the account or fund to which each investment (or portion thereof) is to be allocated and shall set forth, in the case of each investment security, (i) its purchase price, (ii) identifying information, including par amount, coupon rate, and payment dates, (iii) the amount received at maturity or its sale price, as the case may be, including accrued interest, (iv) the amounts and dates of any payments made with respect thereto, and (v) the dates of acquisition and disposition or maturity.

4. Market Price Rules. Except as provided below, the Department agrees to comply with the requirements relating to the "Fair Market Value" of acquired Nonpurpose Investments, as defined in Section 1.148-5(d) of the Regulations ("Fair Market Value"). All investments required to be made pursuant to this letter shall be made to the extent permitted by law. In this regard, the

Department agrees, among other things, that it will not acquire or cause to be acquired a Nonpurpose Investment (or any other investment acquired with Gross Proceeds or on deposit in the Rebate Fund), for a price in excess of its Fair Market Value or sell any such investment at a price (determined without any reduction for transaction costs) less than its Fair Market Value, except as provided below. For this purpose, the following rules shall apply:

(a) Established securities markets. Except as otherwise provided below, any market especially established to provide a security or obligation to an issuer of municipal obligations shall not be treated as an established market and shall be rebuttably presumed to be acquired or disposed of for a price that is not its Fair Market Value.

(b) Arm's-length price. Any transaction in which a Nonpurpose Investment is directly purchased with Gross Proceeds, or in which a Nonpurpose Investment allocable to Gross Proceeds is disposed of, shall be undertaken in a bona fide arm's-length manner, and no amount shall be paid to reduce the yield on the Nonpurpose Investment.

(c) Safe harbor for establishing Fair Market Value for guaranteed investment contracts and Nonpurpose Investments purchased for a yield restricted defeasance escrow. In the case of a guaranteed investment contract or Nonpurpose Investments purchased for a yield restricted defeasance escrow, the purchase price shall not be considered to be an arm's-length price unless all the following conditions are met:

(i) The Department makes a bona fide solicitation ("Bona Fide Solicitation") for the purchase of the investment that satisfies all of the following requirements:

(1) The bid specifications are in writing and are timely forwarded to potential providers;

(2) The bid specifications include all terms of the bid that may directly or indirectly affect the yield or the cost of the investment;

(3) The bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Department or any other person (whether or not in connection with the bond issue), and that the bid is not being submitted solely as a courtesy to the Department or any other person for purposes of satisfying these requirements;

(4) The terms of the bid specifications are such that there is a legitimate business purpose for each term other than to increase the purchase price or reduce the yield of the investment (e.g., for solicitations of Nonpurpose Investments for a yield restricted defeasance escrow, the hold firm period must be no longer than the Department reasonably requires);

(5) For purchases of guaranteed investment contracts only, the terms of the solicitation take into account the Department's reasonably expected deposit and draw down schedule for the amounts to be invested;

(6) All potential providers have an equal opportunity to bid (e.g., no potential provider is given the opportunity to review other bids before providing a bid); and

(7) At least three providers are solicited for bids that have an established industry reputation as a competitive provider of the type of investments being purchased.

(ii) The bids received by the Department must meet all of the following requirements:

(1) The Department receives at least three bids from providers that the Department solicited under a Bona Fide Solicitation and that do not have a material financial interest in the issue. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the issue date of the issue. In addition, any entity acting as a financial advisor with respect to the purchase of the investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue. A provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue.

(2) At least one of the three bids described in paragraph (c) (ii)(1) above is from a provider that has an established industry reputation as a competitive provider of the type of investments being purchased; and

(3) If the Department uses an agent to conduct the bidding process, the agent did not bid to provide the investment.

(iii) The winning bid must meet the following requirements:

(1) *Guaranteed investment contracts.* If the investment is a guaranteed investment contract, the winning bid is the highest yielding bona fide bid (determined net of any broker's fees).

(2) *Other Nonpurpose Investments.* If the investment is not a guaranteed investment contract, the following requirements are met:

(A) The winning bid is the lowest cost bona fide bid (including any broker's fees). The lowest bid is either the lowest cost bid for the portfolio or, if the Department compares the bids on an investment-by-investment basis, the aggregate cost of a portfolio comprised of the lowest cost bid for each investment. Any payment received by the Department from a provider at the time a guaranteed investment contract is purchased (e.g., an escrow float contract) for a yield restricted defeasance escrow

under a bidding procedure meeting these requirements is taken into account in determining the lowest cost bid.

(B) The lowest cost bona fide bid (including any broker's fees) is not greater than the cost of the most efficient portfolio comprised exclusively of State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt. The cost of the most efficient portfolio of State and Local Government Series Securities is to be determined at the time that bids are required to be submitted pursuant to the terms of the bid specifications. If such State and Local Government Series Securities are not available for purchase on the day that bids are required to be submitted because sales of those securities have been suspended, the cost comparison described in this paragraph is not required.

(iv) The provider of the investments or the obligor on the guaranteed investment contract certifies the administrative costs that it pays (or expects to pay) to third parties in connection with supplying the investment.

(d) The Department shall retain certificates and records documenting compliance with the above requirements until three years after the last outstanding 2021B Certificate is redeemed including, but not limited to, the following:

(i) For purchases of guaranteed investment contracts, a copy of the contract, and for purchases of Nonpurpose Investments other than guaranteed investment contracts, the purchase agreement or confirmation;

(ii) The receipt or other record of the amount actually paid by the Department for the investments, including a record of any administrative costs paid by the Department and the certification required in paragraph (c)(iv) above;

(iii) For each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results;

(iv) The bid solicitation form and, if the terms of the purchase agreement or the guaranteed investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation; and

(v) For purchase of Nonpurpose Investments other than guaranteed investment contracts, the cost of the most efficient portfolio of State and Local Government Series Securities, determined at the time that the bids were required to be submitted.

Certificates in substantially the forms of subparagraphs (v) and (vi) above must be obtained to evidence the foregoing.

5. Records. The Department and the Trustee should retain all records with respect to the calculations required by this letter for at least six years after the date on which the last of the

principal of and interest on the 2021B Certificates has been paid, whether upon maturity, redemption, or acceleration thereof.

6. Modification Upon Receipt of Special Counsel Opinion. Notwithstanding any provision of this letter, if the Department and the Trustee shall receive an opinion of Special Counsel that any specified instructions set forth in this letter are no longer required or that some further or different action is required to maintain or assure the exclusion from federal gross income of the Interest Component of the Basic Rent Payments, the Department and the Trustee may conclusively rely on such opinion in complying with the requirements of this letter and the instructions contained in this letter shall be deemed to be modified to that extent. The provisions of this and the instructions contained in this letter may be amended or modified in any manner which is necessary to comply with such regulations as may be promulgated by the United States Treasury Department from time to time.

7. Accounting for Gross Proceeds. In order to perform the calculations required by the Code and the Regulations, it is necessary to track the investment and expenditure of all Gross Proceeds. To that end, the Department must adopt reasonable and consistently applied methods of accounting for all Gross Proceeds. Appendix I hereto sets forth a description of the required allocation and accounting rules with which the Department agrees to comply.

8. Administrative Costs of Investments. Except as otherwise provided in this Section 8, an allocation of Gross Proceeds to a payment or receipt on a Nonpurpose Investment is not adjusted to take into account any costs or expenses paid, directly or indirectly, to purchase, carry, sell or retire the Nonpurpose Investment (administrative costs). Thus, administrative costs generally do not increase the payments for, or reduce the receipts from, Nonpurpose Investments.

In determining payments and receipts on Nonpurpose Investments, Qualified Administrative Costs are taken into account by increasing payments for, or reducing the receipts from, the Nonpurpose Investments. Qualified Administrative Costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody and similar costs. General overhead costs and similar indirect costs of the Department such as employee salaries and office expenses and costs associated with computing Rebtable Arbitrage are not Qualified Administrative Costs.

Allocation and accounting rules are provided in Appendix I attached hereto.

9. Department Obligations. Except for any Rebtable Arbitrage which accrues prior to the date of termination of the Lease, the Department shall have no further obligations hereunder subsequent to the termination of the Lease Agreement.

[Signature page to follow]

10. Trustee Obligations. Except for matters set forth in Sections 3(a), (b) and (d) hereof and Section 6.12 of the Original Trust Agreement, the parties hereto agree that the Trustee shall have no further obligations hereunder or under the Trust Agreement relating to the matters set forth in this letter.

Respectfully submitted,

NABORS, GIBLIN & NICKERSON, P.A.

Acknowledged:

**FLORIDA DEPARTMENT OF CHILDREN
AND FAMILIES**, as lessee

By: _____
Chad Poppell, Secretary

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Valerie Barreto, Assistant Vice President

**FLORIDA CIVIL COMMITMENT CENTER
FINANCING CORPORATION**

By: _____
Jeremy Barr, President

ALLOCATION AND ACCOUNTING RULES

(a) General Rule. Any issuer may use any reasonable, consistently applied accounting method to account for Gross Proceeds, investments and expenditures of an issue. An accounting method is "consistently applied" if it is applied uniformly within a Fiscal Period (as hereinafter defined) and between Fiscal Periods to account for Gross Proceeds of an issue and any amounts that are in a commingled fund.

(b) Allocation of Gross Proceeds to an Issue. Amounts are allocable to only one issue at a time as Gross Proceeds. Amounts cease to be allocated to an issue as Proceeds only when those amounts (i) are allocated to an expenditure for a governmental purpose; (ii) are allocated to Transferred Proceeds of another issue of obligations; or (iii) cease to be allocated to that issue at retirement of the issue or under the Universal Cap.

(c) Allocation of Gross Proceeds to Investments. Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the Fair Market Value of the Nonpurpose Investment as of the purchase or sale date. The Fair Market Value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment.

(d) Allocation of Gross Proceeds to Expenditures. Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a ratable allocation method, so long as the method used is consistently applied. An allocation of Gross Proceeds of an issue to an expenditure must involve a current outlay of cash for a governmental purpose of the issue. A current outlay of cash means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made.

(e) Commingled Funds. Any fund or account that contains both Gross Proceeds of an issue and amounts in excess of \$25,000 that are not Gross Proceeds of that issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of the funds deposited therein, constitutes a "commingled fund." All payments and receipts (including deemed payments and receipts) on investments held by a commingled fund must be allocated (but not necessarily distributed) among each different source of funds invested in the commingled fund in accordance with a consistently applied, reasonable ratable allocation method. Reasonable ratable allocation methods include, without limitation, methods that allocate payments and receipts in proportion to either (i) the average daily balances of the amounts in the commingled fund from each different source of funds during any consistent time period within its fiscal year, but at least quarterly (the "Fiscal Period"); or (ii) the average of the beginning and ending balances of the amounts in the commingled fund from each different source of funds for a Fiscal Period that does not exceed one month.

Funds invested in the commingled fund may be allocated directly to expenditures for governmental purposes pursuant to a reasonable consistently applied accounting method. If a

ratable allocation method is used to allocate expenditures from the commingled fund, the same ratable allocation method must be used to allocate payments and receipts on investments in the commingled fund.

Generally a commingled fund must treat all its investments as if sold at Fair Market Value either on the last day of the fiscal year or on the last day of each Fiscal Period. The net gains or losses from these deemed sales of investments must be allocated to each different source of funds invested in the commingled fund during the period since the last allocation. This mark-to-market requirement does not apply if (i) the remaining weighted average maturity of all investments held by a commingled fund during a particular fiscal year does not exceed 18 months, and the investments held by the commingled fund during that fiscal year consist exclusively of obligations; or (ii) the commingled fund operated exclusively as a reserve fund, sinking fund or replacement fund for two or more issues of the same issuer. Subject to the Universal Cap limitation, and the principle that amounts are allocable to only one issue at a time as Gross Proceeds, investments held by a commingled fund must be allocated ratably among the issues served by the commingled fund in proportion to either (i) the relative values of the bonds of those issues; (ii) the relative amounts of the remaining maximum annual debt service requirements on the outstanding principal amounts of those issues; or (iii) the relative original stated principal amounts of the outstanding issues.

(f) Universal Cap. Amounts that would otherwise be Gross Proceeds allocable to an issue are allocated (and remain allocated) to the issue only to the extent that the Value of the Nonpurpose Investments allocable to those Gross Proceeds does not exceed the Value of all outstanding bonds of the issue. Nonpurpose Investments allocated to Gross Proceeds in a bona fide debt service fund for an issue are not taken into account in determining the Value of the Nonpurpose Investments, and those Nonpurpose Investments remain allocated to the issue. To the extent that the Value of the Nonpurpose Investments allocable to the Gross Proceeds of an issue exceed the Value of all outstanding bonds of that issue, an issuer should seek the advice of Bond Counsel for the procedures necessary to comply with the Universal Cap.

(g) Expenditure for Working Capital Purposes. Subject to certain exceptions, the Proceeds of an issue may only be allocated to "working capital expenditures" as of any date to the extent that those expenditures exceed "available amounts" as of that date (i.e., "proceeds-spent-last").

For purposes of this section, "working capital expenditures" include all expenditures other than "capital expenditures." "Capital expenditures" are costs of a type properly chargeable (or chargeable upon proper election) to a capital account under general federal income tax principles. Such costs include, for example, costs incurred to acquire, construct or improve land, buildings and equipment having a reasonably expected useful life in excess of one year. Thus, working capital expenditures include, among other things, expenditures for current operating expenses and debt service.

For purposes of this section, "available amount" means any amount that is available to an issuer for working capital expenditure purposes of the type financed by the issue. Available amount excludes Proceeds of the issue but includes cash, investments and other amounts held in accounts or otherwise by an issuer for working capital expenditures of the type being financed by

the issue without legislative or judicial action and without a legislative, judicial or contractual requirement that those amounts be reimbursed. Notwithstanding the preceding sentence, a "reasonable working capital reserve" is treated as unavailable. A working capital reserve is reasonable if it does not exceed five percent of the actual working capital expenditures of an issuer in the fiscal year before the year in which the determination of available amounts is made. For purpose of the preceding sentence only, in determining the working capital expenditures of an issuer for a prior fiscal year, any expenditures (whether capital or working capital expenditures) that are paid out of current revenues may be treated as working capital expenditures.

The proceeds-spent-last requirement does not apply to expenditures to pay (i) any Qualified Administrative Costs; (ii) fees for qualified guarantees of the issue or payments for a qualified hedge for the issue; (iii) interest on the issue for a period commencing on the Issue Date and ending on the date that is the later of three years from the Issue Date or one year after the date on which the financed project is placed in service; (iv) the United States for yield reduction payments (including rebate payments) or penalties for the failure to meet the spend down requirements associated with certain spending exceptions to the rebate requirement; (v) costs, other than those described in (i) through (iv) above, that do not exceed five percent of the Sale Proceeds of an issue and that are directly related to capital expenditures financed by the issue (e.g., initial operating expenses for a new capital project); (vi) principal or interest on an issue paid from unexpected excess sale or Investment Proceeds; (vii) principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a bona fide debt service fund; and (viii) principal, interest or redemption premium on a prior issue and, for a crossover refunding issue, interest on that issue. Notwithstanding the preceding paragraph, the exceptions described above do not apply if the allocation merely substitutes Gross Proceeds for other amounts that would have been used to make those expenditures in a manner that gives rise to Replacement Proceeds.

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DC, Mitzie McGavic, Desoto County B:589 P:1704

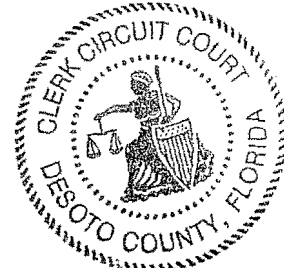
Prepared by and after recording, return to:

Garry W. Johnson, Esq.
Tripp, Scott, P.A.
110 Southeast Sixth Street, 15th Floor
Fort Lauderdale, Florida 33301

Record and return to:

Angela L. Comer, *Paralegal*

Broad and Cassel
Post Office Box 4961
Orlando, Florida 32802-4961
(407) 839-4200



(Space reserved for Clerk of Court)

MEMORANDUM OF LEASE-PURCHASE AGREEMENT

BY AND BETWEEN

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION,
AS LESSOR

AND

DEPARTMENT OF CHILDREN AND FAMILY SERVICES OF THE STATE OF FLORIDA,
AS LESSEE

DATED AS OF OCTOBER 1, 2006

As of October 1, 2006, **FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION**, as lessor, entered into a certain Lease-Purchase Agreement with the **DEPARTMENT OF CHILDREN AND FAMILY SERVICES OF THE STATE OF FLORIDA**, as lessee, with respect to the real property and improvements described in Exhibit A attached hereto for a term of twenty-three (23) years, commencing as of October 1, 2006.

[Signatures Appear on Next Page]

IN WITNESS WHEREOF, the parties have caused this Memorandum of Lease-Purchase Agreement to be executed in their names and on their behalf as of October 1, 2006.

(SEAL)

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Lessor

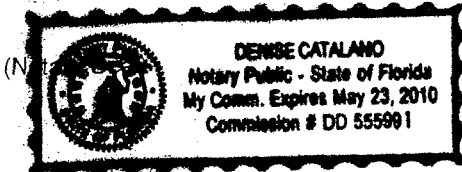
By: Dale W. Frick

Dale W. Frick, President

STATE OF FLORIDA

COUNTY OF PALM BEACH

The foregoing instrument was acknowledged before me on Nov 9th, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.



My commission expires: May 23rd, 2010

Name: DENISE CATALANO

Witnesses:

Name: _____

Address: _____

Name: _____

Address: _____

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Lessee

By: _____

Lucy Hadi, Secretary

My commission expires: _____

Name: _____

IN WITNESS WHEREOF, the parties have caused this Memorandum of Lease-Purchase Agreement to be executed in their names and on their behalf as of October 1, 2006.

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Lessor

(SEAL)

By: _____

Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

Witnesses:

Laura K Leonard
Name: Laura Leonard
Address: 1317 W. New York Blvd
Tallahassee, FL 32309-0700

MARK MUSTIAN
Name: MARK MUSTIAN
Address: 2708 CHARLES CT.
TALLAHASSEE, FL 32303

STATE OF FLORIDA
COUNTY OF LEON

The foregoing instrument was acknowledged before me on the 7th day of November, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Lessee

By: Lucy Hadi
Lucy Hadi, Secretary

My commission expires: _____
Name: _____

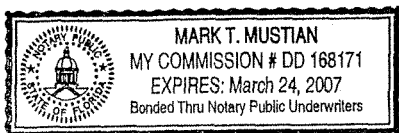


EXHIBIT A – DESCRIPTION OF THE LAND

That part of Section 6, Township 38 South, Range 27 East and Section 31, Township 37 South, Range 27 East, Desoto County, Florida, described as follows:

Commence at the northeast corner of the west half of Section 6, Township 38 South, Range 27 East; thence S01°27'03"E along the east line of said west half, a distance of 654.70 feet to an iron pipe marking the southeast corner of Less and Except parcel described in Official Record Book 249, Page 79, Public Records of Desoto County, Florida and the Point of Beginning; thence continue S01°27'03"E along said east line of west half, a distance of 3317.04 feet; thence S89°51'41"W, a distance of 1782.27 feet; thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 2678.76 feet; thence S89°53'23"E, a distance of 895.01 feet thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 1296.90 feet to the north line of Section 6, also being the south line of said Section 31; thence continue N01°27'03"W, a distance of 68.19 feet to the south right of way line of State Road 70 (per FDOT RW map, Section No. 0404-(151)175); thence N89°51'15"E along said south right of way line, a distance of 164.47 feet; thence S01°27'38"E, a distance of 68.22 feet to the north line of said Section 6 and the northwest corner of the aforesaid Less and Except parcel described in Official Record Book 249, page 79; thence continue S01°27'38"E along the west line of said Less and Except parcel, a distance of 654.52 feet to an iron pipe marking the southwest corner of said Less & Except parcel; thence N89°52'40"E along the south line of said Less and Except parcel, a distance of 722.77 feet to the Point of Beginning.

LEASE-PURCHASE AGREEMENT

BY AND BETWEEN

**FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION,
AS LESSOR**

AND

**FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AS LESSEE**

DATED AS OF OCTOBER 1, 2006

THE CORPORATION HAS ASSIGNED ALL ITS RIGHT, TITLE AND INTEREST IN THIS LEASE AGREEMENT, EXCEPT CERTAIN RETAINED RIGHTS AS PROVIDED HEREIN, BY ABSOLUTE ASSIGNMENT TO U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE UNDER A TRUST AGREEMENT DATED AS OF OCTOBER 1, 2006, AMONG THE TRUSTEE, THE CORPORATION AND THE DEPARTMENT, PURSUANT TO AN ASSIGNMENT OF LEASES DATED AS OF OCTOBER 1, 2006.

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EXHIBIT A – LEASE SCHEDULE

LEASE-PURCHASE AGREEMENT

THIS LEASE-PURCHASE AGREEMENT, is made and entered into as of October 1, 2006 (this "Lease Agreement"), by and between the **FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION**, a not-for-profit corporation organized and existing under the laws of the State of Florida (the "Corporation"), and the **FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES**, an agency of the State of Florida duly organized and existing under the laws of the State of Florida (the "Department");

WITNESSETH:

In consideration of the mutual covenants hereinafter contained and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

I. DEFINITIONS AND GENERAL PROVISIONS

1.01 DEFINITIONS.

The capitalized words and terms used herein shall have the meanings assigned to such words and terms in Exhibit A to the Trust Agreement, dated as of October 1, 2006, among the Corporation, the Department and U.S. BANK NATIONAL ASSOCIATION, as trustee (the "Trustee"), as amended, unless the context clearly requires some other meaning.

1.02 RULES OF CONSTRUCTION.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. Statements used herein denoting an agency relationship between the Department, as agent, and the Corporation, as principal, shall be strictly construed and limited to the duties set forth herein. The terms "hereby," "hereof," "hereto," "herein," "hereunder" and any similar terms, as used in this Lease Agreement, refer to this Lease Agreement.

II. RECITALS

2.01 STATUS AND POWERS OF CORPORATION.

The Corporation is a not-for-profit corporation duly organized and validly existing pursuant to the laws of the State of Florida, and is authorized to lease or otherwise dispose of property, including, without limitation, the undertaking of the actions and duties more particularly described herein.

2.02 STATUS AND POWERS OF DEPARTMENT.

The Department is an agency of the State of Florida and is authorized by the laws and constitution of the State of Florida, particularly the Act, to lease-purchase and acquire real and personal property in furtherance of its public purposes.

2.03 PURPOSE OF AGREEMENT.

The Land is part of the real property leased to the Department pursuant to the State Lease for a period of twenty-three (23) years. In order to provide for its governmental and proprietary needs and in furtherance of its public purposes, the Department desires to lease the Land to the Corporation and to lease back from the Corporation the completed Project. The Corporation is able and willing, for adequate consideration, to lease the Land from the Department and to lease back to the Department the completed Project.

2.04 RELATED AGREEMENTS.

The parties hereto acknowledge, approve of, and consent to the terms of the following documents:

- (a) the State Lease pursuant to which the Board of Trustees of the Internal Improvement Trust Fund leases the Land to the Department;
- (b) the Sublease pursuant to which the Department leases the Land to the Corporation;
- (c) the Assignment of Leases, pursuant to which the Corporation assigns by absolute assignment all of its rights and interest in the Sublease and this Lease Agreement to the Trustee, other than its rights of indemnification, its right to enter into amendments of the Lease Schedule from time to time with respect to the issuance of Completion Certificates or Refunding Certificates, and its obligations hereunder, including its obligations with respect to the tax covenants set forth in Section 6.03 hereof;
- (d) the Trust Agreement, pursuant to which the Trustee, the Department and the Corporation agree to implement this Lease Agreement by providing for the delivery of Certificates to fund the Project, for the administration of certain funds and accounts for the benefit of the Owners and, under the circumstances contemplated in such Trust Agreement and in this Lease Agreement, the exercise by the Trustee of certain remedies for the benefit of the Owners;
- (e) the Construction Contract, pursuant to which the Department, the Corporation and the Developer agree to the acquisition, construction and installation of the Project by the Developer; and
- (f) the Operations Contract, pursuant to which the Department and the Operator agree to the operation of the Project by the Operator.

2.05 CONSTRUCTION OF THIS LEASE AGREEMENT.

For all purposes of this Lease Agreement, reference to the "assignee of Corporation," "Corporation or its assignee" or "Corporation and its assignee" after assignment of this Lease Agreement pursuant to the Assignment of Leases, shall mean only the Trustee acting on behalf of the Owners of the Certificates issued pursuant to the Trust Agreement, except as otherwise specifically provided herein or in the Trust Agreement or the Assignment of Leases to the contrary.

Notwithstanding the foregoing, any provision contained in this Lease Agreement which grants to the Trustee, by virtue of the Assignment of Leases, the permissive right herein to request documentation, to make inspections or take such other actions, shall not impose on the Trustee a legal or fiduciary duty or obligation to make such request or inspection or take such action. The parties hereto agree that the foregoing limitation on the Trustee's rights herein shall in no way be construed to be a limitation on the absolute nature intended by the Assignment of Leases. To the extent permitted by law, the Trustee agrees to exercise any permissive right granted to the Trustee if directed by the Insurer.

2.06 PROJECT ESSENTIAL.

The Department represents that it has an immediate need for the Project and expects to make immediate use of the Project, which need is not temporary or expected to diminish during the Maximum Lease Term.

III. ACQUISITION AND CONSTRUCTION OF PROJECT

3.01 DEPOSIT OF MONEYS; LEASE SCHEDULE.

- (a) In order to induce the Department to lease the Project from the Corporation and to assure the Department that the moneys needed to pay the Costs of the Project and Costs of Issuance relating to the Project will be available without delay, the Corporation and the Department, simultaneous with the delivery of this Lease Agreement by the Department, shall cause to be deposited with the Trustee the proceeds of the Certificates which shall finance the acquisition, construction and installation of the Project and the Costs of Issuance related thereto. Such proceeds shall be deposited in the Funds and Accounts created by the Trust Agreement.
- (b) Attached hereto as Exhibit A and incorporated herein by this reference is the Lease Schedule setting forth certain information with respect to the Project. The Maximum Lease Term shall be a term that commences on the Commencement Date hereof and terminates on October 1, 2029.

3.02 RIGHT OF ENTRY.

In order to enable the Corporation to carry out the terms of this Lease Agreement, to provide for the acquisition, construction and installation of the Project and to facilitate the exercise of remedies upon an Event of Default or Event of Non-Appropriation hereunder, the Department hereby grants a right of entry to the Project to the Corporation, its agents and assignees, including, without limitation, the Trustee and its agents and assignees. The Department represents that it is empowered to grant such right of entry to the Corporation and the Trustee.

3.03 ACQUISITION AND CONSTRUCTION OF THE PROJECT.

- (a) The Corporation shall provide for the acquisition, construction and installation of the Project pursuant to the Construction Contract, applicable State law and Section 3.08 hereof. Amounts on deposit in the Project Account held by the Trustee pursuant to the Trust Agreement shall be disbursed by the Trustee to the Developer to pay Costs of the Project. Such disbursements shall be made pursuant to one or more Applications For Payment or related Certifications For Payment, a form of which is attached to the Construction Contract, submitted by the Developer after approval by an Authorized Officer of the Department, to the Trustee in accordance with the procedures set forth in the Trust Agreement and the Construction Contract. Such Applications For Payment or related Certifications For Payment shall be accompanied by such further documentation as set forth herein, in the Construction Contract and in Section 6.03 of the Trust Agreement. The Corporation hereby agrees that the Developer may be reimbursed for expenditures of moneys made by the Developer for Project Costs in anticipation of the issuance of the Certificates by filing Applications For Payment or related Certifications For Payment with the documentation required by Section 6.03 of the Trust Agreement.
- (b) The Corporation and the Department agree that, solely pursuant to the Construction Contract, the Corporation, or the Developer on behalf of the Corporation, will acquire, construct and install the Project in accordance with the Plans and Specifications. The Corporation and the Department further agree that pursuant to the Construction Contract the Corporation will acquire, construct and install the Project in accordance with the Project Budget and the Project Schedule. The Developer may, at any time prior to the Completion Date for the Project, make modifications to the Project and substitute and release items or components constituting a portion of the Project, but only in accordance with the provisions of this Section 3.03(b) and the provisions of the Construction Contract, if (i) the Developer files with the Corporation and the Department a certificate of an Authorized Officer of the

Developer notifying the Corporation and the Department of such modification, addition, substitution or release, identifying the portion of the Project which is modified, added, substituted or released, and certifying that after such modification, addition, substitution or release amounts on deposit in the Project Account, together with interest earnings thereon and any additional legally available sums of the Department or contribution of the Developer, deposited therein, will be sufficient to pay all remaining Costs of the Project, including Project Costs incurred in connection with such modification, addition, substitution or release and the Project Costs which shall have accrued but remain unpaid as of such date, (ii) if the modification, addition, substitution or release involves Equipment, either the items of substituted Equipment have a useful life equal to or greater than the useful life of the items of Equipment for which they have been substituted or the Department shall approve of a shorter useful life for such substituted Equipment in writing, (iii) the Plans and Specifications, the Project Description, the Project Budget, the Project Schedule and, if necessary, the Estimated Completion Date for the Project are each amended, as necessary, to take into account the portion of the Project that is modified, added, substituted or released, and (iv) no change shall be made in the schedule of Basic Rent Payments. Notwithstanding the foregoing, the Project Budget, Project Schedule and Estimated Completion Date for the Project shall not be amended or modified without the written consent of the Department. If the total Costs of the Project exceed the amount estimated therefore, the Department or the Developer shall take the actions set forth in Section 3.05 hereof as a condition precedent to such modification, addition or substitution.

- (c) For purposes of this Lease Agreement, all materials and services in respect of which amounts are paid by the Trustee for the acquisition, construction and installation of the Project (including moneys disbursed pursuant to Section 6.04 of the Trust Agreement for Costs of Issuance) shall be accepted by the Department in accordance with the provisions of the Construction Contract and the Department hereby agrees that it will, subject to the provisions of Section 7.01 hereof, pay the Lease Payments in respect of same. The provisions of the Construction Contract relating to acceptance of components of the Project and timely approval of Applications For Payment or related Certifications For Payment, including the provisions thereof providing for the approval of the Department to be deemed to have been given in the case of inaction by the Department are hereby incorporated by reference thereto as if fully rewritten herein, provided, however, that no such presumption or deeming of acceptance shall be effective if and to the extent that the Department shall disallow all or a part of any one or more Applications For Payment or related Certifications For Payment, from time to time or at time. The Corporation, the Developer and the Department hereby agree and acknowledge that time is of the essence and that the Construction Contract contains remedies for failure to perform in a timely manner according to the Project Schedule. Nonetheless, the Corporation, the Developer and the Department acknowledge and agree that the acquisition, construction and equipping of the Project in strict conformance with the Plans and Specifications and strictly in accordance with the provisions of the Construction Contract are of equal importance insofar as the performance by the parties hereto of their respective obligations hereunder. To that end, the failure of the Department to approve deviations from the Plans and Specifications or portions thereof as provided in the Construction Contract shall constitute and be deemed approval of such deviations in accordance with the Construction Contract and this Lease Agreement, shall not, in and of itself, constitute grounds for the imposition of remedies hereunder or under the Construction Contract with respect to such approvals or deviations. The provisions of this Section 3.03(c) shall not in any way limit or affect the Corporation's or the Department's rights to pursue warranty or other claims arising therefrom against any contractor, vendor or supplier of labor or materials of the Project, or any portion thereof. Execution of an Application For Payment or related Certification For Payment by the Department in accordance with the Construction Contract and the Trust Agreement shall constitute approval and acceptance by the Department, in the manner provided in the Construction Contract and the Trust Agreement, of the items or portions of the Project identified therein for all purposes hereunder. Failure to execute, or rejection of, an Application For Payment or related

Certification For Payment shall be governed by the applicable provisions of the Construction Contract.

- (d) The Corporation and the Department further agree to assure that, where applicable and in accordance with the Construction Contract, the Contractors and the Developer of the Project shall be required to carry appropriate performance bonds, agree to liquidated damages on a daily basis for construction and delivery delays and comply with workers' compensation laws.
- (e) The Department shall take possession of the Project, or portion thereof, upon Substantial Completion, and subject to Final Completion, thereof in accordance with the Construction Contract. Once Substantial Completion has been achieved, no delay in the Final Completion of the Project, or any portion thereof, shall relieve the Department of its obligation to pay the Lease Payments to the extent provided herein; provided, however, nothing contained herein shall be construed to alter or modify the Construction Contract and the provisions of the Construction Contract shall prevail and take precedence over the provisions hereof.
- (f) The Corporation and the Department shall at all times keep title to their respective interests in the Project free and clear of all liens and encumbrances of every kind whatsoever, except Permitted Encumbrances.
- (g) In the event that construction of the Project has not commenced by the Construction Commencement Deadline, the Series 2006 Certificates shall be subject to Special Prepayment, in whole on the Special Prepayment Date, as provided in Section 5.01 (b) of the Trust Agreement.

3.04 PAYMENT OF COSTS OF ISSUANCE.

Payment of Costs of Issuance for the Certificates shall be made pursuant to an Application For Payment or related Certification For Payment in substantially the form required by the Trust Agreement, from moneys deposited with the Trustee in the Costs of Issuance Account. Costs of Issuance shall be disbursed in accordance with and upon compliance with Section 6.04 of the Trust Agreement.

3.05 LIMITATIONS ON ACQUISITION AND CONSTRUCTION.

The amount of moneys available under the Trust Agreement to pay for Project Costs and Costs of Issuance for the Project is limited to an aggregate dollar amount of not more than the Maximum Cost provided in the Lease Schedule for the Project. If the Department agrees to an increase in the cost with respect to any portion of the Project or there is a cost overrun or change order as a result of a substitution or modification in the Project as described in Section 3.03(b) hereof, and in either case, the amount in the Project Account, together with interest earnings thereon, is not sufficient to pay such Project Costs and complete the acquisition, construction and installation of the Project, then either (a) the Developer or, in the case of a change order, the Department shall deposit to the credit of the Project Account the additional funds necessary to reduce such deficiency to zero (as certified to the Trustee in writing by an Authorized Officer of the Developer), or (b) the Developer shall provide to the Corporation an amended Project Budget showing such changes to the Project (as have been approved by the Department) the result of which is no cost deficiency and such amended Project Budget and changes shall be certified to the Trustee as accurate in writing by an Authorized Officer of the Developer.

3.06 WARRANTIES

The execution, delivery and submission of an Application For Payment or related Certification For Payment to the Department by the Developer shall constitute and be deemed to be an affirmative representation and warranty that such Application For Payment or related Certification For Payment is being submitted in strict conformity with the provisions of the Construction Contract, that no earlier Application For Payment or related Certification For Payment has been submitted to the Department for the same items to the extent that such Application For Payment or related Certification For Payment or portion thereof has been paid or approved by the Department for payment and that the materials or work and services have been furnished or performed in accordance with the provisions hereof and of the Plans and Specifications and the Construction Contract. The execution by the Department of an Application For

Payment or related Certification For Payment in accordance with the Construction Contract and the Trust Agreement for any portion of the Project, thereby shall constitute a representation by the Department, without further act, that it has (a) thoroughly inspected such portion of the Project described therein, and (b) satisfied itself that such portion of the Project is suitable for its purposes.

3.07 UNEXPENDED MONEYS IN COST OF ISSUANCE ACCOUNT.

The Corporation and the Department agree that unexpended moneys remaining in the Costs of Issuance Account funded from the Certificates shall be applied in accordance with Section 6.04(b) of the Trust Agreement.

3.08 COMPLETION OF PROJECT.

- (a) The Department and the Corporation have entered into the Construction Contract with the Developer for acquisition, construction and installation of the Project on a turn-key basis, upon being assured that moneys sufficient for the payment thereof are then on deposit in the Project Account related thereto.
- (b) Prior to the Completion Date for the Project, the Developer shall have the right to make any changes in the description of the Project or modify or substitute components thereof, or of any component or portion thereof, whenever the Developer deems such changes to be necessary and appropriate; provided, however, that the Developer must comply with the provisions of Section 3.03(b) hereof and all applicable provisions of the Construction Contract relating to the modification of the Project or components thereof or substitution therefore.
- (c) The Developer shall have sole responsibility for, and shall supervise, the acquisition, construction and installation of the Project in accordance with the Plans and Specifications, the Project Budget, the Project Schedule and the Construction Contract. The Developer shall monitor the performance by each Vendor or Contractor to the extent the Developer deems appropriate. The Developer shall permit the Corporation and the Department, or their assignees, to inspect the Project as provided in the Construction Contract. The Corporation or its assignee shall comply with all reasonable rules and regulations established by the Developer with respect to personal safety and security during such inspections.
- (d) The Corporation hereby assigns to the Developer, as Contractor under the Construction Contract, all rights and powers to enforce and execute in its own name or the name of the Corporation such purchase orders, agreements or contracts as are required for the Project, which enforcement may be at law or in equity; provided, however, that the assignment made by the Corporation herein shall not prevent the Corporation, or its assignee, from asserting said rights and powers in its own behalf following written notice to the Developer.
- (e) The Corporation shall not be responsible for payment of, nor shall it pay nor permit to be paid by the Trustee pursuant to the Trust Agreement, any amount for the Project in excess of the amount available therefore in the Project Account held by the Trustee pursuant to the Trust Agreement.
- (f) The Corporation, or its assignee, shall have the right to inspect periodically the books and records of the Developer relating to the Project, and the Developer shall permit the Corporation, or its assignee, to make such inspections thereof at all reasonable times as the Developer shall deem appropriate.
- (g) The Department agrees that, as between the Developer and the Corporation, it will be the sole responsibility of the Developer that the Project will be acquired, constructed and installed in accordance with the Plans and Specifications. The terms and conditions of the Construction Contract, including specifically, but not limited to, the provisions thereof relating to amendments to or modifications of the Project and liquidated damages shall govern the completion and final acceptance of the Project as between the Developer and the Department. The Department shall be obligated, subject to the conditions stated in the Trust Agreement, to pay in full the Lease Payments regardless of whether the Project is acquired, constructed or installed in accordance with the Plans and Specifications.

IV. LEASE OF PROJECT; LEASE PAYMENTS

4.01 LEASE OF PROJECT.

In consideration of the payment by the Department to the Corporation, or its assignee, of the Lease Payments and for other valuable consideration, the Corporation hereby leases the Project to the Department upon the terms and conditions contained herein, as supplemented by the Lease Schedule. The Department may modify the Project or may substitute or dispose of components or portions of the Project as provided in Sections 3.03(b), 5.13 and 5.14 hereof and in accordance with the provisions of the Construction Contract; provided, that the Land and the Project will be occupied and used by the Department or its agents solely for governmental purposes.

4.02 TERM OF AGREEMENT.

Effective as of the Commencement Date described in the Lease Schedule, the Corporation agrees to rent and lease to the Department and the Department agrees to rent and lease from the Corporation the Project for the Initial Lease Term. The Initial Lease Term of the Project shall commence on the Commencement Date and terminate on the Initial Lease Termination Date. Unless this Lease Agreement is terminated pursuant to Section 4.06, 7.01 or 7.03 hereof, this Lease Agreement will automatically be renewed on the Initial Lease Termination Date and each succeeding Renewal Term Termination Date for the next succeeding Renewal Lease Term until all Lease Payments in regard to the Project shall be made and the Certificates are no longer Outstanding. Each Renewal Lease Term shall be for a period of one (1) year. The number of Renewal Lease Terms plus the Initial Lease Term for the Project shall not exceed the Maximum Lease Term.

4.03 LEASE PAYMENTS.

- (a) For the right to use and possession of the Project, the Department shall, subject to the provisions of Sections 4.06 and 7.01 hereof, pay to the Trustee, as assignee of the Corporation, the Basic Rent and the Supplemental Rent as hereinafter described.
- (b) The Department agrees to pay as lease rental hereunder for the Project, the Basic Rent no later than the Basic Rent Payment Dates as set forth in the Lease Schedule, as the same may be modified or amended from time to time following any prepayment of Basic Rent for the lease of the Project. Basic Rent Payments consist of a Principal Component and an Interest Component which shall be stated in each Lease Schedule (although only an Interest Component may be payable on certain Basic Rent Payment Dates). It shall be the obligation of the Corporation and the Department to ensure that the portion of Basic Rent attributable to the Interest Component shall not exceed the maximum rate permitted by Section 215.84, Florida Statutes. The Department hereby agrees that it shall make all Basic Rent Payments coming due on each Basic Rent Payment Date subject to the provisions of Sections 4.06 and 7.01 hereof. All Basic Rent Payments shall be paid in arrears on the Basic Rent Payment Dates. The Department shall pay the Basic Rent due hereunder to the Trustee at its Principal Office and the Trustee shall apply such payments as provided in the Trust Agreement. Subject to the prepayment provisions of Section 6.06 of the Trust Agreement, to the extent that moneys have been deposited and are available with the Trustee from the proceeds of Certificates or otherwise for the purpose of paying Basic Rent pursuant to Section 6.01 of the Trust Agreement, the Department shall receive a credit against its obligation to pay such Basic Rent for such amounts on deposit with the Trustee.
- (c) To assure timely payment of each Basic Rent Payment, the Department shall deposit with the Trustee, on the fifteenth (15th) day preceding each Payment Date after the commencement of the Department's obligation to pay Basic Rent Payments from Available Revenues as set forth in Section 4 of the Lease Schedule, an amount of Available Revenues equal to the Basic Rent Payment coming due on the next Basic Rent Payment Date. Provided, however, that no deposits of Available Revenues need be made by the Department with the Trustee prior to the next Basic Rent Payment Date when the moneys held in the Interest Account in

the Lease Payment Fund are equal to the Interest Component of the Basic Rent Payment coming due on the next Basic Rent Payment Date on which the Interest Component becomes due, and the moneys held in the Principal Account in the Lease Payment Fund are equal to the Principal Component of the Basic Rent Payment coming due on the next Basic Rent Payment Date on which the Principal Component becomes due.

- (d) Each payment of Basic Rent due hereunder shall be for the right to possess, or to provide for possession by the Operator of, the Project for each Fiscal Year in which moneys have been appropriated by the State to pay the Basic Rent coming due in such Fiscal Year, provided that the Basic Rent for the period for which a portion of the proceeds of the Certificates or other funds have been deposited with the Trustee shall be paid from such proceeds or other funds, it being hereby acknowledged that said moneys constitute special funds held by the Trustee pursuant to the Trust Agreement to be applied for such purpose.
- (e) Beginning with the first Basic Rent Payment Date for the Project and on each Basic Rent Payment Date thereafter during which the Project is leased hereunder, there shall be applied as a credit (provided there are no delinquent Basic Rent Payments) against the aggregate amount of Basic Rent payable on such date an amount which shall be stated in a report of the Trustee given to the Department pursuant to Section 6.13 of the Trust Agreement, which amount shall be equal to the sum of (i) the amount of interest and other income deposited in the Interest Account pursuant to Section 6.12 of the Trust Agreement since the date of the previous report made by the Trustee pursuant to Section 6.13 of the Trust Agreement, (ii) the amount of moneys, if any, transferred to the Interest Account and Principal Account pursuant to Section 6.05 of the Trust Agreement since the date of the previous report made by the Trustee pursuant to Section 6.13 of the Trust Agreement, (iii) the amount of moneys, if any, transferred to the Interest Account pursuant to Section 6.07(f) of the Trust Agreement since the date of the previous report made by the Trustee pursuant to Section 6.13 of the Trust Agreement, plus (iv) the amount if any, on deposit in the Principal Account and Interest Account on the date of the report made by the Trustee pursuant to Section 6.13 of the Trust Agreement which is not derived from the sources described in clauses (i), (ii) and (iii) above. In the event that the total amount of credit exceeds the Basic Rent due on any Basic Rent Payment Date, the amount of said excess shall be applied as a credit against subsequent Basic Rent Payments. In addition, the Basic Rent may be reduced if the Department chooses to prepay any or all of the Basic Rent. Whenever moneys in the Lease Payment Fund, including the Reserve Account, shall be sufficient to pay all of the remaining outstanding principal of, Amortization Installments, and interest coming due on the Certificates, moneys in the Reserve Account shall be deposited in the Interest Account and the Principal Account as required to pay the Certificates, and no further Basic Rent Payments shall be required hereunder. Should any Basic Rent be paid later than the Basic Rent Payment Date to which such Basic Rent pertains, such Basic Rent shall bear interest at the Overdue Rate from such Basic Rent Payment Date to and inclusive of the date of actual payment. The Trust Agreement shall provide that the Trustee will invest the amounts in the Reserve Account as directed in writing by the Corporation or the Department, as the case may be, and any income received thereon, to the extent such income does not exceed the yield (as defined in Section 148(h) of the Code) on the Certificates and the balance in the Reserve Account equals the Reserve Requirement, shall be deposited in the Interest Account in the Lease Payment Fund pursuant to Section 6.12 of the Trust Agreement.
- (f) In addition to the Basic Rent, the Department hereby agrees to pay as provided herein, Supplemental Rent (which amounts shall be specifically set forth in the Lease Schedule). The term "Supplemental Rent" shall include any prepayment premium attributable to the Certificates, all payments required by the Trust Agreement and this Lease Agreement to be payable for Extraordinary Prepayment not covered by insurance or condemnation proceeds pursuant to Section 5.08 (b), (c) and (d) hereof, payment of taxes, assessments or other governmental charges pursuant to Section 5.09 hereof, payments required pursuant to section 6.04 hereof, and payments required pursuant to Section 6.10 of the Trust Agreement.

The Supplemental Rent shall be paid to the Trustee for application in accordance with the terms hereof and of the Trust Agreement.

- (g) The Department 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, (ii) to deposit in the Reserve Account either a portion of the proceeds from the sale of the Certificates or a Reserve Account Surety Bond equal to the Reserve Requirement or combination thereof, and (iii) to use such amounts or amounts drawn on the Reserve Account Surety Policy deposited in the Reserve Account as set forth in Section 6.07 of the Trust Agreement. In the event the aggregate amount of any cash, the value of any Permitted Investments and the stated amount of any Reserve Account Surety Policy in the Reserve Account shall be less than the Reserve Requirement provided therefore, (1) if such deficiency is due to a transfer from the Reserve Account, the Department shall pay to the Trustee from Available Revenues an amount necessary to cause the moneys in the Reserve Account, together with the face amount of any Reserve Account Surety, to equal the Reserve Requirement provided therefore, or (2) if such deficiency is due to a draw upon a Reserve Account Surety, the Department shall pay to the Trustee from Available Revenues the amount necessary to reimburse the Reserve Account Surety provider and the amount which the Trustee can draw upon such Reserve Account Surety Policy shall be reinstated to equal the Reserve Requirement for such Certificates (or its original stated amount, if the Department shall have deposited into the Reserve Account a combination of cash and a Reserve Account Surety Policy pursuant to this Section). In the event a Reserve Account Surety Policy on deposit in the Reserve Account expires or is terminated, the Department shall, simultaneously with such expiration or termination, either replace such Reserve Account Surety Policy with a subsequent Reserve Account Surety Policy with a stated amount equal to that of the expired or terminated Reserve Account Surety Policy or transfer to the Trustee, for deposit in the Reserve Account in which such Reserve Account Surety Policy had been deposited, an amount of cash equal to the stated amount of such expired or terminated Reserve Account Surety Policy.
- (h) The Corporation and the Trustee are entitled to accept, receive and cash or deposit any payment made by or on behalf of the Department for any reason or purpose in any amount whatsoever. No endorsement or statement on any check or letter of the Department shall be deemed an accord and satisfaction or otherwise recognized for any purpose whatsoever. The acceptance of any such payment shall be without prejudice to the Corporation's and Trustee's right to recover any and all amounts owed by the Department hereunder and the Corporation's and Trustee's right to pursue any other available remedy but in all events payable only from Available Revenues lawfully appropriated to the payment of amounts coming due under this Lease Agreement.

4.04 PAYMENT IN LAWFUL MONEY; NO SETOFF.

Each Lease Payment shall be paid by the Department in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, to or upon the order of the Corporation at the Principal Office of the Trustee or at such other place as the Corporation and the Trustee shall designate. Notwithstanding any dispute between the Department and the Corporation, but in all events subject to Sections 4.06 and 7.01 hereof, the Department shall make or cause to be made each and all Lease Payments when due and shall not withhold or permit to be withheld any Lease Payments pending the final resolution of such dispute nor shall the Department assert or permit to be asserted any right of setoff, abatement or counterclaim against the obligation to make Lease Payments as set forth herein.

4.05 SOURCE OF LEASE PAYMENTS.

- (a) The Department represents and warrants that, for the Initial Lease Term and upon the renewal hereof for any Renewal Lease Term for the Project, the obligation of the Department to make Lease Payments hereunder, for such Fiscal Year of the Department, shall constitute a current expense of the Department and shall not in any way be construed to be a debt of

the Department in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the Department. The payments due hereunder are to be made only from available revenues lawfully appropriated by the State for such purpose and neither the Department, the State of Florida, nor any political subdivision or agency thereof shall be obligated to pay any sums due to the Corporation or the Trustee hereunder from sources other than appropriated revenues, and the faith and credit of neither the Department, nor the State of Florida nor any political subdivision or agency thereof is pledged for payment of such sums due hereunder and the obligations arising hereunder do not constitute an indebtedness of the Department, or the State of Florida or any political subdivision or agency thereof within the meaning of any constitutional or statutory provision or limitation.

- (b) All payments of Basic Rent required to be made by the Department under this Lease Agreement shall be made when due without notice or demand, and, subject to Section 7.01 hereof, shall be absolute and unconditional and without any setoff, counterclaim, abatement, deduction or defense (other than satisfaction and discharge of the Certificates to which such payment relates) whatsoever. The Department shall not make partial payment of the Basic Rent coming due on any Basic Rent Payment Date, except in a case in which funds are on deposit or being transferred from another source for the account or on behalf of the Department.
- (c) Subject to the State's right of Non-Appropriation pursuant to Section 7.01 hereof, the Department hereby covenants that it will, after the Completion Date and, if sufficient funds are not available to pay Basic Rent Payments prior to the Completion Date, prior to the Completion Date, direct its Authorized Representative to provide for the Lease Payments in each annual preliminary and final Budget Request which shall be submitted annually to the State Legislature and the Governor of the State or such other department or agency as may be appropriate or required by law for submission to the State Legislature, in accordance with Section 216.023, Florida Statutes, as amended from time to time and other applicable provisions of law. Except as otherwise provided in Section 7.01 hereof, the Department agrees to take such action as may be necessary to include all Lease Payments (other than Lease Payments to the extent paid from Certificate proceeds or other funds then on deposit in the Lease Payment Fund) due hereunder as a separately stated line item in its Budget Request and to request the State Legislature to appropriate in each Fiscal Year an amount necessary to make the Lease Payments due in such Fiscal Year.
- (d) The Department further covenants that if acceptance or occupancy of the Project may be delayed or hindered because of reasons not within the control of the Department, including failure to complete the Project on or before the Construction Completion Deadline or any damage from any casualty or condemnation event, the Department will request that any appropriation include language authorizing the Department to make Lease Payments in advance of acceptance or occupancy in the event that acceptance or occupancy of the Project is delayed because of reasons not within the control of the Department.
- (e) During the term of this Lease Agreement, the Department will furnish to the Trustee, as assignee of the Corporation, a copy of the portion of each official Budget Request and each proposed and enacted Appropriation Act relating to such line item as soon as available after it is printed. The Department further covenants to take any and all appropriate steps to ensure that the appropriate department or agency of the State certifies the validity of all bills and requisitions submitted to the Comptroller of the State or such other appropriate department or agency of the State for the payment from time to time of the Lease Payments in accordance with this Lease Agreement. Any provision in this Lease Agreement or the Trust Agreement to the contrary notwithstanding, the Department and the Corporation agree that this Lease Agreement, the Trust Agreement and all of the Department's obligations to make the Lease Payments are subject to, and can be terminated by the Department upon the happening of an Event of Non-Appropriation as described in Section 7.01 hereof; provided, however, that the Department shall not be released from or subject to relief with respect to any obligations on

its part arising or accruing prior to such termination provided such obligation shall be payable only from Available Revenues.

- (f) The Department hereby agrees that, within three Business Days after the adoption or approval of the final Appropriation Act which does not include the full amount of the Lease Payments, it will give notice of that fact to the Trustee.

4.06 OPTIONAL PREPAYMENT; DEFEASANCE.

- (a) The Department shall have the option, so long as no Event of Default or Event of Non-Appropriation hereunder has occurred and is continuing, from any moneys then available for such purpose, on any Optional Prepayment Date to prepay all or a portion of the Basic Rent relating to the Project upon not less than forty-five (45) days written notice given prior to such Optional Prepayment Date to the Trustee accompanied by the deposit of the amount of such prepaid Basic Rent with the Trustee not less than thirty-five (35) days prior to the applicable Optional Prepayment Date. Any prepayment notice delivered pursuant to this Section 4.06(a) shall state (i) that the Department is exercising its right of prepayment pursuant to Section 4.06(a) of the Lease Agreement, (ii) the amount of such prepayment, (iii) the Optional Prepayment Date to which such prepayment applies, (iv) the amount of prepayment applicable to the Certificates and maturities of such Certificates, and (v) that the deposit with the Trustee of such prepaid amount constitutes an irrevocable option of the Department to prepay Basic Rent in the amount of such prepayment. Each prepayment shall be in an amount equal to the Prepayment Price of Certificates (in denominations of \$5,000 or any whole multiple thereof) to be prepaid on such Optional Prepayment Date designated by the Department in such notice of prepayment, all as provided in the Trust Agreement. Interest on Certificates to be prepaid pursuant to an optional prepayment under this Section accrued to the Optional Prepayment Date set forth in the notice of prepayment above shall be paid by the Trustee from moneys on deposit in the Prepayment Fund and the Interest Account.
- (b) In the event of a prepayment, in part, of Basic Rent Payments, such Basic Rent Payments provided in the Lease Schedule shall be adjusted downward by the Trustee to reflect the reduction in the Principal Component and Interest Component of the remaining Basic Rent resulting from such prepayment. Such adjustment shall be done in such manner as to match remaining payments of Basic Rent provided in the Lease Schedule with principal and interest coming due on Certificates which remain Outstanding.
- (c) So long as no Event of Default or Event of Non-Appropriation has occurred and is continuing, the Department may secure the payment of Basic Rent by a deposit with the Trustee, as provided in, and subject to the terms and provisions of, Section 12.01 of the Trust Agreement, of either (i) an amount of moneys which is sufficient to pay such Basic Rent, including the Principal Component, Interest Component and Prepayment Premium, if any, on the Basic Rent Payment Dates or Optional Prepayment Dates, if applicable, and any Supplemental Rent which may be due, or (ii) Refunding Securities, together with cash, if required, in such amount as will, together with interest to accrue thereon, be fully sufficient to pay such Basic Rent, including the Principal Component, Interest Component and Prepayment Premium, if any, on their Basic Rent Payment Dates or Optional Prepayment Dates, if applicable, and any Supplemental Rent which may be due. Upon the Department meeting the requirement of this Section 4.06(c), the Corporation and its assignee shall be entitled to payment of such Basic Rent Payments solely from such cash and/or Refunding Securities.
- (d) In the event Refunding Certificates are issued which refund only a portion of Outstanding Certificates, the schedule of Basic Rent Payments affected by such Refunding Certificates will remain the same but a credit will be given to the Department by the Trustee to take into account that payment of a portion of the Principal Component and the Interest Component has been provided for by such refunding or defeasance of such portion of the Certificates from the issuance of said Refunding Certificates.

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- (e) In the event of a deposit with the Trustee of moneys and/or Refunding Securities for the purpose of paying or providing for payment of Certificates in accordance with Article XII of the Trust Agreement, all covenants, agreements and other obligations of the Department under this Lease Agreement with respect to such Certificates shall be deemed performed except (i) those provisions hereof which by their express terms survive any such payment and defeasance and (ii) the obligation of the Department to make or cause to be made Basic Rent Payments and Supplemental Rent payments on or for such Certificates from the moneys and/or Refunding Securities deposited pursuant to said Article XII of the Trust Agreement.

4.07 OWNERSHIP.

Ownership of the improvements to the Land shall initially vest in Corporation. At such time as payment, or provision for payment as provided in Section 4.06(c) hereof, of all Lease Payments and all Certificates has been made in full, the leasehold estate in the Project created by the terms hereof and pursuant to the Sublease shall terminate and be released and fee simple title to the Project shall vest in the Board of Trustees of the Internal Improvement Trust Fund for the benefit of the Department, subject to the satisfaction of such policies and procedures as may be required by law. The Corporation and its assignee shall deliver any and all documents required to assure vesting of title to the Project in the Trustees of the Internal Improvement Trust Fund for the benefit of the Department when required by the terms hereof. The Corporation hereby appoints the Department as its agent to prepare and file or record in appropriate offices such documents as may be necessary to cause record title to the Project to be in the Board of Trustees of the Internal Improvement Trust Fund.

4.08 REFUNDING RENT.

With respect to any series of Refunding Certificates, all or a portion of the proceeds of the Refunding Certificates shall be deposited in an Escrow Account to provide for the defeasance of the Refunded Certificates pursuant to the provisions of the Trust Agreement. Commencing on the execution and delivery of such Refunding Certificates, the Department hereby agrees to pay Refunding Rent on the dates and in the amounts set forth in a subsequent Schedule to the Lease Schedule designated therein as "Refunding Rent," provided, however, that by depositing into the Escrow Account cash and/or Refunding Securities sufficient to pay, when due, all such Refunding Rent, the Department shall be deemed to have paid in full such Refunding Rent and further payments of such Refunding Rent shall in no event thereafter be due and owing hereunder by the Department. Pursuant to the terms of the Escrow Deposit Agreement establishing the Escrow Account, the Escrow Agent shall be irrevocably directed in writing by the Department to use and apply the cash and maturing principal, interest and investment earnings of the Refunding Securities on deposit in the Escrow Account to the payment, when due, to the Trustee for the benefit of the principal of, interest on, and prepayment premium, if any, with respect to the Refunded Certificates as the same come due. Such payments from the Escrow Account to the Trustee for payment to the holders of the Refunded Certificates shall be deemed to constitute payments by the Department to such holders of Refunding Rent pursuant to this Lease Agreement. The obligation to pay Refunding Rent in the manner aforesaid from the Escrow Account shall, any provision of this Lease Agreement to the contrary notwithstanding, survive the termination of this Lease Agreement. Refunding Rent shall be deemed, for all purposes of the Refunded Certificates and the Trust Agreement, as Basic Rent payable under this Lease Agreement.

V. COVENANTS, REPRESENTATIONS AND WARRANTIES

5.01 GENERAL COVENANTS, REPRESENTATIONS AND WARRANTIES.

- (a) The Department agrees that this Lease Agreement shall continue in full force and effect, subject to the provisions of Section 7.01 hereof, regardless of the inability or unwillingness of the Department to use the Project because of any reason whatsoever, including, but not limited to, wear, act of God, war, strike, condemnation, loss or damage, defect, failure of title or consideration, obsolescence or breach of warranty. The Department covenants and represents that this Lease Agreement, the Sublease, the State Lease, the Construction Contract, the Operations Contract and each and every document or certificate executed and delivered by the Department in connection therewith (the "Department Documents") and the performance of the Department's obligations hereunder and thereunder have been duly approved, authorized, executed and delivered with all proper procedures fully complied with, and that each of the Department Documents is a valid, legal and binding obligation of the Department enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and equitable principles. The Department further covenants and represents as follows:
- (1) The Department is a duly created agency of the State existing under the laws of the State of Florida with the full power, right and authority to enter into each of the Department Documents.
 - (2) Except as set forth in the Official Statement for the Series 2006 Certificates, there are no pending or threatened lawsuits or administrative or other proceedings contesting the authority for, authorization or performance of, or expenditure of funds pursuant to, any of the Department Documents.
 - (3) The Department has an immediate need and expects to make immediate use of the Project, which need is not temporary or expected to diminish during the Maximum Lease Term.
 - (4) There are no circumstances presently known to the Department affecting the Department that could reasonably be expected to alter its foreseeable need for the Project or adversely affect the State's ability or willingness to budget and appropriate Available Revenues for the payment of all sums due hereunder.
 - (5) Subject to the provisions of Section 7.01 of this Lease Agreement, the Department intends to make payments for each Fiscal Year from Available Revenues.
 - (6) All procedures required by applicable law regarding the award or negotiation of contracts relating to the acquisition, construction and installation of the Project will be complied with by the Department.
 - (7) At the Corporation's or the Trustee's request, the Department shall execute and deliver to the Corporation or the Trustee all instruments and do all other acts reasonably necessary to effectuate the intent of the Department Documents.
 - (8) The Department shall give the Trustee prompt written notice of any material litigation or proceedings concerning the Department or the Project and of any dispute concerning the Department or the Project, if the dispute may substantially interfere with the timely acquisition, construction and installation of the Project or the Department's utilization thereof or with the Department's ability to meet its obligations under any of the Department Documents.
 - (9) If an Event of Default or an Event of Non-Appropriation hereunder has occurred, at the Trustee's option, the Trustee, as assignee of the Corporation, may make, but is not required to make, any or all subsequent disbursements from the Project Account directly

to the Vendors, Contractors or the Developer of the Project. The Department's execution of this Lease Agreement and the related Lease Schedule(s) constitutes an irrevocable authorization for the Trustee to make disbursements directly to such Vendors, Contractors or the Developer in accordance with the provisions of the Trust Agreement. In the absence of negligence or misconduct on the part of the Trustee, the Department agrees that all disbursements made to the Vendors, Contractors or the Developer shall constitute full performance of the Trustee's obligations to the Department under this Lease Agreement. The Trustee's decision to make a disbursement shall not constitute a waiver of any of the provisions of this Lease Agreement and the Lease Schedule. If the Department is in default under this Lease Agreement and the Department is unable to cure its default, the Trustee's decision to make a disbursement shall not preclude the Trustee, as assignee of the Corporation, from declaring the Department in default under this Lease Agreement.

- (10) There is no action, suit, proceeding, or investigation at law or in equity, or before or by any court, public board or body, pending or, to the knowledge of the Department, threatened against or affecting the Department, or, to the knowledge of the Department, is there any basis therefore, wherein an unfavorable decision, rule or finding would restrain or enjoin the issuance and sale of the Certificates, or which, in any way, would adversely affect the validity of any of the Department Documents.
 - (11) The Department is not in violation of any provision of, or in default under any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which the Department is a party or by which it or its property is subject or bound.
 - (12) The consummation of the transactions contemplated by the Department Documents and the carrying out of the terms thereof will not result in violation of any provisions of, or in default under, any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which the Department is a party or by which it or its property is subject or bound.
 - (13) The Department is not required to obtain the approval, authorization, consent or any other order of any public board or body in connection with the transactions contemplated by the Department Documents other than those approvals, authorizations, consents or orders already obtained, except for permits or approvals to be obtained from departments of the State other than the Department, from DeSoto County, Florida and from the South Florida Water Management District.
 - (14) The Department has not been in default as to the payment of principal or interest since December 31, 1975 on any obligation with respect to which it has acted either as obligor or guarantor.
- (b) The Corporation covenants and represents that this Lease Agreement, the Sublease, the Assignment of Leases, the Trust Agreement, the State Lease, the Construction Contract, the Operations Contract and each and every document or certificate executed and delivered by the Corporation in connection therewith (the "Corporation Documents") and the performance of the Corporation's obligations hereunder and thereunder have been duly approved, authorized, executed and delivered with all proper procedures fully complied with, and that each of the Corporation Documents is a valid, legal and binding obligation of the Corporation enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws and equitable principles. The Corporation further covenants and represents as follows:
- (1) The Corporation is a duly created not-for-profit corporation organized and existing under the laws of the State of Florida with the full power, right and authority to enter into each of the Corporation Documents.
 - (2) Except as set forth in the Official Statement for the Series 2006 Certificates, there are no pending or threatened lawsuits or administrative or other proceedings contesting the

authority for, authorization or performance of, or expenditure of funds pursuant to, any of the Corporation Documents.

- (3) All procedures required by applicable law regarding the award or negotiation of contracts relating to the acquisition, construction and installation of the Project will be complied with by the Corporation.
- (4) At the Department's or the Trustee's request, the Corporation shall execute and deliver to the Department or the Trustee all instruments and do all other acts reasonably necessary to effectuate the intent of the Corporation Documents.
- (5) The Corporation shall give the Department and the Trustee prompt written notice of any material litigation or proceedings concerning the Corporation or the Project and of any dispute concerning the Corporation or the Project, if the dispute may substantially interfere with the timely acquisition, construction and installation of the Project or the Department's utilization thereof or with the Corporation's ability to meet its obligations under any of the Corporation Documents.
- (6) There is no action, suit, proceeding, or investigation at law or in equity, or before or by any court, public board or body, pending or, to the knowledge of the Corporation, threatened against or affecting the Corporation, or, to the knowledge of the Corporation, is there any basis therefore, wherein an unfavorable decision, rule or finding would restrain or enjoin the issuance and sale of the Certificates, or which, in any way, would adversely affect the validity of any of the Corporation Documents.
- (7) The Corporation is not in violation of any provision of, or in default under any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which the Corporation is a party or by which it or its property is subject or bound.
- (8) The consummation of the transactions contemplated by the Corporation Documents and the carrying out of the terms thereof will not result in violation of any provisions of, or in default under, any indenture, mortgage, deed of trust, indebtedness, agreement, judgment, decree, order, statute, rule or regulation to which the Corporation is a party or by which it or its property is subject or bound.
- (9) The Corporation is not required to obtain the approval, authorization, consent or any other order of any public board or body in connection with the transactions contemplated by the Corporation Documents other than those approvals, authorizations, consents or orders already obtained, except for permits or approvals to be obtained from departments of the State other than the Department, from DeSoto County, Florida and from the South Florida Water Management District.

5.02 ADDITIONAL COVENANTS, REPRESENTATIONS AND WARRANTIES

- (a) The Department represents and warrants that the execution by the Department of each Application For Payment or related Certification For Payment in accordance with the Trust Agreement and Section 7.02(c) of the Construction Contract shall constitute an affirmation by the Department of the completeness and accuracy of the following representations and warranties (which may be given in good faith reliance on written opinions, certificates, statements and affidavits) as of the date of such execution:
 - (1) The Department has caused to be delivered to the Trustee a complete, fully executed copy of the Construction Contract, purchase orders and agreements for the acquisition, construction and installation of the Project, and such contracts, purchase orders and agreements are presently in full force and effect according to their respective terms; the Department is not in default under such contracts, purchase orders and agreements; and the Department has no knowledge of any violation of such contracts, purchase orders and agreements.

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- (2) Except as set forth in the Official Statement for the Series 2006 Certificates, there are no governmental actions or proceedings (except actions or proceedings that are fully covered by insurance) pending or, to the Department's knowledge, threatened affecting the Department or, to the Department's knowledge, pending or threatened affecting the Project, which, if adversely determined, would materially adversely impair the Department's ability to perform its obligations under this Lease Agreement or the Trust Agreement.
 - (3) The Department knows of no violation and has no notice of a violation of any court order or of any law, regulation, ordinance, rule, order, code or requirement of any governmental authority having jurisdiction over all or any portion of the Project that may materially detrimentally affect the development and operation of the Project as planned.
 - (4) The Land is appropriately zoned for construction, installation and operation of the Project as contemplated by the Construction Contract and Operations Contract.
 - (5) All utility services necessary for the construction of the Project and the operation of the Project have been extended to the Project site, including, but not limited to, water, storm and sanitary sewer facilities, electricity and telephone service or sufficient amounts have been deposited in the Project Fund for such purpose.
 - (6) All representations, warranties, covenants and agreements made by the Department in connection with this Lease Agreement may be relied upon by the Corporation and the Trustee notwithstanding any independent investigation made on behalf of the Corporation or the Trustee.
 - (7) The rights of way for all roads necessary for the proposed utilization of the Project have either been acquired by the appropriate governmental authority or dedicated to and accepted by the appropriate governmental authority or the Department shall use its best efforts to assist the Developer in securing such rights of way.
- (b) The Corporation represents and warrants as follows:
- (1) The Corporation shall cause the Developer to promptly correct any defect in the acquisition, construction and installation of the Project or departure from the Plans and Specifications.
 - (2) The Corporation shall cause the Developer to commence construction of the Project and diligently pursue construction to completion of the Project on or before the Estimated Completion Date without permitting any lien, claim, or assessment (actual or contingent) to be asserted or filed against the Project for any material, labor, or other item furnished in connection with the construction, which claim, lien, or assessment is not satisfied or transferred to bond within twenty (20) days after it is asserted or filed. At all times during the acquisition and construction of the Project, and to the extent required by law, the Corporation shall cause the Developer to comply with the Florida Mechanics' Lien Law, Chapter 713, Florida Statutes, and Section 255.05, Florida Statutes, to the extent each shall be applicable, and with all requirements imposed by all governmental authorities having jurisdiction over the acquisition and construction and by all insurance underwriters providing insurance for the Project. The Corporation shall cause each Contractor or the Developer to obtain and deliver to the Corporation performance and payment bonds covering one hundred percent (100%) of the value or costs under the Construction Contract for the construction of the Project pursuant to the Construction Contract and applicable law.
 - (3) The Corporation shall cause the Developer to provide the Trustee the following additional assurances, provided, however, that the Trustee is not obligated to make such requests:
 - (A) If requested and applicable, but only as and when available, all certificates of occupancy, footing or foundation surveys, "as built" surveys, certificates, appraisals, reports, endorsements, and agreements, the names of all Persons with whom the Developer has contracted or intends to contract with in connection with the

acquisition, construction and installation of the Project, schedules of all statements for labor and materials for the acquisition, construction and installation of the Project together with copies of all statements, copies of all budget revisions concerning the acquisition, construction and installation of the Project, indicating the funds required at any given time to complete such acquisition, construction and installation, and any other documents reasonably required to be furnished.

- (B) If requested, during the acquisition, construction and installation of the Project and upon completion of such acquisition, construction and installation, an Architect's or Engineer's written opinion to the effect that the Project, as constructed, complies with all restrictions recorded and with all applicable governmental laws, regulations, rules, ordinances, orders and codes relating to the construction thereof.
- (C) When available, a certificate of occupancy and all other similar certificates required to be issued by any governmental agency in connection with the acquisition, construction, installation or occupancy of the Project.
- (4) The Corporation shall cause the Developer to employ a licensed Architect to supervise the acquisition, construction and installation of the Project.
- (5) The Corporation shall cause the Developer to employ a licensed Engineer to supervise the acquisition, construction and installation of the Project.

5.03 QUIET ENJOYMENT.

The parties hereto mutually covenant that the Department, by keeping and performing the covenants and agreements herein contained, or by causing the Operator to keep and perform such covenants and agreements, shall at all times, prior to an Event of Default or an Event of Non-Appropriation during the term of this Lease Agreement, peaceably and quietly have, hold and enjoy the Project without suit, trouble or hindrance from the Corporation and free from any claims by the Corporation and the Trustee and all persons claiming thereunder.

5.04 PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE.

The Department shall cause to be maintained by the Operator, so long as the Project is operated pursuant to an Operations Contract, or shall maintain, in the event there is no Operations Contract in place, throughout the Lease Term, subject to the requirements of State law and if reasonably available from a commercial carrier, a standard comprehensive general liability insurance policy or policies in protection of the Department, the Operator and the Corporation, their members, officers, agents and employees. Said policy or policies shall at a minimum provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by the acquisition, installment or operation of the Project. It shall be the obligation of the Corporation and the Department to ensure that said policy or policies shall at a minimum provide coverage equal to the liability limits set forth in Section 768.28, Florida Statutes, as the same may be amended from time to time, and in a minimum amount of \$500,000 for damage to property (subject, in each case, to a deductible clause as the Department and the Operator may determine from time to time). Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage that the Department is required to carry or cause to be carried pursuant to the Operations Contract. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the Net Proceeds of such insurance shall have been paid.

5.05 FIRE AND EXTENDED COVERAGE INSURANCE AND FLOOD INSURANCE.

- (a) The Department shall, so long as the Project is operated pursuant to the Operations Contract, cause the Operator to procure and maintain, or in the event there shall be no Operations Contract in place, cause to be procured and maintained, throughout the Lease Term, subject to the requirements of State law, insurance against loss or damage to any part of the Project by fire or lightning, with extended coverage and vandalism and malicious mischief insurance. Said extended coverage insurance shall, as nearly as practicable, also

cover loss or damage by explosion, windstorm (including hurricane), riot, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance. Such insurance shall be in an amount equal to one hundred percent (100%) of the replacement cost of the Project, or the aggregate coverage of all such policies on the Project shall at least equal the aggregate of the Principal Components of the Basic Rent Payments then remaining unpaid, whichever is greater (except that such insurance may be subject to deductible clauses as the Department and the Operator may determine from time to time). Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Department, and may be maintained in whole or in part in the form of self-insurance by the Department, provided such self-insurance complies with the provisions of Section 5.07 hereof. The Net Proceeds of such insurance shall be applied as provided in Section 5.06 hereof. The Department agrees to cooperate with the Operator, the Corporation and the Trustee to provide such coverage in the form of self-insurance in compliance with Section 5.07 hereof if such insurance is not available at commercially reasonable cost from a commercial carrier.

- (b) The Department shall so long as the Project is operated pursuant to an Operations Contract, cause the Operator to maintain, or in the event there shall be no Operations Contract in place, cause to be maintained, flood insurance to be separately maintained for any property included in the Project that is located in a federally designated flood plain in such amounts per occurrence as are available at commercially reasonable costs and in a minimum amount equal to \$500,000 unless not so available at commercially reasonable rates and, in any event, in minimum amounts necessary to qualify for federal disaster relief programs. In the event the Operator considers flood insurance to be unavailable at commercially reasonable rates, it shall so notify the Trustee. If the Trustee identifies insurance for such coverage at commercially reasonable rates, the Operator or the Department, as the case may be, shall be obligated to cause such insurance to be obtained and maintained. If such insurance is not obtainable by the Operator but is obtainable by the Department, the Department shall be obligated to cause such insurance to be obtained or maintained. In the event that the Operator determines that flood insurance is unavailable at commercially reasonable rates, the Operator shall maintain or cause to be maintained such flood insurance in whole in the form of self-insurance that complies with the provisions of Section 5.07 hereof.
- (c) The insurance that the Operator or the Department, as the case may be, is required to maintain or cause to be maintained pursuant to this Section 5.05 shall be provided by a commercial insurer rated "A" by A.M. Best or in one of the two highest rating categories of S&P and Moody's.

5.06 NET PROCEEDS OF INSURANCE; FORM OF POLICIES.

Each policy of insurance obtained pursuant to or required by Section 5.05 hereof which relates to the Project shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Owners of the Certificates. The Department shall pay or cause to be paid proceeds of self-insurance maintained pursuant to Sections 5.05 and 5.07 hereof to the Trustee for the benefit of the Owners of the Certificates. The Operator or the Department, as the case may be, shall deliver or cause to be delivered fully executed copies of all policies of insurance required by this Lease Agreement, including the Lease Schedule, to the Trustee and the Department, if applicable, as provided in Section 13.13 of the Trust Agreement and annually thereafter within 30 days of purchase or renewal. The Department or the Operator, as the case may be, shall pay or cause to be paid when due the premiums for all insurance policies required by this Lease Agreement, and shall promptly furnish or cause to be furnished to the Trustee and the Department, if applicable, evidence of such payments. All such policies shall provide that the Trustee and the Department, if applicable, shall be given not less than thirty (30) days notice of each expiration, any intended cancellation and any intended reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the Department.

5.07 SELF-INSURANCE.

Any self-insurance maintained or caused to be maintained by the Department pursuant to the foregoing provisions, shall comply with the following terms:

- (a) Except with respect to general liability reserves, the self-insurance program shall be approved by the Insurance Consultant;
- (b) The self-insurance program shall include a sound claims reserve fund out of which each self-insured claim shall be paid; the adequacy of such fund shall be evaluated on an annual basis by the Insurance Consultant; and any deficiencies in the fund shall be remedied in accordance with the recommendations of the Insurance Consultant;
- (c) The self-insurance program must be maintained on an actuarially sound basis and the Department shall annually cause the Trustee to be provided with a certified actuarial statement attesting to the sufficiency of the program's assets;
- (d) The self-insurance fund must be held in a separate trust fund by an independent trustee;
- (e) 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 Department and may be commingled with other Department moneys;
- (f) In the event the self-insurance program shall be discontinued, the actuarial soundness of its claims reserve fund shall be maintained;
- (g) The Department may obtain the required insurance coverages through a self-insured governmental pool which meets the criteria described above;
- (h) Amounts deposited into the self-insurance claims reserve fund shall not be subject to appropriation by the Department in order to apply such funds to pay claims; and
- (i) No self-insurance will be permitted with respect to title insurance required by the Lease Agreement or the Trust Agreement.

5.08 RISK OF LOSS; STIPULATED LOSS VALUES; USE OF PROCEEDS.

- (a) As between the Corporation and the Department, the Department hereby assumes the entire risk of loss, from any and every cause whatsoever to the Project; provided, however, that nothing in the foregoing shall operate to change, alter, modify, diminish or eliminate any allocation of the risks of loss to or the assumption of the risk of loss by the Operator/Developer as set forth in the Operations Contract or the Construction Contract.
- (b) Except as provided in Section 5.08(c) hereof, the Department shall cause the Net Proceeds relating to the Project of any insurance or condemnation award or of any appropriation made in connection with a self-insurance election received pursuant to Sections 5.05 and 5.07 hereof and of any title insurance award equal to or in excess of the amount required to repair, restore or replace the Project (the "Replacement Amount") for the Project to be applied first to the prompt repair, restoration or replacement of such destroyed, damaged, lost or condemned Project (which repair, restoration or replacement property shall become part of the Project). Except as otherwise provided herein, any such Net Proceeds shall be deposited with the Trustee in the Project Account and shall be disbursed by the Trustee in accordance with the Trust Agreement; provided, however, that any amounts remaining after completion of such repair, restoration or replacement shall be applied in accordance with Section 6.03(h) of the Trust Agreement. Subject to the provisions of the Operations Contract and Construction Contract, if such Net Proceeds are insufficient to pay for such repair, restoration or replacement, the Department shall (from the Department's Available Revenues) simultaneously deposit the amount of such deficiency with the Trustee, which deficiency shall constitute Supplemental Rent. Any Net Proceeds of insurance or condemnation award or of any appropriation made in connection with self-insurance election that is equal to or less than the Replacement Amount for the Project may, at the option of the Department, be applied in accordance with Section 6.03(h) of the Trust Agreement.

- (c) The Department may elect not to repair, restore or replace the Project or any portion of the Project which has been destroyed, damaged, lost or condemned, with the Net Proceeds of any insurance or condemnation award or of any appropriation made in connection with a self-insurance election, by filing a certificate with the Trustee stating that (i) it has made such election, (ii) it is not in the best interests of the Department to repair, restore or replace the Project, or such portion thereof, and (iii) the Department intends to abandon and cease to operate the Project, or portion thereof, damaged, destroyed, lost or condemned; provided, further, there shall be an Extraordinary Prepayment in accordance with Section 5.01 of the Trust Agreement in the amount of the Stipulated Loss Value (as hereinafter described) of the Project, or portion thereof, which is not repaired, restored or replaced, and subject to the provisions of the Operations Contract and the Construction Contract, if the Net Proceeds are insufficient therefore, the deficiency shall constitute Supplemental Rent hereunder and shall be immediately due and payable from the Department's Available Revenues.
- (d) The Stipulated Loss Value attributable to a loss of all of the Project shall be computed as the amount necessary to pay the Principal Component of and Interest Component on the Certificates on the next succeeding Extraordinary Prepayment Date. In the event that less than all of the Project then subject to this Lease Agreement suffers such a loss, damage or destruction, the Stipulated Loss Value shall be the product of (i) the result computed by the foregoing sentence multiplied by (ii) a fraction, the numerator of which is the original Cost of the portion of the Project suffering such loss, damage or destruction and the denominator of which is the aggregate Project Cost for the entire Project then subject to this Lease Agreement, including those items suffering such loss, damage or destruction. In each case, the Stipulated Loss Value shall also include any Supplemental Rent or portion thereof, as the case may be, then due hereunder. Upon payment of such Stipulated Loss Value by the Department, such Stipulated Loss Value shall be deposited to the credit of the Prepayment Fund for the sole benefit of the Owners of the Certificates. In the event of payment of the Stipulated Loss Value of a portion of the Project and the Certificates relating thereto, the schedule of Basic Rent Payments in the Lease Schedule for the Project shall be adjusted downward by the Trustee to reflect the reduction in the Principal Component and Interest Component and the remaining Basic Rent resulting from such Extraordinary Prepayment. Such adjustment shall be done in such manner as to match remaining aggregate payments of Basic Rent with principal of and interest coming due on the Certificates that remain Outstanding, the proceeds of which were used to finance or refinance the acquisition and construction of such portion of the Project as shall remain.

5.09 PAYMENT OF TAXES.

In the event of a change of law which results in the levying of ad valorem taxes, assessments, or other governmental charges on the Project or the Land or sales tax or other governmental charges with respect to this Lease Agreement, the Department or the Operator, respectively, shall promptly provide a copy of any notice relating to any taxes, assessments or other governmental charges, if any, that may be levied, assessed or charged upon the Project to the Trustee. The Department will pay or cause to be paid all taxes, assessments and other governmental charges, if any, relating to the Project or the Land, that may be levied, assessed or charged upon the Project, or any part thereof, promptly as and when the same shall become due and payable but only from Available Revenues appropriated therefore; provided, however, that the Department shall not be required to pay any such tax, assessment or charge, if the validity thereof shall concurrently be contested in good faith by appropriate proceedings, the interest of the Corporation and the Trustee shall not be in immediate jeopardy and if the Department shall set aside, or cause to be set aside, reserves deemed by it to be adequate with respect thereto; and, provided, further, that the Department, upon the commencement of any proceedings to foreclose the lien of any such tax, assessment, or charge, will forthwith pay, or cause to be paid, any such tax, assessment or charge, but only from Available Revenues appropriated therefore unless contested in good faith as aforesaid. The Department will not suffer, to the extent of Available Revenues appropriated therefore, or will cause the Operator under the Operations Contract not to suffer the Project or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefore. The Department will also pay or cause to be paid all taxes, assessments and other governmental charges that

may be imposed on the Corporation or its operations as a result of the transactions contemplated by this Lease Agreement but only from Available Revenues appropriated therefore. Notwithstanding any actions taken by the Corporation or Trustee hereunder, the Department shall have the right (as provided by law) to contest in good faith by appropriate proceeding any taxes, assessments or charges, that may be levied, assessed or charged upon the Project. In the event of the absence or inadequacy of Available Revenues for the Department to make any of the foregoing payments, the Department agrees to use its best efforts to obtain a supplemental appropriation in an amount sufficient to make such payments not otherwise paid or provided for. The Department further agrees to request increased funding in subsequent budget requests to cover the payment of such taxes or charges.

5.10 CARE AND USE OF PROJECT.

- (a) The Department, pursuant to the Operations Contract or otherwise, shall cause the Operator to maintain the Project in good operating condition, repair and appearance, and protect same from deterioration other than normal wear and tear; shall cause the Project to be used in compliance with the requirements of applicable laws, ordinances and regulations and the requirements of any policy of insurance required under Sections 5.04 and 5.05 hereof; shall cause the Project to be operated by the Operator and shall, or cause the Operator to, obtain all permits and licenses, if any, required by law for the operation of the Project. The Department agrees that neither the Corporation nor the Trustee shall be responsible for latent defects, wear and tear or gradual deterioration or loss of service or use of the Project or any part thereof. As between the Corporation and the Department, the Department shall have the benefit of all warranties, contracts and rights against any Vendor, Contractor, Developer, Operator, materialmen or supplier. Neither the Corporation nor the Trustee shall be liable to the Department or anyone else for any liability, injury, claim, loss, damage or expense of any kind or nature caused directly or indirectly by the inadequacy of the Project or any item supplied by any Vendor, Contractor, Developer, Operator, materialmen or supplier or any other party, any interruption of use or loss of service or use or performance of the Project, any loss of business or other consequence or damage, whether or not resulting directly or indirectly from any of the foregoing.
- (b) As between the Corporation and the Department, all obligations of the Department and the Operator, as the agent of the Department pursuant to the Operations Contract, under this Section shall be at the Department's sole cost and expense, and all costs of operation of the Project and all costs of repair and replacement of the Project resulting from ordinary wear and tear or want of care on the part of the Department shall be the sole responsibility of the Department. The Corporation acknowledges that such costs and expenses shall be borne by the Operator, as agent of the Department, pursuant to the Operations Contract.

5.11 INVENTORY.

The Department shall, or shall cause the Developer or Operator as its agent to, maintain a written inventory of the Equipment leased from the Corporation hereunder, which inventory may describe the Equipment by category or type or other general description.

5.12 OTHER LIENS.

- (a) The Department shall keep the Project (or cause it to be kept) and all parts thereof free from judgments and, except for Permitted Encumbrances, free from all liens, claims, demands and encumbrances of whatsoever nature or character, to the end that the Project may at all times be maintained and preserved, and the Department shall keep the Project (or cause it to be kept) free from any claim or liability which might impair or impede the operation of the Project or the security granted in the Trust Estate to Certificate Owners by the Trust Agreement; provided, however, that neither the Department nor the Developer or Operator shall be required to pay any such liens, claims or demand if the validity thereof shall concurrently be contested in good faith by appropriate proceedings, the interest of the Corporation and the Trustee shall not be in immediate jeopardy and if the Department or the Developer or Operator shall set aside or cause to be set aside reserves deemed by it to be adequate with

respect thereto; and, provided, further, that the Department or the Developer or Operator, as the case may be, upon the commencement of any proceedings to foreclose the lien of any such charge or claim, will forthwith pay or cause to be paid any such charge or claim unless contested in good faith as aforesaid.

- (b) The Department shall never, under any circumstances, have the power to subject the interest of the Corporation or its assignee in the Project to any mechanic's or materialman's lien or liens of any kind.
- (c) The Department covenants and agrees with the Corporation that the Department will not permit or suffer the Developer or Operator to permit or suffer to be filed or claimed against the interests of the Corporation and its assignee in the Project during the Lease Term any lien or claim of any kind and, if such lien be claimed or filed, it shall be the duty of the Department or the Developer or Operator on behalf of the Department, if applicable, within thirty (30) days after the Department shall have been given written notice of such claim being filed in the Public Records of DeSoto County, Florida to cause the Project to be released from such claim, either by payment or by posting of a bond or by the payment into a court of competent jurisdiction the amount necessary to relieve and release the Project from such claim or in any other manner which, as a matter of law, will result within such period of thirty (30) days in releasing the Project and Corporation's and its assignee's interest or interests therein from such claim.

5.13 ENCUMBRANCES OR SALES.

Except as permitted in this Lease Agreement and except for Permitted Encumbrances, the Department will not create or suffer to be created or permit the Developer or Operator to create or suffer to be created any mortgage, pledge, lien, charge or encumbrance upon the Project or any portion thereof, or upon any real or personal property (which is not a portion of the Project) essential to the operation of the Project. The Department will not sell or otherwise dispose, or permit the Developer or Operator to sell or otherwise dispose of any portion of the Project or any such property essential to the proper operation of the Project, except as provided in Section 5.14 hereof.

5.14 SUBSTITUTION OF EQUIPMENT.

Subject to the consent of the Insurer pursuant to Section 13.13 of the Trust Agreement, and subsequent to the Completion Date of the Project, the Operator may, with the prior written consent of the Department, which consent shall not be unreasonably withheld, or the Department, if there is no Operator, substitute for an item of Equipment which constitutes a part of the Project other equipment by filing with the Trustee, as assignee of the Corporation, a certificate of an Authorized Officer of the Operator or the Department, if there is no Operator, stating that such substitute equipment (a) has the same or a greater remaining useful life than the Equipment to be substituted (determined at the time of substitution), (b) has a fair market value equal to or greater than the fair market value of the item of Equipment for which it is substituted (determined at the time of substitution), (c) is free and clear of all liens and encumbrances, except the Permitted Encumbrances, (d) has been titled in the name of the Corporation (e) constitutes "Equipment" under this Lease Agreement, (f) is essential to the operation of the Project, and (g) performs the same or substantially the same (as determined by the Operator or the Department, if there is no Operator, in its sole discretion) function as the Equipment to be substituted and has the same or better performance qualities and capabilities as measured by appropriate third party testing or as determined by the Operator in its sole discretion. The Operator or the Department, if there is no Operator, may substitute Equipment that does not meet any of the foregoing provisions if it receives the prior written consent of the Department, which consent may be granted or withheld in the sole discretion of the Department, and the Insurer pursuant to Section 13.13 of the Trust Agreement to make any such substitution.

5.15 PROSECUTION AND DEFENSE OF SUITS.

- (a) The Department shall promptly, upon request of the Corporation, or its assignee, from time to time, take or cause to be taken by the Developer or Operator, as the case may be, such

action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the 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 general law and only from Available Revenues, indemnify or cause to be indemnified the Corporation, and its assigns, for all loss, cost, damage and expense, including reasonable attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceedings.

- (b) To the extent permitted and limited by applicable law and only from Available Revenues, the Department shall defend, or cause to be defended by the Developer or the Operator, against every suit, action or proceeding at any time brought against the Corporation, or its assignee, or its or their directors, officers and employees upon any claim arising out of the receipt, application or disbursement of any moneys held by the Trustee or arising out of the construction of the Project involving the rights of the Corporation, or its assignee, or its or their directors, officers and employees under this Lease Agreement or any act or omission of such 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 willful misconduct or gross negligence by such parties; provided, that the Corporation, and its assignee, at their election and their expense (which shall not be recoverable as Supplemental Rent), may appear in and defend any such suit, action or proceeding. To the extent permitted and limited by applicable general law and only from Available Revenues, the Department shall indemnify or cause to be indemnified the Corporation, and its assignee, against any and all claims, demands, costs or liability claimed or asserted by any person, arising out of such receipt, application or disbursement.

5.16 FURTHER ASSURANCES.

Whenever and so often as requested so to do by the Corporation, the Department, or the Developer or Operator as the agent of the Department, will promptly execute and deliver or cause to be delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully to vest in the Corporation all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon the Corporation by this Lease Agreement.

5.17 REPORTING REQUIREMENTS.

Upon request with respect to any Fiscal Year during the Lease Term, the Department will furnish, or cause to be furnished, to the Corporation, or its assignee, the Florida Comprehensive Annual Financial Report for said Fiscal Year, or such other similarly detailed reports of audit covering the operations of the Department for said Fiscal Year as the Department may reasonably select, showing the general funds, revenues and expenses with respect to the Project for such period.

5.18 CORPORATION NOT LIABLE.

Neither the Corporation nor its members, officers, agents, employees, nor its assignee, shall be liable to the Department or to any other party whomsoever for any death, injury or damage that may result to any Person or property by or from any cause whatsoever in, on or about the Project. To the extent permitted and limited by applicable general law and solely from Available Revenues, the Department shall indemnify or cause to be indemnified and hold the Corporation, its members, officers, agents, employees, and its assignee, harmless from, and defend or cause to be defended each of them against, any and all claims, liens and judgments for death of or injury to any Person or damage to property whatsoever occurring in, on or about the Project.

5.19 INDEMNIFICATION DUE TO TRUSTEE AND CORPORATION.

The Department shall pay, or cause to be paid, to the Corporation and to the Trustee, solely from Supplemental Rent and other amounts held under the Trust Agreement, the ordinary fees, compensation and expenses due under the Trust Agreement in the amounts set forth in the Lease Schedule. In

addition, to the extent permitted and limited by applicable general law and solely from Available Revenues, the Department shall and hereby agrees to indemnify, or cause indemnification of, and hold, or cause to be held, the Corporation and the Trustee, as assignee of the Corporation, harmless from and against all claims, losses and damages, including reasonable legal fees and expenses, arising out of (a) the use, maintenance, condition or operation of the Project by the Department, (b) any breach or default on the part of the Department in the performance of any of its obligations under this Lease Agreement, (c) any act of negligence of the Department, or of any of its agents, contractors, servants, employees or licensees with respect to the Project, (d) the authorization of payment of Project Costs by the Department, (e) the defense against actions or proceedings in which the validity of this Lease Agreement is or might be questioned and the payment or compromise of claims or demands asserted in any such actions or proceedings, or (f) the issuance of the Certificates. No indemnification will be made under this Section or elsewhere in this Lease Agreement for willful misconduct or gross negligence by the Corporation or the Trustee, or their officers, agents, employees, successors or assigns.

5.20 NO RECOURSE UNDER AGREEMENT.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Lease Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for the payment of Lease Payments pursuant to Section 4.03 hereof or for any claim based thereon under this Lease Agreement against any member, officer, employee or agent of the parties hereto.

5.21 RESTRICTION AGAINST PLEDGE.

The Corporation shall not pledge, assign or encumber Lease Payments or other amounts derived from the Project or from rights of the Corporation under this Lease Agreement nor shall the Corporation sell, encumber or place any lien upon the Project, except as otherwise provided in the Sublease, this Lease Agreement, the Trust Agreement, and the Assignment of Leases.

5.22 ASSIGNMENT BY CORPORATION.

Except pursuant to the Assignment of Leases and except as set forth herein, the Corporation shall not assign this Lease Agreement, its rights to receive Lease Payments or its duties and obligations hereunder.

5.23 NO VIOLATION OF OTHER AGREEMENTS.

- (a) The Department hereby represents that neither the execution and delivery of this Lease Agreement, and the Trust Agreement, nor the fulfillment of and compliance with the terms and conditions hereof and thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of terms or violation of any other agreement to which the Department is a party or by which the Department is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Department, or upon the Project, except Permitted Encumbrances.
- (b) The Corporation hereby represents that neither the execution and delivery of this Lease Agreement, the Sublease, the Assignment of Leases, or the Trust Agreement, nor the fulfillment of and compliance with the terms and conditions hereof and thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of terms or violation of any other agreement to which the Corporation is a party or by which the Corporation is bound, or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the Corporation, or upon the Project, except Permitted Encumbrances.

5.24 DEBT NOT ASSUMED BY CORPORATION.

The parties hereto expressly acknowledge and agree that the Corporation, by the entering into the Sublease, this Lease Agreement, the Trust Agreement and the Assignment of Leases, does not assume or guarantee, or otherwise obligate itself for, or become liable for, the payment of, or contingently agree to purchase, any debt of any Person.

5.25 CONSENT TO DISMISS.

The Department acknowledges that the Corporation is a third party lease purchase financing source for the Project and the Department hereby agrees to consent to, and to refrain from objection to, a motion made by the Corporation to be dismissed from any lawsuit brought by a third party arising out of or in any way relating to this Lease Agreement with respect to the Project or the ownership, rental, possession, operation, condition, sale or return of the Project. This covenant by the Department to consent to and refrain from objection to such a motion to dismiss shall include the Corporation's assigns and their respective agents, employees, officers and directors. It is understood by and between the Corporation and the Department that this covenant is not intended to be and is not an indemnity.

5.26 WAIVER OF LAWS.

The Department shall not at any time insist upon or plead in any manner whatsoever, or claim or suffer or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may adversely affect the covenants and agreements contained in this Lease Agreement and the benefit and advantage of any such law or laws is hereby expressly waived by the Department to the extent that the Department may legally make such waiver.

5.27 LIMITATION OR INDEMNIFICATION.

The amount of indemnification provided by the Department to the Corporation in Sections 5.15, 5.18 and 5.19 shall not exceed the liability limits set forth in Section 768.28, Florida Statutes, provided that such indemnification shall be further limited as being payable solely from Available Revenues appropriated therefore.

5.28 VEHICLES.

The Department and the Corporation agree not to lease-purchase any vehicles or rolling stock under the terms of this Lease Agreement.

5.29 WAIVER OF DAMAGES.

Neither the Corporation nor the Trustee, nor their respective agents and employees, shall be liable for, and the Department waives, for each of their benefit, all claims for, damages, including but not limited to consequential damages, to person, property or otherwise, sustained by the Department or any person claiming through the Department resulting from any accident or occurrence in or upon any part of the Project including, but not limited to, claims for damage resulting from: (a) any equipment or appurtenances becoming out of repair; (b) the Department's failure to keep any part of the Project in repair; (c) injury done or caused by wind, water or other natural element; (d) any defect in or failure of plumbing, heating or air conditioning equipment, electric wiring or installation thereof, gas, water and steam pipes, stairs, porches, railings or walks; (e) broken glass; (f) the backing up of any sewer pipe or downspout; (g) the bursting, leaking or running of any tank, tub, washstand, water closet, waste pipe, drain or any other pipe or tank upon or about the Project; (h) the escape of steam or hot water; (i) water, snow or ice upon the Project; (j) the failing of any fixture, plaster or stucco; (k) damage to or loss by theft or otherwise of property of the Department or others; (l) acts or omissions of persons in the Project, other tenants in the Project, occupants of nearby properties, or any other persons; and (m) any act or omission of owners of adjacent or contiguous property, or of the Corporation and the Trustee, and their respective agents or employees. All property of the Department kept in the Project shall be so kept at the Department's risk only, as between the Department on the one hand and the Trustee and the Corporation on the other, and the Department shall, solely from Available Revenue, save the Corporation and the

Trustee, and their respective agents and employees harmless from claims arising out of damage to the same, including subrogation claims by the Department's insurance carrier.

5.30 OFFSET STATEMENT.

Within ten (10) days after written request by either the Corporation or the Department the other party shall deliver, executed in recordable form, a declaration to any Person designated by the requesting party and to the extent that such statements shall be true, (a) ratifying this Lease Agreement and Lease Schedule; (b) stating the commencement and termination dates; and (c) certifying (i) that this Lease Agreement and all Lease Schedules are in full force and effect and have not been assigned, modified, supplemented or amended (except by such writings as shall be stated); (ii) that all conditions under this Lease Agreement and the Lease Schedule to be performed by the other parties have been satisfied (stating exceptions, if any), to the extent known; (iii) that no defenses or offsets against the enforcement of this Lease Agreement and the Lease Schedule by the requesting party exist (or stating those claimed); (iv) as to advance Lease Payments, if any, paid by the Department; and (v) the date to which Supplemental Rent has been paid, and such other information as the requesting party reasonably requires. Persons receiving such statements shall be entitled to rely upon them.

5.31 RESERVED.

5.32 CONTINUING DISCLOSURE COVENANTS.

- (a) *Disclosure of Annual Information.* The Department hereby agrees, in accordance with the provisions of Rule 15c2-12 in effect from time to time and applicable to the Certificates (the "Rule"), promulgated by the Securities and Exchange Department (the "SEC") pursuant to the Securities Exchange Act of 1934, to provide or cause to be provided, (1) to each nationally recognized municipal securities information repository ("NRMSIR") and to the State of Florida information depository ("SID"), if any, in each case as designated and approved by the SEC and the State of Florida, respectively, or (2) in lieu thereof, solely to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org>, unless the United States Securities Exchange Commission has withdrawn the interpretative advice in respect thereof, and any additional central filing location hereafter designated as such by the SEC (collectively, the "Central Post Office"), within 180 Days following the end of each fiscal year of the State of Florida, commencing with the fiscal year ended June 30, 2007, annual financial information and operating data concerning the State of Florida, consistent with the financial information and operating data included in the offering statement prepared with respect to the Certificates, and, when available, audited financial statements prepared in accordance with generally accepted accounting principles applicable to the State of Florida from time to time. A copy of such annual financial information and operating data will be provided by the Department to Banc of America Securities LLC, as representative of the underwriters for the Certificates, and to the Trustee for such Certificates as designated by the Department from time to time. If audited financial statements are not available at the time of required filing as set forth immediately above, unaudited financial statements shall be filed pending the availability of audited financial statements. (The information required to be disclosed in this subsection (a) shall be hereinafter referred to as the "Annual Report.")
- (b) *Disclosure of Material Events.* The Department agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and the SID, if any, or (ii) each Central Post Office, notice of the occurrence of any of the following events with respect to the Department, if such event is material:
 - (1) delinquencies in the payment of Lease Payments or of principal and interest on the Certificates;
 - (2) non-payment related defaults;
 - (3) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) unscheduled draws on credit enhancements reflecting financial difficulties;

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- (5) substitution of credit or liquidity providers, or their failure to perform;
 - (6) adverse tax opinions with respect to or events affecting the tax-exempt status of the Certificates;
 - (7) modifications to rights of the holders of the Certificates;
 - (8) any call of the Certificates for prepayment or redemption (other than scheduled mandatory prepayment or redemption) or any acceleration of the maturity thereof;
 - (9) defeasance in whole or in part of the Certificates;
 - (10) release, substitution, or sale of property securing repayment of the Certificates;
 - (11) rating changes; and
 - (12) an Event of Non-Appropriation.
- (c) *Notice of Failure.* The Department agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and the SID, if any, or (ii) to each Central post office, notice of a failure by the Department to provide the Annual Report described in subsection (a) above on or prior to the date set forth therein.
- (d) *Termination.* The Department reserves the right to terminate its obligation to provide the Annual Report and notices of material events, as set forth above, if and when the Department no longer remains an obligated person with respect to the Certificates within the meaning of the Rule (either by the prepayment or redemption in full or legal defeasance of all such Certificates). If the Department believes such condition exists, the Department shall provide notice of such termination to each NRMSIR, the MSRB and the SID or to each Central Post Office.
- (e) *Undertaking for Benefit of Holders and Beneficial Owners.* The Department agrees that its undertaking pursuant to the Rule set forth in this Section is intended to be for the benefit of the holders and beneficial owners of the Certificates and shall be enforceable by any holder or beneficial owner; provided; that the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Department's obligations hereunder and any failure by the Department to comply with the provisions of this undertaking shall not be an event of default with respect to the Certificates under the Trust Agreement or under this Lease Agreement.
- (f) *Voluntary Disclosure Shall Not Bind Department.* Any voluntary inclusion by the Department of information in its Annual Report of supplemental information that is not required hereunder shall not expand the obligations of the Department hereunder and the Department shall have no obligation to update such supplemental information or include it in any subsequent report.
- (g) *Third Parties.* The covenants contained herein are solely for the benefit of the holders and beneficial owners of the Certificates and shall not create any rights in any other parties.
- (h) *Amendment; Waiver.* Notwithstanding any other provision of this Lease Agreement or the Trust Agreement, the Department may amend this section and any provision of this section may be waived, provided that the following conditions are satisfied:
- (1) If the amendment or waiver relates to the provisions of subsections (a), (b), or (c), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identify, nature or status of an obligated person with respect to the Certificates, or the type of business conducted;
 - (2) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

- (3) The amendment or waiver does not materially impair the interests of holders and beneficial owners of the Certificates as determined either by parties unaffiliated with the Department or an obligated person (such as the Trustee or bond counsel), or by an approving vote of holders pursuant to the terms of the Trust Agreement.

The Trustee shall have no responsibility to determine if the conditions for an amendment or waiver of this section have been satisfied or whether the Department is in compliance with the terms and provisions of this section or the Rule.

In the event of any amendment or waiver of a provision of this section, the Department shall describe such amendment or waiver in a notice to the holders of the Certificates, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of annual financial information or operating data being presented by the Department.

VI. ASSIGNMENT; SUBLEASING; NET LEASE; AMENDMENT

6.01 ASSIGNMENT AND SUBLEASING BY THE DEPARTMENT.

- (a) Except as provided herein, this Lease Agreement may not be assigned or subleased by the Department without the written consent of the Corporation (and the Insurer pursuant to Section 13.13 of the Trust Agreement) and without an opinion of Special Counsel delivered to the Trustee that no such assignment or sublease shall cause the Interest Component of the Basic Rent Payments received by the Owners of the Certificates (other than Taxable Certificates) to become includable in gross income of such Owners for purposes of federal income taxation.
- (b) Nothing herein shall prohibit the Department from permitting temporary use of the Project, or portion thereof, by third parties.
- (c) If an Event of Default occurs under this Lease Agreement, all proceeds of any assignment or sublease entered into by the Department pursuant to this Section shall be remitted to the Trustee and shall be credited against Basic Rent Payments to be made by the Department. Any sublease agreement must be made cancelable in the event of the occurrence of an Event of Default hereunder or if the Lease Agreement is terminated for any reason, including an Event of Non-Appropriation.

6.02 TRANSFER OF TAX BENEFITS.

Nothing herein shall be deemed to prevent the Department from entering into any agreement or making any disposition for the sole purpose of transferring to one or more corporations, partnerships or individuals federal or state income tax benefits which would be available for the Project, or portion thereof, if owned by a private person, subject, however, to each of the following conditions:

- (a) no such agreement or disposition shall in any way adversely affect or release the Department from any of its duties, obligations and covenants under this Lease Agreement and the obligation of the Department to make Lease Payments hereunder; and
- (b) no such agreement or disposition shall, in the written opinion of Special Counsel delivered to the Trustee, cause the Interest Component of the Basic Rent Payments received by the Owners of the Certificates (other than Taxable Certificates) to become includable in gross income of such Owners for purposes of federal income taxation.

6.03 TAX COVENANTS.

- (a) The Department and the Corporation hereby covenant that, notwithstanding any other provision of this Lease Agreement to the contrary, neither of them will make any use nor permit or direct the Trustee to make any use of the proceeds of the Certificates which will

cause any of the Certificates or the Lease Agreement to be "arbitrage bonds" within the meaning of Section 148 of the Code.

- (b) The Department and the Corporation hereby agree that neither will make use of nor permit any use to be made of the proceeds of the Certificates, Lease Payments or, prior to an Event of Default or an Event of Non-Appropriation, the Project, or any portion thereof, which would cause any of the Certificates or the Lease Agreement to be "private activity bonds" within the meaning of Section 141(a) of the Code.
- (c) Except for the exercise by the State of its right to Non Appropriate as set forth in Section 7.01 hereof, the Department and the Corporation hereby covenant that, prior to an Event of Default or an Event of Non-Appropriation, each will comply with all provisions of the Code necessary to maintain the exclusion of the Interest Component of the Basic Rent Payments from gross income for purposes of federal income taxation, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.
- (d) Notwithstanding the foregoing provisions contained in this Section, the Department and the Corporation may agree to entering into a Lease Schedule relating to all or a portion of the Project which may provide for the Issuance of Certificates in one or more series (the "Taxable Certificates") for which the Interest Component on the Basic Rent Payments allocable to such Taxable Certificates shall not be excluded from gross income for purposes of federal income taxation; provided, however, that fact shall be clearly stated on such Taxable Certificates. Provisions herein relating to the requirement to maintain the exclusion of such Interest Component from gross income for federal income taxation purposes shall not apply to the Basic Rent Payments allocable to such Taxable Certificates.
- (e) The Trustee's only responsibilities with respect to the foregoing covenants shall be to comply with the provisions of the Trust Agreement applicable to the Trustee.

6.04 NET LEASE.

The Department intends the Lease Payments hereunder to be net to the Corporation. Subject to Section 5.09 hereof, the Department shall pay, or cause to be paid, in accordance with the Operations Contract and the Construction Contract, all liabilities, all required local, state and federal taxes, including without limitation, income, franchise, gross receipts, sales, use, documentary stamp, excise, and personal property taxes, Real Estate Taxes, assessments, licenses, registration fees, and any other charges imposed or liabilities incurred with respect to the ownership, possession or use of the Project, payment of Lease Payments or any other payments by the Department hereunder, and any penalties, fines or interest imposed on the Department hereunder, and any penalties, fines or interest imposed on any of the foregoing, during the term of this Lease Agreement, but only from Available Revenues appropriated therefore. The Corporation, the Operator and the Trustee shall have the right, after reasonable written notice to the Department, to make any of the payments required of the Department under this Section with respect to the Project, but shall not be obligated to pay the same, and may charge such payment with interest at the Overdue Rate from the date of payment, as Supplemental Rent to be paid by the Department, but only from Available Revenues appropriated therefore. In the event Available Revenues are insufficient therefore, the Department shall seek a supplemental appropriation as set forth in Section 5.09 hereof.

6.05 AMENDMENT.

Any amendment or modification of this Lease Agreement shall be made in accordance with Article XI of the Trust Agreement.

VII. NON-APPROPRIATION, DEFAULTS AND REMEDIES

7.01 EVENT OF NON-APPROPRIATION.

- (a) The Department's performance and obligation to pay any amounts under this Lease Agreement are contingent upon an annual appropriation by the State legislature. As provided herein, this Lease Agreement shall initially terminate at the end of the Initial Lease Term but shall automatically be renewed for all Renewal Lease Terms; provided, that such automatic renewal shall not occur and this Lease Agreement shall terminate as of the end of the current Initial or Renewal Lease Term, as the case may be, if the State enacts an Appropriation Act in accordance with State law which does not provide sufficient funds (after taking into account any amounts credited or available for credit pursuant to Section 4.03(e) hereof) to continue making Lease Payments in full for the next succeeding Renewal Lease Term beyond the end of the Initial Lease Term or the last Renewal Lease Term for which Lease Payments had been budgeted and appropriated (an "Event of Non-Appropriation"); provided however, that, in the event the Appropriation Act for such ensuing Renewal Lease Term is not enacted prior to expiration of the then current Initial Lease Term or Renewal Lease Term, the Lease Term relating thereto shall be deemed renewed and the occurrence of the Event of Non-Appropriation shall be deemed suspended pending the current legislative and executive process of enactment of such Appropriation Act and the Department shall be liable for any Lease Payments coming due during such period from Available Revenues. For each day that the Department remains in possession of said Project beyond the date of expiration of the current Initial Lease Term or Renewal Lease Term, the Department shall pay damages in an amount equal to the Lease Payments which would have accrued hereunder, calculated on a daily basis, for any such period during which the Department fails to vacate or surrender the Project, provided that such payments shall be payable solely from Available Revenues. Upon the occurrence of an Event of Non-Appropriation, the Department will not be obligated to pay Lease Payments accruing or arising beyond the then current Fiscal Year but will not be relieved of any obligations arising or accruing prior to such Event of Non-Appropriation, provided that such payment shall be payable solely from Available Revenues. The Department must deliver notice of the Event of Non-Appropriation to the Corporation and the Trustee within three Business Days thereof.
- (b) If an Event of Non-Appropriation shall occur, the Department shall peaceably vacate and return possession of the Project to the Corporation, or its assignee or designee, no later than the end of the then current Lease Term. The obligation to vacate and return the Project shall survive the termination of this Lease Agreement. Under no circumstances shall the failure of the State to appropriate sufficient moneys to pay Lease Payments constitute a Default or Event of Default hereunder or require payment of a penalty, or in any way limit the right of the Department to purchase or utilize buildings, facilities or equipment similar in function to the property leased hereunder.

7.02 EVENTS OF DEFAULT.

The following shall be "Events of Default" under this Lease Agreement and the terms "Events of Default" and "Default" shall mean, whenever they are used in this Lease Agreement any one or more of the following events:

- (a) Failure by the Department to pay any Basic Rent Payment required to be paid hereunder on the Basic Rent Payment Date to which such Basic Rent Payment pertains, other than as a result of an Event of Non-Appropriation; or
- (b) Failure by the Department to pay any Supplemental Rent required to be paid hereunder at the time specified herein other than as a result of an Event of Non-Appropriation; or
- (c) The Department fails to vacate and return possession of the Project to the Corporation, or its designee or assignee, subsequent to an Event of Non-Appropriation as required by Section 7.01 hereof; or

- (d) Failure by the Department to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Sections 7.02(a), (b) or (c) hereof, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the Department by the Corporation, or its assignee, unless the Corporation, or its assignee, have agreed in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, or its assignee, will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Department within the applicable period and diligently pursued until the default is corrected; or
- (e) Any representation of the Department hereunder or in a Lease Schedule shall prove to have been false in any materially adverse respect at the time same was made, subject to the right of the Department to cure such misrepresentation in the manner set forth in Section 7.02(d) hereof.

7.03 REMEDIES ON DEFAULT.

Upon the happening of an Event of Default as described in Section 7.02 hereof, the Corporation, or its assignee (subject to Section 13.13 of the Trust Agreement), may exercise any and all remedies available pursuant to law or granted pursuant to this Lease Agreement, including, without limitation:

- (a) Except in the case of an Event of Default under Section 7.02(c) hereof, without terminating this Lease Agreement, re-enter and take possession of the Project, or any portion thereof, and exclude the Department from using the same until the Default is cured; or
- (b) Except in the case of an Event of Default under Section 7.02(c) hereof, without terminating this Lease Agreement, re-enter and take possession of the Project, or any portion thereof, and sublease the Project, or any portion thereof, in accordance with applicable law for the remaining term of the Sublease, for the account of the Department, holding the Department liable for the difference between (i) the rent and other amounts paid by the sublessee pursuant to such sublease, and (ii) the Lease Payments and other amounts then payable by the Department under and pursuant to this Lease Agreement; or
- (c) Except in the case of an Event of Default under Section 7.02(c) hereof, take whatever action at law or in equity that may appear necessary or desirable to collect the Lease Payments then due and thereafter to become due during the term of this Lease Agreement, or enforce performance and observance of any obligation, agreement or covenant of the Department under this Lease Agreement; or
- (d) Terminate this Lease Agreement, if it has not been previously terminated pursuant to Section 7.01 hereof, and require the Department to vacate, surrender and transfer possession of the Project to the Corporation or its assignee, in which event the Department shall take all actions necessary to authorize, execute and deliver to the Corporation or its assignee all documents necessary to vest in the Corporation or its assignee all of the Department's interest in and to the Project, and to discharge any lien created by or pursuant to this Lease Agreement in order that the Corporation or its assignee may re-lease the Project in accordance with applicable law for the remaining term of the Sublease; and shall upon request by the Corporation or its assignee, transfer any Equipment to such location within the State of Florida as is specified by the Corporation or its assignee.

In each case, Department 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 Department fails to vacate and surrender the Project or for any other loss suffered by the Corporation or its assignee as a result of the Department's failure to vacate and surrender the Project, 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 Department's covenants herein contained, payable only from Available Revenue appropriated therefore.

7.04 PROCEEDS OF RE-LETTING.

Moneys received by the Corporation, or its assignee, from the re-letting of the Project, or any portion thereof, as a result of an Event of Non-Appropriation or an Event of Default shall be the absolute property of the Corporation, or its assignee, and the Department shall have no right thereto. In the event that moneys received by the Corporation or its assignee, from the re-letting or other disposition of the Project, exceed the amount necessary to pay the principal of and interest due on the Certificates to the date of payment thereof, together with all other amounts owing under the Trust Agreement and in regard to the Project, including Trustee fees and expenses, then the Corporation, or its assignee, shall pay such surplus to the Department. Neither notice to pay rent or to deliver up possession of the Project given pursuant to law nor any proceeding in unlawful detainer taken by the Corporation, or its assignee, shall of itself operate to terminate this Lease Agreement, and no termination of this Lease Agreement on account of an Event of Default by the Department shall be or become effective by operation of law, or otherwise, unless and until the Corporation, or its assignee, shall have given written notice to the Department of the election on the part of the Corporation, or its assignee, to terminate this Lease Agreement as a result of such Event of Default.

7.05 APPOINTMENT OF CORPORATION AS AGENT.

The Department hereby irrevocably appoints the Corporation, and its assignee, as the agent and attorney-in-fact of the Department to enter upon and re-let the Project in accordance with the terms hereof upon the happening of an Event of Default or an Event of Non-Appropriation. To the fullest extent permitted by applicable law and only from Available Revenues, the Department hereby exempts and agrees to save harmless, the Corporation, and its assignee, from any costs, loss or damage whatsoever arising or occasioned by any such entry upon and the letting of the Project. The Department hereby waives any and all claims for damages caused, or which may be caused, by the Corporation, or its assignee, in taking possession of the Project, for all claims for damages that may result from the destruction of or injury to the Project, and all claims for damages to or loss of any property belonging to the Department that may be in or upon the Project. The Department agrees that the terms of this Lease Agreement constitute full and sufficient notice of the right of the Corporation, or its assignee, to enter and re-let the Project in accordance with the terms hereof.

7.06 NON-WAIVER.

Nothing in this Article VII or in any other provision of this Lease Agreement shall affect or impair the obligation of the Department to pay the Lease Payments, to the extent herein provided. No delay or omission of the Corporation, or its assignee, to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or any acquiescence therein, and every power and remedy given by this Article VII to the Corporation, and its assignee, may be exercised from time to time and as often as shall be deemed expedient by the Corporation, or its assignee.

7.07 REMEDIES NOT EXCLUSIVE.

No remedy herein or by law conferred upon or reserved to the Corporation, and its assignee, is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy, and every remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise may be exercised without exhausting and without regard to any other remedy conferred or by any law.

7.08 STATUS QUO ANTE.

In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and then discontinued or abandoned, then, and in every such case, the Corporation, and its assignee, and the Department shall be restored to its and their former position and rights and remedies as if no such suit, action or proceedings had been brought or taken.

VIII. ADMINISTRATIVE PROVISIONS

8.01 PRESERVATION AND INSPECTION OF DOCUMENTS.

All documents received by the Corporation, or its assignee, or the Department under the provisions of this Lease Agreement shall be retained in their respective possessions and shall be subject at all reasonable times to the inspection of the other party hereto and its assigns, agents and representatives, any of whom may make copies thereof.

8.02 PARTIES IN INTEREST.

Nothing in this Lease Agreement, expressed or implied, is to or shall be construed to confer upon or to give to any person or party other than the Corporation, and its assignee, the Trustee, the Department and the Developer any rights, remedies or claims under or by reason of this Lease Agreement or any covenants, condition or stipulation hereof; and all covenants, stipulations, promises and agreements in this Lease Agreement contained by or on behalf of the Corporation or the Department shall be for the sole and exclusive benefit of the Corporation, and its assignee, and the Department, the Trustee and the Developer.

8.03 NO RECOURSE UNDER AGREEMENT.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Lease Agreement shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, employee or agent of the parties hereto in an individual capacity, and no recourse shall be had for the payment of the Lease Payments or for any claim based thereon under this Lease Agreement against any member, officer, employee or agent of the parties hereto.

8.04 NOTICES.

All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or deposited in the United States mail with postage fully prepaid.

If to the Corporation: Florida Civil Commitment Center Financing Corporation
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: Secretary

If to the Department: Florida Department of Children and Family Services
1317 Winewood Blvd.
Tallahassee, FL 32399-0700
Attention: Assistant Secretary for Mental Health

If to the Trustee: U.S. BANK NATIONAL ASSOCIATION,
225 E. Robinson Street, Suite 250
Orlando, Florida 32801
Attention: Trust Department

If to the Operator: THE GEO GROUP, INC.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

If to the Developer: THE GEO GROUP, INC.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

In addition to the notice provisions set forth herein, copies of any notices to any party required hereunder shall be provided to the following:

Insurer: MBIA INSURANCE CORPORATION
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management

The parties hereto, by notice given hereunder, may, respectively, designate different addresses to which subsequent notices, certificates or other communications will be sent. A copy of all notices to one party to this Lease Agreement shall be transmitted to the other party to this Lease Agreement, and to the Trustee.

8.05 BINDING EFFECT.

This Lease Agreement shall inure to the benefit of and shall be binding upon the Corporation and the Department and their respective successors and assigns.

8.06 SEVERABILITY.

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this Lease Agreement on the part of the Corporation or the Department to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant, stipulation, promise, agreement or obligation shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this Lease Agreement.

8.07 HEADINGS.

Any headings preceding the text of the several Articles and Sections hereof, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Lease Agreement, nor shall they affect its meaning, construction or effect.

8.08 APPLICABLE LAW.

This Lease Agreement shall be governed by and construed in accordance with the laws of the State.

8.09 AUTHORIZED REPRESENTATIVES.

Whenever under the provisions of this Lease Agreement the approval of the Corporation, the Department or the Developer is required or the Corporation, the Department or the Developer is required to take some action at the request of the other, such approval of such request may be given for the Corporation by an Authorized Officer of the Corporation, for the Department by an Authorized Officer of the Department and for the Developer by an Authorized Officer of the Developer, and any party hereto shall be authorized to rely upon any such approval or request.

8.10 FURTHER ASSURANCES.

The Corporation and the Department agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby leased or for carrying out the expressed intention of this Lease Agreement.

8.11 CERTIFICATE OF OFFICERS.

Every certificate with respect to compliance with a condition or covenant provided for in this Lease Agreement may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless the Person providing the Certificate knows that the Certificate or representations with respect to the matters upon which the Certificate may be based are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

8.12 BUSINESS DAYS.

Any act or thing required to be done or exist on any date set forth herein which does not constitute a Business Day in any year shall be deemed to be done or to exist on such date if such act or thing is done or exists on the next date which constitutes a Business Day.

8.13 EFFECT OF DISSOLUTION OF CORPORATION.

In the event the Corporation for any reason shall be dissolved or its legal existence shall otherwise be terminated, all of the covenants, stipulations, obligations and agreements contained in this Lease Agreement by or on behalf of or for the benefit of the Corporation shall bind or inure to the benefit of the successor or successors of the Corporation from time to time and any officer, board, commission, authority, agency or instrumentality to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law, and the term "Corporation" as used in this Lease Agreement shall include such successor or successors.

8.14 MEMORANDUM.

Simultaneously with the execution of this Lease Agreement, the Corporation and the Department may each execute, acknowledge and deliver a Memorandum of Lease Agreement with respect to this Lease Agreement for recording in the Public Records of DeSoto County, Florida. 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 Lease Agreement.

8.15 RADON GAS.

Section 404.056, Florida Statutes, requires that the following notification be given: "RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit."

8.16 COUNTERPARTS.

This Lease Agreement may be executed in several counterparts, each of which together with a counterpart executed by each of the other parties hereto shall constitute a single original and shall constitute but one and the same agreement.

8.17 BOND INSURANCE PROVISIONS.

The Department has obtained and delivered to the Trustee a financial guaranty insurance policy (the "Policy") issued by MBIA Insurance Corporation (the "Insurer") in favor of Trustee for the benefit of the holders of the Series 2006 Certificates, guaranteeing the payment when due of principal of and interest on the Series 2006 Certificates as provided therein.

Notwithstanding anything in the Trust Agreement or the Related Certificate Documents to the contrary, so long as the Series 2006 Certificates remain outstanding, the Policy remains in full force and effect, and the Insurer is not in default of any of its obligations under the Policy, the Corporation and the Department will be bound by, and will comply with, the provisions set forth in the Trust Agreement, Section 13.13 thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Agreement to be executed in their respective names by their duly Authorized Officers as of the date first above written.

(SEAL)

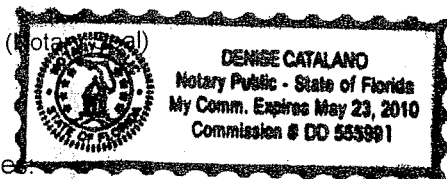
FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Lessor

By: Dale W. Frick

Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF PALM BEACH

The foregoing instrument was acknowledged before me on Nov 9th, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.



Witnessed:

Name: _____
Address: _____

Name: _____
Address: _____

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Lessee

By: _____

Lucy Hadi, Secretary

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

IN WITNESS WHEREOF, the parties hereto have caused this Lease Agreement to be executed in their respective names by their duly Authorized Officers as of the date first above written.

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Lessor

(SEAL)

By: _____

Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

Witnesses:

Name: MARK MUSTIAN
Address: 2308 CHARLES CT.
TALLAHASSEE, FL 32303

Name: _____
Address: _____

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Lessee

By: _____

Lucy Hadi, Secretary

STATE OF FLORIDA
COUNTY OF LEON

The foregoing instrument was acknowledged before me on 7th day of November, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: MARK MUSTIAN

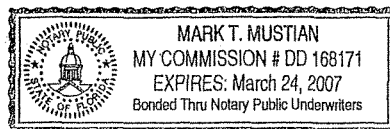


EXHIBIT A LEASE SCHEDULE

Schedule to the
Lease-Purchase Agreement,
dated as of October 1, 2006
between
Florida Civil Commitment Center Financing Corporation
(the "Corporation")
and
Florida Department of Children and Family Services
(the "Department")

THIS LEASE SCHEDULE (the "Lease Schedule") is hereby entered into under and pursuant to that certain Lease-Purchase Agreement, dated as of October 1, 2006 (the "Lease Agreement"), pursuant to which the Corporation has agreed to lease-purchase to the Department and the Department has agreed to lease-purchase from the Corporation, subject to the terms and conditions of the Lease Agreement, the Project as herein described. All defined terms not otherwise defined herein shall have the respective meanings therefor set forth in the Lease Agreement. Reference to "Lease Agreement" herein shall include the terms of this Lease Schedule.

1. Project. The leased property, which is described in Section 7 of this Lease Schedule (the "Project"), and has an estimated maximum cost of \$61,595,000, shall be constructed and installed by the Developer pursuant to the terms of the Construction Contract, and lease-purchased by the Department from the Corporation pursuant to the terms of the Lease Agreement.

2. Commencement Date; Lease Term. For purposes of this Lease Schedule and the Lease Agreement:

(a) The Commencement Date for the Project is October 1, 2006.

(b) The Initial Lease Termination Date of the lease of the Project shall be October 1, 2007. The Maximum Lease Term shall be a term that commences on the Commencement Date hereof and terminates on October 1, 2029.

3. Certificates of Participation.

(a) The Certificates of Participation issued under the Trust Agreement and related to this Lease Schedule are identified as "Certificates of Participation (Florida Civil Commitment Center Project), Series 2006 Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be made under a Lease-Purchase Agreement issued by the Florida Department of Children and Family Services" (the "Series 2006 Certificates").

(b) The Reserve Requirement for the Reserve Account under the Trust Agreement for the Series 2006 Certificates upon issuance shall be \$5,087,360.

4. Basic Rent. The Basic Rent payable to the Corporation under the Lease Agreement is described in Schedule A attached hereto. The Department shall commence accruing Rent Payments payable from Available Revenues on the later of March 1, 2009 or the date that Substantial Completion (as that term is defined in the Construction Contract) of the Project is attained in accordance with the Construction Contract. On the fifteenth (15th) day preceding each Payment Date the Department shall make Basic Rent payments in the amount indicated on the attached Payment Schedule for such Payment Date.

5. Supplemental Rent. The Supplemental Rent payable pursuant to Section 6.10 of the Trust Agreement shall be those amounts incurred by the Corporation or the Department in accordance with the terms hereof and shall be payable on each Payment Date commencing April 1, 2007.

6. Use of Certificate Proceeds. The net proceeds of the Series 2006 Certificates shall be disbursed as follows:

Principal Amount	\$68,730,000.00	
Plus Net Original Issue Premium	3,612,420.60	
Less Underwriters' Discount	<u>520,402.40</u>	
Net Proceeds	\$71,822,018.20	
Deposit to Project Account		\$58,647,360.15
Deposit to Costs of Issuance Account		1,287,630.00
Deposit to Capitalized Interest Account		6,799,668.05
Deposit to Reserve Account		<u>5,087,360.00</u>
Total Disbursements		\$71,822,018.20

7. The Project. The Project Description is the description of the Project set forth in the Construction Contract, including the Buildings and the equipment as described therein.

8. The Land. A description of the Land is attached hereto as Schedule B.

9. Assignment of Leases. The Corporation and the Department each hereby acknowledges that all Lease Payments and the Corporation's rights, title and interest in this Lease Schedule and, with certain exceptions, the Lease Agreement have been simultaneously assigned to the Trustee pursuant to the Assignment of Leases.

10. Other Permitted Encumbrances. The encumbrances listed on Schedule C attached hereto shall constitute Permitted Encumbrances with respect to the parcels of Land affected thereby as indicated.

IN WITNESS WHEREOF, each of the parties hereto has caused this Lease Schedule to be executed by its proper corporate officers, all as of October 1, 2006.

(SEAL)

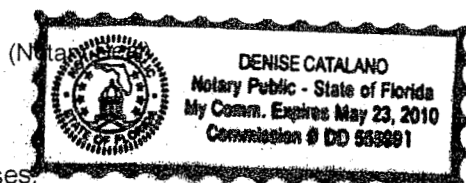
FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Lessor

By: Dale W. Frick

Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on Nov 9th, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.



Witnesses:

Name: _____
Address: _____

Name: _____
Address: _____

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Lessee

By: _____

Lucy Hadi, Secretary

My commission expires: _____
Name: _____

IN WITNESS WHEREOF, each of the parties hereto has caused this Lease Schedule to be executed by its proper corporate officers, all as of October 1, 2006.

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Lessor

(SEAL)

By: _____

Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

Witnesses:

Dobie Harrell
Name: Dobie Harrell
Address: 4085 St. Teresa Ave
Sebring FL 33858

Laura L. Lemond
Name: Laura L. Lemond
Address: 1317 Winwood Blvd
Altamonte, FL 32714

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Lessee

By: _____

Lucy Hadi, Secretary

STATE OF FLORIDA
COUNTY OF Leon

The foregoing instrument was acknowledged before me on November 13, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)



Frenchie M. Yon
MY COMMISSION # DD269420 EXPIRES
December 14, 2007
BONDED THRU TROY FAIN INSURANCE, INC.

My commission expires: _____
Name: _____

LEASE SCHEDULE – SCHEDULE A - PAYMENT SCHEDULE *

<u>Date *</u>	<u>Principal or Amortization Installment</u>	<u>Interest</u>	<u>Total</u>
04/01/2007	0	1,259,633.18	1,259,633.18
10/01/2007	0	1,654,992.50	1,654,992.50
04/01/2008	0	1,654,992.50	1,654,992.50
10/01/2008	0	1,654,992.50	1,654,992.50
04/01/2009	0	1,654,992.50	1,654,992.50
10/01/2009	900,000	1,654,992.50	2,554,992.50
04/01/2010	895,000	1,636,992.50	2,531,992.50
10/01/2010	930,000	1,619,092.50	2,549,092.50
04/01/2011	935,000	1,600,492.50	2,535,492.50
10/01/2011	970,000	1,581,792.50	2,551,792.50
04/01/2012	970,000	1,562,392.50	2,532,392.50
10/01/2012	1,010,000	1,542,992.50	2,552,992.50
04/01/2013	1,015,000	1,517,742.50	2,532,742.50
10/01/2013	1,060,000	1,492,367.50	2,552,367.50
04/01/2014	1,065,000	1,465,867.50	2,530,867.50
10/01/2014	1,115,000	1,439,242.50	2,554,242.50
04/01/2015	1,120,000	1,411,367.50	2,531,367.50
10/01/2015	1,175,000	1,383,367.50	2,558,367.50
04/01/2016	1,175,000	1,353,992.50	2,528,992.50
10/01/2016	2,500,000	1,324,617.50	3,824,617.50
04/01/2017	0	1,262,117.50	1,262,117.50
10/01/2017	2,625,000	1,262,117.50	3,887,117.50
04/01/2018	0	1,196,492.50	1,196,492.50
10/01/2018	2,760,000	1,196,492.50	3,956,492.50
04/01/2019	0	1,127,492.50	1,127,492.50
10/01/2019	2,900,000	1,127,492.50	4,027,492.50
04/01/2020	0	1,054,992.50	1,054,992.50
10/01/2020	3,050,000	1,054,992.50	4,104,992.50
04/01/2021	0	978,742.50	978,742.50
10/01/2021	3,210,000	978,742.50	4,188,742.50
04/01/2022	0	898,492.50	898,492.50
10/01/2022	3,370,000	898,492.50	4,268,492.50
04/01/2023	0	814,242.50	814,242.50
10/01/2023	3,545,000	814,242.50	4,359,242.50
04/01/2024	0	725,617.50	725,617.50
10/01/2024	3,725,000	725,617.50	4,450,617.50
04/01/2025	0	632,492.50	632,492.50
10/01/2025	3,920,000	632,492.50	4,552,492.50
04/01/2026	0	534,492.50	534,492.50
10/01/2026	4,120,000	534,492.50	4,654,492.50
04/01/2027	0	431,492.50	431,492.50
10/01/2027	4,320,000	431,492.50	4,751,492.50
04/01/2028	0	333,212.50	333,212.50
10/01/2028	4,520,000	333,212.50	4,853,212.50
04/01/2029	0	230,382.50	230,382.50
10/01/2029	9,830,000	230,382.50	10,060,382.50

* Basic Rent Payments will be made by the Department on the fifteenth (15th) day preceding each Payment Date. All or a portion of Basic Rent Payments due and payable on or before October 1, 2009 may be paid from funds derived from the Capitalized Interest Account or, in certain instances, the Letter of Credit.

LEASE SCHEDULE - SCHEDULE B - DESCRIPTION OF THE LAND

That part of Section 6, Township 38 South, Range 27 East and Section 31, Township 37 South, Range 27 East, Desoto County, Florida, described as follows:

Commence at the northeast corner of the west half of Section 6, Township 38 South, Range 27 East; thence S01°27'03"E along the east line of said west half; a distance of 654.70 feet to an iron pipe marking the southeast corner of Less and Except parcel described in Official Record Book 249, Page 79, Public Records of Desoto County, Florida and the Point of Beginning; thence continue S01°27'03"E along said east line of west half, a distance of 3317.04 feet; thence S89°51'41"W, a distance of 1782.27 feet; thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 2678.76 feet; thence S89°53'23"E, a distance of 895.01 feet thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 1296.90 feet to the north line of Section 6, also being the south line of said Section 31; thence continue N01°27'03"W, a distance of 68.19 feet to the south right of way line of State Road 70 (per FDOT RW map, Section No. 0404-(151)175); thence N89°51'15"E along said south right of way line, a distance of 164.47 feet; thence S01°27'38"E, a distance of 68.22 feet to the north line of said Section 6 and the northwest corner of the aforesaid Less and Except parcel described in Official Record Book 249, page 79; thence continue S01°27'38"E along the west line of said Less and Except parcel, a distance of 654.52 feet to an iron pipe marking the southwest corner of said Less & Except parcel; thence N89°52'40"E along the south line of said Less and Except parcel, a distance of 722.77 feet to the Point of Beginning.

LEASE SCHEDULE - SCHEDULE C - PERMITTED ENCUMBRANCES

1. The lien of the taxes for the year 2007, if any, and all subsequent years, which are not yet due and payable. Parcel No. 06-38-27-0000-0020-0000. Note: No taxes are assessed for the year 2006 and are shown as exempt.
2. Covenants and reservations contained in Quit Claim Deed from The United States of America, by The Federal Works Agency, dated September 29, 1947, recorded on September 29, 1947 in Deed Book 249, Page 79, Public Records of Desoto County, Florida.
3. Monitor Well Easement granted to Southwest Florida Water Management District, dated July 28, 1981, recorded on August 11, 1981 in Official Records Book 175, Page 147, Public Records of Desoto County, Florida.
4. Temporary Construction Easement granted to Southwest Florida Water Management District, dated July 28, 1982, recorded on August 31, 1981 in Official Records Book 175, Page 150, Public Records of Desoto County, Florida.
5. Terms and provisions of that certain Lease Agreement dated as of October 20, 2006, between the State of Florida Board of Trustees of the Internal Improvement Trust Fund, as Lessor to the Florida Department of Children and Family Services, an agency of the State of Florida, recorded _____, 2006, in Official Records Book _____, Page _____.
6. Terms and Provisions of that certain Sublease Agreement dated as of October 1, 2006 by and between the Florida Department of Children and Family Services, an agency of the State of Florida to Florida Civil Commitment Center Financing Corporation, a Florida not-for-profit corporation, conveying a leasehold estate in subject property as affected by that certain Lease Purchase Agreement dated October 1, 2006 entered into between the above-named parties to the Sublease Agreement, as evidenced by that certain memorandum of same recorded _____, 2006 in Official Records Book _____, Page _____.
7. Terms and Provisions of that certain Lease Purchase Agreement dated as of October 1, 2006 by and between Florida Civil Commitment Center Financing Corporation, a Florida not-for-profit corporation, as Lessor, and the Florida Department of Children and Family Services, an agency of the State of Florida, as Lessee recorded _____, 2006 in Official Records Book _____, Page _____.
8. Terms and Provisions of that certain Assignment of Leases dated as of October 1, 2006 by and between Florida Civil Commitment Center Financing Corporation in favor of U.S. Bank National Association, as Trustee as affected by that certain Trust Agreement dated as of October 1, 2006 recorded _____, 2006 in Official Records Book _____, Page _____.
9. Terms and Provisions of that certain Trust Agreement dated as of October 1, 2006 given by and among U.S. Bank National Association, as Trustee, Florida Civil Commitment Center Financing Corporation and Florida Department of Children and Family Services recorded _____, 2006 in Official Records Book _____, Page _____.
10. Any rights, easements, interests or claims which may exist by reason of, or reflected by, the following facts shown on the Survey prepared by Pickett Surveying & Photogrammetry, under Drawing No. LDW0028 dated October 20, 2006, last revised November 10, 2006, bearing Project No. 3W-1, Drawing No. LDW0028:
 - a. ditch appearing to accommodate drainage and running south from South Road 70 along the east boundary of the property line;

-
- b. ditch running parallel to, and between State Road 70 and the northern most portion of the property;
 - c. encroachment of monitor, well and antenna lying within the boundary of the subject property, but outside the easement recorded in Official Records Book 175, Page 147, Public Records of Desoto County, Florida;
 - d. encroachment of dirt road from State Road 70 across northern boundary of subject property;
 - e. possible encroachment of swale along western boundary of subject property; and
 - f. barbwire fence running along eastern boundary of subject property to State Road 70.

ALL RECORDING REFERENCES SET FORTH ABOVE REFER TO THE PUBLIC RECORDS OF DESOTO COUNTY, FLORIDA.

NGN Draft No.3 12/10/20
435.05

LEASE SCHEDULE NO. 2021B

**Schedule to the
First Supplement to Lease-Purchase Agreement,
Dated as of February 1, 2021
Between
Florida Civil Commitment Center Financing Corporation
(the "Corporation")
And
Florida Department of Children and Families,
formerly Florida Department of Children and Family Services
(the "Department")**

THIS LEASE SCHEDULE (the "Lease Schedule") is hereby entered into under and pursuant to that certain Lease-Purchase Agreement, dated as of October 1, 2006 (the "Lease Agreement"), as supplemented by that certain First Supplement to Lease-Purchase Agreement, dated as of February 1, 2021, pursuant to which the Corporation has agreed to lease-purchase to the Department and the Department has agreed to lease-purchase from the Corporation, subject to the terms and conditions of the Lease Agreement, the Project as herein described. All defined terms not otherwise defined herein shall have the respective meanings therefor set forth in the Lease Agreement. Reference to "Lease Agreement" herein shall include the terms of this Lease Schedule.

1. Project. The leased property, which is described in Section 7 of this Lease Schedule (the "Project"), has been lease-purchased by the Department from the Corporation pursuant to the terms of the Lease Agreement.

2. Commencement Date; Lease Term. For purposes of this Lease Schedule and the Lease Agreement:

- (a) The Commencement Date is February 1, 2021.
- (b) The Initial Lease Termination Date of the lease of the Project reflected by this Lease Schedule shall be October 1, 2021. The Maximum Lease Term shall be a term that commences on the Commencement Date hereof and terminates on October 1, 2029.

3. Certificates of Participation.

- (a) The Certificates of Participation issued under the Trust Agreement and related to this Lease Schedule are identified as "Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the Florida Department of Children and Families, (South

Florida Evaluation Treatment Center Project), Series 2021B" (the "2021B Certificates").

- (b) The Reserve Requirement for the Reserve Account under the Trust Agreement for the 2021B Certificates upon issuance shall be \$0.

4. Basic Rent. The Basic Rent payable to the Corporation under the Lease Agreement is described in Schedule A attached hereto. The Department shall commence accruing Rent Payments payable from Available Revenues on March 1, 2021. On the fifteenth (15th) day preceding each Payment Date, the Department shall make Basic Rent payments in the amount indicated on the attached Payment Schedule for such Payment Date.

5. Supplemental Rent. The Supplemental Rent payable pursuant to Section 6.10 of the Trust Agreement shall be those amounts incurred by the Corporation or the Department in accordance with the terms hereof and shall be payable on each Payment Date commencing April 1, 2021.

6. Use of Certificate Proceeds. The net proceeds of the 2021B Certificates shall be disbursed as follows:

Principal Amount	\$
Plus Net Original Issue Premium	
Less Underwriters' Discount	
Net Proceeds	\$
Deposit to Escrow Fund	\$
Deposit to Costs of Issuance Account	
Total Disbursements	\$

7. The Land. A description of the Land is attached hereto as Schedule B.

8. Assignment of Leases. The Corporation and the Department each hereby acknowledges that all Lease Payments and the Corporation's rights, title and interest in this Lease Schedule and, with certain exceptions, the Lease Agreement have been simultaneously assigned to the Trustee pursuant to the Assignment of Leases.

9. Other Permitted Encumbrances. The encumbrances listed on Schedule C attached hereto shall constitute Permitted Encumbrances with respect to the parcels of Land affected thereby as indicated.

IN WITNESS WHEREOF, each of the parties hereto has caused this Lease Schedule to be executed by its proper corporate officers, all as of February 1, 2021.

FLORIDA CIVIL COMMITMENT CENTER
FINANCING CORPORATION, as Lessor

(SEAL)

By: _____
Jeremy Barr, President

Witnesses:

Name: _____
Address: _____

FLORIDA DEPARTMENT OF CHILDREN AND
FAMILIES, as Lessee

By: _____
Chad Poppell, Secretary

Name: _____
Address: _____

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was acknowledged before me by means of ☐ physical presence or ☐ online notarization, this ____ day of _____, 2021 by JEREMY BARR, President of the FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, on behalf of the corporation. He is personally known to me or has produced _____ as identification.

(SEAL)

(Signature of person taking acknowledgment)

(Name typed, printed or stamped)

(Title or rank)

(Serial number, if any)

STATE OF FLORIDA

COUNTY OF _____

The foregoing instrument was acknowledged before me by means of ☐ physical presence or ☐ online notarization, this ____ day of _____, 2021 by CHAD POPPELL, Secretary of the FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES, on behalf of the Department. He is personally known to me or has produced _____ as identification.

(SEAL)

(Signature of person taking acknowledgment)

(Name typed, printed or stamped)

(Title or rank)

(Serial number, if any)

LEASE SCHEDULE – SCHEDULE A – PAYMENT SCHEDULE

Date*	Principal or Amortization Installment	Interest	Total
04/01/2021			
10/01/2021			
04/01/2022			
10/01/2022			
04/01/2023			
10/01/2023			
04/01/2024			
10/01/2024			
04/01/2025			
10/01/2025			
04/01/2026			
10/01/2026			
04/01/2027			
10/01/2027			
04/01/2028			
10/01/2028			
04/01/2029			
10/01/2029			

* Basic Rent Payments will be made by the Department on the fifteenth (15th) day preceding each Payment Date.

LEASE SCHEDULE – SCHEDULE B – DESCRIPTION OF THE LAND

That part of Section 6, Township 38 South, Range 27 East and Section 31, Township 37 South, Range 27 East, Desoto County, Florida, described as follows:

Commence at the northeast corner of the west half of Section 6, Township 38 South, Range 27 East; thence S01°27'03"E along the east line of said west half; a distance of 654.70 feet to an iron pipe marking the southeast corner of Less and Except parcel described in Official Record Book 249, Page 79, Public Records of Desoto County, Florida and the Point of Beginning; thence continue S01°27'03"E along said east line of west half, a distance of 3317.04 feet; thence S89°51'41"W, a distance of 1782.27 feet; thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 2678.76 feet; thence S89°53'23"E, a distance of 895.01 feet thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 1296.90 feet to the north line of Section 6, also being the south line of said Section 31; thence continue N01°27'03"W, a distance of 68.19 feet to the south right of way line of State Road 70 (per FDOT R/W map, Section No. 0404-(151)175); thence S01°27'38"E, a distance of 68.22 feet to the north line of said Section 6 and the northwest corner of the aforesaid Less and Except parcel described in Official Record Book 249, Page 79; thence continue S01°27'38"E along the west line of said Less and Except parcel, a distance of 654.52 feet to an iron pipe marking the southwest corner of said Less & Except parcel; thence N89°52'40"E along the south line of said Less and Except parcel, a distance of 722.77 feet to the Point of Beginning.

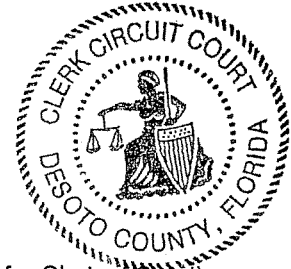
Inst:2006013894 Date:11/20/2006 Time:15:08

C-13 DC, Mitzie McGavic, Desoto County B:589 P:1788

Prepared by and after recording, return to:

Garry W. Johnson, Esq.
Tripp, Scott, P.A.
110 Southeast Sixth Street, 15th Floor
Fort Lauderdale, Florida 33301

Record and return to:
Angela L. Comer, Paralegal
Broad and Cassel
Post Office Box 4961
Orlando, Florida 32802-4961
(407) 839-4200



(Space reserved for Clerk of Court)

ASSIGNMENT OF LEASES

BY AND BETWEEN

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION

AND

U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE

DATED AS OF OCTOBER 1, 2006

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EXHIBIT A – DESCRIPTION OF LAND

ASSIGNMENT OF LEASES

THIS ASSIGNMENT OF LEASES (this "Assignment of Leases"), is made and entered into as of October 1, 2006, by and between FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, a not-for-profit corporation duly organized and validly existing under the laws of the State of Florida (the "Corporation"), and U.S. BANK NATIONAL ASSOCIATION, a national association with corporate trust powers duly qualified to enter into this Assignment of Leases, not in its individual capacity but solely as trustee (the "Trustee"). Capitalized terms used and not otherwise defined herein shall have the meaning set forth therefor in the Trust Agreement described herein.

WITNESSETH:

In the joint exercise of their powers, in consideration of the mutual covenants herein contained, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto recite and agree as follows:

1. RECITALS.

(a) The Florida Department of Children and Family Services (the "Department") and the Corporation have entered into the Sublease dated as of October 1, 2006 (the "Sublease") whereby the Department has agreed to sublease to the Corporation, certain real property (the "Land") on which the Project will be constructed. The Land is described in Exhibit A attached hereto.

(b) The Corporation and the Department have entered into the Lease-Purchase Agreement, dated as of October 1, 2006 (which, together with all amendments and the Lease Schedule thereto, shall be referred to herein as the "Lease Agreement"), whereby the Corporation has agreed to lease to the Department, and the Department has agreed to lease from the Corporation, the Project (including the Land) as described in the Lease Agreement.

(c) The Certificates shall be issued in order to finance the acquisition, construction and installation of the Project and the proceeds of the Certificates shall be deposited with the Trustee and shall be held and applied in accordance with the Trust Agreement dated as of October 1, 2006, among the Corporation, the Department and the Trustee (the "Trust Agreement").

(d) Pursuant to the Lease Agreement, the Department is obligated to make certain Lease Payments to the Corporation. In order to issue the Certificates, the Corporation is willing to absolutely and irrevocably assign and transfer its rights and interests under the Sublease and Lease Agreement to the Trustee for the benefit of the Owners of the Certificates.

(e) Each of the parties hereto has authority to enter into this Assignment of Leases, and has taken all actions necessary to authorize its officers to enter into it.

2. ASSIGNMENT.

The Corporation, for good and valuable consideration received, does hereby absolutely and irrevocably sell, assign and transfer to the Trustee, for the benefit of the Owners of the Certificates, all of its right, title and interest in the Sublease and Lease Agreement (other than the right to receive indemnification pursuant to the Lease Agreement, the right to enter into amendments to the Lease Schedule with respect to the issuance of Completion Certificates and Refunding Certificates from time to time and its obligations under the Lease Agreement, including its obligations with respect to the tax covenants set forth in Section 6.03 of the Lease Agreement), including its right to receive Lease Payments from the Department under the Lease Agreement and its right to use and relet the Project and dispose of any proceeds of such reletting (as contemplated by the Lease Agreement), and the right to exercise such rights and remedies as are conferred on the Corporation by the Sublease and Lease Agreement. All rights of the Corporation in the Lease Schedule are hereby assigned to the Trustee. The Lease Payments shall be applied, and the rights so assigned shall be exercised, by the Trustee as

provided in the Trust Agreement. Except for any amendments of the Sublease, Lease Agreement or the Lease Schedule with respect to the issuance of Completion Certificates or Refunding Certificates which are hereafter adopted and assigned by the Corporation to the Trustee pursuant to an amendment to this Assignment of Leases, the sale, assignment and conveyance of the rights, title and interest of the Corporation under and to the Sublease and the Lease Agreement are immediately complete and effective for all purposes.

3. ACCEPTANCE.

The Trustee hereby accepts such assignment in trust for the purpose of providing for payment of the Certificates and evidencing the rights of the Owners of the Certificates issued pursuant to the Trust Agreement.

4. CONDITIONS.

This Assignment of Leases shall confer no rights and impose no duties upon the Trustee beyond those expressly provided in the Trust Agreement.

5. REPRESENTATIONS AND AGREEMENTS.

(a) With respect to the sale, assignment and conveyance of the rights, title and interest of the Corporation under the Sublease and the Lease Agreement, the Corporation represents, warrants and covenants to and with the Trustee, for the benefit of the Owners of the Certificates, that:

(i) The Corporation is a not-for-profit corporation duly organized, validly existing and in active status under the laws of the State of Florida, with corporate powers and authority to own its property and carry on its business as now being conducted.

(ii) The Corporation is duly qualified to transact business and hold property and is in good standing in the State of Florida and wherever necessary to perform its obligations under the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases.

(iii) The Corporation has full power, authority and legal right to enter into and perform its obligations under the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases; and the execution, delivery and performance of the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases by the Corporation have been duly authorized by all necessary corporate actions on the part of the Corporation, do not require any approval or consent of any trustee or holder of any indebtedness or obligations of the Corporation or any other Person or such required approvals and consents have heretofore been duly obtained.

(iv) The execution, delivery and performance of the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases do not contravene any provision of any Articles of Incorporation or Bylaws of the Corporation, and do not and will not conflict with, violate or result in any breach of or constitute a default under any contract, agreement or instrument to which the Corporation is a party or by which it or any of its property is bound or any constitutional or statutory provision, or order, rule, regulation, decree or ordinance of any federal or state court, government or governmental body having jurisdiction over the Corporation or any of its properties and by which the Corporation or any of its property is bound.

(v) To the Corporation's knowledge, the Sublease, the Lease Agreement and the Trust Agreement, are in full force and effect and the Corporation is not in default thereunder; and, the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases are legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their respective terms, all such enforcement being subject to certain laws relating to bankruptcy, reorganizations, moratoriums and creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity.

(vi) The Corporation has complied, and will at all times hereafter comply, with and duly perform its obligations under the Sublease, the Lease Agreement, the Trust Agreement, and this Assignment of Leases.

(vii) There is no pending, or to the knowledge of the Corporation, threatened action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency in any way affecting the ability of the Corporation to perform its obligations under the Sublease, the Lease Agreement, the Trust Agreement, or this Assignment of Leases.

(viii) The Sublease and the Lease Agreement and the lease rights thereunder being herein assigned have not previously been assigned and are free and clear of all claims, liens, mortgages, security interests and encumbrances arising through any act or omissions of the Corporation or any Person claiming by, through or under it, except the rights of the Department under the Lease Agreement and encumbrances permitted thereunder, including the Permitted Encumbrances.

(b) From and after the date of delivery to the Trustee of this Assignment of Leases, the Corporation shall have no further rights or interest under the Sublease or the Lease Agreement or in any Lease Payments (except any rights of indemnification of the Corporation under the Sublease or the Lease Agreement, the Corporation's right to enter into amendments to the Lease Schedule from time to time and the Corporation's obligations under Section 6.03 of the Lease), the Project or other moneys due with respect thereto or to become due under the Lease Agreement but shall remain liable for all of the obligations under the Lease Agreement.

(c) The Corporation agrees to execute and deliver to the Trustee, upon request by the Trustee or the Owners of a majority in principal amount of the Certificates, any documents deemed necessary by the Trustee or such Owners to evidence further the assignment and conveyance herein made with respect to the Sublease or the Lease Agreement including, without limitation, any amendments hereto necessary or desirable to assign to the Trustee any amendments to the Lease Schedule executed and delivered after the date hereof.

(d) The Corporation hereby irrevocably constitutes and appoints the Trustee, or its successors or assigns, as its lawful attorney, with full power of substitution and resubstitution, to collect and to sue on behalf of the Corporation in the name of the Corporation or otherwise in any court for any Lease Payments or other amounts due under the Lease Agreement, or any part thereof, to withdraw or settle any claims, suits or proceedings pertaining to or arising out of the Sublease or the Lease Agreement or pertaining to the Project upon any terms, all without the assent of the Corporation; and, further, to take possession of and to endorse in the name of the Corporation any instrument for the payment of moneys received on account of the Lease Payments or other amounts due under the Lease Agreement.

(e) The Corporation has authorized and directed the Department to pay to the Trustee, its successors and assigns, all Lease Payments and all other amounts due and payable under the Lease Agreement.

(f) In order to provide for payment of the Certificates, the Corporation hereby authorizes the Trustee to take possession of the Land and the Project, and title thereto in accordance with the provisions of the Trust Agreement, the Sublease and the Lease Agreement, and relet such Project, or any portion thereof, in the circumstances described in the Trust Agreement and the Sublease.

6. NON-RECOURSE.

The parties hereto agree that the assignment contained in this Assignment of Leases shall be non-recourse with respect to the Corporation, and the Corporation shall have no liability hereunder to the Trustee or the Owners of any Certificates with respect to the occurrence of an Event of Default or Event of Non-Appropriation under the Lease Agreement.

7. NO INDIVIDUAL LIABILITY.

All covenants, stipulations, promises, agreements and obligations of the parties hereto contained in this Assignment of Leases shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the parties hereto, respectively, and not of any member, officer, director, employee or

agent of the parties hereto in an individual capacity, and no recourse shall be had for the assignment effected by Section 2 hereof or for any claim based thereon under this Assignment of Leases against any member, officer, director, employee or agent of the parties hereto.

8. AMENDMENTS TO LEASE SCHEDULE.

The Corporation hereby agrees to deliver to the Trustee upon the execution and delivery of any amendment to the Lease Schedule after the date hereof, an amendment to this Assignment of Lease Agreement which provides for the assignment of the rights of the Corporation in and to said amended Lease Schedule in accordance with the terms hereof and confirms the representations and agreements of the Corporation set forth in Section 5 hereto as of the date thereof.

9. SEVERABILITY.

If any one or more of the covenants, stipulations, promises, agreements or obligations provided in this Assignment of Leases should be determined by a court of competent jurisdiction to be contrary to law, then such covenant, stipulation, promise, agreement or obligation shall be deemed and construed to be severable from the remaining covenants, stipulations, promises, agreements and obligations herein contained and shall in no way affect the validity of the other provisions of this Assignment of Leases.

10. HEADINGS.

Any headings 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 or reference and shall not constitute a part of this Assignment of Leases, nor shall they affect its meaning, construction or effect.

11. COUNTERPARTS.

This Assignment of Leases may be executed in counterparts, and each of said counterparts shall be deemed an original for all purposes of this Assignment of Leases. All of such counterparts taken together shall be deemed to be one and the same instrument.

12. LAW.

This Assignment of Leases shall be construed under the laws of the State of Florida.

13. AMENDMENTS.

Any amendment or modification of this Assignment of Leases shall be made in accordance with Article XI of the Trust Agreement.

[Signatures Appear on Next Page]

IN WITNESS WHEREOF, the parties have executed this Assignment of Leases by their officers thereunto duly authorized as of the day and year first written above.

(SEAL)

FLORIDA CIVIL COMMITMENT CENTER
FINANCING CORPORATION, as Lessor

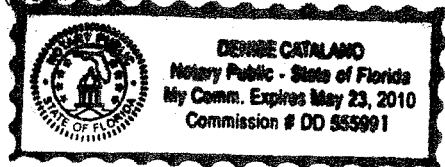
By: Dale W. Frick

Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF PALM BEACH

The foregoing instrument was acknowledged before me on Nov 9th, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)



(SEAL)

Denise Catalano
My commission expires: May 23rd, 2010
Name:

DENISE CATALANO

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____

Name:

Title:

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by _____, as a _____ of U.S. BANK NATIONAL ASSOCIATION, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name:

IN WITNESS WHEREOF, the parties have executed this Assignment of Leases by their officers thereunto duly authorized as of the day and year first written above.

FLORIDA CIVIL COMMITMENT CENTER
FINANCING CORPORATION, as Lessor

(SEAL)

By: _____

Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

(SEAL)

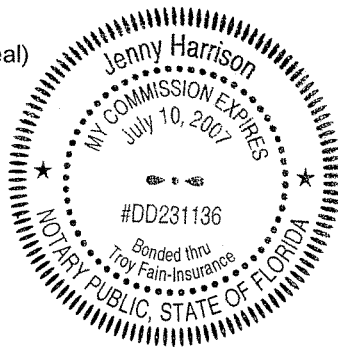
By: _____

Name: BETH DRIGGS
Title: Vice President

STATE OF FLORIDA
COUNTY OF Orange

The foregoing instrument was acknowledged before me on November, 2006, by BETH DRIGGS, as a Vice President of U.S. BANK NATIONAL ASSOCIATION, who is personally known to me or has produced N/A, as identification.

(Notary Seal)



My commission expires: _____
Name: JENNY HARRISON

EXHIBIT A

That part of Section 6, Township 38 South, Range 27 East and Section 31, Township 37 South, Range 27 East, Desoto County, Florida, described as follows:

Commence at the northeast corner of the west half of Section 6, Township 38 South, Range 27 East; thence S01°27'03"E along the east line of said west half, a distance of 654.70 feet to an iron pipe marking the southeast corner of Less and Except parcel described in Official Record Book 249, Page 79, Public Records of Desoto County, Florida and the Point of Beginning; thence continue S01°27'03"E along said east line of west half, a distance of 3317.04 feet; thence S89°51'41"W, a distance of 1782.27 feet; thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 2678.76 feet; thence S89°53'23"E, a distance of 895.01 feet thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 1296.90 feet to the north line of Section 6, also being the south line of said Section 31; thence continue N01°27'03"W, a distance of 68.19 feet to the south right of way line of State Road 70 (per FDOT R/W map, Section No. 0404-(151)175); thence N89°51'15"E along said south right of way line, a distance of 164.47 feet; thence S01°27'38"E, a distance of 68.22 feet to the north line of said Section 6 and the northwest corner of the aforesaid Less and Except parcel described in Official Record Book 249, page 79; thence continue S01°27'38"E along the west line of said Less and Except parcel, a distance of 654.52 feet to an iron pipe marking the southwest corner of said Less & Except parcel; thence N89°52'40"E along the south line of said Less and Except parcel, a distance of 722.77 feet to the Point of Beginning.

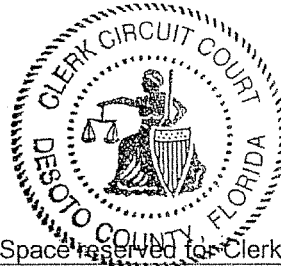
Inst:2006013891 Date:11/20/2006 Time:15:08

CN DC, Mitzie McGavie, Desoto County B:589 P:1700

Prepared by and after recording, return to:

Garry W. Johnson, Esq.
Tripp, Scott, P.A.
110 Southeast Sixth Street, 15th Floor
Fort Lauderdale, Florida 33301

✓ Record and return to:
Angela L. Comer, Paralegal
Broad and Cassel
Post Office Box 4961
Orlando, Florida 32802-4961
(407) 839-4200



(Space reserved for Clerk of Court)

MEMORANDUM OF SUBLEASE AGREEMENT

BY AND BETWEEN

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AS SUBLESSOR

AND

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION,
AS SUBLESSEE

DATED AS OF OCTOBER 1, 2006

As of October 1, 2006, the FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as sublessor, entered into a certain Sublease Agreement with FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as sublessee, with respect to the real property and improvements described in Exhibit A attached hereto for a term of twenty-three (23) years, commencing as of October 1, 2006.

[Signatures Appear on Next Page]

IN WITNESS WHEREOF, the parties have caused this Memorandum of Sublease Agreement to be executed in their names and on their behalf as of October 1, 2006.

Witnesses:

Name: MARK MUSTIAN
Address: 2308 CHARLES CT.
TALLAHASSEE, FL 32302

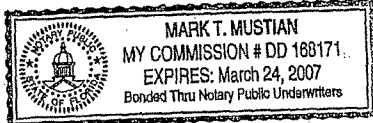
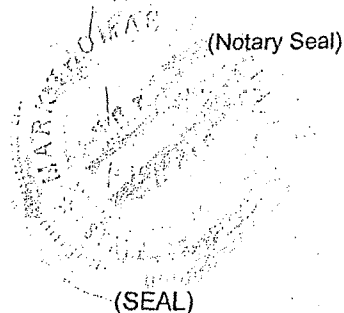
Name: Laura K. Leonard
Address: 1317 W. NEWTON BLVD
TALLAHASSEE, FL 32309

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Sublessor

By: [Signature]
Lucy Hadi, Secretary

STATE OF FLORIDA
COUNTY OF LEON

The foregoing instrument was acknowledged before me on the 7th day of Nov., 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.



[Signature]
My commission expires: _____
Name: _____

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Sublessee

By: _____
Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

Inst: 2006013891 Date: 11/20/2006 Time: 15:08
CN DC, Mitzie McGavic, Desoto County B: 589 P: 1701

IN WITNESS WHEREOF, the parties have caused this Memorandum of Sublease Agreement to be executed in their names and on their behalf as of October 1, 2006.

Witnesses:

Name: _____
Address: _____

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Sublessor

By: _____

Lucy Hadi, Secretary

Name: _____
Address: _____

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me on _____, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)

My commission expires: _____
Name: _____

Inst: 2006013891 Date: 11/20/2006 Time: 15:08
CN DC, Mitzie McGavic, Desoto County B: 589 P: 1702

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Sublessee

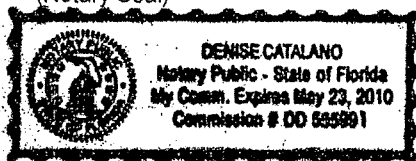
(SEAL)

By: Dale W. Frick
Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF PALM BEACH

The foregoing instrument was acknowledged before me on Nov 9th, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced _____, as identification.

(Notary Seal)



My commission expires: May 23rd, 2010
Name: _____


Denise Catalano
DENISE CATALANO

EXHIBIT A – DESCRIPTION OF SUBLEASED PREMISES

That part of Section 6, Township 38 South, Range 27 East and Section 31, Township 37 South, Range 27 East, Desoto County, Florida, described as follows:

Commence at the northeast corner of the west half of Section 6, Township 38 South, Range 27 East; thence S01°27'03"E along the east line of said west half, a distance of 654.70 feet to an iron pipe marking the southeast corner of Less and Except parcel described in Official Record Book 249, Page 79, Public Records of Desoto County, Florida and the Point of Beginning; thence continue S01°27'03"E along said east line of west half, a distance of 3317.04 feet; thence S89°51'41"W, a distance of 1782.27 feet; thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 2678.76 feet; thence S89°53'23"E, a distance of 895.01 feet thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 1296.90 feet to the north line of Section 6, also being the south line of said Section 31; thence continue N01°27'03"W, a distance of 68.19 feet to the south right of way line of State Road 70 (per FDOT RW map, Section No. 0404-(151)175); thence N89°51'15"E along said south right of way line, a distance of 164.47 feet; thence S01°27'38"E, a distance of 68.22 feet to the north line of said Section 6 and the northwest corner of the aforesaid Less and Except parcel described in Official Record Book 249, page 79; thence continue S01°27'38"E along the west line of said Less and Except parcel, a distance of 654.52 feet to an iron pipe marking the southwest corner of said Less & Except parcel; thence N89°52'40"E along the south line of said Less and Except parcel, a distance of 722.77 feet to the Point of Beginning.

Inst:2006013891 Date:11/20/2006 Time:15:08

 DC, Mitzie McGavie, Desoto County B:589 P:1703

SUBLEASE AGREEMENT

SUBLEASE NUMBER 4515-01

BY AND BETWEEN

**FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES,
AS SUBLESSOR**

AND

**FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION,
AS SUBLESSEE**

DATED AS OF NOVEMBER 13, 2006

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EXHIBIT A – DESCRIPTION OF SUBLEASED PREMISES

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (this "Sublease") is made and entered into as of November 13, 2006 between the **FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES**, hereinafter referred to as "SUBLESSOR", and **FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION**, a Florida not-for-profit corporation, its successors and assigns, hereinafter referred to as "SUBLESSEE".

WITNESSETH:

In consideration of the covenants and conditions set forth herein SUBLESSOR subleases the below described premises to SUBLESSEE on the following terms and conditions:

1. ACKNOWLEDGMENTS AND TITLE DISCLAIMER.

The parties acknowledge that title to the Subleased Premises (described herein) is held by the Board of Trustees of the Internal Improvement Trust Fund (the "TRUSTEES"). The TRUSTEES have leased the Subleased Premises to SUBLESSOR pursuant to that certain Lease No. 4515 between the TRUSTEES and SUBLESSOR dated as of October 20, 2006 (the "State Lease"). SUBLESSOR does not warrant or guarantee any title, right or interest in or to the Subleased Premises.

2. DESCRIPTION OF SUBLEASED PREMISES.

The property subject to this Sublease is situated in the County of DeSoto, State of Florida and is more particularly described in Exhibit "A" attached hereto and hereinafter referred to as the "Subleased Premises".

3. DEFINITIONS AND RULES OF CONSTRUCTION.

The capitalized terms used herein shall have the meanings ascribed to them in that certain Trust Agreement, dated as of October 1, 2006 (the "Trust Agreement") between U.S. BANK NATIONAL ASSOCIATION, as trustee, (the "Certificate Trustee") SUBLESSOR and SUBLESSEE, unless the context clearly requires some other meaning. For all purposes of this Sublease, reference to the "assignee of Corporation," "Corporation or its assignee" or "Corporation and its assignee" after assignment of this Sublease pursuant to the Assignment of Leases, shall mean only the Trustee acting on behalf of the Owners of the Certificates issued pursuant to the Trust Agreement, except as otherwise specifically provided herein or in the Trust Agreement or the Assignment of Leases to the contrary.

4. SUBLEASE TERM.

The term of this Sublease shall be for a period of twenty-three (23) years commencing on November 13, 2006 and ending on November 12, 2029 with no option for renewal, unless sooner terminated pursuant to the provisions of this Sublease.

5. PURPOSE.

SUBLESSEE shall manage the Subleased Premises only for the establishment and operation of a mental health treatment facility, along with other related uses necessary for the accomplishment of this purpose as designated in the Operational Report required by Section 24 of this Sublease.

6. CONFORMITY.

This Sublease shall conform to all terms and conditions of the State Lease, and SUBLESSEE shall through its agents and employees prevent the unauthorized use of the Subleased Premises or any use thereof not in conformance with this Sublease.

7. QUIET ENJOYMENT AND RIGHT OF USE.

SUBLESSEE shall have the right of ingress and egress to, from and upon the Subleased Premises for all purposes necessary to the full quiet enjoyment by said SUBLESSEE of the rights conveyed herein.

8. ASSIGNMENT.

Except as set forth in Section 45 hereof, this Sublease shall not be assigned in whole or in part without the prior written consent of SUBLESSOR and the TRUSTEES. Any assignment made either in whole or in part without the prior written consent of SUBLESSOR and the TRUSTEES shall be void and without legal effect.

9. RIGHT OF INSPECTION.

The TRUSTEES and SUBLESSOR, or their duly authorized agents, representatives or employees, shall have the right at any and all times to inspect the Subleased Premises and the works and operations of SUBLESSEE in any matter pertaining to this Sublease, subject to any confidentiality rights with respect thereto under any applicable laws, rules or regulations.

10. PLACEMENT AND REMOVAL OF IMPROVEMENTS.

All buildings, structures, improvements, and signs shall be constructed at the expense of SUBLESSEE in accordance with plans prepared by professional designers and shall require the prior written approval of SUBLESSOR as to purpose, location and design. Further, no trees, other than non-native species, shall be removed or major land alterations done by SUBLESSEE without the prior written approval of SUBLESSOR. Removable equipment and removable improvements placed on the Subleased Premises by SUBLESSEE and which do not become a permanent part of the Subleased Premises will remain the property of SUBLESSEE and may be removed by SUBLESSEE upon termination of this Sublease.

11. INSURANCE REQUIREMENTS.

During the term of this Sublease SUBLESSEE shall procure and maintain, or cause to be procured and maintained, policies of fire, extended risk, and liability insurance coverage. The extended risk and fire insurance coverage shall be in an amount equal to the full insurable replacement value of any improvements or fixtures located on the Subleased Premises. The liability insurance coverage shall be in amounts not less than \$100,000 per occurrence and \$200,000 per accident for personal injury, death, and property damage on the Subleased Premises. Such policies of insurance shall name SUBLESSEE, SUBLESSOR, the TRUSTEES, and the State of Florida as co-insureds. SUBLESSEE shall submit written evidence of having procured or caused procurement of all insurance policies required herein prior to the effective date of this Sublease and shall submit annually thereafter written evidence of maintaining such insurance policies to SUBLESSOR and the Bureau of Public Land Administration, Division of State Lands, Department of Environmental Protection, Mail Station 130, 3900 Commonwealth Boulevard, Tallahassee, Florida 32399-3000. SUBLESSEE shall purchase or cause the purchase of all policies of insurance from a financially-responsible insurer duly authorized to do business in the State of Florida. SUBLESSEE shall immediately notify SUBLESSOR, the TRUSTEES and the insurer of any erection or removal of any building or other improvement on the Subleased Premises and any changes affecting the value of any improvements and shall request the insurer to make adequate changes in the coverage to reflect the changes in value. SUBLESSEE shall be financially responsible for any loss due to

failure to obtain adequate insurance coverage, and SUBLESSEE'S failure to maintain such policies in the amounts set forth shall constitute a breach of this Sublease.

12. INDEMNITY.

SUBLESSEE hereby covenants and agrees to investigate all claims of every nature at its own expense, and to indemnify, protect, defend, save and hold harmless SUBLESSOR, the TRUSTEES and the State of Florida from all claims, actions, lawsuits and demands of any kind or nature arising out of this Sublease.

13. ATTORNEYS' FEES.

SUBLESSEE shall pay all costs, charges and expenses, including attorneys' fees and appellate attorneys' fees, in connection with any dispute arising out of this Sublease, including without limitation, any costs and fees incurred or paid by SUBLESSOR because of the failure on the part of SUBLESSEE to comply with and abide by each and every one of the stipulations, agreements, covenants and conditions of this Sublease, or incurred by SUBLESSOR in seeking any remedy available to SUBLESSOR as a result of such failure by SUBLESSEE.

14. PAYMENT OF TAXES AND ASSESSMENTS.

SUBLESSEE shall assume full responsibility for and shall pay or cause to be paid all liabilities that accrue to the Subleased Premises or to the improvements thereon, including any and all drainage and special assessments or taxes of every kind and all mechanic's or materialman's liens which may be hereafter lawfully assessed and levied against the Subleased Premises.

15. NO WAIVER OF BREACH.

The failure of SUBLESSOR to insist in any one or more instances upon strict performance of any one or more of the covenants, terms and conditions of this Sublease shall not be construed as a waiver of such covenants, terms and conditions, but the same shall continue in full force and effect, and no waiver of SUBLESSOR of any of the provisions hereof shall in any event be deemed to have been made unless the waiver is set forth in writing, signed by SUBLESSOR.

16. TIME.

Time is expressly declared to be of the essence of this Sublease.

17. BINDING EFFECT AND INUREMENT.

This Sublease shall be binding on and shall inure to the benefit of the heirs, executors, administrators and assigns of the parties hereto, but nothing contained in this paragraph shall be construed as a consent by the TRUSTEES and SUBLESSOR to any assignment of this Sublease or any interest therein by SUBLESSEE.

18. NON-DISCRIMINATION.

SUBLESSEE shall not discriminate against any individual because of that individual's race, color, religion, sex, national origin, age, handicap, or marital status with respect to any activity occurring within the Subleased Premises or upon lands adjacent to and used as an adjunct of the Subleased Premises.

19. VENUE.

SUBLESSEE agrees that SUBLESSOR has venue privileges as to any litigation arising from matters relating to this Sublease. Any such litigation between SUBLESSOR and SUBLESSEE shall be initiated and maintained only in Leon County, Florida.

20. UTILITY FEES.

SUBLESSOR shall not be required to furnish to SUBLESSEE any services of any kind whatsoever during the term of this Sublease. SUBLESSEE shall be responsible for the payment of all charges for the furnishing of gas, electricity, water and other public utilities to the Subleased Premises and for having all utilities turned off when the Subleased Premises are surrendered.

21. MINERAL RIGHTS.

This Sublease does not cover petroleum or petroleum products or minerals and does not give the right to SUBLESSEE to drill for or develop the same. However, SUBLESSEE shall be fully compensated for any and all damages that might result to the subleasehold interest of SUBLESSEE by reason of any such exploration and recovery operations.

22. RIGHT OF AUDIT.

SUBLESSEE shall make available to the TRUSTEES and SUBLESSOR all financial and other records relating to this Sublease, and the TRUSTEES and SUBLESSOR shall have the right to audit such records at any reasonable time. This right shall be continuous until this Sublease expires or is terminated. This Sublease may be terminated by SUBLESSOR should SUBLESSEE fail to allow public access to all documents, papers, letters or other materials made or received in conjunction with this Sublease, pursuant to the provisions of Chapter 119, Florida Statutes.

23. CONDITION OF PROPERTY.

SUBLESSOR assumes no liability or obligation to SUBLESSEE with reference to the condition of the Subleased Premises or the suitability of the Subleased Premises for any improvements. The Subleased Premises herein are subleased by SUBLESSOR to SUBLESSEE in an "as is" condition, with SUBLESSOR assuming no responsibility for bidding, contracting, permitting, construction, and the care, repair, maintenance or improvement of the Subleased Premises for the benefit of SUBLESSEE.

24. OPERATIONAL REPORT.

SUBLESSEE shall prepare and submit an Operational Report as described in subparagraph 18-2.018(3)(a)5., Florida Administrative Code, to SUBLESSOR within six (6) months of the effective date of this Sublease. SUBLESSEE shall provide SUBLESSOR with an opportunity to participate in all phases of preparing and developing the Operational Report for the Subleased Premises. The Operational Report shall be submitted to SUBLESSOR in draft form for review and comments within four (4) months of the effective date of this Sublease. SUBLESSEE shall give SUBLESSOR reasonable notice of the application for and receipt of any state, federal or local permits as well as any public hearings or meetings relating to the development or use of the Subleased Premises. SUBLESSEE shall not proceed with development of the Subleased Premises in any way including, but not limited to, funding, permit application, design or building contracts, until the Operational Report required herein has been submitted and approved. Any financial commitments made by SUBLESSEE, which are not in compliance with the terms of this Sublease, shall be done at SUBLESSEE'S own risk. The approved Operational Report shall provide the basic guidance and schedule for all planned activities and improvements or modifications contemplated for the Subleased Premises. SUBLESSEE shall not use or alter the Subleased Premises except as provided in the approved Operational Report without prior written approval of SUBLESSOR. Emergency repairs or maintenance to keep the existing facilities in operation are presumed to be consistent with the Operational Report.

25. NOTICES.

All notices given under this Sublease shall be in writing and shall be served by certified mail including, but not limited to, notice of any violation served pursuant to Section 253.04, Florida Statutes, to the last address of the party to whom notice is to be given, as designated by such party in writing. SUBLESSOR and SUBLESSEE hereby designate their address as follows:

SUBLESSOR: Florida Department of Children and Family Services
1317 Winewood Avenue
Tallahassee, Florida 32399-0700
Attention: Asst. Secretary for Mental Health

SUBLESSEE: Florida Civil Commitment Center Financing Corporation
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: Secretary

26. DAMAGES TO THE PREMISES.

- (a) SUBLESSEE shall not do, or suffer to be done, in, on or upon the Subleased Premises or as affecting said Subleased Premises or adjacent properties, any act which may result in damage or depreciation of value to the Subleased Premises or adjacent properties, or any part thereof.
- (b) SUBLESSEE shall not generate, store, produce, place, treat, release or discharge any contaminants, pollutants or pollution, including, but not limited to, hazardous or toxic substances, chemicals or other agents on, into, or from the Subleased Premises or any adjacent lands or waters in any manner not permitted by law. For the purposes of this Sublease, "hazardous substances" shall mean and include those elements or compounds defined in 42 USC Section 9601 or which are contained in the list of hazardous substances adopted by the United States Environmental Protection Agency (EPA) and the list of toxic pollutants designated by the United States Congress or the EPA or defined by any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree regulating, relating to, or imposing liability or standards of conduct concerning any hazardous, toxic or dangerous waste, substance, material, pollutant or contaminant. "Pollutants" and "pollution" shall mean those products or substances defined in Chapters 376 and 403, Florida Statutes and the rules promulgated thereunder, all as amended or updated from time to time. In the event of SUBLESSEE'S failure to comply with this paragraph, SUBLESSEE shall, at its sole cost and expense, promptly commence and diligently pursue any legally required closure, investigation, assessment, cleanup, decontamination, re-mediation, restoration and monitoring of (1) the Subleased Premises, and (2) all off-site ground and surface waters and lands affected by SUBLESSEE'S such failure to comply, as may be necessary to bring the Subleased Premises and affected off-site waters and lands into full compliance with all applicable federal, state or local statutes, laws, ordinances, codes, rules, regulations, orders, and decrees, and to restore the damaged property to the condition existing immediately prior to the occurrence which caused the damage. SUBLESSEE'S obligations set forth in this paragraph shall survive the termination or expiration of this Sublease. This paragraph shall not be construed as a limitation upon SUBLESSEE'S obligations regarding indemnification and payment of costs and fees as set forth in sections 12 and 13 of this Sublease, nor upon any other obligations or responsibilities of SUBLESSEE as set forth herein. Nothing herein shall relieve SUBLESSEE of any responsibility or liability prescribed by law for fines, penalties and damages levied by governmental agencies, and the cost of cleaning up any contamination caused directly or indirectly by SUBLESSEE'S activities or facilities. Upon discovery of a release of a hazardous substance or pollutant, or any other violation of local, state or federal law, ordinance code, rule, regulation, order or decree relating to the generation, storage, production, placement, treatment, release or discharge of any contaminant, SUBLESSEE shall report such violation to all applicable governmental agencies

having jurisdiction, and to SUBLESSOR, all within the reporting periods of the applicable agencies.

27. SURRENDER OF PREMISES.

Upon termination or expiration of this Sublease, SUBLESSEE shall surrender the Subleased Premises to SUBLESSOR. In the event no further use of the Subleased Premises or any part thereof is needed, SUBLESSEE shall give written notification to SUBLESSOR and the Bureau of Public Land Administration, Division of State Lands, Department of Environmental Protection, Mail Station 130, 3900 Commonwealth Boulevard, Tallahassee, Florida 32399-3000 at least six months prior to the release of any or all of the Subleased Premises. Notification shall include a legal description, this Sublease number and an explanation of the release. The release shall only be valid if approved by SUBLESSOR and the TRUSTEES through the execution of a release of sublease instrument with the same formality as this Sublease. Upon release of all or any part of the Subleased Premises or upon termination or expiration of this Sublease, all improvements, including both physical structures and modifications to the Subleased Premises, shall become the property of SUBLESSOR and the TRUSTEES unless SUBLESSOR gives written notice to SUBLESSEE to remove any or all such improvements at the expense of SUBLESSEE. The decision to retain any improvements upon termination of this Sublease shall be at SUBLESSOR'S sole discretion. Prior to surrender of all or any part of the Subleased Premises, SUBLESSOR shall perform an on-site inspection and the keys to any building on the Subleased Premises shall be turned over to SUBLESSOR. If the improvements do not meet all conditions as set forth in sections 20 and 39 herein, SUBLESSEE shall pay all costs necessary to meet the prescribed conditions.

28. BREACH OR DEFAULT AND FORFEITURE.

Should SUBLESSEE breach any of the covenants, terms, or conditions of this Sublease, SUBLESSOR shall give SUBLESSEE written notice to remedy such breach within sixty days of such notice. In the event SUBLESSEE fails to remedy the breach to the reasonable satisfaction of SUBLESSOR within sixty days of receipt of written notice, SUBLESSOR may terminate this Sublease and recover from SUBLESSEE all damages SUBLESSOR may incur by reason of the breach including, but not limited to, the cost of recovering the Subleased Premises and attorneys' fees. Should SUBLESSEE, at any time during the term of this Sublease, suffer or permit to be filed against it an involuntary, or voluntary, petition in bankruptcy or institute a composition or an arrangement proceeding under Chapter X or XI of the Bankruptcy Act, or make any assignments for the benefit of its creditor, or should a receiver or trustee be appointed for SUBLESSEE'S property because of SUBLESSEE'S insolvency, and the said appointment not vacated within thirty days thereafter; or should SUBLESSEE'S subleasehold interest be levied on and the lien thereof not discharged within thirty days after said levy has been made; or should SUBLESSEE fail promptly to make the necessary returns and reports required of it by state and federal law; or should SUBLESSEE fail promptly to comply with all governmental regulations, both state and federal; or should SUBLESSEE fail to comply with any of the terms and conditions of this Sublease and such failure shall in any manner jeopardize the rights of SUBLESSOR; then, in such event, and upon the happening of either or any of said events, SUBLESSOR shall have the right, at its discretion, to consider the same a default on the part of SUBLESSEE of the terms and provisions hereof, and, in the event of such default, SUBLESSOR shall have the option of either declaring this Sublease terminated, and the interest of SUBLESSEE forfeited, or maintaining this Sublease in full force and effect and exercising all rights and remedies herein conferred upon SUBLESSOR. The pendency of bankruptcy proceedings or arrangement proceedings to which SUBLESSEE shall be a party shall not preclude SUBLESSOR from exercising either option herein conferred upon SUBLESSOR. In the event SUBLESSEE, or the trustee or receiver of SUBLESSEE'S property, shall seek an injunction against SUBLESSOR'S exercise of either option herein conferred, such action on the part of SUBLESSEE, his trustee or receiver, shall automatically terminate this Sublease as of the date of the making of such application, and in the event the Court shall enjoin SUBLESSOR from exercising either option herein conferred, such injunction shall automatically terminate this Sublease.

29. BEST MANAGEMENT PRACTICES.

SUBLESSEE shall implement applicable Best Management Practices for all activities conducted under this Sublease in compliance with Paragraph 18-2.018 (2) (h), Florida Administrative Code, which have been selected, developed, or approved by TRUSTEES, SUBLESSOR, or other land managing agencies for the protection and enhancement of the Subleased Premises.

30. SOVEREIGNTY SUBMERGED LANDS.

This Sublease does not authorize the use of any lands located waterward of the mean or ordinary high water line of any lake, river stream, creek, bay, estuary, or other water body or the waters or the air space thereabove.

31. PROHIBITIONS AGAINST LIENS OR OTHER ENCUMBRANCES.

Fee title to the Subleased Premises is held by the TRUSTEES. SUBLESSEE shall not do or permit anything to be done which purports to create a lien or encumbrance of any nature against the real property contained in the Subleased Premises including, but not limited to, mortgages or construction liens against the Subleased Premises or against any interest of the TRUSTEES and SUBLESSOR therein.

32. CONDITIONS AND COVENANTS.

All of the provisions of this Sublease shall be deemed covenants running with the land included in the Subleased Premises, and construed to be "conditions" as well as "covenants" as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

33. PARTIAL INVALIDITY.

If any term, covenant, condition or provision of this Sublease shall be ruled by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

34. ENTIRE UNDERSTANDING.

This Sublease sets forth the entire understanding between the parties and shall only be amended with the prior written approval of the TRUSTEES and SUBLESSOR.

35. CONVICTION OF FELONY.

If SUBLESSEE is convicted of a felony during the term of this Sublease, such conviction shall constitute, at the option of the TRUSTEES and SUBLESSOR, grounds for termination of this Sublease.

36. EASEMENTS.

All easements including, but not limited to, utility easements are expressly prohibited without the prior written approval of the TRUSTEES and SUBLESSOR. Any easement not approved in writing by the TRUSTEES and SUBLESSOR shall be void and without legal effect.

37. SUB-SUBLEASES.

Except as set forth in Section 45 hereof, this Sublease is for the purposes specified herein and any sub-subleases of any nature are expressly prohibited, without the prior written approval of the TRUSTEES and SUBLESSOR. Any sub-sublease not approved in writing by the TRUSTEES and SUBLESSOR shall be void and without legal effect.

38. MAINTENANCE OF IMPROVEMENTS.

SUBLESSEE shall maintain the real property contained within the Subleased Premises and any improvements located thereon, in a state of good condition, working order and repair including, but not limited to, maintaining the planned improvements as set forth in the approved Operational Report, keeping the Subleased Premises free of trash or litter, meeting all building and safety codes in the location situated and maintaining any and all existing roads, canals, ditches, culverts, risers and the like in as good condition as the same may be on the effective date of this Sublease.

39. COMPLIANCE WITH LAWS.

SUBLESSEE agrees that this Sublease is contingent upon and subject to SUBLESSEE obtaining all applicable permits and complying with all applicable permits, regulations, ordinances, rules, and laws of the State of Florida or the United States or of any political subdivision or agency of either.

40. ARCHAEOLOGICAL AND HISTORIC SITES.

Execution of this Sublease in no way affects any of the parties' obligations pursuant to Chapter 267, Florida Statutes. The collection of artifacts or the disturbance of archaeological and historic sites on state-owned lands is prohibited unless prior authorization has been obtained from the Department of State, Division of Historical Resources. The Operational Report prepared pursuant to Section 18-2.006, Florida Administrative Code, may be reviewed by the Division of Historical Resources to insure that adequate measures have been planned to locate, identify, protect and preserve the archaeological and historic sites and properties on the Subleased Premises.

41. GOVERNING LAW.

This Sublease shall be governed by and interpreted according to the laws of the State of Florida.

42. ADMINISTRATIVE FEE.

SUBLESSEE shall pay SUBLESSOR an annual administration fee \$300.00 or such other fee as may be assessed by the TRUSTEES against leases and subleases of state-owned property. The initial annual administrative fee shall be payable within 30 days from the date of execution of this Sublease, and shall be prorated based on the number of months or the fraction thereof remaining in the fiscal year of execution. For the purposes of this Sublease, the fiscal year shall be the period extending from July 1 to June 30. Each annual payment thereafter shall be due and payable on July 1 of each subsequent year.

43. ENVIRONMENTAL AUDIT.

At SUBLESSOR'S discretion, SUBLESSEE, at its expense, shall provide SUBLESSOR with a current Phase I environmental site assessment conducted in accordance with the Department of Environmental Protection, Division of State Lands' standards prior to termination of this Sublease, and if necessary a Phase II environmental site assessment. Should SUBLESSEE, at its discretion, have an environmental assessment of the Subleased Premises conducted at any time during the term of this Sublease, a copy of the assessment report shall be provided to SUBLESSOR and the TRUSTEES.

44. SECTION CAPTIONS.

Articles, subsections and other captions contained in this Sublease are for reference purposes only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Sublease or any provisions thereof.

45. SPECIAL CONDITIONS.

The following special conditions shall apply to this Sublease.

(A) PURPOSE OF SUBLEASE.

Pursuant to Florida Statutes, Chapter 394, Part V and Florida Statutes, Section 287.057(14)(c) (the "Act"), SUBLESSOR may enter into agreements with a private provider to finance, design, and construct a secure facility, as described in Florida Statutes, Section 394.917, of at least 600 beds and to operate all aspects of daily operations within the secure facility. The Act specifically provides that 1) SUBLESSOR may enter into agreements for the financing, design and construction of a secure facility having at least 600 beds (the "Project"), 2) SUBLESSOR may enter into a lease purchase agreement with respect to such Project, and 3) that the financing of the Project may be accomplished through the issuance of tax exempt bonds, certificates of participation, or other securities.

To accomplish the purposes of the Act, SUBLESSOR has entered into an Operations Contract dated as of October 1, 2006 with THE GEO GROUP, INC., as operator (the "Operator"), for the operation of Florida Civil Commitment Center. In addition, SUBLESSOR has entered into a Design and Construction Contract dated as of October 1, 2006 with THE GEO GROUP, INC., as developer (the "Developer"), for the construction of the Project to be located on the Subleased Premises. In order to finance the Project, it is necessary to enter into this Sublease. SUBLESSEE will construct the Project on the Subleased Premises and lease such facility back to SUBLESSOR pursuant to a Lease Purchase Agreement to be dated as of October 1, 2006 (the "Lease Agreement"). Upon termination of the Lease Agreement and this Sublease, all rights of SUBLESSEE in the Project shall cease. In order to finance the construction of the Project, Certificates of Participation (the "Certificates") will be issued and sold to investors pursuant to the Trust Agreement, which Certificates shall be payable from rental payments to be made by SUBLESSOR pursuant to the Lease Agreement.

(B) PAYMENTS UNDER THIS SUBLEASE.

So long as no Event of Default or Event of Non-Appropriation (each as defined in the Lease Agreement) shall have occurred under the Lease Agreement, SUBLESSEE shall pay to SUBLESSOR as rental for the Subleased Premises the sum of One Dollar (\$1.00) per annum, which sum shall be due in advance on the date of execution of the Lease Agreement and annually thereafter on October 1 (the "Ground Rent"). At the option of SUBLESSEE, SUBLESSEE may prepay all or a portion of the Ground Rent payable hereunder for the entire term of this Sublease from the proceeds of sale of the Certificates or otherwise.

(C) POSSESSION OF LAND.

Notwithstanding any provision of this Sublease:

(i) SUBLESSEE shall at all times during this Sublease have a valid and enforceable leasehold estate in the Subleased Premises and the Project with full right to vest the use, enjoyment and possession of such leasehold interest therein in the Certificate Trustee. The Certificate Trustee shall have the right to vest such estate in a Permitted Transferee (as hereinafter defined in this Sublease), subject to the consent of the TRUSTEES.

(ii) SUBLESSEE shall provide free access over roadways within the Subleased Premises to SUBLESSOR and its clients, customers and visitors.

(iii) SUBLESSEE shall preserve and maintain all existing roadways and utility lines (gas, water, sewer, electricity, etc.) within the Subleased Premises during the sublease term. Any construction that conflicts with existing utility systems and roadways shall either be relocated or replaced in a manner acceptable to SUBLESSOR, at no cost to SUBLESSOR.

(iv) Possession and use of the Subleased Premises, together with all improvements thereon shall, upon the last day of the sublease term automatically revert to SUBLESSOR free and clear of liens and encumbrances, other than Permitted Encumbrances, without necessity of any act by SUBLESSEE or any Permitted Transferee. Upon such expiration of this Sublease term or any other earlier termination thereof, SUBLESSEE shall peaceably and quietly surrender to SUBLESSOR the Subleased Premises together with any improvements located in or upon the Subleased Premises. Upon such surrender of the Subleased Premises, SUBLESSEE, at the reasonable request of SUBLESSOR, shall execute instruments in recordable form evidencing such surrender and shall deliver to SUBLESSOR all books,

records, construction plans, surveys, permits and other documents in the possession of SUBLESSEE relating to and necessary or convenient for, the operation of the Subleased Premises and the Project.

(v) Any personal property of SUBLESSEE or any person which shall remain on the Subleased Premises after expiration or earlier termination of this Sublease and for thirty (30) days after request by SUBLESSOR for removal, shall, at the option of SUBLESSOR, be deemed to have been abandoned and may be retained by SUBLESSOR and the same may be disposed of, without accountability, in such manner as SUBLESSOR may see fit.

(vi) If SUBLESSEE holds over or refuses to surrender possession of the Subleased Premises after expiration or earlier termination of this Sublease, SUBLESSEE shall be a tenant at sufferance and shall pay rent equal to the fair market rental of the Subleased Premises.

(D) USE OF SUBLEASED PREMISES, ASSIGNMENTS, SUBLEASES AND MORTGAGES.

(i) The parties agree that unless there shall have occurred an Event of Default or an Event of Non-Appropriation under the Lease Agreement, the Subleased Premises shall be used solely for the purposes of providing a "secure facility" pursuant to Section 394.917, Florida Statutes, and shall not be used for a purpose that would subject the interest component of the Certificates to be included in gross income for Federal income tax purposes. Unless there shall have occurred an Event of Default or Event of Non-Appropriation under the Lease Agreement, no assignment of this Sublease or subletting of the Subleased Premises may be made except as provided in the Assignment of Leases, the Lease Agreement, the Trust Agreement and this Sublease. In the event that there shall have occurred an Event of Default or Event of Non-Appropriation under the Lease Agreement, then SUBLESSEE'S interest in this Sublease may be assigned or sublet by the Certificate Trustee to a third party (a "Permitted Transferee"), upon receipt of the written consent of the TRUSTEES and SUBLESSOR; provided, however, the fee title to the Subleased Premises shall not be encumbered by, or subject to, any mortgage of SUBLESSEE'S interest herein, and any assignment or sublease shall not relieve SUBLESSEE of any of its duties and obligations hereunder without SUBLESSOR'S and the TRUSTEES' prior written consent.

(ii) SUBLESSOR represents and covenants that the Subleased Premises are presently zoned to allow SUBLESSEE to utilize the Subleased Premises for their intended use, as contemplated by the Operations Contract, the Construction Contract and the Act. SUBLESSOR shall take no action with respect to rezoning the property or file any application which would otherwise alter, modify or affect any other land use regulation presently governing the use of the Subleased Premises unless SUBLESSOR obtains the prior written consent of SUBLESSEE. If requested by, and at the expense of SUBLESSEE, SUBLESSOR shall assist SUBLESSEE in obtaining any and all necessary building permits, subdivision approvals, zoning changes, variances and special exceptions as are necessary or as SUBLESSEE may reasonably deem necessary or desirable. If requested by, and at the expense of SUBLESSEE, SUBLESSOR shall assist SUBLESSEE in filing an application with the appropriate governmental body to obtain such other permits, licenses, approvals or other actions which are necessary or which SUBLESSEE may reasonably deem necessary or desirable in order to enable SUBLESSEE to use the Subleased Premises for the purposes as provided herein, if such governmental body requires that such application be executed by SUBLESSOR. Provided, however, that SUBLESSEE shall not use or permit the Subleased Premises to be used in violation of any valid present or future laws, ordinances, rules or regulations of any public or governmental authority at any time applicable thereto.

(iii) Notwithstanding the provisions of Sections 8, 17 and 37 hereof, it is understood that all right, title and interest of SUBLESSEE in and to this Sublease is to be assigned without recourse by SUBLESSEE to the Certificate Trustee pursuant to the Assignment of Leases. SUBLESSOR agrees that upon such assignment the Certificate Trustee shall have all of the rights of SUBLESSEE hereunder assigned to the Certificate Trustee, notwithstanding any claim, defense, setoff, or counterclaim whatsoever (whether arising from a breach of this Sublease or otherwise) that SUBLESSOR may from time to time have against SUBLESSEE or any person or entity associated or affiliated therewith. SUBLESSOR acknowledges that the Certificate Trustee is acting on behalf of the Certificate holders, and may under certain circumstances assign this Sublease to a Permitted Transferee.

(iv) Notwithstanding anything to the contrary herein or in any exhibit, instrument, document or paper relating to this Sublease or any of the transactions contemplated hereby, the parties hereto

acknowledge and agree that upon the assignment by SUBLESSEE of its rights hereunder to the Certificate Trustee pursuant to the Assignment of Leases, to the extent the Certificate Trustee assumes the rights and obligations of SUBLESSEE, SUBLESSEE shall have no further obligation, liability or responsibility hereunder and no party hereto nor its successors or assigns shall look to SUBLESSEE for any damages, expenses, fees, charges or claims with respect to the failure of any obligations hereunder to be performed.

(vi) Notwithstanding the provisions of Section 38 hereof, SUBLESSEE shall be required to meet only such building and safety codes as are applicable to the Project.

(E) AMENDMENTS.

The terms of this Sublease shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by SUBLESSEE, Certificate Trustee and SUBLESSOR. Copies of amendments shall be provided to the Rating Agencies. Notwithstanding the foregoing, this Sublease and the rights and obligations of SUBLESSOR hereunder and of SUBLESSEE and its successors and assigns may also be modified or amended from time to time and at any time by an agreement which SUBLESSOR, SUBLESSEE and the Certificate Trustee may enter into but only to the extent not prohibited by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of SUBLESSOR, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the obligations of SUBLESSOR hereunder, or to surrender any right or power herein reserved to or conferred upon SUBLESSOR; and

(ii) to provide for any additional or alternative procedures, covenants or agreements necessary to maintain the exclusion from gross income for Federal income tax purposes of the interest portion of the Basic Rent Payments (as defined in the Trust Agreement)

(F) NO MERGER OF LEASEHOLD ESTATES.

There shall be no merger of this Sublease or of the leasehold estate hereby created with the interest created by the Lease Agreement 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 Sublease or leasehold estate hereby created or any interest herein or therein, and the leasehold interest created by the Lease Agreement.

(G) NOTICES.

In addition to the notice provisions set forth in Section 25 hereof, copies of any notices required hereunder shall be provided to the following:

Certificate Trustee: U.S. BANK NATIONAL ASSOCIATION
225 E. Robinson Street, Suite 250
Orlando, Florida 32801
Attention: Trust Department

Operator and Developer: THE GEO GROUP, INC.
One Park Place, Suite 700, 621 NW 53rd Street
Boca Raton, Florida 33487
Attention: President

Insurer: MBIA INSURANCE CORPORATION
113 King Street
Armonk, New York 10504
Attention: Insured Portfolio Management

(H) RELATED DOCUMENTS

By approving this Sublease, the TRUSTEES and SUBLESSOR also hereby approve the related Lease Agreement and the Assignment of Leases dated as October 1, 2006 from SUBLESSEE to the Certificate Trustee and no further approvals shall be required with respect to such documents

notwithstanding the provisions of Sections 8, 17 and 37 hereof and the TRUSTEES and SUBLESSOR acknowledge the encumbrances created by the Trust Agreement, the Lease Agreement, the Assignment of Leases and this Sublease notwithstanding the provisions of Section 31.

(I) ASSUMPTION OF CERTAIN OBLIGATIONS.

SUBLESSOR acknowledges that certain of the obligations of SUBLESSEE under this Sublease have been or shall be assumed by the Operator, the Developer or SUBLESSOR through the Operations Contract, Construction Contract, the Lease Agreement or otherwise, but that such assumption shall not relieve SUBLESSEE from any of its obligations hereunder.

(J) PROPERTY TAX EXEMPTIONS.

SUBLESSOR acknowledges that it is anticipated that the Subleased premises shall remain exempt from real property taxes throughout the term of this Sublease. If the Subleased Premises shall become subject to real property taxes, payment of such taxes shall be provided for through a request for additional appropriation by SUBLESSOR as set forth in Section 5.09 of the Lease Agreement. As set forth in the Lease Agreement, the Construction Contract and the Operations Contract, the Developer, the Operator or SUBLESSOR, as the case may be, shall be responsible for any mechanic's or materialmen's liens or drainage and special assessments. Notwithstanding the foregoing, such assumption by such parties shall not relieve the SUBLESSEE of its obligations hereunder.

(K) FURTHER ASSURANCES.

The parties hereto will execute and deliver such further instruments and do such further acts and things as may be reasonably required to carry out the intent and purposes of this Sublease.

IN WITNESS WHEREOF, SUBLESSEE has caused this Sublease to be executed in its corporate name and its corporate seal to be hereunto affixed and attested by its duly authorized officers and SUBLESSOR has caused this Sublease 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.

Witnesses:

Laura Leonard
Name: Laura Leonard
Address: 1517 Winewood Blvd
Jalla Kasane, FL 32359
Debie Harrell
Name: 4288 ST Teresa Ave
Address: Debie Harrell
Sopchoppy, FL 32358

FLORIDA DEPARTMENT OF CHILDREN AND FAMILY SERVICES, as Sublessor

By: [Signature]
Lucy Hadi, Secretary

STATE OF FLORIDA
COUNTY OF Leon

The foregoing instrument was acknowledged before me on November 13, 2006, by Lucy Hadi, as Secretary of the Florida Department of Children and Family Services, who is personally known to me or has produced _____, as identification.

(Notary Seal)



Frenchie M. Yon
MY COMMISSION # DD269420 EXPIRES
December 14, 2007
BONDED THRU TROY FAIR INSURANCE, INC.

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION, as Sublessee

(SEAL)

By: Dale W. Frick
Dale W. Frick, President

STATE OF FLORIDA
COUNTY OF Leon

The foregoing instrument was acknowledged before me on November 13, 2006, by Dale W. Frick, as President of Florida Civil Commitment Center Financing Corporation, who is personally known to me or has produced FLA Drivers License, as identification.

(Notary Seal)

License F620-179-44-0590

My commission expires: _____
Name: _____



Rita Jean Watson
My Commission DD198021
Expires May 05, 2007

CONSENT

Consented to by the Board of Trustees of the Internal Improvement Trust Fund of the State of Florida on this 13th day of November 2006.

Gloria C. Barber

Gloria C. Barber, Operations and Management
Consultant Manager, Bureau of Public Land
Administration, Division of State Lands, Department
of Environmental Protection

Approved as to Form and Legality

By: [Signature]

DEP Attorney

EXHIBIT A – DESCRIPTION OF SUBLEASED PREMISES

That part of Section 6, Township 38 South, Range 27 East and Section 31, Township 37 South, Range 27 East, Desoto County, Florida, described as follows:

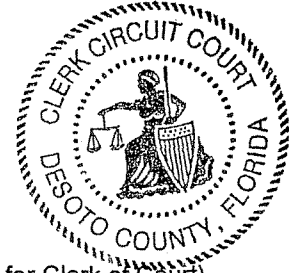
Commence at the northeast corner of the west half of Section 6, Township 38 South, Range 27 East; thence S01°27'03"E along the east line of said west half, a distance of 654.70 feet to an iron pipe marking the southeast corner of Less and Except parcel described in Official Record Book 249, Page 79, Public Records of Desoto County, Florida and the Point of Beginning; thence continue S01°27'03"E along said east line of west half, a distance of 3317.04 feet; thence S89°51'41"W, a distance of 1782.27 feet; thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 2678.76 feet; thence S89°53'23"E, a distance of 895.01 feet thence N01°27'03"W parallel with the aforesaid east line of west half, a distance of 1296.90 feet to the north line of Section 6, also being the south line of said Section 31; thence continue N01°27'03"W, a distance of 68.19 feet to the south right of way line of State Road 70 (per FDOT RW map, Section No. 0404-(151)175); thence N89°51'15"E along said south right of way line, a distance of 164.47 feet; thence S01°27'38"E, a distance of 68.22 feet to the north line of said Section 6 and the northwest corner of the aforesaid Less and Except parcel described in Official Record Book 249, page 79; thence continue S01°27'38"E along the west line of said Less and Except parcel, a distance of 654.52 feet to an iron pipe marking the southwest corner of said Less & Except parcel; thence N89°52'40"E along the south line of said Less and Except parcel, a distance of 722.77 feet to the Point of Beginning.

Prepared by and after recording, return to:

Garry W. Johnson, Esq.
Tripp, Scott, P.A.
110 Southeast Sixth Street, 15th Floor
Fort Lauderdale, Florida 33301

Record and return to:

Angela L. Comet, Paralegal
Broad and Cassel
Post Office Box 4961
Orlando, Florida 32802-4961
(407) 839-4200



(Space reserved for Clerk of Court)

ASSIGNMENT OF LEASES

BY AND BETWEEN

FLORIDA CIVIL COMMITMENT CENTER FINANCING CORPORATION

AND

U.S. BANK NATIONAL ASSOCIATION,
AS TRUSTEE

DATED AS OF OCTOBER 1, 2006

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EXHIBIT A – DESCRIPTION OF LAND

[form of opinion of Nabors, Giblin & Nickerson, P.A., special counsel]

[Date of Closing]

Florida Department of Children and Families
Tallahassee, Florida

Ladies and Gentlemen:

We have acted as Special Counsel in connection with the execution and delivery of \$12,945,000 principal amount of Refunding Certificates of Participation Evidencing Fractional Interests of the Owners thereof in Basic Rent Payments to be Made Under a Lease-Purchase Agreement by the State of Florida Department of Children and Families (South Florida Evaluation Treatment Center Project), Series 2021A (the "2021A Certificates") in connection with the Lease Agreement described below.

In that capacity, we have examined various documents, including (i) the Lease-Purchase Agreement, dated as of October 1, 2005 (the "Original Lease Agreement"), between the South Florida Evaluation Treatment Center Financing Corporation, a Florida not-for-profit corporation duly organized and existing under the laws of the State of Florida, as lessor (the "Corporation"), and the Florida Department of Children and Families, formerly Florida Department of Children and Family Services, as lessee (the "Department"); (ii) the First Supplement to Lease-Purchase Agreement, dated as of February 1, 2021, between the Corporation and the Department (the "First Supplement to Lease Agreement"; together with the Original Lease Agreement, the "Lease Agreement"); (iii) Lease Schedule No. 2021A, dated as of February 1, 2021 ("Lease Schedule No. 2021A"), between the Corporation and the Department; (iv) the Trust Agreement, dated as of October 1, 2005 (the "Original Trust Agreement"), among U.S. Bank National Association, as trustee (the "Trustee"), the Department and the Corporation; and (v) the 2021A Supplemental Trust Agreement, dated as of February 1, 2021 (the "2021A Supplemental Trust Agreement"; together with the Original Trust Agreement, the "Trust Agreement"), among the Trustee, the Department and the Corporation. We have also examined a record of proceedings of the Department relating to all of the foregoing.

The proceeds of the 2021A Certificates will be used for the principal purposes of refunding the Certificates of Participation (South Florida Evaluation Treatment Center Project), Series 2005 (the "Refunded Certificates"), and paying certain costs of issuance. Certain proceeds of the 2021A Certificates will be deposited into an escrow deposit trust fund (the "Escrow Fund") established pursuant to the Escrow Deposit Agreement, dated as of February 1, 2021 (the "Escrow Agreement") among U.S. Bank National Association, as Escrow Agent, the Corporation and the Department, and invested in direct obligations of the United States of America (the "Escrow Securities"), such that the principal of and interest on such Escrow Securities, together with a cash deposit, shall be sufficient to pay the principal of, prepayment premium, if any, and

interest on the Refunded Certificates as the same shall become due or are prepaid prior to maturity.

Pursuant to the Lease Agreement, the Corporation is leasing certain facilities to the Department, and the Department is making lease payments to the Trustee, as assignee of the Corporation pursuant to the Lease Assignment, which include Basic Rent Payments (as defined in the Trust Agreement). The 2021A Certificates evidence an undivided proportionate interest in the Basic Rent Payments under the Lease Agreement. The Basic Rent Payments are payable solely from the Department's Available Revenues (as defined in the Trust Agreement) appropriated for such purpose. The State of Florida (the "State") is not legally required to budget and appropriate Available Revenues for this purpose. Basic Rent Payments are subject to annual appropriation by the State Legislature. None of the Department, the State, nor any political subdivision or agency thereof shall be obligated to pay any sums due under the Lease Agreement from any source other than Available Revenues, and the faith and credit of the State are not pledged for payment of such sums due thereunder and such sums do not constitute debt of the State within the meaning of any constitutional or statutory provision or limitation.

The 2021A Certificates are dated and shall bear interest from their date of delivery, except as otherwise provided in the Trust Agreement. The 2021A Certificates will mature on the dates and in the principal amounts, and will bear interest at the rates per annum, as provided in the Trust Agreement. Interest shall be payable on each April 1 and October 1, commencing April 1, 2021. The 2021A Certificates are not subject to prepayment prior to maturity.

As to questions of fact material to our opinion, we have relied upon the representations of the Department contained in the Lease Agreement, the Trust Agreement and in the certified proceedings and other certifications of officials furnished to us without undertaking to verify the same by independent investigation. Furthermore, we have assumed continuing compliance with the covenants and agreements contained in the Lease Agreement and the Trust Agreement. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

Based upon the foregoing, we are of the opinion that:

1. The Original Lease Agreement, the First Supplement to Lease Agreement, Lease Schedule No. 2021A, the Original Trust Agreement and the 2021A Supplemental Trust Agreement have each been duly authorized, executed and delivered by the Department and each constitutes a valid and legally binding obligation of the Department, enforceable in accordance with its respective terms.

2. The 2021A Certificates, upon proper execution and authentication, shall evidence an undivided proportionate interest in a portion of the Basic Rent Payments made by the

Department under the Lease Agreement and shall be entitled to the benefits and security of the Trust Agreement.

3. Under existing statutes, regulations, rulings and court decisions, prior to the termination of the Lease Agreement resulting from an Event of Non-Appropriation or Event of Default thereunder, the Interest Component (as defined in the Trust Agreement) of the Basic Rent Payments received by the owners of the 2021A Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth above are subject to the condition that all requirements of the Internal Revenue Code of 1986, as amended, must be satisfied subsequent to the issuance of the 2021A Certificates in order that the Interest Component be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the Interest Component to be so included in gross income retroactive to the date of issuance of the 2021A Certificates. The Department and the Corporation have covenanted in the Lease Agreement to comply with all such requirements. Ownership of the 2021A Certificates may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding such federal tax consequences arising with respect to the 2021A Certificates.

We express no opinion regarding the federal income tax or Florida tax consequences resulting from the ownership of the 2021A Certificates or the receipt by the owners thereof of payments on the 2021A Certificates following the termination of the Lease Agreement resulting from an Event of Non-Appropriation or Event of Default thereunder.

4. Assuming the deposit and application of the Escrow Securities in accordance with the provisions of the Escrow Agreement, such application and deposit will cause, with respect to the Refunded Certificates, the Trust Estate and the rights granted in the Trust Agreement to cease, terminate and be void.

In rendering the opinions set forth in paragraphs 3 and 4 above, we are relying upon (a) the arithmetical accuracy of certain computations included in schedules provided relating to the computations of projected receipts of the Escrow Securities and any other amounts deposited in the Escrow Fund, of the adequacy of such projected receipts and other sums to pay the principal of, prepayment premium and interest on the Refunded Certificates and of the yield on the 2021A Certificates and on the Escrow Securities and (b) the verifications of the arithmetical accuracy of such computations by Causey Demgen & Moore P.C., a firm of independent certified public accountants.

The opinions expressed in paragraphs 1 and 2 hereof are qualified to the extent that (i) the enforceability of the Original Lease Agreement, the First Supplement to Lease Agreement, Lease Schedule No. 2021A, the Original Trust Agreement and the 2021A Supplemental Trust Agreement, and the rights of the owners of the 2021A Certificates may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of

equity or public policy, and (ii) we have assumed the due authorization, execution and delivery of the Original Trust Agreement and the 2021A Supplemental Trust Agreement by the Corporation and the Trustee and of the Original Lease Agreement, First Supplement to Loan Agreement and Lease Schedule No. 2021A by the Corporation.

It should be noted that (a) except as may expressly be set forth in an opinion delivered by us to the underwriters of the 2021A Certificates on the date hereof (upon which only they may rely), we have not been engaged or undertaken to review the accuracy, sufficiency or completeness of the Offering Statement or other offering material relating to the 2021A Certificates and we express no opinion relating thereto, and (b) we have not been engaged or undertaken to review the compliance with any federal or state law with regard to the sale or distribution of the 2021A Certificates and we express no opinion relating thereto.

The opinions set forth herein are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the United States of America. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted herefrom.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention that may hereafter occur.

We have examined the form of the 2021A Certificates and, in our opinion, the form of the 2021A Certificates is regular and proper.

Respectfully submitted,

[form of opinion of Nabors, Giblin & Nickerson, P.A., special counsel]

[Date of Closing]

Florida Department of Children and Families
Tallahassee, Florida

Ladies and Gentlemen:

We have acted as Special Counsel in connection with the execution and delivery of \$28,520,000 principal amount of Refunding Certificates of Participation Evidencing Fractional Interests of the Owners thereof in Basic Rent Payments to be Made under a Lease-Purchase Agreement by the State of Florida Department of Children and Families (Florida Civil Commitment Center Financing Corporation Project), Series 2021B (the "2021B Certificates") in connection with the Lease Agreement described below.

In that capacity, we have examined various documents, including (i) the Lease-Purchase Agreement, dated as of October 1, 2006 (the "Original Lease Agreement"), between the Florida Civil Commitment Center Financing Corporation, a Florida not-for-profit corporation duly organized and existing under the laws of the State of Florida, as lessor (the "Corporation"), and the Florida Department of Children and Families, formerly Florida Department of Children and Family Services, as lessee (the "Department"); (ii) the First Supplement to Lease-Purchase Agreement, dated as of February 1, 2021, between the Corporation and the Department (the "First Supplement to Lease Agreement"; together with the Original Lease Agreement, the "Lease Agreement") (iii) Lease Schedule No. 2021B, dated as of February 1, 2021 ("Lease Schedule No. 2021B"), between the Corporation and the Department; (iv) the Trust Agreement, dated as of October 1, 2006 (the "Original Trust Agreement"), among U.S. Bank National Association, as trustee (the "Trustee"), the Department and the Corporation; and (v) the 2021B Supplemental Trust Agreement, dated as of February 1, 2021 (the "2021B Supplemental Trust Agreement"; together with the Original Trust Agreement, the "Trust Agreement"), among the Trustee, the Department and the Corporation. We have also examined a record of proceedings of the Department relating to all of the foregoing.

The proceeds of the 2021B Certificates will be used for the principal purposes of refunding the Certificates of Participation (Florida Civil Commitment Center Project), Series 2006 (the "Refunded Certificates"), and paying certain costs of issuance. Certain proceeds of the 2021B Certificates will be deposited into an escrow deposit trust fund (the "Escrow Fund") established pursuant to the Escrow Deposit Agreement, dated as of February 1, 2021 (the "Escrow Agreement") among U.S. Bank National Association, as Escrow Agent, the Corporation and the Department, and invested in direct obligations of the United States of America (the "Escrow Securities"), such that the principal of and interest on such Escrow Securities, together

with a cash deposit, shall be sufficient to pay the principal of, prepayment premium, if any, and interest on the Refunded Certificates as the same shall become due or are prepaid prior to maturity.

Pursuant to the Lease Agreement, the Corporation is leasing certain facilities to the Department, and the Department is making lease payments to the Trustee, as assignee of the Corporation pursuant to the Lease Assignment, which include Basic Rent Payments (as defined in the Trust Agreement). The 2021B Certificates evidence an undivided proportionate interest in the Basic Rent Payments under the Lease Agreement. The Basic Rent Payments are payable solely from the Department's Available Revenues (as defined in the Trust Agreement) appropriated for such purpose. The State of Florida (the "State") is not legally required to budget and appropriate Available Revenues for this purpose. Basic Rent Payments are subject to annual appropriation by the State Legislature. None of the Department, the State, nor any political subdivision or agency thereof shall be obligated to pay any sums due under the Lease Agreement from any source other than Available Revenues, and the faith and credit of the State are not pledged for payment of such sums due thereunder and such sums do not constitute debt of the State within the meaning of any constitutional or statutory provision or limitation.

The 2021B Certificates are dated and shall bear interest from their date of delivery, except as otherwise provided in the Trust Agreement. The 2021B Certificates will mature on the dates and in the principal amounts, and will bear interest at the rates per annum, as provided in the Trust Agreement. Interest shall be payable on each April 1 and October 1, commencing April 1, 2021. The 2021B Certificates are not subject to prepayment prior to maturity.

As to questions of fact material to our opinion, we have relied upon the representations of the Department contained in the Lease Agreement, the Trust Agreement and in the certified proceedings and other certifications of officials furnished to us without undertaking to verify the same by independent investigation. Furthermore, we have assumed continuing compliance with the covenants and agreements contained in the Lease Agreement and the Trust Agreement. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

Based upon the foregoing, we are of the opinion that:

1. The Original Lease Agreement, the First Supplement to Lease Agreement, Lease Schedule No. 2021B, the Original Trust Agreement and the 2021B Supplemental Trust Agreement have each been duly authorized, executed and delivered by the Department and each constitutes a valid and legally binding obligation of the Department, enforceable in accordance with its respective terms.

2. The 2021B Certificates, upon proper execution and authentication, shall evidence an undivided proportionate interest in a portion of the Basic Rent Payments made by the Department under the Lease Agreement and shall be entitled to the benefits and security of the Trust Agreement.

3. Under existing statutes, regulations, rulings and court decisions, prior to the termination of the Lease Agreement resulting from an Event of Non-Appropriation or Event of Default thereunder, the Interest Component (as defined in the Trust Agreement) of the Basic Rent Payments received by the owners of the 2021B Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinions set forth above are subject to the condition that all requirements of the Internal Revenue Code of 1986, as amended, must be satisfied subsequent to the issuance of the 2021B Certificates in order that the Interest Component be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the Interest Component to be so included in gross income retroactive to the date of issuance of the 2021B Certificates. The Department and the Corporation have covenanted in the Lease Agreement to comply with all such requirements. Ownership of the 2021B Certificates may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding such federal tax consequences arising with respect to the 2021B Certificates.

We express no opinion regarding the federal income tax or Florida tax consequences resulting from the ownership of the 2021B Certificates or the receipt by the owners thereof of payments on the 2021B Certificates following the termination of the Lease Agreement resulting from an Event of Non-Appropriation or Event of Default thereunder.

4. Assuming the deposit and application of the Escrow Securities in accordance with the provisions of the Escrow Agreement, such application and deposit will cause, with respect to the Refunded Certificates, the Trust Estate and the rights granted in the Trust Agreement to cease, terminate and be void.

In rendering the opinions set forth in paragraphs 3 and 4 above, we are relying upon (a) the arithmetical accuracy of certain computations included in schedules provided relating to the computations of projected receipts of the Escrow Securities and any other amounts deposited in the Escrow Fund, of the adequacy of such projected receipts and other sums to pay the principal of, prepayment premium and interest on the Refunded Certificates and of the yield on the 2021B Certificates and on the Escrow Securities and (b) the verifications of the arithmetical accuracy of such computations by Causey Demgen & Moore P.C., a firm of independent certified public accountants.

The opinions expressed in paragraphs 1 and 2 hereof are qualified to the extent that (i) the enforceability of the Original Lease Agreement, the First Supplement to Lease Agreement, Lease Schedule No. 2021B, the Original Trust Agreement and the 2021B Supplemental Trust Agreement, and the rights of the owners of the 2021B Certificates may be limited by applicable

bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity or public policy, and (ii) we have assumed the due authorization, execution and delivery of the Original Trust Agreement and the 2021B Supplemental Trust Agreement by the Corporation and the Trustee and of the Original Lease Agreement, First Supplement to Lease Agreement and Lease Schedule No. 2021B by the Corporation.

It should be noted that (a) except as may expressly be set forth in an opinion delivered by us to the underwriters of the 2021B Certificates on the date hereof (upon which only they may rely), we have not been engaged or undertaken to review the accuracy, sufficiency or completeness of the Offering Statement or other offering material relating to the 2021B Certificates and we express no opinion relating thereto, and (b) we have not been engaged or undertaken to review the compliance with any federal or state law with regard to the sale or distribution of the 2021B Certificates and we express no opinion relating thereto.

The opinions set forth herein are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the United States of America. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted herefrom.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention that may hereafter occur.

We have examined the form of the 2021B Certificates and, in our opinion, the form of the 2021B Certificates is regular and proper.

Respectfully submitted,

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is executed and delivered as of February 4, 2021, by the STATE OF FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES (the “Department”) and the DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA (the “Division”) in connection with the issuance of \$12,945,000 Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made Under a Lease-Purchase Agreement by the State of Florida Department of Children and Families, (South Florida Evaluation Treatment Center Financing Corporation Project), Series 2021A (the “Certificates”). This Disclosure Agreement is being executed and delivered pursuant to the resolution authorizing the issuance of the Certificates adopted by the South Florida Evaluation Treatment Center Financing Corporation (the “Corporation”) on December 14, 2020, and the Trust Agreement, dated as of October 1, 2005, as amended and supplemented by a 2021A Supplemental Trust Agreement, dated as of February 4, 2021 (collectively, the “Trust Agreement”). The Department and the Division covenant and agree as follows:

1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Department and the Division for the benefit of the Certificate Owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter of the Certificates in complying with Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”). It shall inure solely to the benefit of the Department, the Division, the Certificate Owners, the Beneficial Owners, and the Participating Underwriter.

2. DEFINITIONS. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement, unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person which (a) has 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) is treated as the owner of any Certificates for federal income tax purposes.

“Department” means the State of Florida Department of Children and Families, an agency of the State of Florida, and its successors and assigns.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term financial obligation does not include municipal securities as to which a final official statement has been otherwise provided to the Municipal Securities Rulemaking Board (the “MSRB”) under the Rule.

“Obligated Person” shall mean any person, including the Department, 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 with respect to the Certificates (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Participating Underwriter” shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

3. CONTINUING DISCLOSURE.

(A) **Information to be Provided.** The Department assumes all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Department hereby agrees to provide or cause to be provided the information set forth below, or such other information as may be required, from time to time, to be provided by the Rule.

(1) **Financial Information and Operating Data.** For fiscal years ending on June 30, 2020, and thereafter, annual financial information and operating data shall be provided within nine months after the end of the State’s fiscal year. Such information shall include:

- (a) Information related to the financed facilities
- (b) Sources and Amounts of State Funds;
- (c) History of Legislative Appropriations;
- (d) Statement of Resources and Liabilities;
- (e) Schedule of Outstanding Certificates; and
- (f) Litigation.

(2) Audited Financial Statements. If not submitted as part of the annual financial information, a copy of the State's audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.

(3) Material Events Notices. The Department shall give, or cause to be given, notice of the following events, as enumerated in the Rule, relating to the Certificates in a timely manner not in excess of ten business days after the occurrence of the event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) 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 status of the Certificates;
- (g) modifications to rights of the holders of the Certificates, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Certificates, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (m) 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;
- (n) the appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (o) incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect holders of the Certificates, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

(4) Failure to Provide Annual Financial Information; Remedies.

- (a) Notice of the failure of the Department to provide the annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) will be provided in a timely manner.
- (b) The Department acknowledges that its undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Certificate Owners and shall be enforceable only by such Beneficial Owners and Certificate Owners; provided that the right to enforce the provisions of such undertaking shall be conditioned upon the same enforcement restrictions as are applicable to the information undertakings in the Trust Agreement and shall be limited to a right to obtain specific enforcement of the Department's obligations hereunder.

(B) Method of Providing Information.

- (1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the MSRB using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

- (b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.
- (2) (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.
- (b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Department's obligations hereunder shall continue until such time as the Certificates are no longer Outstanding or until the Department shall otherwise no longer remain obligated on the Certificates.

(E) This Disclosure Agreement may be amended or modified so long as:

(1) Any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;

(2) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Department, or the type of business conducted;

(3) This Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(4) The amendment either (i) is approved by the holders of the Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Certificates.

4. ADDITIONAL INFORMATION.

Nothing in this Disclosure Agreement shall be deemed to prevent the Department from disseminating any information in addition to that which is required by this Disclosure Agreement. If the Department chooses to submit any information in addition to that which is specifically required by this Disclosure Agreement, the Department shall have no obligation under this Disclosure Agreement to update such information or include it in any future submission.

Dated this ____ day of _____, 2021.

STATE OF FLORIDA
DEPARTMENT OF CHILDREN AND FAMILIES

DIVISION OF BOND FINANCE OF THE
STATE BOARD OF ADMINISTRATION OF FLORIDA

By: _____
Chad Poppell, Secretary

By: _____
J. Ben Watkins, III

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”) is executed and delivered as of February 4, 2021, by the STATE OF FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES (the “Department”) and the DIVISION OF BOND FINANCE OF THE STATE BOARD OF ADMINISTRATION OF FLORIDA (the “Division”) in connection with the issuance of \$28,520,000 Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made Under a Lease-Purchase Agreement by the State of Florida Department of Children and Families, (Florida Civil Commitment Center Financing Corporation Project), Series 2021B (the “Certificates”). This Disclosure Agreement is being executed and delivered pursuant to the resolution authorizing the issuance of the Certificates adopted by the Florida Civil Commitment Center Financing Corporation (the “Corporation”) on December 14, 2020, and the Trust Agreement, dated as of October 1, 2006, as amended and supplemented by a 2021B Supplemental Trust Agreement, dated as of February 4, 2021 (collectively, the “Trust Agreement”). The Department and the Division covenant and agree as follows:

1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Department and the Division for the benefit of the Certificate Owners and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter of the Certificates in complying with Rule 15c2-12 (the “Rule”) of the Securities and Exchange Commission (the “SEC”). It shall inure solely to the benefit of the Department, the Division, the Certificate Owners, the Beneficial Owners, and the Participating Underwriter.

2. DEFINITIONS. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Agreement, unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“Beneficial Owner” shall mean any person which (a) has 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) is treated as the owner of any Certificates for federal income tax purposes.

“Department” means the State of Florida Department of Children and Families, an agency of the State of Florida, and its successors and assigns.

“Financial Obligation” shall mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b). The term financial obligation does not include municipal securities as to which a final official statement has been otherwise provided to the Municipal Securities Rulemaking Board (the “MSRB”) under the Rule.

“Obligated Person” shall mean any person, including the Department, 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 with respect to the Certificates (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Participating Underwriter” shall mean any of the original underwriters of the Certificates required to comply with the Rule in connection with the offering of the Certificates.

3. CONTINUING DISCLOSURE.

(A) Information to be Provided. The Department assumes all responsibilities for any continuing disclosure as described below. In order to comply with the Rule, the Department hereby agrees to provide or cause to be provided the information set forth below, or such other information as may be required, from time to time, to be provided by the Rule.

(1) Financial Information and Operating Data. For fiscal years ending on June 30, 2020, and thereafter, annual financial information and operating data shall be provided within nine months after the end of the State’s fiscal year. Such information shall include:

- (a) Information related to the financed facilities
- (b) Sources and Amounts of State Funds;
- (c) History of Legislative Appropriations;
- (d) Statement of Resources and Liabilities;
- (e) Schedule of Outstanding Certificates; and
- (f) Litigation.

(2) Audited Financial Statements. If not submitted as part of the annual financial information, a copy of the State's audited financial statements, prepared in accordance with generally accepted accounting principles, will be provided when and if available.

(3) Material Events Notices. The Department shall give, or cause to be given, notice of the following events, as enumerated in the Rule, relating to the Certificates in a timely manner not in excess of ten business days after the occurrence of the event:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults, if material;
- (c) unscheduled draws on the debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) 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 status of the Certificates;
- (g) modifications to rights of the holders of the Certificates, if material;
- (h) bond calls, if material, and tender offers;
- (i) defeasances;
- (j) release, substitution, or sale of property securing repayment of the Certificates, if material;
- (k) rating changes;
- (l) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (m) 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;
- (n) the appointment of a successor or additional trustee or the change of name of the trustee, if material;
- (o) incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Obligated Person, any of which affect holders of the Certificates, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties.

(4) Failure to Provide Annual Financial Information; Remedies.

- (a) Notice of the failure of the Department to provide the annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) will be provided in a timely manner.
- (b) The Department acknowledges that its undertaking pursuant to the Rule set forth in this Section is for the benefit of the Beneficial Owners and Certificate Owners and shall be enforceable only by such Beneficial Owners and Certificate Owners; provided that the right to enforce the provisions of such undertaking shall be conditioned upon the same enforcement restrictions as are applicable to the information undertakings in the Trust Agreement and shall be limited to a right to obtain specific enforcement of the Department's obligations hereunder.

(B) Method of Providing Information.

- (1) (a) Annual financial information and operating data described in paragraph 3(A)(1) and the audited financial statements described in paragraph 3(A)(2) shall be transmitted to the MSRB using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

- (b) Material event notices described in paragraph 3(A)(3) and notices described in paragraph 3(A)(4) shall also be transmitted to the MSRB using EMMA or by such other method as may be subsequently determined by the MSRB.
- (2) (a) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated agent.
- (b) All documents provided to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(C) If this Disclosure Agreement is amended to change the operating data or financial information to be disclosed, the annual financial information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) The Department's obligations hereunder shall continue until such time as the Certificates are no longer Outstanding or until the Department shall otherwise no longer remain obligated on the Certificates.

(E) This Disclosure Agreement may be amended or modified so long as:

(1) Any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body;

(2) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Department, or the type of business conducted;

(3) This Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(4) The amendment either (i) is approved by the holders of the Certificates in the same manner as provided in the Trust Agreement for amendments to the Trust Agreement with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Certificates.

4. ADDITIONAL INFORMATION.

Nothing in this Disclosure Agreement shall be deemed to prevent the Department from disseminating any information in addition to that which is required by this Disclosure Agreement. If the Department chooses to submit any information in addition to that which is specifically required by this Disclosure Agreement, the Department shall have no obligation under this Disclosure Agreement to update such information or include it in any future submission.

Dated this ____ day of _____ 2021.

STATE OF FLORIDA
DEPARTMENT OF CHILDREN AND FAMILIES

DIVISION OF BOND FINANCE OF THE
STATE BOARD OF ADMINISTRATION OF FLORIDA

By: _____
Chad Poppell, Secretary

By: _____
J. Ben Watkins, III

PROVISIONS FOR BOOK-ENTRY ONLY SYSTEM OR REGISTERED BONDS

The Depository Trust Company and Book-Entry Only System

THE INFORMATION IN THIS SECTION CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE STATE OF FLORIDA DEPARTMENT OF CHILDREN AND FAMILIES (THE "DEPARTMENT") AND SOUTH FLORIDA EVALUATION TREATMENT CENTER FINANCE CORPORATION AND THE FLORIDA CIVIL COMMITMENT CENTER FINANCE CORPORATION (COLLECTIVELY, THE "CORPORATIONS") BELIEVE TO BE RELIABLE; HOWEVER, NEITHER THE DEPARTMENT NOR THE CORPORATIONS TAKES RESPONSIBILITY FOR THE ACCURACY THEREOF.

The Depository Trust Company ("DTC") New York, NY, will act as securities depository for the Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the State of Florida Department of Children and Families (South Florida Evaluation Treatment Center Finance Corporation Project), Series 2021A, and the Refunding Certificates of Participation Evidencing Fractional Undivided Interests of the Owners thereof in Basic Rent Payments to be Made by the State of Florida Department of Children and Families (Florida Civil Commitment Center Finance Corporation Project), Series 2021B (collectively, the "2021 Certificates"). The 2021 Certificates will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the 2021 Certificates, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 and 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 participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and together with Direct Participants, the "Participants"). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of the 2021 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2021 Certificate (a "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 such Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2021 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2021 Certificates, except in the event that use of the book-entry system is discontinued.

To facilitate subsequent transfers, all 2021 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 2021 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2021 Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2021 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the 2021 Certificate documents. For example, Beneficial Owners of 2021 Certificates may wish to ascertain that the nominee holding the 2021 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the 2021 Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co., nor any other DTC nominee, will consent or vote with respect to the 2021 Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Division as soon as practicable after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2021 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2021 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 detailed information from the Registrar/Paying Agent, 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 registered in "street name," and will be the responsibility of such Participant and not of DTC, nor its nominee, the Registrar/Paying Agent, the Division, State of Florida Department of Children and Families (the "Department"), or the South Florida Evaluation Treatment Center Finance Corporation or the Florida Civil Commitment Center Finance Corporation ("the Corporations"), subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the Registrar/Paying Agent; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services with respect to the 2021 Certificates at any time by giving reasonable notice to the Corporations or the Trustee and discharging its responsibilities with respect thereto under applicable law. The Department or the Corporations may decide to discontinue use of the system of book-entry transfers for the 2021 Certificates through DTC, or a successor securities depository. Under such circumstances, in the event that a successor securities depository is not obtained, certificates for the 2021 Certificates will be printed and delivered as provided in the documents authorizing the issuance and sale of the 2021 Certificates.

For every transfer and exchange of beneficial interests in the 2021 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.

So long as Cede & Co., as nominee of DTC, is the registered owner of the 2021 Certificates, references herein to the Registered Owners or Holders of the 2021 Certificates shall mean Cede & Co., and not mean the Beneficial Owners of the 2021 Certificates, unless the context requires otherwise.

The Division, the Department, the Corporations, and the Registrar/Paying Agent will not have any responsibility or obligation with respect to:

- (i) the accuracy of the records of DTC, its nominee or any DTC Participant or any successor securities depository, participants thereof or nominee thereof with respect to any beneficial ownership interest in the 2021 Certificates;
- (ii) the delivery to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Certificate Register, of any notice with respect to any 2021 Certificate, including, without limitation, any notice of redemption;
- (iii) the payment to any DTC Participant or participant of any successor securities depository or any other person, other than a registered owner, as shown in the Certificate Register, of any amount with respect to the principal of, premium, if any, or interest on the 2021 Certificates, or the purchase price of, any 2021 Certificate;

- (iv) any consent given by DTC or any successor securities depository as registered owner; or
- (v) the selection by DTC or any DTC Participant or by any successor depository or its participants of the beneficial ownership interests in the 2021 Certificates for partial redemption.

So long as the 2021 Certificates are held in book-entry only form the Department, the Corporations, and the Trustee may treat DTC and any successor Securities Depository as, and deem DTC and any successor Securities Depository to be, the absolute owner of the 2021 Certificates for all purposes whatsoever, including, without limitation:

- (i) the payment of the principal of, premium, if any, and interest on the 2021 Certificates;
- (ii) giving notices of redemption and other matters with respect to the 2021 Certificates;
- (iii) registering transfers with respect to the 2021 Certificates; and
- (iv) the selection of the beneficial ownership interests in the 2021 Certificates for partial redemption.

Payment, Registration, Transfer and Exchange

The following provisions shall only be applicable if the book-entry-only system of registration is discontinued; for provisions which are applicable while the book-entry only system of registration is in effect, see "Book-Entry Only System" above.

The Trustee shall keep or cause to be kept a Certificate Register, which shall at all times be open to inspection by the Department and the Corporations; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer or cause to be registered the transfer, on the Certificate Register, of 2021 Certificates. The transfer of any 2021 Certificates may be registered only upon the Certificate Register upon surrender thereof to the Trustee together with an assignment duly executed by the Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee. Upon any such registration or transfer, the Trustee shall authenticate and deliver in exchange for such 2021 Certificate a new registered 2021 Certificate or 2021 Certificates, registered in the name of the transferee, of any authorized denomination or denominations in the aggregate principal amount equal to the principal amount of such 2021 Certificate surrendered or exchanged, of the same maturity and Series and bearing interest at the same rate.

2021 Certificates, upon surrender thereof at the designated corporate trust office of the Trustee, together with an assignment duly executed by the Owner or such Owner's attorney or legal representative in such form as shall be satisfactory to the Trustee, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of 2021 Certificates of the same maturity and Series, of any authorized denomination or denominations, bearing interest at the same rate, and in the same form as the 2021 Certificates surrendered for exchange.

In all cases in which 2021 Certificates shall be exchanged or the transfer of 2021 Certificates shall be registered, the Trustee shall authenticate and deliver at the earliest practicable time 2021 Certificates in accordance with the provisions of the Trust Indenture. No service charge shall be made for any registration, transfer, or exchange of 2021 Certificates, but the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of 2021 Certificates. The Trustee shall not be required to transfer or exchange 2021 Certificates (1) during the period beginning at the opening of business 15 days before the day of a mailing of a notice of redemption of 2021 Certificates and ending at the close of business on the day of such mailing, (2) so selected for redemption in whole or in part, or (3) during a period beginning at the opening of business on the Record Date next preceding a date set for payment of interest.